UK COMMERCIAL
PROPERTY TRUST

www.ukcpt.co.uk

Annual Report and Accounts

for the year ended 31 December 2012


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Front Cover Images: Rotunda, Kingston upon Thames; Whitewall Gallery, Colmore Row, Birmingham; Kensington High Street, London, W8; Motor Park, Portsmouth

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 five 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"), UK Commercial Property Estates Holdings Limited ("UKCPEH" – formerly known as SCP Group Limited) and UK Commercial Property Estates Limited ("UKCPEL") are incorporated in Guernsey. The principal business of UKCPH, UKCPEL 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 UKCPEH 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 99 and 1 per cent respectively in this entity. The GP is the general partner and UKCPH is a limited partner of the GLP. The limited partnership's principal business is that of an investment and property entity.

Objectives

The investment objective of the Company is to provide ordinary shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified portfolio of UK commercial properties. The investment policy of the Company is set out on page 19.

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

Financial and Property Highlights

Financial Highlights

- NAV per share of 69.6p as at 31 December 2012 (2011 – 75.5p);
- Main reasons for decline in NAV over the year were as follows:
    - Property portfolio values decreased 4.5% in the year on a like-for-like basis;
    - Acquisition costs on purchase of multi-let industrial portfolio in February 2012;
    - Working Capital and SWAP movements
- Rental income increased 9.20% in the year due to new aquisitions over the last two years;
- Share price total return of 2.5% in the year which resulted in a reduction in the discount at which the shares trade to NAV;
- Over a five year period the Company has returned 6.7% and 36.3% on a NAV and share price total return basis respectively. This is ahead of the IPD Benchmark (1.7%) and the FTSE Real Estate Investment Trusts Index (- 25.9%);
- The Company drew down the remaining £90 million of the Barclays Bank debt facility in the year resulting in a blended average interest rate across both debt facilities of 3.85%;
- At 31 December 2012 the Company had gross gearing of 21.3%, one of the lowest rates in the Company's peer group;
- Dividend yield of 8% at the year end, underpinned by a portfolio of prime assets and significantly above that of the IPD benchmark (6.3%), the FTSE Real Estate Investment Trusts Index (4.2%) and the FTSE All-Share Index (3.6%);
- Considerable cash resources of over £77 million for income-enhancing acquisitions and asset management opportunities.

Property Highlights

- Purchase of a portfolio of three multi-let industrial units, with a strong institutional tenant base, for £63.5 million (including costs) at a yield on cost of 7.3%, enhanced the income generating capacity of the portfolio and improved dividend cover;
- During the year the Company completed 135 new leases, lease renewals and rent reviews securing £3.6 million of annual rental income for the Company;
- A number of successful asset management initiatives completed during the year included:
    - A new letting to Deichmann Shoes Ltd at the Parade, Swindon which created a 6,000 sq. ft. flagship store and, when combined with the relocation of two other retailers, generated an increase in income of £150,000 per annum after rent free periods, increased average lease length and reduced the void ERV;
    - New lettings to Costa Coffee and Whitewall Gallery at Colmore Row in Birmingham combined with lease re-gears increased annual rental income by £200,000 p.a. and resulted in a fully let building;
    - A 10 year lease completed with Sportsdirect.com Retail Ltd for an 8,000 sq.ft unit in Kensington High Street, London, W1 at an annual rent of £440,000 per annum which was above ERV and represented an increase of £21,000 on the rent payable by the previous tenants;
    - A positive rent review settlement at George Street, Edinburgh which generated £65,000 per annum of additional income;
- Void rate of 4.8% at 31 December 2012 (2011 – 3.4%), significantly below that of the benchmark figure of 10.0%, emphasising the quality nature of the Company's portfolio;
- Strong average rent collection rates of 99% within twenty eight days highlighting the strong tenant base of the Company;
- Awarded "Property Fund of the Year" at the Investment Advisor Awards 2012.

