UK Commercial Property Trust Limited

Annual Report and Accounts
for the year ended 31 December 2010

Buchanan Street, Glasgow

The Parade, Swindon

Contents

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Company Summary

The Company

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

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

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

The Group

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

The subsidiaries, UK Commercial Property Holdings Limited ("UKCPH"), UK Commercial Property GP Limited ("The GP"), UK Commercial Property Nominee Limited ("UKCPN"), and SCP Group Limited ("SCP") are incorporated in Guernsey. The principal business of UKCPH and the GP are that of an investment and property company. The principal business of UKCPN is that of a nominee company. The principal business of SCP is that of a holding company.

The limited partnership, UKCPT Limited Partnership, ("the GLP") is a Guernsey limited partnership. UK Commercial Property Holdings Limited and UK Commercial Property GP Limited have a partnership interest of 98.99 and 1 per cent respectively in this entity. The remaining 0.01 per cent partnership interest is held by The Droit Purpose Trust, which is a Jersey purpose trust.

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

Objectives

The investment objective of the Company is to provide Ordinary Shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified portfolio of UK commercial properties. The investment policy of the Company is set out on page 17.

Management

Ignis Investment Services Limited is the Investment Manager of the Group.

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

ISA Status

The Company's shares are eligible for ISA investment.

Website

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

16/20 High Street & 1/3 Bedford Street, Exeter

Financial and Property Highlights

- Annual dividend yield of 6.38 per cent based on the year end share price.
- Total dividend paid per Ordinary Share of 5.25p for the year to 31 December 2010.
- The average unexpired lease term of the property portfolio is 9 years and 1 month.
- Void rate (excluding developments) at the year end of 3.6 per cent, compared to the industry average of 8.9 per cent.
- Property portfolio ranked in top quartile for covenant strength in the independent IPD Rental Information Service.
- Fully subscribed 195,000,000 Ordinary Share issue in February 2010 raising in excess of £150 million.
- Purchase of St. George's Retail Park, Leicester in February 2011 for £51 million will further enhance the Company's revenue stream.

Craven House, London W1

Performance Summary

Capital Values & Returns	31 December 2010	31 December 2009	% Change
Total assets less liabilities (£'000)	922,004	728,637	
Shares in issue ('000)Δ	1,197,349	990,099	
Net asset value per share (p)*	75.69	72.69	4.12
Ordinary Share Price (p)	82.25	78.50	4.78
Premium to net asset value (%)	8.67	7.99	

Total Return	% change for year to 31 December 2010	% change for year to 31 December 2009
Net asset value return	4.12	4.01
Dividend return**	7.22	7.51
Total return	11.34	11.52
Investment Property Databank Balanced Monthly & Quarterly Funds Index (% total return)	14.30	3.40
FTSE All-Share Index %	10.94	34.31

Earnings and Dividends	Year ended 31 December 2010	Year ended 31 December 2009
Basic and dilutive earnings per ordinary share (p)***	7.83	8.40
Dividends paid per ordinary share (p)**	5.25	5.25
Dividend yield (%)	6.38	6.69

Total Expense Ratio		
As a percentage of average total assets less current liabilities†	0.85%	0.84%

Δ Excluding Treasury Shares.

* Net of cost of all dividends paid/declared.

** Includes dividend paid February 2011 – see note 6.

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

† Calculated on an annualised basis and excludes capital expenditure and refurbishment and irrecoverable property running costs.

Sources: Ignis Investment Services, Investment Property Databank ("IPD") and Datastream.

Chairman's Statement

I am pleased to present the Annual Report of the Company for the year to 31 December 2010.

Commercial Property Markets

The year started brightly for the commercial property market, continuing the positive sentiment experienced towards the latter stages of 2009 with the economy just emerging from recession and the expectation of a change in Government. May brought the surprise of dealing with a Coalition Government and the reality of how to deal with the scale of the inherited budget deficit. Despite surprisingly good GDP growth of 1.1% in the second quarter, market sentiment remained mixed with many fearful of a 'double dip' recession. While markets appeared to dissipate such fears in the following months, recovery remained lacklustre. The disappointing fall in UK GDP in the fourth quarter seems to indicate that the continuing global and domestic obstacles to growth took the wind out of the recovery's sails as it drifted slowly towards the end of the year.

Commercial property returns for the year were positive, with the CBRE UK Quarterly and Monthly Index recording a total return of 15.2%, of which 8.9% was capital driven. In the main, Central London Offices led the way with Industrials lagging as the regions struggled. Prime commercial properties were much in demand over the period as the secondary property market struggled due to lack of finance, risk aversion and the scepticism about the strength of future recovery prospects, given the scale of Government cuts still to feed through to the economy.

NAV/Share Price Performance

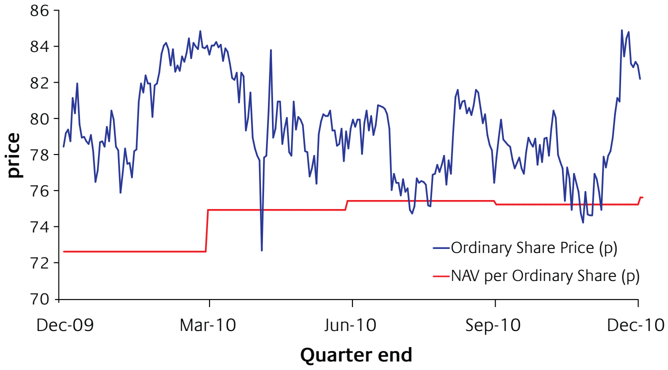
The Net Asset Value per Ordinary Share (adjusted for the provision of dividend declarations) for the year to 31 December 2010 was as follows:

Date	NAV (p)	Share Price (p)	Premium %
31 December 2009*	72.69	78.50	7.99
31 March 2010	75.00	84.10	12.13
30 June 2010	75.50	79.35	5.10
30 September 2010	75.30	76.50	1.59
31 December 2010*	75.69	82.25	8.67

*Audited

It is pleasing to report an increase in NAV of 4.1% over the year and an increase of 4.8% in the share price over what has been a difficult trading environment. The total return on Net Asset Value for the period, inclusive of dividends paid, was 11.3%. While there was an increase in investment activity in 2010 compared to 2009, this was mainly focused on the prime property sector, where overseas investors looking for long term income opportunities and cash buyers have been active.

NAV to Share Price Comparison 2010



A full description of the portfolio performance and portfolio asset management activity is contained within the Investment Manager Review.

Corporate Activity

As previously highlighted in our Interim Report and through our announcements during July and August 2010, it was extremely disappointing to report that the proposed merger with F&C Commercial Property Trust Limited ("FCPT") was rejected by the narrowest of margins by the independent shareholders of FCPT. It was, however, pleasing to receive support for the proposals from the overwhelming majority of independent shareholders in UK Commercial Property Trust Limited ("UKCPT") and your Board remains committed to exploring future opportunities to enhance Shareholder value where possible and to work closely with our advisors to achieve this goal. As described in the prospectus it was agreed that the costs associated with the proposals would be shared between the two companies in proportion to their net assets and this resulted in costs to UKCPT of £1.3 million, which equates to approximately 0.14% of NAV (or 0.11 pence per share) as at 31 December 2010.

Share Capital

As at 31 December 2010 the Company had 1,197,348,858 Ordinary Shares of 25p each in issue, an increase of 207,250,000 in the year. This follows the successful completion of a Placing and Offer for 195 million new Ordinary Shares at 77.1p each, raising gross proceeds of £150 million on 11 February 2010 and the additional 12,250,000 Ordinary Shares issued following the delayed completion of a retail property in Buchanan Street, Glasgow.

Significant Property Transactions

Following the placing in February 2010, the Company was well positioned to acquire a number of prime investment properties at attractive yields in order to improve the income return to the Company. The transactions also provided the Investment Manager with asset management opportunities that would, in conjunction with the existing portfolio, enhance and protect returns to Shareholders. The acquisitions, detailed below, added £9.3 million per annum to rental income and did not have a material impact on the tenant void rates, which are still well below market average at 3.6%.

Chairman's Statement (continued)

Transaction Date	Property	Cost (£m)	Equivalent Yield %	Annualised Income (£m)
24 March 2010	Charles Darwin Centre, Shrewsbury	38.6	7.7	2.7
24 March 2010	Pride Hill Shopping Centre, Shrewsbury	14.6	9.1	1.4
24 March 2010	Riverside Shopping Centre, Shrewsbury	10.4	8.1	0.9
25 March 2010	Junction 27 Retail Park, Leeds	59.6	6.2	3.7
9 July 2010	Buchanan Street, Glasgow	8.6*	6.0	0.6
Total		**131.8**		**9.3**

*The Buchanan Street transaction was the final part of the corporate transaction announced in October 2009 and the cost quoted is the market value of the property at that date, inclusive of relevant stamp duty costs.

On 15 February 2011, the Company announced that it had completed the purchase of St George's Retail Park, Leicester, for £51 million at an equivalent yield of 6.2%, adding £3.1 million per annum to the Company's revenue stream.

Borrowing

As at 31 December 2010, the Company had borrowings of £42.1 million with Lloyds Banking Group. On 4 March 2010, the Company entered into an interest rate swap agreement with Lloyds which set the interest rate at 3.55%. As at 29 March 2011, the cash balance was £25 million, with total borrowings remaining at £42.1 million and a balance of £37.9 million still available to draw down from the Company's £80 million facility.

Dividends

The Company declared and paid the following dividends during 2010:

	Ex Dividend Date	Pay Date	Dividend Rate (p)
4th Interim for prior period*	3 Feb 2010	26 Feb 2010	0.8988
1st Interim**	3 Feb 2010	28 May 2010	0.5979
2nd Interim***	12 May 2010	28 May 2010	0.7146
3rd Interim	28 Jul 2010	27 Aug 2010	1.3125
4th Interim	10 Nov 2010	30 Nov 2010	1.3125
Total			**4.8363**

* 2 month period.

** Paid in respect of the period 1 January 2010 to 10 February 2010.

*** Paid in respect of the period 11 February 2010 to 31 March 2010.

On 1 February 2011 the Company declared a 5th Interim dividend of 1.3125p per Ordinary Share with an ex-dividend date of 9 February 2011, which was paid on 28 February 2011. The yield on the Company's shares at 31 December 2010 based on the dividends declared in respect of the year to 31 December 2010, and the share price at that date, was 6.4%.

Outlook

While 2010 overall was a positive year for commercial property, a lot of the momentum was confined to the first 6 months of the year. The dreadful weather experienced in November and December 2010 has not helped retailers and, when combined with the increase in VAT introduced in January 2011 and fears over the anticipated effect of public sector cuts, many forecasters are struggling to see an upside in 2011. Inflation worries, possible interest rate increases, restrictive bank lending and consumer debt reduction together with the impact of Government deficit reduction plans will make growth prospects more difficult to achieve, particularly in light of the -0.6% GDP 2010 figure for the fourth quarter.

With the balance of cash and debt facility available to the Investment Manager, together with a strong tenant base and low void rate, your Company is well placed to take advantage of any opportunities that arise to enhance income further and deliver on the Company objectives. Much will depend on the impact of Government cuts on employment levels and how the reality impacts the consumer and their attitude to spending. Despite the inflation rate being well above the 2% target for the most of the last three years, interest rates have remained on hold for fear of hampering future growth prospects. This may encourage those investors sitting on cash balances to start reviewing their appetite for risk.

The Directors believe that the Company is well-placed both in terms of the prime quality of its portfolio composition and its financial structure, to have another satisfactory year in 2011, subject to any major economic dislocation, and the Board is confident about the long term prospects for your Company.

Christopher M.W. Hill
Chairman
29 March 2011

Investment Management Team

Ignis Investment Services Limited ("Ignis") is the Investment Manager of the Group.

Ignis is a leading asset manager and currently has approximately £67.5 billion of assets under management.

Ignis has a long history of managing commercial property and over the years has built up a high level of knowledge and experience in this asset class. Ignis has the advantage of a strong and well-resourced team that is dedicated to searching out value actively in the property sector and in the portfolios that it manages. The team manages a number of property portfolios, totalling around £2.8 billion.

ROBERT BOAG, BSc Dip IPF MRICS – Senior Investment Director (Real Estate)

Investment Management Experience: 25 years

Robert graduated from the University of Paisley in 1986 with a degree in Land Economics. In 1987 he became a Member of the Royal Institution of Chartered Surveyors. He has several years experience operating as property asset/investment manager throughout the UK with Scottish Metropolitan and Haslemere Estates. He joined Ignis Asset Management in January 2006.

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

Investment Experience: 14 years

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

RHONA McCRANOR, BSc (Hons), MRCIS – Asset Manager (Real Estate)

Rhona graduated from the University of Glasgow in 1994 with a BSc (Hons) in Geography, followed by a Post Graduate Diploma at Strathclyde Business School in Urban Development in 1995. Rhona obtained a Diploma in Urban Property Appraisal from Paisley University in 1998 and began work within Richard Ellis's Financial Services and Professional departments and became a member of the Royal Institution of Chartered Surveyors in 2000. Rhona worked with Donaldsons and Lambert Smith Hampton between 2002–2004 where she was an Associate Director covering Landlord and Tenant and Valuation services. Rhona Joined Ignis Asset Management in 2008.