Performance Summary

Capital Values & Gearing	31 December 2012	31 December 2011	% Change
Total assets less current liabilities (£'000)	1,073,720	1,052,296	2.0
Net asset value per share (p)*	69.60	75.50	(7.8)
Ordinary Share Price (p)	65.75	69.15	(4.9)
Discount to net asset value (%)	(5.5)	(8.4)	
Gearing (%): Gross*	21.3	13.3	
Net**	15.3	7.9	

Total Return	1 year % return	3 year % return	5 year % return
NAV***	(1.0)	15.8	6.7
Share Price***	2.5	2.8	36.3
Investment Property Databank (IPD) Balanced Monthly & Quarterly Funds Benchmark	2.4	25.8	1.7
FTSE Real Estate Investment Trusts Index	30.2	22.3	(25.9)
FTSE All-Share Index	12.3	24.2	13.2

Earnings & Dividends	31 December 2012	31 December 2011
Dividends declared per ordinary share (p)	5.25	5.25
Dividend Yield (%)****	8.0	7.6
IPD Benchmark Yield (%)	6.3	6.0
FTSE Real Estate Investment Trusts Index Yield (%)	4.2	5.1
FTSE All-Share Index Yield (%)	3.6	3.5
Ongoing Charges		
(as a % of average net assets) †	1.52	1.34
Void Rate (%)	4.8	3.4

European Public Real Estate Association ("EPRA") NAV at 31 December 2012 – 71.0p (excludes SWAP liabilities)

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

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

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

**** Based on an annual dividend of 5.25p.

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

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

Chairman's Statement

I am pleased to announce the Annual Results of the Company for the year to 31 December 2012. During the year, against a persistently difficult economic background, the Company's property portfolio and income base increased through selective acquisitions and successful asset management initiatives.

Economic Background

The Office for National Statistics reported that UK GDP fell by 0.3% in Q4 compared to growth of 0.9% in Q3. As a result economic growth was effectively flat over the year, undershooting most forecasts made at the beginning of 2012. Despite the continued improvement in headline unemployment statistics, the underlying economy remains sluggish and, given the disappointing Q4 figures, the outlook for 2013 is at best, challenging. In addition, the majority of Government spending cuts are still to be implemented and any recovery can always be threatened by global events.

Commercial Property Market

There can be no doubt that the commercial property market has been affected by the travails of the wider UK economy. The divergence of performance between prime and secondary properties, and between London and the rest of the UK, has continued; investors are showing little appetite for risk due to the ongoing economic uncertainty which has resulted in capital value falls over the past 12 months across most sectors. This is highlighted by a total return of 2.4% in the IPD benchmark for 2012, all of which has been driven by income, which produced 6.0% compared to a capital return of minus 3.4%.

Net Asset Value ("NAV")/Share Price Performance

Over the longer term, the Company has continued to outperform the property market. The NAV total return of 6.7% and share price total return of 36.3% over five years compares well to the IPD benchmark (1.7%) and the FTSE Real Estate Investment Trust Index (-25.9%) over the same period. In addition, the Company has outperformed its immediate peer group in the AIC Direct Property Sector, which returned 32.9% over five years on a share price basis.

However, the Company's NAV total return for the year was minus 1.0%, with the underperformance relative to the IPD benchmark being attributable to the following factors:

- Compared to the benchmark, the portfolio is underweight in Central London offices where values have continued to increase due to significant overseas investment and the current perception that London is a safe haven;
- The portfolio is overweight in shopping centres compared to the benchmark. Rental and capital values have been the subject of downward pressure due to negative consumer and investor sentiment. A spate of retail administrations has also undermined this sub-sector. However, it should be highlighted that this part of the portfolio is crucial for diverse income generation and the performance of other parts of the overall retail portfolio, such as retail warehouses, have held up well;
- Transaction costs on the purchase of a portfolio of three multi-let industrial estates in February 2012;
- Swap and working capital movements.

The share price total return of 2.5% was better than the NAV total return and reflected the discount at which the Company's shares traded to NAV in the year narrowing from 8.4% to 5.5%. The share price has continued to improve since the year end and, currently trades at around par to NAV.

An analysis of the portfolio, its performance, successful asset management activity and future strategy are detailed in the Manager's Report.

Significant Property Transactions

As highlighted in the interim report, the Company purchased a portfolio of three multi-let, principally industrial estates from Segro for £63.5 million, including acquisition costs, in February 2012 reflecting a net yield on cost of 7.3%. They provide a reliable stream of income given the institutional quality of the tenants. This acquisition continues to support the Company's strategy of focusing on high quality, income-generating properties which offer the opportunity to create uplifts in capital value and income through successful asset management initiatives.

The Company sold Sovereign House, Slough, at a price of £8.6 million in September 2012. This price was in line with the expected September valuation and eliminated the Company's exposure to an asset that would have required significant capital expenditure with limited return prospects.

Borrowing

The industrial portfolio purchase referred to above was financed by a further £60 million drawdown of the Barclays Bank loan. The remaining £30 million of this loan facility was drawn down in November 2012 along with an interest rate swap agreement resulting in all borrowing facilities being covered by interest rate swaps. The Company has significant cash resources to act quickly and strategically in relation to acquisition or asset management opportunities, while still maintaining one of the lowest gearing levels in the Company's peer group of 21.3%. The blended interest rate across the Company's two facilities is an attractive 3.85%

based on current margins, comparing favourably to the net yield on the purchase detailed above.

Dividends

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

	Payment Date (2012)	Dividend Rate (p)
4th interim for prior period	Feb	1.3125
1st interim	May	1.3125
2nd interim	Aug	1.3125
3rd interim	Nov	1.3125
Total		**5.2500**

On 1 February 2013 the Company declared a 4th interim dividend for the year of 1.3125p which was paid on 28 February 2013.

The yield on the Company's shares as at 31 December 2012 was 8.0% which is significantly higher than the yield on the IPD benchmark of 6.3%, the FTSE Real Estate Investment Trusts Index yield of 4.2% and also the FTSE All-Share yield of 3.6%.

Board Changes

On 1 February 2013 the Board announced the appointment of Mr Ken McCullagh as a non-executive Director. Mr McCullagh, who resides in Dublin, is a Chartered Accountant with extensive experience in the property industry and brings skills that will both complement and enhance the Board.

Mr Keith Dorrian will be retiring from the Board at the Annual General Meeting in June. He has been a very valuable member of the Board since the Company's inception in 2006 and I would like to express the Board's thanks to him for his extensive contribution during that time.

Outlook

In the short term, the UK economy is expected to deliver anaemic growth as evidenced by the Bank of England's recent downward revision of its 2013 growth forecast to 1.0%. This forecast continues to assume that the Eurozone sovereign debt crisis is more or less contained, which is an important assumption given the Eurozone's role as the UK's principal export market. Most expectations for a return to growth rely on improving business confidence translating into increased private sector investment that offsets the impact of reduced Government spending.

Property valuations are expected to remain under pressure, particularly in the retail sector, with little capital growth expected outside Central London in the next twelve months. Given this, the key to positive performance will be the successful implementation of asset management initiatives and preserving and growing income where possible. The Board believes that the Company's portfolio is well placed to achieve both of these objectives. The Company has considerable cash resources which can be utilised for income enhancing acquisitions or asset management opportunities. In addition, the portfolio is of a prime nature and has a strong and well diversified tenant base which offers the potential for additional income generation. In a low interest rate environment, these factors should ensure that the Company remains an attractive proposition for investors.

Christopher M.W. Hill
Chairman
20 March 2013

Investment Management Team

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

Ignis is a leading asset manager and has approximately £70 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 and a strong culture to deal with internal conflict. The team manages a number of property portfolios, totalling around £3.0 billion.

The Company is managed by a dedicated property investment, finance and administration team within Ignis which is set out below.

ROBERT BOAG, BSc Dip IPF MRICS – Senior Investment Director

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 had 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 IPF MRICS BCSC – Portfolio Manager

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), MRICS – Asset Manager

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

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. 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 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

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.

GRAEME MCDONALD, BA CA – Fund Accounting Manager

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

Investment Manager Review

Market Review

Although for many 2012 will be remembered for the Jubilee, Olympic and Paralympic celebrations, the dominant feature for the economy was a year characterised by weak economic growth with GDP flat over the year. Whilst some economic indicators, such as employment and real income growth, have shown modest improvement, there has been little prospect of a return to sustained economic growth. The ongoing travails in the Eurozone, the UK‘s largest export market, coupled with a Government austerity programme which has yet to be fully implemented, continues to undermine business and investor confidence. With caution the watchword, deleveraging remains the principal focus for businesses, households and banks. Despite interest rates remaining at record lows and inflation closing the year lower than it began, recent indicators imply that inflation is not totally under control and will continue to exceed the Government‘s target.