SHEILA CAMPBELL, MA (Hons) MSc Dip IPF MRICS – Asset Manager (Real Estate)

Sheila graduated from the University of Glasgow in 1996 with a Master of Arts (honours) degree in English Literature and Media Studies. She then went on to study at University of Paisley where she obtained an MSc in Urban Property Appraisal in 1997. Following on from her studies, Sheila began her career in 1997 in retail & development agency at Jones Lang Lasalle. In 2000 she joined DTZ Debenham Tie Leung as a Surveyor in the professional department and then moved into the retail agency. Sheila joined Ignis Asset Management in 2007. She is a member of the Royal Institution of Chartered Surveyors, elected MRICS in 1999.

DANIEL BAYNES, BSc (Hons) MRICS – Asset Manager (Real Estate)

Daniel graduated in 1991 from Nottingham Trent University with a 2:1 honours degree in Urban Estate Surveying. In 1992 he qualified as a member of the Royal Institution of Chartered Surveyors whilst working as an Estates Surveyor for the Lloyds Chemist Group. In 1994 Daniel joined Lambert Smith Hampton specialising in retail agency and development before accepting employment with the Co-Op to manage their London & South East portfolio. Daniel then took up an overseas position with Jones Lang LaSalle in Sydney, Australia within their Asset Management Division, managing investment properties for clients such as AMP Henderson and MID before returning to the UK in 2004 and joining Kilmartin Property Group in Edinburgh. In October 2010, Daniel joined Ignis Real Estate as an Asset Manager.

Investment Manager Review

Market review

Although perhaps not as eventful as the previous two years, 2010 was another interesting year for the UK commercial property market. With tentative signs of recovery in the economy and a new coalition government determined to cut the public sector deficit, total returns for the UK commercial property market were 15.2% according to the IPD Quarterly and Monthly Index, outperforming Equities (14.5%) and Gilts (9.1%).

That solid performance for 2010 contributed to the ongoing recovery of the commercial property sector since the market's nadir in June 2009 which has seen a 20.2% rise in capital values to December 2010. However capital values still remain significantly below the market peak in June 2007.

In this context it was notable that the rate of capital growth slowed as we progressed throughout 2010 with the first half recording 6.2% capital growth and the second half 2.0%. All Property rental values continued to fall throughout 2010, albeit at a declining rate. Overall rental values fell 0.5% in 2010 (8.1% in 2009), a fall of 12.6% since the market's peak in March 2008.

The main driver for this relative improvement in rental performance has been the strong rental growth in Central London where rental values increased by 4.2% during 2010. This is a complete turnaround from the beginning of 2009 where rents were falling by approximately 20% per annum.

Overall property performance was characterised by divergence in geography and sector. This was clearly evident in the office sector which recorded an overall total return of 15.8% and accounted for the best and worst of all sub-sectors. Driven by a lack of supply, the best performer, with an overall return of 26.4%, was City offices; this was in marked contrast to the rest of UK offices, with an overall return of 7.2%. Values in that sub-sector continued to correct given the weaker occupier demand undermined by the prospects of public sector cuts. The 2010 performance for the South East offices was not much better, with total IPD return of 8.2%. Not surprisingly, overall returns for these sectors were derived mainly from income as both the Regions and South East experienced only modest capital growth.

With an overall return of 15%, relative performance within the retail sector has not been so varied as in the office sector with retail warehousing and shopping centres virtually matching each other with 16.1% and 16.0% total return respectively, both being buoyed by continued investor demand. High Street shops trailed with 13.1% overall with total return being hampered by large falls in rental levels, particularly for secondary locations, and the overall shortage of prime stock.

Industrials were the poorest performer of all sectors, with 10.1% total return, as the sector experienced continued rental falls against a difficult economic background and an absence of the improvement in yield witnessed in some of the other sub-sectors.

The year witnessed a strong resurgence in investment activity with investment transactions totalling £35bn, an increase of a third from the £24bn recorded in 2009 and consistent with the long term average since 2000 of £35bn.

Activity was particularly strong in the final quarter of the year, with £11.5bn of transactions, the highest since Quarter 3 2007. A number of significant shopping centre and retail warehouse transactions took place during the last three months of the year. Whilst overseas investors accounted for 60% of total transactions in the market by value, there is still strong evidence of demand from UK institutions, with their overall investment for 2010 being the highest since 2006. In addition, towards the end of the year there was evidence of increased activity from the REITs, although this still remains low by historic standards.

The focus of investment activity has been in prime markets, especially so in London and the South East and particularly in office and retail sectors which have witnessed yields falling by 0.54% and 0.62% respectively.

Strong national and international investment demand in Central London has been the key driver for the fall in the IPD yield which has fallen 1.0% in the year to 5.0%. The only other sub-sector to record such significant adjustment in yield has been retail warehousing where the overall yield has decreased 1.5% to 5.9%.

The health of the banking sector continues to be crucial to the future prospects of the real estate market with 2010 being a year of deleveraging, as the level of outstanding real estate debt fell by approximately 6% to £228bn. In 2010, almost 70% of real estate lending was provided by 12 banks, with German banks dominating this group.

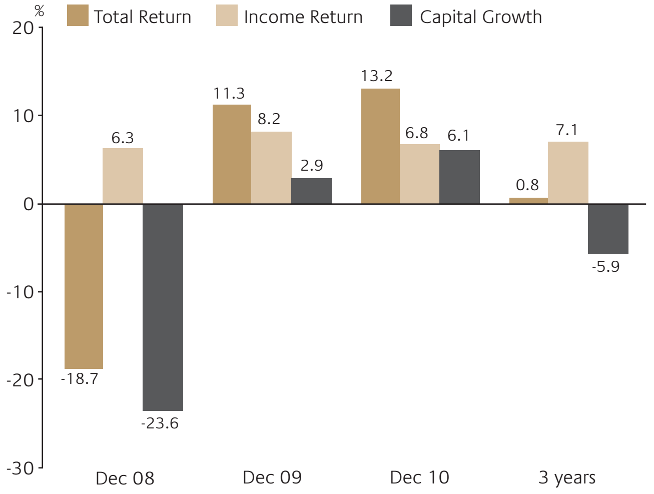
Portfolio Performance

Both capital and income grew strongly during 2010 with 6.1% capital growth overall (7.0% on a like-for-like basis) and an income return of 6.8% (6.9% on a like-for-like basis). Total Return for the property portfolio was 13.2% compared to 11.3% in 2009.

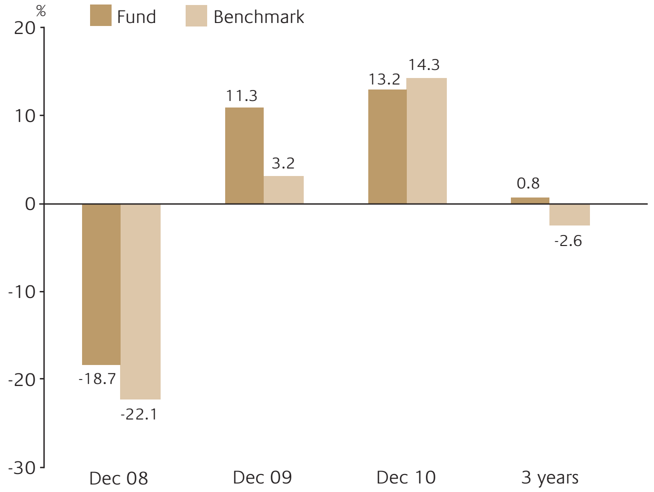
As at 31 December 2010 the portfolio valuation was £898.8m, an increase of 26.5% from the December 2009 valuation of £710.5m, with three retail acquisitions totalling £132m and an overall valuation increase of 7.4%. Income increased from £48.8m in 2009 to £60.2m in 2010, an overall increase of 23.4%, attributable mainly to the acquisitions in March and also by letting and asset management activity throughout the year, details of which are described later in this Review.

The costs associated with the acquisitions early in the year meant that overall performance of the portfolio failed to match the IPD Quarterly and Monthly Benchmark, which recorded a Total Return of 14.3% for the year. However, the portfolio continues to generate a higher income return than the benchmark, 6.8% compared to 6.1%. Enhancing income return remains a key objective for the Company, particularly as forecast returns are expected to be dominated by income in the short to medium term.

UKCPT performance



UKCPT portfolio total return performance measured against the benchmark



In common with the rest of the market, the Company's strongest performance for the year was from office holdings driven by the strong capital and rental growth in Central London. Offices produced an overall return of 13.8% (compared to the benchmark of 15.8%). The Company's underweight position in Central London relative to the benchmark was the main reason for that deficit but the holdings did in fact marginally outperform the market.

Elsewhere within the office sector, the Company's South East offices recorded a disappointing 6.9% total return, by far the worst sector in the portfolio. The primary reason for this was the continued falls in capital and rental values exacerbated by the shorter income streams that feature in these holdings. There is, however, evidence of stabilising rents in these locations with tentative signs of improved occupational demand which may result in these same properties contributing to performance in the medium term. Significant capital expenditure may be required.

Regional office holdings provided a strong total return for the Company delivering 11.7% over the year, comfortably ahead of the benchmark in both income and capital terms. Although the Company continues to be overweight in that particular market where forecast returns are muted, the majority of the Company's holdings are prime. They are secured on long leases to strong covenants and will continue to offer an attractive income yield for the Company.

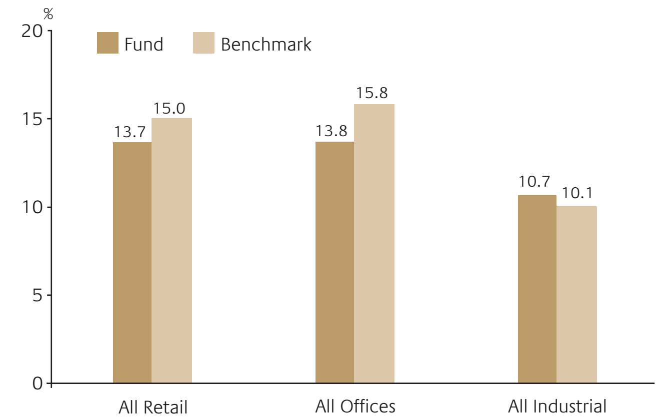
The Company's retail portfolio was the next best performer, with a total return of 13.7%. Key contributors to that return were the Company's high street holdings, not just in the South East where strong investment demand and improved rental levels produced a total return of 17.8%, but also regionally. The acquisition of 2/8 Buchanan Street, (formerly 122/132 Argyle Street), Glasgow, and asset management activity particularly in High St, Exeter ensured a Total Return of 17.4%, comfortably outperforming the benchmark.

Disappointingly, the Company's retail warehouses and shopping centres, which represent approximately 41% of the overall portfolio, underperformed with 12.9% and 12.0% total return respectively. This is principally due to the acquisition cost of the Shrewsbury and Leeds purchases mentioned later but also the ongoing capital expenditure at The Parade, Swindon. The pre-lets to BHS, Top Shop and River Island in Swindon will improve the income position and, with the letting position at Shrewsbury beginning to show signs of an improvement following new initiatives and against a backdrop of improved investment demand for shopping centre assets, the prospects for the Company's shopping centre holdings are improving. For the retail warehousing holdings, there is a number of ongoing income and potentially capital enhancing asset management initiatives which it is hoped will feature in the 2011 figures. The strong performance of the High Street was not sufficient to offset the underperformance of both retail warehouse and shopping centres. Hence, the Company's retail holdings underperformed the benchmark.

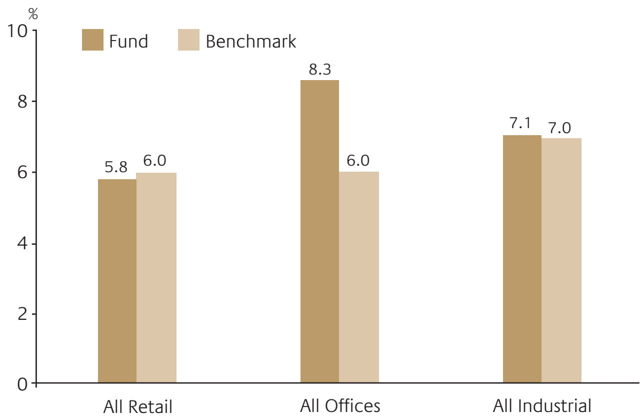
The Company's industrial holdings were the poorest performers, recording a total return of 10.7% but still ahead of the benchmark by 0.6%. Within this sector, a disparity exists between the Company's South East holdings, which recorded 11.6% total return (aided by letting activity at Dolphin Industrial Estate, Sunbury), and the Rest of UK, which produced 9.1%, hampered by evidence of capital falls in one of the Company's shorter income distribution warehouses.