In the context of fragile consumer confidence, many retailers witnessed year on year growth with total retail sales increasing 0.3% over the year, despite some well known companies being placed into administration.

Against this backdrop, commercial property remained able to deliver a positive total return, with modest capital value falls driven by weakening rents and outward yield shift in most sectors again more than countered by strong income returns. Rental values softened slightly over 2012 as growth in Central London and prime assets in other core locations were offset by falls elsewhere. The retail sector saw the greatest decline in rental values as it continued to face the combined effects of a relatively weak consumer market and increasing structural challenges from online sales.

Average pricing levels drifted out over the course of the year with only Central London yields showing improvement. Existing owners and prospective investors remained reluctant to take on risk, instead preferring to concentrate on secure, core markets such as London’s West End and supermarkets where property prices have continued to rise. Headline market numbers continue to mask the extent of any price discrimination between prime and secondary assets as well as the gap between stronger locations, often concentrated in the South East and the more peripheral locations. The decline in values, however, has been less extensive than many commentators expected, with the concentration of prime assets within the IPD sample a core reason for this.

Property at the prime end continues to attract significant interest from a wide range of investors and competition for quality assets brought to market remains intense. Activity over the market as a whole in 2012 was at a similar level to each of 2010 and 2011, with over £32.5 billion of transactions recorded. Notably, London represented an even greater share of total volumes and overseas investors were the only group to inject substantial new capital into the sector, predominantly in London.

Performance Overview

Direct UK commercial property delivered a total return of 2.4% in 2012 (IPD Balanced Monthly & Quarterly Funds benchmark) exceeding the level suggested by the Investment Property Forum’s (IPF) Consensus Forecasts issued throughout the year, demonstrating once again the resilience of the asset class in less favourable economic headwinds.

This resilience can be attributed to the strong and consistent income return the asset class continues to deliver which totalled 6.0% in 2012 (in line with the previous year and comparable with its long-term average). This more than outweighed the 3.4% decline in capital values reported over the year, principally driven by negative sentiment. This led to a modest increase in valuation yields, although as the year progressed, the rate of decline moderated in most sectors except retail.

The polarisation of London property from the rest of the country continued unabated, with Central London values increasing 5%, buoyed by rental growth, and the Rest of UK falling by 5.8%, highlighting the mismatch in occupational and investment markets between the two sectors. This also led to a widening of the gap in yields between Central London and the rest of the country, with the value growth in prime retail and office assets driving down income yields to only 4.3% due to feverish competition, particularly from investors seeking a safe haven for their capital. This competition makes investment expensive and difficult for UK institutional investors to compete in. As a consequence, towards the end of the year there was a renewed focus and debate on the risk and opportunities that exist within the secondary market and those sectors with greater income returns. This has yet to translate into improved capital values for those sectors, with the disparity between prime and secondary yields, in excess of 400bps, at its widest level since the downturn in 2007/2008.

The total return from property was almost identical to the CPI figure for 2012 and the scale of income return that property continues to offer investors gives a degree of protection against future rises in inflation. It also compares well with the yields available on other asset classes including highly rated corporate bonds, government bonds (especially index-linked issues, which continue to offer negative real yields), cash and the broader equity market. Property has also reasserted its credentials as a genuine diversifier of investment risk between asset classes.

Income

The primary focus for the Company given its investment objective remains income and the management of risk, particularly against the difficult economic background. As highlighted above, income represented the principal component of returns for 2012, and this is expected to be the case for the foreseeable future. With this in mind, it is encouraging to note that portfolio income, as reported in this annual report, grew by 2.6% over the year from acquisitions and through successful asset management initiatives offsetting the adverse impact from company administrations and leases that expired and were not renewed.

Annualised rental income also increased from £70.2 million to £72.0 million (after rent free periods) during 2012. This increase was principally driven by the portfolio acquisition of three primarily multi let industrial properties providing annualised income of £4.7 million, financed from the Company's existing bank facilities. The Company's continued focus on asset management has also played its part in maintaining and enhancing income in the portfolio. Some of these successful initiatives are highlighted later.