Investment Manager Review (continued)

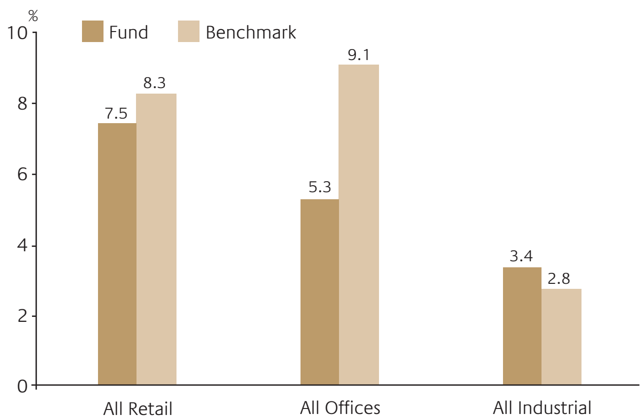
Total Return 2010



Income Return 2010



Capital Growth



Investment Activity

During 2010 the Company continued to invest in institutional grade, income producing properties to provide further dividend cover for the Company.

In what was a busy first quarter, the Company acquired the Darwin, Pride Hill and Riverside Mall shopping centres in Shrewsbury as well as Junction 27 Retail Park, Leeds for a total consideration of £123.2m. The three shopping centres in Shrewsbury were acquired at a total cost of £63.6m producing a total rental income of £5m p.a. which represented an initial yield of 7%.

This purchase offered the Company the opportunity to acquire a dominant shopping centre within an affluent sub-regional location at a low point in the cycle where there are a number of asset management opportunities which are being actively pursued. With a number of key legacy issues now fully resolved and our re-branded marketing campaign for vacant units now well underway, the income position has improved with additional £274,009 of income and a void position that has fallen from 14.93% to 13.32%.

The increase in supply of shopping centre investments has reactivated this investment market and there is now clear evidence of strong demand at all levels of the market. Provided the Company continues to maintain and improve the income position within the three centres, the prospects of capital value increases look favourable.

The Company's other major acquisition, at Junction 27 Retail Park, Leeds, was acquired off the market for £59.6m, producing a net initial yield of 6.15%. This purchase offered the Company the opportunity to increase exposure to a sector which continues to offer attractive returns. The bulky goods retail park forms part of a dominant (Top 5) regional retail location where tenants' trade is particularly strong. In line with the business plan for that property, further income enhancing initiatives are well underway and should improve the income and capital prospects for this acquisition.

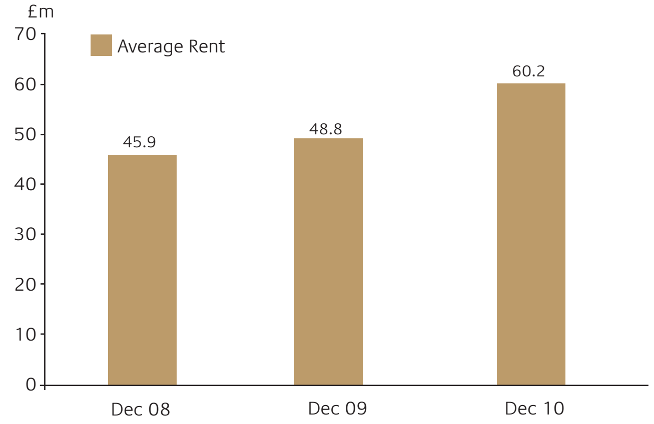
The third and final acquisition during 2010 was that of 2/8 Buchanan Street (122-132 Argyle Street), Glasgow. As stated in the July 2010 announcement, the value of the property in October 2009 was £8.3m. The total cost of the acquisition was £8.6m. On the 7 July 2010, the share price was 79p resulting in a total book cost for the acquisition of this property of £9.9m, inclusive of acquisition costs. The tenant, HSBC Bank plc completed a major refurbishment of this flagship branch and opened in December 2010.

Property Portfolio

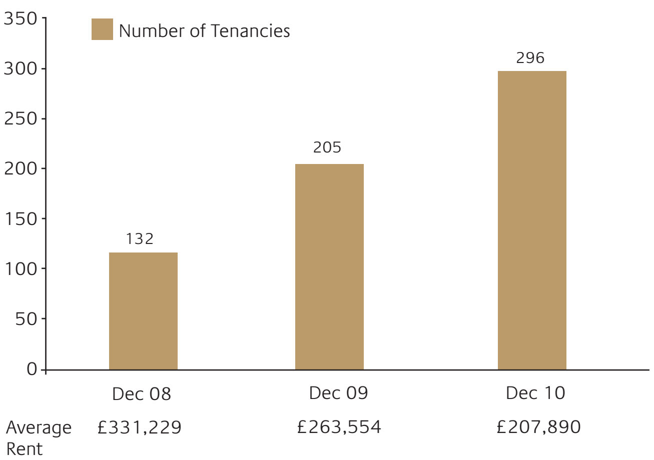
Key Attributes of Portfolio

• Net rental income	£60.2m (£48.8m in 2009)
• Net income yield	6.84% (7.64% in 2009)
• Average lease length	9 yrs, 1 mth (9 yrs 7 mths in 2009 and compared to benchmark IPD 10 yrs)
• No of properties	39 (34 in 2009)
• No of tenants	296 (205 in 2009)
• Occupancy	96.38% (97.55% in 2009)

Net Rental Income 2008-2010



Number of Tenancies



Asset Management Activity

Whilst 2010 was a period of further investment for the Company with the retail acquisitions referred to above, continued effort is being made with asset management as the Company seeks to improve and enhance the portfolio income stream.

Although occupational markets remain challenging, there were a total of 36 new lettings completed over the year which will produce an additional annual rent of £1.15 million after rent free periods. The average lease length of these lettings was 8 years 2 months.

This letting activity was primarily focused on the Company's retail assets and in particular the shopping centres where £822,220 per annum was secured. Principal amongst those lettings was the letting of 9,900 sq ft flagship store to Top Shop in the newly developed 80,000 sq ft, seven unit retail development created from the former department store at The Parade, Swindon which will also see BHS and River Island open in Spring 2011. These lettings have helped improve the Parade's position within the retail hierarchy of the town and in doing so improve the letting and income prospects of the Company's largest holding.

Although the Company's void position increased over the year from 2.45% to 3.62% this was principally due to the acquisition of the three shopping centres in Shrewsbury, where the Company believe there is an opportunity to reduce voids and improve income. A number of key legacy issues within the centres have been addressed and a much improved marketing campaign has resulted in 15 new lettings in the centres and another £274,009 per annum. During the year footfall has improved following new lettings that included H+M and Pandora. The continued effort and focus given by all those involved in the centre will ensure further lettings and improve the income profile for this important asset during 2011.

Significant progress has also been made in the letting of one of the Company's major industrial holdings in Dolphin Industrial Estate, Sunbury where a total of 55,000 sq ft was let in two separate lettings involving a total income of £301,450 per annum after rent free periods.

There were a number of other asset management initiatives which produced encouraging results with re-gears involving leases at High Street, Exeter, Kensington High Street, London, North Street, Brighton and Broadbridge Retail Park, Horsham, all completed during the year. In total these initiatives involved £1.26 million per annum of income which was increased to £1.40 million per annum and extended the average lease length for the properties involved from 5 years 7 months to 6 years 9 months.

The number of leases due for renewal in 2010 represented a minor part of the Company's income and over the year there were twelve lease expiries totalling £243,057 per annum. A total of four renewals were successfully negotiated producing £126,698 per annum.

The rental falls experienced over the last two years has meant that it has been difficult to achieve any meaningful uplifts at review during 2010. Of the 25 reviews across all sectors involving a rent of £7.14 million, settled reviews produced an increase of 1% above rent passing.

The strength of the Company's covenant base continues to be reflected in a consistently high rent collection efficiency, exceeding 98% per annum after 28 days, over 2009 and 2010. A total of only £24,395 of bad debts was written off, representing 0.04% of the total rental income as at 31 December 2010.

Investment Manager Review (continued)

Portfolio Strategy

Given the remaining risks to the occupational market, the strategy for the Company's existing portfolio still remains the retention and improvement of the income stream.

The continued effort to renew and regear leases, even if this does involve significant incentives, remains a key focus for the Company in order to sustain capital value.

The increasing appetite for prime property and the potential to realise sales in excess of valuation will provide the Company with the market to achieve opportunistic sales where either future return expectations are poor or for sound portfolio management reasons, particularly for the smaller assets by value in the portfolio. The Company's regional office holdings are one such source for potential sales given the relative overweight position and the total return prospects for the sector.

The 2010 purchases have increased the Company's exposure to retail in line with its strategy. The yield compression experienced in the prime end of the market earlier in 2010, particularly in the High Street and Open A1 retail sectors, does mean that these assets can only be acquired at rates that would have an impact on dividend cover. Although we should continue to monitor that sector of the market for suitable propositions that will complement the portfolio's key attributes, there are perhaps greater possibilities in those sectors where yield compression has not been so prevalent and where income can be improved through effective asset management.

Although forecasts for the leisure sector total returns are in most cases less than for All Property, the lease length and level of yield prevalent in the sector, together with generally a strong covenant base, does suggest that this sector merits further consideration. As is the case in all sectors, stock selection is key.

The relatively low portfolio weighting in industrials and the strong income characteristics within that sector suggest that new investment should also be directed towards multi-let estates. The industrial sector consistently delivers strong income returns with a muted rental/capital growth cycle. This will form a solid basis for investment performance in years when the rate of inflation is low.

Although the Company should consider reducing its regional office holdings, there are signs of a recovery in certain southeast markets where supply of Grade A accommodation is tight. Although occupational demand is still fragile, consideration should be given to the purchase of well let modern offices in certain south east locations. Certain South East office locations do offer attractive levels of income yield which would assist the dividend cover, whilst offering rental growth prospects in the medium term.

The target over the short term will be to maintain rental income levels in markets, particularly those most affected by public spending cuts. The lack of new quality supply being constructed in these markets, however, suggests an opportunity for refurbishing and remodelling existing assets.

As always it is stock selection which is important. We will continue to invest in income producing property with sound property fundamentals. This, in turn, will allow us to exploit our asset management skills which will support and enhance dividend cover.

Property Market Outlook

The strong net investment by UK funds into the market in 2010 was driven by the strong inflows received by property funds on a monthly basis, particularly around the turn of the year between Q4 2009 and Q1 2010.

The scale of net inflows has, however, slowed significantly to £133 million in Q4 2010. It remains to be seen whether this trend slows further in 2011 given that property no longer offers such a clear opportunity as was presented when pricing was on the floor. It does, however, remain attractive to other asset classes when gilt and equity yields remain low.

The actions of the banks and how they manage down exposure to the UK real estate market remains a crucial factor. To date, the banks have been content to roll performing loans over and not take action unless absolutely necessary. The establishment of real estate work out teams and the various partnerships already undertaken highlights their commitment to getting the best deal possible.

With the Basel III regulatory framework due to come in force over 2013-15, banks will be under great pressure to reduce property exposure. Given that an estimated £170 billion needs to be refinanced by 2015, some additional stock should be released to the market albeit in a controlled manner.

The prime versus secondary asset split remains a major feature of the property market across types and locations. Secondary markets have struggled during and through the end of the recession as rental incomes fell substantially, particularly in markets outside London. There is concern now that a weak recovery will place further pressure on secondary pricing. One area for optimism is that the level of vacancy rates recorded by funds in the IPD Monthly Index had fallen significantly over the course of 2009-2010 suggesting that the worst period of tenant failures throughout the recession had passed and that rental income streams had bottomed out. This supports the view that property at the present time is fully, but fairly valued and that any further write-down in values is yet to be justified by falling or weaker rental income streams. There will be further shakeouts as companies that have survived consolidate portfolios in an environment with less competition.

One beneficial variable supporting the market which is attributable directly to the credit crunch is the halting of speculative development. This has turned supply from a variable which tends to depress rents to a feature which has supported rents and contributed to some rental growth in selected markets including London. There is almost no additional stock coming onto the major office markets in 2011 and 2012 and this will put pressure on Grade A accommodation where vacancy rates are at lower levels than experienced after previous downturns. The limited pipeline trend extends to the retail and logistics sectors and will add to the growing divergence in performance between prime and secondary assets. This leads to an opportunity for existing owners to refurbish and upgrade existing space to take advantage of the limited supply of the quality and location of building tenants will demand over the next 3-5 years.

Forecasts;

- Average UK retail rents weak in the short term reflecting poor consumer confidence driven by falling real incomes and the fear of unemployment;
- Strong rental growth in London reflecting limited supply and recovering FBS employment;
- Substantial relative performance differences to continue and even increase between London/Rest of UK markets and prime/secondary assets;
- Property offers a decent real income yield in an environment where either equity or gilt pricing is unsustainable;
- Average total Returns will mirror income return in the short term. Capital value growth limited outside London and Open A1 retail parks;

Our updated forecasts suggest that average rental value growth will remain relatively weak over 2011 and 2012 expanding by 1.6% and 2.4% respectively. Retail rental values will remain flat in 2011, dragged down by weaker consumer spending but reporting a modest improvement from the fall of 1.5% recorded by the IPD Quarterly Index in respect of 2010. Retail warehouses record the strongest recovery but shops record negative growth in 2011 and modest growth in 2012 and 2013. Industrial rents will remain flat over the forecasting horizon and are not expected to match inflation. The real rental story is in London, where offices and retail are expected to deliver further rental growth over the forecasting period.

With the recovery in rental incomes and improvement in vacancy rates, property appears fully, but fairly priced. It provides a store of value and compares favourably with cash, equity and gilt yields particularly at a time of elevated inflation. Property is in a good place to cope with the prospect of higher gilt yields. Our predictions for average yields therefore remain fairly flat and will only come in when there is more evidence of a stronger rental recovery. The averages, will, however, continue to mask substantial differences between London and other locations plus the continued gap between prime and secondary assets. Limited rental growth plus flat yields makes for a mundane total return forecast. We expect headline total returns in 2011 to come in at approximately 7% representing effectively income return with limited change to capital values. Offices, boosted by the strong London weighting, will be the top performing sector in 2011 and 2012 although industrial comes close in 2012, benefitting from economic recovery plus starting from a higher yield.

Robert Boag
Senior Investment Director
Ignis Investment Services
29 March 2011

Dolphin Estate, Sunbury on Thames

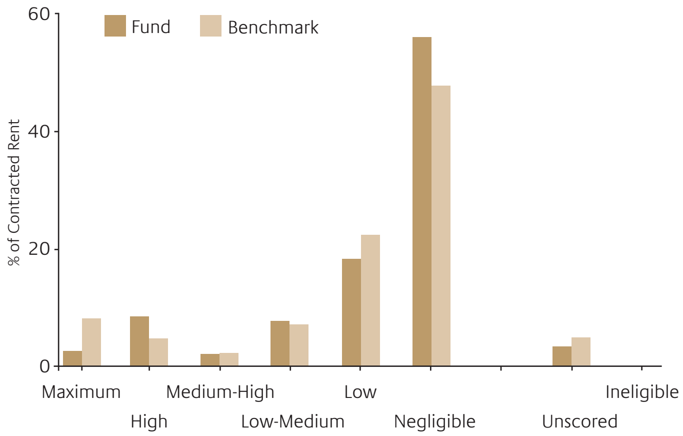
Portfolio Statistics

Top 10 Tenants

Company Name	Contracted Rent £	% of Total Income	Wtd Expiry	Risk Band
Public Sector	4,100,070	6.66	May 2020	Negligible
B&Q plc	3,984,544	6.47	Dec 2027	Negligible
Sony Computer Ent. Europe Ltd.	2,775,488	4.51	Jun 2014	Low-Medium
Ocado Ltd.	2,528,984	4.10	Sep 2032	High
DSG Retail Ltd.	2,235,640	3.63	May 2025	Low
Coca-Cola Ent. Ltd.	2,181,515	3.54	Dec 2012	Negligible
Argos Ltd.	1,926,181	3.13	Dec 2017	Negligible
Telefonica 02 UK Ltd.	1,735,000	2.82	Jan 2015	Negligible
Marks & Spencer plc	1,650,000	2.68	Mar 2018	Negligible
Nexen Petroleum UK Ltd.	1,600,511	2.60	Jan 2013	Negligible

Income Credit Rating

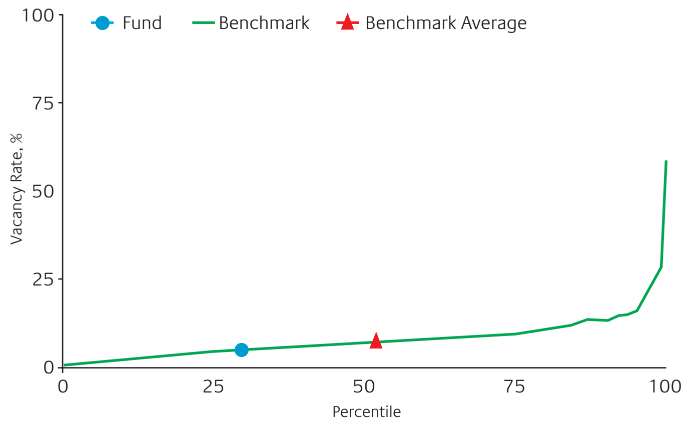
Measures the quality of the Company's income stream in comparison with the benchmark – a lower score on percentile ranking indicates a better income quality.



Source: IPD Iris – 31 December 2010

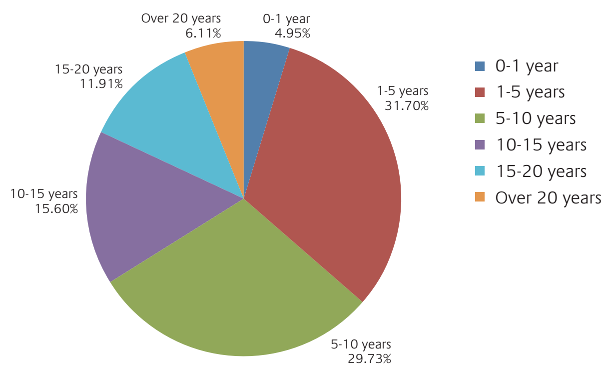
Vacancy rate

Compares the size of vacant income in the portfolio with the benchmark – the lower the percentile ranking the lower the level of void.



Source: IPD Iris – 31 December 2010

Lease Expiry Profile as at 31st December 2010



Average unexpired lease term – 9 years and 1 month

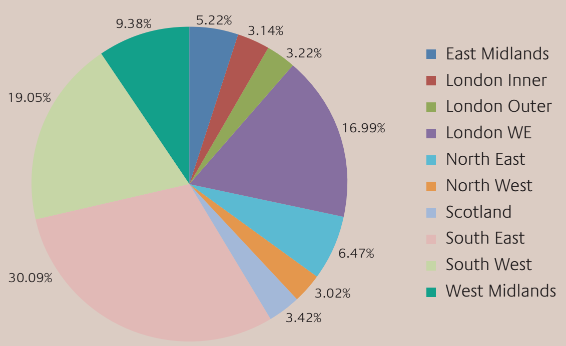
Source: Ignis Investment Services – 31 December 2010

Broadbridge Retail Park, Horsham

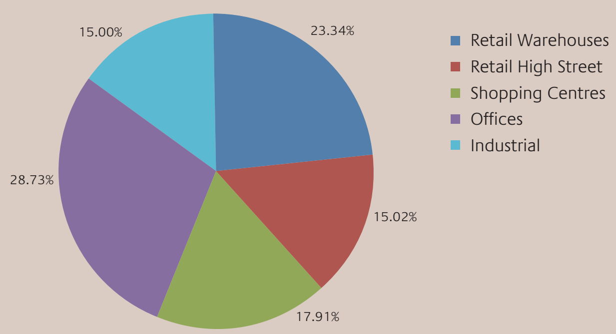
Property Portfolio
as at 31 December 2010

Property	Sector	Value Range £
The Parade, Swindon	Shopping Centre	
Junction 27 Retail Park, Birstall, Leeds	Retail Warehouse	
Great Lodge Retail Park, Tunbridge Wells	Retail Warehouse	
176 - 206 Kensington High Street, London, W8	High St, Retail	
Kew Retail Park, Richmond	Retail Warehouse	Over £30m
Charles Darwin Shopping Centre, Shrewsbury	Shopping Centre	
Sovereign Centre, Weston-super-Mare	Shopping Centre	
Ocado Distribution Unit, Hatfield Business Area, Hatfield	Industrial	
15 Great Marlborough Street, London, W1	Office	
B&Q, Roneo Corner, Romford	Retail Warehouse	
Charter Place, Uxbridge	Office	
Dolphin Estate,Sunbury on Thames	Industrial	
2 Rivergate, Temple Quay, Bristol	Office	
Argos Unit, Magna Park, Lutterworth	Industrial	
Brackmills, Northampton	Industrial	
Hannah Close, London, NW10	Industrial	£20m - £29.9m
Broadbridge Retail Park, Horsham	Retail Warehouse	
9 Colmore Row, Birmingham	Office	
16/20 High Street & 1/3 Beford Street, Exeter	High St, Retail	
Network House & Meadowside, Hemel Hempstead	Office	
1 Rivergate, Temple Quay, Bristol	Office	
81 - 85 George Street, Edinburgh	High St, Retail	
13 Great Marlborough Street, London, W1	Office	
Pall Mall Court, Manchester	Office	
6 Arlington Street, London, SW1	Office	
Pride Hill Shopping Centre, Shrewsbury	Shopping Centre	
140/144 Kings Road, London, SW3	High St, Retail	
Craven House, London, W1	Office	£10m - £19.9m
14 - 22 West Street, Marlow	High St, Retail	
134/138 North Street, Brighton	High St, Retail	
1 Brunel Way, Slough	Office	
2/8 Buchanan Street (122-132 Argyle Street), Glasgow	High St, Retail	
Riverside Shopping Centre, Shrewsbury	Shopping Centre	
52/56 Market Street, Manchester	High St, Retail	
84 - 86 Bushey Road, Raynes Park, London, SW20	Office	£5m - £9.9m
Freshford House, Bristol	Office	
Knaves Beech Industrial Estate, Loudwater	Industrial	
146 Kings Road, London SW3	High St, Retail	Up to £4.9m
WCA Building, Bristol	Office	

Capital Value Split by location



Capital Value Split by sector



Board of Directors

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

Christopher Hill (Chairman).
Christopher Hill is a resident of Guernsey. He is an Associate of the Chartered Institute of Bankers and was managing director of Guernsey International Fund Managers Limited, part of the Baring Financial Services Group, for 8 years prior to its sale in 2005 to Northern Trust. He has over 35 years' experience in the field of offshore banking and fund administration and is a past Chairman of the Guernsey Investment Funds Association. He is Chairman of Quorum Oil and Gas Technology Fund Limited and Close Fund Management Portfolios II PCC Limited, both listed in London.

Keith Dorrian
Keith Dorrian is a resident of Guernsey. He has over 30 years financial experience in the offshore finance industry. He joined Manufacturers Hanover in 1973 before moving to First National Bank of Chicago in 1984 and ANZ Bank (Guernsey) in 1989. He joined Bank of Bermuda, Guernsey in 1999 and was appointed Guernsey head of global fund services and managing director of the bank's Guernsey fund administration company in 2001, retiring in December 2003. He is currently chairman of International Public Partnerships Limited, listed on the London Stock Exchange, and is a director of a number of funds and fund management companies including a property company listed on Euronext, Amsterdam.

Christopher Fish
Christopher Fish is a resident of Guernsey. He retired in 2005 as Managing Director of Close International Private Banking. Mr Fish has over 35 years' experience in offshore banking, asset management, treasury, trust services and fund administration. Mr Fish is the non-executive Chairman of Close International Asset Management Holdings Limited and Close International Bank Holdings Limited. He is also a director of six other UK listed funds including a European commercial property fund.

John Robertson
John Robertson is a resident of the UK. Mr Robertson has over 30 years' experience in investment management in a variety of roles, and is currently Director – Funds and Corporate Governance at Ignis Investment Services Limited. He is a director of Ignis International Funds plc, Ignis Alternative Funds plc, Ignis Liquidity Fund plc, Ignis Strategic Solutions Funds plc and Ignis Global Funds SICAV. He is a Fellow of the Chartered Association of Certified Accountants.

Andrew Wilson
Andrew Wilson is a resident of the UK. He was formerly of Richard Ellis, Royal Insurance as chief surveyor and he joined Rugby Securities as a director in 1987. He was a founder director of Rugby Estates plc in 1990 and has been chief executive officer since its flotation in 1994. Rugby Estates plc was listed in the Official List and subsequently moved to the Alternative Investment Market of the London Stock Exchange.

Report of the Directors

The Directors present the report and accounts of the UK Commercial Property Trust Limited, ("the Company") for the year ended 31 December 2010.

Results and Dividends

The results for the year are set out in the attached accounts. The Company has paid interim dividends in the year ended 31 December 2010 as follows:

	Payment date	Rate per share
Fourth interim for prior period*	Feb 2010	0.8988p
First interim**	May 2010	0.5979p
Second interim***	May 2010	0.7146p
Third interim	Aug 2010	1.3125p
Fourth interim	Nov 2010	1.3125p

* 2 month period.

** Paid in respect of the period 1 January 2010 to 10 February 2010.

*** Paid in respect of the period 11 February 2010 to 31 March 2010.

On 1 February 2011 the Company declared a fifth Interim dividend of 1.3125p per Ordinary Share with an ex-dividend date of 9 February 2011, which was paid on 28 February 2011.

Principal Activity and Status

The Company is a Guernsey company and during the year carried on business as a property investment company.

Listing Requirements

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

Business 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 page 16.

Investment Policy

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

Investment risks are spread through the Company and its subsidiaries (the "Group") by investing in a diversified portfolio of freehold and long leasehold (over 60 years remaining at the time of acquisition) UK commercial properties. The Group invests in income producing investments. The Group will principally invest in three commercial property sectors: office, retail and industrial. The Group has not set any maximum geographic exposures within the UK nor any maximum weighting limits in the principal property sectors. No single property shall however, exceed at the time of acquisition 15 per cent of the gross assets of the Group.

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

Gearing, calculated as borrowings as a percentage of the Group's gross assets, may not exceed 65 per cent. It is the Board's current intention that borrowings will be limited to a maximum of 10 per cent of the Group's net assets at the time of borrowing or £80 million. 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. As at 31 December 2010 the Company had total borrowings of £42.1m, representing 4.6 per cent of the year end net assets.

An analysis of how the portfolio was invested as at 31 December 2010 is contained within the Investment Manager Review on pages 8 to 13 and a full portfolio listing is provided on page 15.

The Company's performance in meeting its objectives is measured against key performance indicators as set out on page 18. A review of the Company's returns during the year, the position of the Company at the end of the year, and the outlook for the coming year is contained in the Chairman's Statement and the Investment Manager Review.

Report of the Directors (continued)

Principal Risks and Risk Uncertainties

The Company's assets consist of direct investments in UK commercial property. Its principal risks are therefore related to the commercial property market in general, but also the particular circumstances of the properties in which it is invested and their tenants. More detailed explanations of these risks and the way in which they are managed are contained under the headings of credit risk, liquidity risk and interest rate risk in note 16 to the accounts. The Investment Manager also seeks to mitigate these risks through continual review of the portfolio, active asset management initiatives, and carrying out due diligence work on potential tenants before entering into new lease agreements. All of the properties in the portfolio are insured.

Other risks faced by the Company include the following:

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

The Board seeks to mitigate and manage these risks through continual review, policy setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Company's property portfolio and levels of gearing, and applies the principles detailed in the Turnbull Guidance Notes. Details of the Company's internal controls are described in more detail on page 21.

Management of Assets and Shareholder Value

The Board has contractually delegated the management of the investment portfolio and other services to Ignis Investment Services Limited.

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

Investment risks are spread through investing in a range of geographical areas and sectors, and through letting properties to low risk tenants. A list of all the properties held as at 31 December 2010 is contained on page 15 and further analysis can be found in the Investment Manager Review. At each Board meeting, the Board receives a detailed 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 and, to this end, the Investment Manager meets with current and potential new shareholders, and with stock broking analysts who cover the investment company sector, on a regular basis. In addition, communication of quarterly portfolio information is provided through the Company's website, www.ukcpt.co.uk, and the Company also utilises a public relations agency to enhance its profile among investors.

Key Performance Indicators

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

- Net asset value total return against the Investment Property Databank Balanced Monthly and Quarterly Funds Index.
- Premium/(Discount) of share price to net asset value.
- Dividend per share and dividend yield.
- Total expenses as a ratio of shareholders' funds.

These indicators for the year ended 31 December 2010 are set out on pages 3 and 4.

Directors

The Directors who held office during the period and their interests in the shares of the Company as at 31 December 2010 (all of which are beneficial) were:

	As at 31 December 2010 25p Ordinary Shares held	As at 31 December 2009 25p Ordinary Shares held
Christopher Hill	20,000	20,000
Keith Dorrian	10,000	10,000
Christopher Fish	10,000	10,000
John Robertson	10,000	10,000
Andrew Wilson	20,000	20,000

There have been no changes in the above interests between 31 December 2010 and 29 March 2011.

The Directors are also Directors of UK Commercial Property Holdings Limited, UK Commercial Property GP Limited and UK Commercial Property Nominee limited, which are three of the Company's wholly owned subsidiary undertakings. Mr C Hill, Mr C Fish and Mr J Robertson are the Directors of the Company's other wholly owned subsidiary, SCP Group Limited.

The Directors received the following emoluments in the form of fees:

	Year to 31 December 2010 (£)	Year to 31 December 2009 (£)
Christopher Hill	65,000	33,750
Keith Dorrian	45,000	28,750
Christopher Fish	47,000	30,250
John Robertson	25,000	23,750
Andrew Wilson	50,000	28,750

The Directors are remunerated for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees shall not exceed £300,000 per annum. The fees will be reviewed annually and may be increased in line with usual market rates. Mr J Robertson's directors fees are payable to his employer Ignis Investment Services Limited.

The above table includes additional fees of £80,000 paid to the Directors as follows; Mr C Hill £30,000; Mr A Wilson £20,000; Mr K Dorrian and Mr C Fish £15,000 each. This was in respect of the unusual level of additional services undertaken on the proposed merger with F&C Commercial Property Trust Limited. This fee is included within other expenses as set out in Note 3 to the accounts.

The above table also includes an additional one off fee of £5,000 paid to each of the Directors, excluding Mr J Robertson, in respect of additional services undertaken for the placing of 195,000,000 new 25p Ordinary Shares on 11 February 2010. This additional fee is included within the total launch costs associated with this share issue.

In accordance with the articles of association Mr K Dorrian and Mr A Wilson retire by rotation and, being eligible, offer themselves for re-election. Mr J Robertson, being a non-independent Director and hence subject to annual re-election retires and offers himself for re-election. Following formal performance evaluations, the performance of each of the Directors seeking re-election continues to be effective with each making a positive contribution to the performance of the Company. Given this, the re-election of Mr K Dorrian, Mr J Robertson and Mr A Wilson is recommended to shareholders at the 2011 Annual General Meeting.

There are no service contracts in existence between the Company and any Directors, but each of the Directors was appointed by a letter of appointment, which sets out the main terms of his appointment. The letters of appointment of the Directors are available for inspection at the Company's registered office during business hours and for fifteen minutes prior to the Annual General Meeting and at the meeting itself.

Management

Ignis Investment Services Limited provides management services to the Company. A summary of the contract between the Company and Ignis Investment Services Limited in respect of management services provided is given in note 2 to the accounts.

The Directors, other than Mr John Robertson, have considered the investment performance of the Company and the capability and resources of the Investment Manager to deliver satisfactory investment performance. They also considered the length of the notice period of the investment management contract and the fees payable to the Investment Manager, together with the standard of the other services provided.

Following this review, it is the Directors' opinion that the continuing appointment of the Investment Manager on the terms agreed is in the interests of shareholders as a whole due to the strength and quality of the management team and the Investment Manager commitment to the sector.

Substantial Interests in Share Capital

At 29 March 2011 the following holdings, representing more than 3 per cent of the Company's issued share capital, had been notified to the Company.

	Number of Ordinary Shares Held (000's)	Percentage Held
Phoenix Life Limited	790,786	66.05%
State Street Nominees	46,002	3.84%
Nortrust Nominees	39,921	3.33%

Report of the Directors (continued)

Corporate Governance

Changes to the UK listing regime came into force on 6 April 2010. These changes resulted in the listing regime being restructured into two segments: premium and standard. The Company, as a result of having equity shares in issue, falls within the premium segment. Due to these changes the Company is currently required to comply with the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 ('the Code'), which is publicly available at http://www.frc.org.uk.

Arrangements in respect of corporate governance have been made by the Board, which it believes are appropriate for the Company. Except as disclosed in the following paragraph, the Company complied throughout the period with the provisions of the Code. Since all the Directors are non-executive, the provisions of the Code in respect of Directors' remuneration are not relevant to the Company, except in so far as they relate to non-executive Directors. Consequently there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders.

In view of the Board's non-executive nature, and the requirement of the articles of association that all the Directors, retire by rotation at least every three years the Board considers it is not appropriate for a Senior Independent Director to be appointed as recommended by A.3.3 of the Code or for Directors to be appointed for specified terms as recommended by provision A.7.2 of the Code. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed. The Company is actively considering the provisions relating to the annual re-election of all directors contained in the new UK Corporate Governance Code and, in particular, whether and how to implement a policy of annual re-election.

The Board consists solely of non-executive Directors of which Mr Christopher Hill is Chairman. All Directors, other than Mr John Robertson, are considered by the Board to be independent of the Company's Investment Manager. New Directors receive an induction from the Investment Manager and Secretary on joining the Board, and all Directors receive other relevant training as necessary.

The Company has no executive Directors or employees. A management agreement between the Company and its Investment Manager, Ignis Investment Services Limited, sets out the matters over which the Investment Manager has authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing, and corporate governance procedures, are reserved for the approval of the Board of Directors. The Board currently meets at least quarterly and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings.

The Audit Committee, chaired by Mr Christopher Fish, operates within clearly defined written terms of reference which are available on request and comprises all of the Directors other than Mr John Robertson. The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual and Interim Accounts, the system of internal controls and the terms of appointment of the auditors together with their remuneration.

It is also the forum through which the auditors report to the Board of Directors and meets at least twice a year. The objectivity of the auditors is reviewed by the Audit Committee which also reviews the terms under which the external auditors are appointed to perform non-audit services. The objectivity and independence of the auditors is safeguarded by obtaining assurances from the auditors 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 auditors which governs the types of work from which the additions are excluded. The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors, with particular regard to non-audit fees. Such fees amounted to £265,436 (2009: £92,844) for the year ended 31 December 2010 and related principally to costs in connection with the unsuccessful

Director Meetings Attendance Summary

	Board of Directors		Audit Committee		Management Engagement Committee	
	Held*	Attended	Held	Attended	Held*	Attended
C Hill	4	4	3	3	1	1
K Dorrian	4	4	3	3	1	1
C Fish	4	4	3	3	1	1
J Robertson	4	4	n/a	n/a	n/a	n/a
A Wilson	4	4	3	3	1	1

The table above sets out the number of Board and Committee meetings all held in Guernsey during the year and the number attended by each Director. In addition to the above, there were 28 ad hoc meetings held during the year.

*1 meeting held early in 2011 due to the adverse weather conditions in late 2010.

F&C Commercial Property Trust Limited merger (£196,032) which was charged directly to the statement of comprehensive income under aborted project costs. £12,000 was charged against special reserves as it related to the 11 February 2010 share issue. The remaining £57,404 related to taxation services. The 2009 fees mainly related to the 30 October 2009 share issue. Notwithstanding such services, the Audit Committee considers Ernst & Young LLP to be independent of the Company.

The Management Engagement Committee comprises the full Board other than Mr John Robertson and reviews the appropriateness of the Investment Manager continuing appointment together with the terms and conditions thereof on a regular basis.

During the year the performance of the Board, committees and individual Directors were evaluated through an assessment process, led by the Chairman. The performance of the Chairman was evaluated by the other Directors. There have been no Directors appointed during the year.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Company maintains appropriate Directors' and Officers' liability insurance.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Investment Policy on page 17 and the Risk and Risk Uncertainties review on page18. In addition, Note 16 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

At both the Company and Group levels comprehensive going concern assessments have been performed. The Board have followed the Financial Reporting Council's "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" when performing their going concern assessments.

The assessments performed include review of the valuation and liquidity of investments as at the balance sheet date and of solvency and cash flow projections under both normal and stressed conditions. In addition the Company has no contingent liabilities.

Having thoroughly considered the going concern assessment the Board has concluded that there are no material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Environmental Policy

The Investment Manager acquires, develops and manages properties on behalf of the Company. It is recognised that these activities have both direct and indirect environmental impacts. The Board has endorsed the Investment Manager's own environmental policy, which is to work in partnership with contractors, suppliers, tenants and consultants to minimise those impacts, seeking continuous improvements in environmental performance and conducting regular interviews.

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 issued by the Financial Reporting Council in October 2005. The process is based principally on the Investment Manager's existing risk-based approach to internal control whereby a risk matrix is created that identifies the key functions carried out by the Investment Manager and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The risk matrix is regularly updated and the Board is provided with regular reports highlighting all material changes to the risk ratings and confirming the action which has been, or is being, taken. A formal annual review of these procedures is carried out by the Board and includes consideration of SAS70 and similar reports issued by the Investment Manager and other service providers.

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

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

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. The Board receives regular reports on the views of shareholders and the Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Investment Manager of the Company.

Disapplication of Pre-emption Rights

In accordance with the new provisions of the Listing Rules, with effect from 6 April 2011 the directors of a premium listed company will not be permitted to allot new shares (or grant rights over shares) for cash without first offering them to existing shareholders in proportion to their existing holdings.

Report of the Directors (continued)

The Board therefore believes that a resolution should be sought at this year's Annual General Meeting to disapply pre-emption rights. Resolution 7 therefore gives the Directors, for the period until the conclusion of the Annual General Meeting in 2012 or, if earlier, on the expiry of 15 months from the passing of Resolution 7, 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 £30,969,850. This is equivalent to approximately 10 per cent of the issued ordinary share capital of the Company as at 25 March 2011 (including Treasury Shares). It is expected that in future the Company will seek this authority annually.

The Directors will only allot new shares pursuant to this authority if they believe it is advantageous to the Company's shareholders to do so and in no circumstances that would result in a dilution to the net asset value per share.

Directors' Authority to Buy Back Shares

The Board intends to renew authority given to it by shareholders at the Annual General Meeting (AGM) in 2010 to buy back shares up to 14.99 per cent of the number of Ordinary Shares in issue. This special resolution, if approved, will enable the Company to buy back up to 179,482,593 shares based on the current number of shares in issue (excluding treasury shares). Any buy back of Ordinary Shares will be made subject to Guernsey law and within guidelines established from time to time by the Board, (which will take into account the income and cash flow requirements of the Company), and the making and timing of any buy backs will be at the absolute discretion of the Board.

Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing published net asset value of an Ordinary Share, (as last calculated), 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 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. The minimum price (exclusive of expenses) that may be paid is 25 pence a share.

The Company may retain any shares bought back as treasury shares for future re-issue and re-sale, 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, re-sold, or transferred at prices which are not less than the published net asset value of an Ordinary Share.

It is the intention of Directors that the share buy back authority will be used to purchase Ordinary Shares, (subject to the income and cash flow requirements of the Company), if the share price of an Ordinary Share is more than 5 per cent below the published net asset value for a continuous period of 90 dealing days or more. In the event that such discount is more than 5 per cent for 90 dealing days or more, following the second anniversary of the Company's most recent continuation vote, (10 July 2009), the Directors will convene an Extraordinary General Meeting to be held within three months to consider an ordinary resolution for the continuation of the Company. If this continuation resolution is not passed, the Directors will convene a further extraordinary general meeting to be held within six months of the first extraordinary meeting to consider the winding up of the Company or a reconstruction of the Company which offers all Shareholders the opportunity to realise their investment. If any such continuation resolution is passed, this discount policy, save in respect of share buy backs, would not apply for a period of two years thereafter.

Recommendation

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

Issue of Ordinary Shares

On 11 February 2010 the Company issued 195,000,000 New Ordinary Shares of 25p. On 7 July 2010 the Company issued a further 12,250,000 New Ordinary Shares of 25p. The total issued share capital of the Company at year end consists of 1,238,794,000 Ordinary Shares of 25p of which 41,445,142 are held in treasury. The total number of shares with voting rights at the year end is 1,197,348,858.

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

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

Approved by the Board on 29 March 2011.

Christopher M.W. Hill
Director

Christopher Fish
Director

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable Guernsey law and those International Financial Reporting Standards as have been adopted by the European Union.

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

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

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

We confirm that to the best of our knowledge:

the Group financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and

the Report of the Directors and Investment Manager Review include a fair review of the developments and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Christopher M.W. Hill
Chairman
29 March 2011

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

We have audited the financial statements of UK Commercial Property Trust Limited for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable Guernsey law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Michael R Bane
for and on behalf of Ernst & Young LLP
Guernsey
Channel Islands
29 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Revenue			
Rental income		60,186	48,818
Gains on investment properties	8	45,287	31,345
Interest revenue receivable		598	225
Total income		106,071	80,388
Expenditure			
Investment management fee	2	(6,977)	(4,503)
Other expenses	3	(4,901)	(2,594)
Aborted project costs	3	(1,268)	-
Total expenditure		(13,146)	(7,097)
Net operating profit before finance costs		92,925	73,291
Net finance costs			
Finance costs	4	(1,369)	(155)
		(1,369)	(155)
Net profit from ordinary activities before taxation		91,556	73,136
Taxation on profit on ordinary activities	5	-	-
Net profit for the year		91,556	73,136
Other comprehensive income:			
Loss arising on interest rate swap		(1,353)	-
Net comprehensive income for the year		90,203	73,136
Basic and diluted earnings per share	7	7.83p	8.40p

All items in the above statement derive from continuing operations.

The accompanying notes are an integral part of this statement.

Consolidated Balance Sheet

As at 31 December 2010

	Notes	2010 £'000	2009 £'000
Non-current assets			
Investment properties	8	898,750	710,485
		898,750	710,485
Current assets			
Trade and other receivables	10	5,146	5,181
Cash and cash equivalents		80,937	70,163
		86,083	75,344
Total assets		984,833	785,829
Current Liabilities			
Trade and other payables	11	(19,592)	(15,273)
Long Term Liabilities			
Bank loan	12	(41,884)	(41,919)
Interest rate swap	12	(1,353)	-
Total liabilities		(62,829)	(57,192)
Net assets		922,004	728,637
Represented by:			
Share capital	13	482,703	322,680
Treasury shares	13	(25,264)	(25,264)
Special distributable reserve		635,717	646,307
Capital reserve		(169,809)	(215,096)
Revenue reserve		-	-
Interest rate swap reserve		(1,353)	-
Equity Shareholders' funds		921,994	728,627
Minority interest		10	10
		922,004	728,637
Net asset value per share	14	77.0p	73.6p

The accounts on pages 25 to 41 were approved and authorised for issue by the Board of Directors on 29 March 2011 and signed on its behalf by:

Christopher M.W. Hill
Director

Christopher Fish
Director

The accompanying notes are an integral part of this statement.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Share Capital £'000	Treasury Shares £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Interest Rate Swap Reserve £'000	Minority Interest £'000	Total £'000
At 1 January 2010	322,680	(25,264)	646,307	(215,096)	-	-	10	728,637
Net profit for the year	-	-	-	-	91,556	-	-	91,556
Other comprehensive income	-	-	-	-	-	(1,353)	-	(1,353)
Issue of Ordinary Shares	160,023	-	-	-	-	-	-	160,023
Issue Costs	-	-	(2,141)	-	-	-	-	(2,141)
Dividends paid	-	-	-	-	(54,718)	-	-	(54,718)
Transfer in respect of gains on investment properties	-	-	-	45,287	(45,287)	-	-	-
Transfer from special distributable reserve	-	-	(8,449)	-	8,449	-	-	-
At 31 December 2010	482,703	(25,264)	635,717	(169,809)	-	(1,353)	10	922,004

For the year ended 31 December 2009

	Share Capital £'000	Share Premium Account £'000	Treasury Shares £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Minority Interest £'000	Total £'000
At 1 January 2009	220,000	267,952	(10,249)	386,073	(246,441)	-	10	617,345
Net profit for the year	-	-	-	-	-	73,136	-	73,136
Other comprehensive income	-	-	-	-	-	-	-	-
Transfer*	-	(267,952)	-	267,952	-	-	-	-
Issue of Ordinary Shares	102,680	-	-	-	-	-	-	102,680
Issue Costs	-	-	-	(1,641)	-	-	-	(1,641)
Shares bought back and held in Treasury	-	-	(15,015)	-	-	-	-	(15,015)
Dividends paid	-	-	-	-	-	(47,868)	-	(47,868)
Transfer in respect of gains on investment properties	-	-	-	-	31,345	(31,345)	-	-
Transfer from special distributable reserve	-	-	-	(6,077)	-	6,077	-	-
At 31 December 2009	322,680	-	(25,264)	646,307	(215,096)	-	10	728,637

*Under current regulations there is no longer a requirement to maintain a Share Premium Account. The 2009 opening Share Premium Account balance has been transferred to Special Reserves. The proceeds from the Company's 30 October 2009 Share Issue has been credited to the Share Capital Account.

The accompanying notes are an integral part of this statement.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Cash flows from operating activities		
Net operating profit for the year before taxation	91,556	73,136
Adjustments for:		
Gains on investment properties	(45,287)	(31,345)
Decrease/(increase) in operating trade and other receivables	35	(56)
Increase in operating trade and other payables	4,236	2,691
Net finance costs / (income)	771	(70)
Net cash inflow from operating activities	51,311	44,356
Cash flows from investing		
Purchase of investment properties	(123,502)	(176,595)
Sale of investment properties	-	60,265
Capital expenditure	(9,798)	(2,690)
Interest received	598	225
Net cash outflow from investing activities	(132,702)	(118,795)
Cash flows from financing activities		
Proceeds from issue of Ordinary Shares	150,345	102,680
Proceeds from utilisation of bank loan	-	41,919
Issue costs of ordinary share capital	(2,141)	(1,641)
Share buyback	-	(15,015)
Dividends paid	(54,718)	(47,868)
Bank loan interest paid	(514)	(83)
Payments under interest rate swap arrangement	(807)	-
Net cash inflow from financing activities	92,165	79,992
Opening balance	70,163	64,610
Closing cash and cash equivalents	80,937	70,163
Represented by;		
Cash at bank	10,993	5,306
Short term deposits	23,855	64,857
Money market funds	46,089	-
	80,937	70,163

The accompanying notes are an integral part of this statement.

Notes to the Accounts

1. Accounting Policies

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

(a) Basis of Accounting

The consolidated accounts have been prepared in accordance with International Financial Reporting Standard issued by, or adopted 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.

Changes in accounting policies and disclosures

IFRS 3 (Revised) Business Combinations: The revised standard is effective for business combinations affected in financial periods beginning on or after 1 July 2009, IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The adoption of this revision did not have any impact on the financial position or the performance of the Company.

IAS 27 (Amended) Consolidated and Separate Financial Statements: This amendment is effective for financial periods beginning on or after 1 July 2009. IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) to be accounted for as an equity transaction. Therefore, such a transaction would no longer give rise to goodwill, nor give rise to a gain or loss. The adoption of this amendment did not have any impact on the financial position or the performance of the Company.

IAS 17 (Amended) leases: This amendment is effective for financial periods beginning on or after 1 January 2010.

This amendment deletes much of the existing wording in the standard to the effect all leases of land (where title does not pass) were operating leases. The amendment requires that in determining whether the lease of land (either separately or in combination with other property) is an operating or a finance lease, the same criteria are applied as for any other asset. The adoption of this amendment did not have any impact on the financial position or the performance of the Company.

No other standards or amendments which are effective from 1 January 2010 apply to the Group and have therefore not been disclosed.

(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 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.

Going Concern: The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair value of investment properties: Investment property is stated at fair value as at the balance sheet date as set out in note 1 (h) and note 8 to these accounts.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from the assets. The estimate of the 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 investment. These estimates are based on local market conditions existing at the balance sheet date.

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

(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.

(d) Functional and Presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in pounds sterling, which is the Group's presentational currency. All figures in the financial statements are rounded to the nearest thousand.

Notes to the Accounts (continued)

(e) Revenue Recognition

Rental income, excluding VAT, arising on investment properties is accounted for in the Statement of Comprehensive Income on a straight line basis over the lease term of ongoing leases. Surrender lease premiums paid are required to be recorded as a current asset and amortised over the period from the date of the lease commencement to the earliest termination date. Interest income is accounted on an accruals basis.

(f) Expenses

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

(g) Taxation

The exempt status for Category D companies has been abolished and the standard rate of income tax for Guernsey companies reduced to zero per cent. However, the Company is still able to continue to apply for tax exemption under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 as a category B collective investment vehicle, as will its subsidiaries. A fixed annual fee of £600 is payable to the States of Guernsey in respect of this exemption. Capital gains are not taxable in Guernsey.

The Directors intend to conduct the Group's affairs such that the management and control is not exercised in the United Kingdom and so neither the Company nor any of its subsidiaries carries on any trade in the United Kingdom. Accordingly, the Company and its subsidiaries will not be liable for United Kingdom taxation on their income or gains other than certain income deriving from a United Kingdom source.

The Company and its subsidiaries are subject to United Kingdom income tax on income arising on the property portfolio after deduction of its allowable debt financing costs and other allowable expenses.

(h) Investment Properties

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

After initial recognition, investment properties are measured at fair value, with the movement in fair value recognised in the Statement of Comprehensive Income and transferred to the Capital Reserve. Fair value is based on the open market valuation provided by CB Richard Ellis Limited, chartered surveyors, at the Balance Sheet date.

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

Recognition and derecognition occurs on the exchange of signed contracts between a willing buyer and a willing seller.

(i) Share Issue Expenses

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

(j) 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.

(k) 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.

(l) Trade and Other Receivables

Trade receivables, which are generally due for settlement at the relevant quarter end are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(m) Reserves

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

Capital Reserve
The following are accounted for in this reserve:

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

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

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

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

(n) Interest-bearing borrowings

All bank loans and borrowings are initially recognised at cost, being their fair value of the considerations 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.

(o) Derivative financial instruments

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

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

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

On maturity or early redemption the unrealised gains or losses arising from cash flow hedges in the form of derivative instruments, initially recognised in the Statement of Comprehensive Income, are reclassified to the Statement of Changes in Equity.

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

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

(p) New standards not applied

There are a number of new standards, amendments and interpretations that have been issued but are not yet effective for this accounting year and have not been adopted early.

In November 2009, the IASB issued IFRS9 'Financial Instruments' which becomes effective for accounting periods commencing on or after 1 January 2013. This represents the first of a three-part project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The objective of the standard is to enhance the ability of investors and other users of financial information to understand the accounting of financial assets and to reduce complexity.

A revised version of IAS 24 'related party disclosures' was introduced in November 2009 and is effective for accounting periods beginning on 1 January 2011. The revisions provide for a partial exemption from the disclosure requirements for government-related entities and clarify the definition of a related party. These revisions will have no effect on the Group.

The IASB issued improvements for 2010 in May 2010, effective from 1 January 2011. These cover eleven amendments to six standards, none of which are expected to materially affect the Group.

The Group does not consider that the future adoption of International Financial Reporting Standards, in the form currently available, will have any material impact on the financial statements presented.

Notes to the Accounts (continued)

2. Fees

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Investment management fee	6,977	4,503

Investment management fee

The Company's Investment Manager, Ignis Investment Services Limited, receive an aggregate annual fee from the Group at an annual rate of 0.75 per cent of the of the Total Assets, less the amount of the Group's borrowings, plus an amount calculated at the rate of 0.50 per cent, of the value of the assets of the Group represented by borrowings. The Investment Manager is also entitled to an administration fee of £110,000 per annum (which will increase annually in line with inflation) (see note 3). Both fees are payable quarterly in arrears. The fees of any managing agents appointed by the Investment Manager will be payable out of the Investment Management fee. The Investment Management agreement is terminable by any of the parties to it on 12 months' notice.

3. Other expenses

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Direct operating expenses of let property	2,614	942
Valuation and other professional fees	1,590	834
Bad debt provision	(9)	49
Directors' fees*	212	125
Administration fee	110	107
Facility Fees	76	148
Administrator/Co. Secretary fees	83	55
Regulatory fees	82	70
Auditor's remuneration for:**		
Statutory audit	43	43
Tax services	57	20
Other	43	201
	4,901	2,594

*As set out on Page 19, other than Mr Robertson, the Directors received an additional £5,000 each in relation to the 11 February 2010 Share Issue. This £20,000 was charged to reserves as part of launch costs for said share issue.

**As set out on pages 20 & 21, total non audit fees for 2010 were £265,000; £12,000 of which were charged to reserves as part of the February 2010 share issue, and £196,000 related to aborted project costs which were written off during the year.

At the Extraordinary General Meeting of F&C Commercial Property Trust Limited ("FCPT"), held on the 9 August 2010, the ordinary resolution to approve the participation of FCPT in the acquisition of its business and assets by the Company was not passed. As a result the Company incurred £1,268,000 of non recoverable project costs.

4. Finance costs

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Interest on principal loan amount	514	83
Interest in respect of rate swap arrangement	807	-
Amortisation of loan set up fees	48	72
	1,369	155

5. Taxation

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

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

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Net profit before tax	91,556	73,136
UK income tax at a rate of 20 per cent	18,311	14,627
Effect of:		
Capital (gains) on investment properties not taxable	(9,057)	(9,092)
Capital losses realised not taxable	-	2,823
Income not taxable	(120)	(45)
Inter company loan interest	(10,666)	(9,032)
Expenditure not allowed for income tax purposes	1,960	538
Deferred tax asset not provided for	(428)	181
Total tax charge	-	-

The Group has unused tax losses carried forward of £11,795,000 (2009: £12,223,000). These will only be utilised if the group has profits chargeable to income tax in the future.

6. Dividends

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Dividends on Ordinary Shares:		
2009 Fourth interim of 0.8988p per share paid 26 February 2010 (2008 Fourth interim: 1.3125p)	8,899	11,381
2010 First interim of 0.5979p per share paid 28 May 2010 (2009 First interim: 1.3125p)	5,920	11,006
2010 Second interim of 0.7146p per share paid 28 May 2010	8,469	-
2010 Third interim of 1.3125p per share paid 27 August 2010 (2009 Second interim: 1.3125p)	15,715	11,006
2010 Fourth interim of 1.3125p per share paid 30 November 2010 (2009 Third interim: 1.7262p)	15,715	14,475
	54,718	47,868

A fifth interim dividend of 1.3125p was paid on 28 February 2011 to shareholders on the register on 11 February 2011. Although this payment relates to the year ended 31 December 2010, under International Financial Reporting Standards it will be accounted for in the year ending 31 December 2011.

7. Basic and diluted Earnings per Share

The earnings per share are based on the net profit for the year of £91,556,000 (2009: £73,136,000) and on 1,168,600,913 (2009: 870,582,609) Ordinary Shares, being the weighted average number of shares in issue during the year. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

Notes to the Accounts (continued)

8. Investment Properties

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Freehold and Leasehold properties		
Opening valuation	710,485	560,120
Purchases at cost	133,180	176,595
Capital expenditure	9,798	2,690
Movements in fair value	45,287	28,110
Disposals at cost	-	(57,030)
Closing valuation	898,750	710,485
Gains on investment properties at fair value comprise		
Valuation gains	45,287	28,110
Gains on disposals	-	3,235
	45,287	31,345

Losses on investment property disposals	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Original cost of investment properties sold	-	(74,381)
Sale proceeds	-	60,265
Losses on Investment Properties sold	-	(14,116)
Recognised in previous periods	-	(17,351)
Recognised in current period	-	3,235
	-	(14,116)

CB Richard Ellis Limited completed a valuation of Group investment properties at 31 December 2010 on an open market basis in accordance with the requirements of the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors, which is deemed to equate to fair value. Fair value is determined by reference to market based evidence, which is the amounts for which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arms length transaction as at the valuation date. The market value of these investment properties amounted to £898,750,000 (2009: £710,485,000) which is also the fair value.

The property valuer is external to the Group. The property valuer takes account of deleterious materials included in the construction of the investment properties in arriving at its estimate of open market valuation when the Investment Manager advises of the presence of such materials. The Group has entered into leases on its property portfolio as lessor (See note 18 for further information). No one property accounts for more than 15 per cent of the gross assets of the Group. All leasehold properties have more than 60 years remaining on the lease term. There are no restrictions on the realisability of the Group's investment properties or on the remittance of income or proceeds of disposal. However, the Group's investments comprise UK commercial property, which may be difficult to realise. Property and property related assets are inherently difficult to value due to the individual nature of such property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where the actual sales occur shortly after the valuation date.

In addition to the above, the property portfolio market value as at 31 December 2010 is partly based on the following:

- The Estimated Net Annual Rent for each property, which is based on the current rental value of each of the properties, which reflects the terms of the leases where the property, or part of the property, are let at the date of valuation. If the property, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent the valuer considers would be obtainable on an open market letting as at the date of valuation
- The valuer has assumed that all rent reviews are upward only and are to be assessed by reference to full current rents. Also there is the assumption that all tenants will meet their obligations under their leases, and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge.
- The valuer has not made any adjustments to reflect any liability to taxation that may arise on disposal, nor any costs associated with disposals incurred by the owner.
- The valuer assumes an initial yield in the region of 5 to 7% for the majority of the properties, with the reversionary yield being in the region of 7%.

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, maintenance or enhancements to its investment properties.

Included within the total market value of the property portfolio, are;

Units in the Kensington High Street Jersey Property Unit Trust which holds the property at Kensington High Street, London. 99.5 per cent of the units in this Unit Trust are held by UKCPT Limited Partnership and 0.5 per cent is held by UK Commercial Property Holdings limited.

Units in the Kew Jersey Property Unit Trust which holds the property at Kew Retail Park, Richmond. 58 per cent of the units in this Trust are held by UKCPT Limited Partnership and 42 per cent is held by UK Commercial Property Holdings Limited.

Units in the W-S-M Jersey Property Unit Trust which holds the property at Weston-super-Mare. 99.5 per cent of the units in this Trust are held by UK Commercial Property Holdings Limited and 0.5 per cent is held by UKCPT Limited Partnership.

Units in the Junction 27 Jersey Property Unit Trust which holds the property at Junction 27 Retail Park, Leeds. 99.5 per cent of the units in this Trust are held by UK Commercial Property Holdings Limited and 0.5 per cent is held by UKCPT Limited Partnership.

Units in the Charles Darwin Jersey Property Unit Trust which holds the property at Charles Darwin Shopping Centre, Shrewsbury. 99 per cent of the units in this Trust are held by UK Commercial Property Holdings Limited and 1 per cent is held by UKCPT Limited Partnership.

Units in the Pride Hill Jersey Property Unit Trust which holds the property at Pride Hill Shopping Centre, Shrewsbury. 99 per cent of the units in this Trust are held by UK Commercial Property Holding limited and 1 per cent is held by UKCPT Limited Partnership.

Units in the Riverside Jersey Property Unit Trust which holds the property at Riverside Shopping Centre, Shrewsbury. 99 per cent of the units in this Trust are held by UK Commercial Property Holdings Limited and 1 per cent is held by UKCPT Limited Partnership.

9. Investment in Subsidiary Undertakings

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

In addition to its investment in the shares of UKCPH, the Company had lent £277.8 million on 28 February 2007, £115.1 million on 30 October 2009 and £53.3 million on 1 April 2010 to UKCPH, all of which remains outstanding as at 31 December 2010. These loans are repayable in 2016 and are unsecured. Interest is payable quarterly in arrears at a fixed rate of 6.65 per cent per annum, 5.99 per cent per annum and 5.7 per cent per annum respectively, compounded on a quarterly basis. Total interest on these loans for the year amounted to £27.5 million (2009: £19.5 million), of which £8.3 million (2009: £3.7 million) remained payable as at 31 December 2010.

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

UKCPT Limited Partnership, (GLP), is a Guernsey limited partnership, and it holds the properties comprised in the initial property portfolio. UKCPH and GP, have a partnership interest of 98.99 and 1 per cent respectively in the GLP. The remaining 0.01 per cent partnership interest is held by The Droit Purpose Trust, which is a Jersey purpose trust. The GP is the general partner and UKCPH is a limited partner of the GLP.

The Company had lent £406 million on 22 September, £0.2 million on 30 October 2009, and £3.0 million on 1 April 2010 to the GLP, £394.2 million (2009: £391.2 million) of which remains outstanding as at 31 December 2010. These loans are repayable in 2016 and are unsecured. Interest is payable quarterly in arrears at fixed rates of 6.5 per cent per annum, 5.99 per cent per annum, and 5.7 per cent respectively, compounded on a quarterly basis. Total interest on these loans for the year amounted to £25.8 million (2009: £25.4 million), of which £10.9 million (2009: £6.4 million) remained payable as at 31 December 2010. At 31 December 2010, the Company also had an intercompany balance with the GLP amounting to £16 million (2009: nil).

The Company owns 100 per cent of the issued share capital of SCP Group Limited (SCP), a company incorporated in Guernsey whose principal business is that of a holding company.

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

Notes to the Accounts (continued)

10. Trade and Other Receivables

	2010 £'000	2009 £'000
Rents receivable (net of provision for bad debts)	806	1,644
Other debtors and prepayments	4,340	3,537
	5,146	5,181

Rents receivable, which are generally due for settlement at the relevant quarter end are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

11. Trade and Other Payables

	2010 £'000	2009 £'000
Rental income received in advance	15,764	12,478
Investment Manager fee payable	1,813	1,334
VAT payable	1,761	1,048
Other payables	254	413
	19,592	15,273

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

12. Bank loan

	2010 £'000	2009 £'000
Facility	80,000	80,000
Drawn down	42,100	42,100
Set up costs	(336)	(336)
Accumulated amortisation of set up costs	120	72
Accrued variable rate interest on bank loan	-	83
Total due	41,884	41,919

The Company has a 7 year £80 million facility with Lloyds Banking Group plc, of which £42.1 million is drawn down.

The bank loan is secured on the property portfolio of the Group. Under bank covenants related to the loan the Company is to ensure that at all times:

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

The Company met the covenant tests during the year.

Interest rate exposure has been hedged by the purchase of an interest rate swap contract. The hedge has been achieved by matching the notional amount of the swap with the loan principal and matching the swap term to the loan term.

Interest on the swap is receivable at a variable rate calculated on the same LIBOR basis as for the bank loan (as detailed below but excluding margins) and payable at a fixed rate of 3.55 per cent per annum.

The fair value of the liability in respect of the interest rate swap contract at 31 December 2010 is £1,353,000 which is based on the marked to market value.

Interest is payable by the Company at a rate equal to the aggregate of LIBOR, mandatory costs of the Bank and a margin. The applicable margin depends on the ratio of all loans made available to the Company (under the Bank Facility or otherwise) to the "Gross Assets Value", expressed as a percentage (the "LTV Percentage"). "Gross Assets Value" takes onto account the value of the properties and any other assets held by the Company and the Guarantors (currently UK Commercial Property Holdings Limited, UK Commercial Property GP Limited and UKCPT Limited Partnership) as well as unsecured cash, if the LTV Percentage is greater than 5 per cent and does not exceed 10 per cent, the margin is 0.55 per cent per annum. If the LTV Percentage is greater than 10 per cent and does not exceed 40 per cent, the margin is 0.60 per cent per annum. If the LTV Percentage is greater than 40 per cent and does not exceed 50 per cent, the margin is 0.70 per cent per annum.

13. Share capital accounts

	2010 £'000	2009 £'000
Share capital		
Opening balance	322,680	220,000
195,000,000 Ordinary Shares of 25 pence each issued on 11 February 2010	150,345	-
12,250,000 Ordinary Shares of 25 pence each issued on 7 July 2010	9,678*	-
151,544,000 Ordinary Shares of 25 pence each issued on 30 October 2009	-	102,680
Share capital as at 31 December	482,703	322,680
(number of shares in issue at the year end being 1,238,794,000)		
Treasury shares		
Opening balance	(25,264)	(10,249)
17 March 2009 share buyback of 28,571,429 Ordinary Shares of 25 pence each	-	(15,015)
Balance in Treasury account as at 31 December	(25,264)	(25,264)

(number of shares held in treasury being 41,445,142 Ordinary Shares of 25 pence each at 31 December 2010)

Following the 2009 Annual General Meeting held on 4 June 2010, the Company does not have an authorised share capital limit, as permitted by Guernsey law.

Ordinary shareholders participate in all general meetings of the Company on the basis of one vote for each share held.

*As announced on the 6 July 2010 the conditions to the 6 October 2009 agreement to purchase the heritable property at 2/8 Buchanan Street, Glasgow were satisfied and the property was purchased by way of the issue of 12,250,000 ordinary shares. These shares were admitted to trading at 8.00am on the 7 July 2010. The market price at that time for these shares was 79p. Therefore, the value of this share issue is calculated as being 12,250,000 shares, at 79p per share which equates to £9,678,000.

Total issue costs for the 2010 placings, as detailed on page 22, were £2,141,000. This has been charged in full against the Special Reserve.

14. Net Asset Value per Share

The net asset value per ordinary share is based on net assets of £922,004,000 (2009: £728,627,000) and 1,197,348,858 (2009: 990,098,858) Ordinary Shares, being the number of Ordinary Shares in issue at the year end, excluding Treasury Shares.

15. Related Party Transactions

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

Ignis Investment Services Limited received fees for its services as investment managers. Further details are provided in notes 2 and 3. The total management fee charged to the Statement of Comprehensive Income during the year was £6,977,000 (2009: £4,503,000) of which £1,813,000 (2009: £1,334,000) remained payable at the year end. The Investment Manager also receives an administration fee of £110,000 (2009: £107,000) per annum, of which £28,000 (2009: £27,000) remained payable at the year end. In addition to the above, the Investment Manager received a success fee of £250,000 in respect of the February 2010 new Ordinary Shares placing.

The Directors of the Company received fees for their services. Further details are provided in the Report of the Directors on page 19. Total fees for the year were £232,000 (2009: £145,250) none of which remained payable at the year end, (2009: nil). As noted in the report of the Directors, Mr Robertson's fees are paid directly to Ignis Investment Services Limited.

The Group invests in the Ignis Liquidity fund which is also managed by the Investment Manager. As at 31 December 2010 the Company had invested £46 million in the Ignis Liquidity Fund (2009: Nil).

As announced on 25 January 2010, Phoenix & London Assurance Limited ("PALAL"), which is a member of the Phoenix Group plc, as is the Company's Investment Manager, subscribed for 64,850,843 new Ordinary Shares, under the 195 million Ordinary Share placing held on 11 February 2010. The Company paid commission of 0.85 per cent or £425,000 to PALAL on this subscription, as set out in the prospectus for this placement.

As announced on 6 July 2010, the Company acquired the heritable property at 122/132 Argyle Street Glasgow. The consideration for this purchase was the issue of 12,250,000 new Ordinary Shares on 7 July 2010 to Phoenix Life Limited. Phoenix Life Limited is a member of Phoenix Group plc as is the Company's Investment Manager.

The Company has various intercompany loans in place with fellow group entities, details of which are set out in note 9 of these accounts.

Notes to the Accounts (continued)

16. Financial Instruments

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. In addition, the Group's financial instruments consist of cash, receivables and payables that arise directly from its operations.

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

Fair values

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

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments recognised in the balance sheet by level of the fair value hierarchy: (2009: nil)

31 December 2010	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Interest rate swap	-	(1,353)	-	(1,353)

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

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

Market risk

A 10 per cent increase in the value of the investment properties held as at 31 December 2010 would have increase net assets available to shareholders and increased the net profit by £89.9 million (2009: £71.0 million). A 10 per cent decrease in value would have reduced net assets available to shareholders and reduced the net profit by £89.9 million (2009: £71.0 million).

The calculations above are based on investment property valuations at the respective balance sheet dates and are not representative of the year as a whole, nor reflective of future market conditions.

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 2010	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Cash	80,937	-	-	80,937
Rent receivable	806	-	-	806
Other debtors	-	-	571	571
	81,743	-	571	82,314

Financial Assets 2009	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Cash	70,163	-	-	70,163
Rent receivable	1,644	-	-	1,644
Other debtors	23	-	508	531
	71,830	-	508	72,338

In the event of default by an occupational 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 monitor such reports in order to anticipate and minimise the impact of defaults by occupational tenants.

The Company has a diversified tenant portfolio. The maximum credit risk from the rent receivables of the Group at 31 December 2010 is £806,000 (2009: £1,644,000). The Group holds rental deposits of £571,000 (2009: £508,000) held as collateral against tenant arrears/defaults. There is no credit risk associated with the financial liabilities of the Group.

All of the cash is placed with financial institutions with a credit rating of A or above. £46m (2009: nil) of the year end cash balance is held in the Ignis Liquidity Fund; which is a money market fund. Bankruptcy or insolvency 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.

There are no significant concentrations of credit risk within the Group.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments.

The Group's investments comprise UK commercial property. Property and property related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date.

The Group's liquidity risk is managed on an ongoing basis by the Investment Manager and 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 2010 the cash balance was £80,937,000 (2009: £70,163,000).

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

Financial Liabilities 2010	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Bank loan and interest rate swap	377	1,131	47,917	49,425
Other Creditors	17,260	-	571	17,831
	17,637	1,131	48,488	67,256

Financial Liabilities 2009	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Bank loan	121	362	44,251	44,734
Other Creditors	12,255	1,416	508	14,179
	12,376	1,778	44,759	58,913

Interest rate risk

The cash balance as shown in the Balance Sheet, is its carrying amount and has a maturity of less than 1 year.

Interest is receivable on cash at a variable rate ranging between 0.2 per cent to 0.5 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 £809,000 (2009: reduced the reported loss by £280,000). A decrease of 1 per cent would have reduced the reported profit by £809,000 (2009: increased the reported loss by £280,000). The effect on equity is nil (excluding the impact of a charge in retained earnings as a result of a change in net profit).

As the Company's bank loan has been hedged by its swap, this loan is not subject to interest rate risk.

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 2010 or 31 December 2009 as assets and liabilities of the Group are maintained in pounds Sterling.

Notes to the Accounts (continued)

16. Financial Instruments (continued)

Capital Management Policies

The Group's capital is managed in accordance with investment policy which is to hold a diversified property portfolio of freehold and long leasehold UK commercial properties. The Group intends to invest in income producing properties. The Group will principally invest in three commercial property sectors: office, retail and industrial. The Group will be permitted to invest up to 15 per cent of its Total Assets in indirect property funds but will not invest in other listed investment companies. The Group will be permitted to invest cash, held by it for working capital purposes and awaiting investments, in cash deposits, gilts and money market funds.

The primary objective of the Group's capital management is to ensure that it remains within its quantitative banking covenants and maintain a strong credit rating. No changes were made in the objectives, policies or processes during the years ending 31 December 2010 and 31 December 2009.

The Group monitors capital primarily using a loan to value ratio, which is calculated as the amount of outstanding debt dividend by the valuation of the investment property portfolio. The Group's policy is to keep the average loan to value ratio of the Group lower than 10 per cent.

During the period. The group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

	2010 £'000	2009 £'000
Carrying amount of interest-bearing loans and borrowings	41,884	41,919
External valuation of completed investment property	898,750	710,485
Loan to value ratio	4.66%	5.90%

The Group's capital balances are set out on page 27 and are regarded as the Group's equity and net funds.

17. Capital Commitments

The Company has committed to spend approximately £16 million on the redevelopment of the Swindon property as at 31 December 2010.

18. Lease Length

The Group leases out its investment properties under operating leases.

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

	31 December 2010 £'000	31 December 2009 £'000
Less than one year	62,525	54,008
Between one and five years	201,276	186,131
Over five years	338,529	296,754
Total	602,330	536,893

The largest single tenant at the year end accounted for 6.47 per cent (2009: 7.68 per cent) of the current annual rental income.

The unoccupied property expressed as a percentage of estimated total rental value was 3.62 per cent (2009: 2.45 per cent) at the year end.

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

Analysis of the nature of investment properties and leases are provided in 'Portfolio Statistics' on page 14.

19. Service charge

A summary of the service charge during the year is as follows:

	2010 £'000	2009 £'000
Total service charge expenditure incurred	6,129	4,437
Total service charge billed to tenants	5,800	3,506
Service charge billed to the Group in respect of void units	1,200	351
Service charge due from tenants as at 31 December	377	185

The Companys' managing agents Jones Lang LaSalle manage service charge accounts for all the Companys' properties. The Company pays the service charge on any vacant units. Service charges on rental properties are recharged to tenants.

20. Post Balance Sheet Events

As announced on 15 February 2011 the Company completed the purchase of St. George's Retail Park, Leicester, for £51 million.

Notice of Annual General Meeting

Notice is hereby given that the fourth Annual General Meeting of UK Commercial Property Trust Limited will be convened at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL on 2 June 2011 at 10am 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 Annual Report and Accounts of the Company for the year ended 31 December 2010.
2. To re-elect Ernst & Young LLP as Auditors to the Company until the conclusion of the next Annual General Meeting.
3. To authorise the Directors to determine the Auditors remuneration.
4. To re-elect Mr Dorrian as a Director of the Company.
5. To re-elect Mr Robertson as a Director of the Company.
6. To re-elect Mr Wilson as a Director of the Company.

Special Resolutions

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

7. 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"), including the grant of rights to subscribe for, or to convert securities into ordinary shares held by the Company as treasury shares for cash as if any pre-emption rights in relation to the issue of shares as set out in the listing rules made by the Financial Services 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 £30,969,850 being approximately 10 per cent of the nominal value of the issued share capital of the Company (including treasury shares), as at 29 March 2011.

8. 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(l) of the law of its own ordinary shares of 25p each ("shares") (either for retention as treasury shares for future resale of transfer or cancellation), provided that:

(i) the maximum number of Shares hereby authorised to be acquired shall be equal to 14.99 per cent of the Company's issued share capital on the date on which this resolution is passed;
(ii) the minimum price (exclusive of expenses) which may be paid for a Share is 25p, being the nominal value per share;
(iii) the maximum price (exclusive of expenses) which may be paid for a Share is 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;
(iv) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2012 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and
(v) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

Notes:

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

2. More than one proxy may be appointed provided each proxy is appointed to exercise the rights attached to different shares.

3. A form of proxy is enclosed for use at the Meeting. The form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach Computershare Investor Services (Jersey) Limited, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, not later than 10 a.m. on 31 May 2011.

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

5. To have the right to attend and vote at the Meeting (and also for the purposes of calculating how many votes a member may cast on a poll) a member must first have his or her name entered on the register of members not later than 10 a.m. on 31 May 2011. Changes to entries in the register after that time shall be disregarded in determining the rights of any member to attend and vote at such Meeting.

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

7. Copies of the Articles of Association of the Company will be available for inspection during normal business hours on any day (Saturdays, Sundays and public holidays excepted) until the close of the Annual General Meeting at the registered office of the Company.

8. As at 29 March 2011, the latest practicable date prior to publication of this document, the Company had 1,238,794,000 ordinary shares in issue with a total of 1,197,348,858 voting rights.

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

By order of the Board
Northern Trust International Fund
Administration
Services (Guernsey) Limited
Secretary
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL
Date 29 March 2011

Shareholder Information

Dividends

It is the Directors' intention in line with the Company's investment objective to pay an attractive level of dividend income to shareholders on a quarterly basis. The Directors intend to set the proposed level of dividend after taking into account the long term income return of the Property Portfolio, the diversity and covenant strength of the tenants and the length of the leases of the Properties. In accordance with typical accounting policies for investment companies, the Directors expect that they will effectively charge a proportion of the Group's expenses to capital. Dividends will not be paid out of surpluses arising on the realisation of investments.

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

Ordinary dividends are paid quarterly in May, August, November and February each year. Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandates may be obtained from Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL on request. Where dividends are paid directly to shareholders' bank accounts, dividend tax vouchers are sent directly to shareholders' registered addresses.

Share Price

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

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL under the signature of the registered holder.

Shareholder Enquiries

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

Financial Calendar 2011/12

28 February 2011	Payment of 2010 fifth interim dividend
March 2011	Announcement of annual results
May 2011	Payment of 2011 first interim dividend
June 2011	Annual General Meeting
August 2011	Payment of 2011 second interim dividend
August 2011	Posting of Interim Report
November 2011	Payment of 2011 third interim dividend
February 2012	Payment of 2011 fourth interim dividend

Corporate Information

Directors (all non-executive)

Christopher Hill (Chairman)
Keith Dorrian
Christopher Fish
John Robertson
Andrew Wilson

Registered Office

Trafalgar Court
Les Banques
St Peter Port
Guernsey

Registered Number

45387

Administrator, Secretary and Registrar

Northern Trust International Fund Administration Services
(Guernsey) Limited
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Investment Manager

Ignis Investment Services Limited
50 Bothwell Street
Glasgow G2 6HR

Property Valuer

CB Richard Ellis Limited
St Martin's Court
10 Paternoster Row
London EC4M 7HP

Independent Auditors

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

Guernsey Legal Advisors

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

UK Legal Advisors and Sponsor

Dickson Minto W.S.
16 Charlotte Square
Edinburgh EH2 4DF

Principal Banker

The Royal Bank of Scotland plc
2 $^1/_2$ Devonshire Square
London EC2M 4XJ

Principal Lender

Lloyds Banking Group
Henry Duncan House
120 George Street
Edinburgh EH2 4LH

Corporate P.R. Advisor

Financial Dynamics Limited
Holborn Gate
26 Southampton Buildings
London WC2A 1PB

Corporate broker

JP Morgan Cazenove
10 Aldermanbury
London EC2V 7RF

Website

www.ukcpt.co.uk

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