Company administrations and ongoing rationalisation of corporate portfolios continued to be a significant feature of the market, particularly in the retail sector. This theme is reflected in the portfolio with a number of tenants deciding not to renew leases and an increased number of retail administrations. However, it should be emphasised that the underlying quality of the Company's portfolio, coupled with a sustained focus on asset management, resulted in much of the income affected by administrations being maintained, with many leases continuing to be honoured by the new corporate entities or lettings being achieved within a relatively short period of time.

Portfolio Performance

The independent portfolio valuation as at 31 December 2012 was £1,021.2 million, a 4.5% fall in valuation over the year on a like for like basis. During the year, the Company acquired three multi-let industrial estates at a total investment of £63.5 million.

The table below sets out the components of total return of the Company and of the benchmark in each sector for the year to 31 December 2012:

	Total Return		Income Return		Capital Growth	
	Fund %	Benchmark %	Fund %	Benchmark %	Fund %	Benchmark %
Offices	3.4	3.4	7.8	5.7	-4.1	-2.2
Industrials	3.9	3.1	7.3	6.8	-3.2	-3.5
Retail	-1.3	1.0	6.3	6.0	-7.2	-4.7
Other Commercial	7.7	6.5	6.7	5.6	1.0	0.9
Total	1.2	2.4	6.8	6.0	-5.3	-3.4

Overall, the portfolio underperformed the IPD Quarterly and Monthly benchmark due to the greater than benchmark fall in capital values not being fully offset by the superior income return enjoyed from the portfolio. The principal reason for the fall in value was the performance of the retail holdings, particularly shopping centres, but to a lesser extent the high street, allied to the underweight exposure in Central London (notably Central London offices). Income return remained consistent throughout the period, underlying the robust nature of the portfolio against a challenging environment where occupier demand was muted and average rents were flat or falling for most of the country.

Offices

Offices were the asset of choice during 2012 accounting for 40% of the transactional market, with £15 billion invested in 2012 and London yields being at their lowest levels since Q4 2008.

Central London offices were the most popular asset class, driven mainly by overseas investors' unrelenting appetite for this sector, constituting 75% of total investment in the UK. Although the key drivers for many of these investors were liquidity and a safe haven investment with strong rental growth prospects, the potential for residential conversion was also a theme for many Central London acquisitions.

As was the case in 2011, the office sector was the best performing sector of the principal asset classes in 2012 delivering a 3.4% total return, which was exceeded only by the wide ranging other commercial sector mentioned below. The sector provided the widest divergence in performance across all sub sectors, reflecting the diverging appeal of Central London, where the West End was the strongest performer with a 10.3% total return compared to regional offices which provided a negative total return of minus 3.2%. The year saw a modest shift in sentiment towards certain South East office markets as the underlying fundamentals in some of these locations improved along with an increase in appetite for risk from some investors. Investment in and performance of the rest of the UK office sector has been dull, as many investors continue to be deterred by the ongoing challenges in the occupational markets. Even in Central London, letting activity was subdued as many occupiers remained cautious in making any major corporate decisions. The only exception in London was the Technology, Media and Telecommunications and Insurance sectors, both of which represented a significant proportion of the take up during the year.

The Company's office portfolio returned 3.4% in the year, performing in line with the benchmark. The composition of the overall return differed from the market, with income forming a greater element of that return, particularly from the regional office portfolio which has minimal voids and is well let to strong covenants.

Investment Manager Review (continued)

Industrials

The strong income return from the industrial sector and more modest capital value falls enabled this sector to provide a 3.1% total return. Overall, pricing for industrial property moved out over the year, undermined by the availability of secondary property and concerns over rental value falls and take up. The availability of Grade A space in some locations remains at historically low levels. In some cases this has led to occupiers considering freehold and leasehold bespoke options although there is not sufficient confidence, development or finance in that market to see any meaningful return to speculative development, other than in a few isolated cases within the M25.

The strong attributes of the Company‘s industrial portfolio, strengthened by the portfolio acquisition earlier in the year and combined with effective asset management by the team, meant that the portfolio comfortably outperformed the market with an overall total return of 3.9%. Much of this outperformance was driven by stable yields from the Company‘s regional industrial properties, which are let to strong covenants in core locations.

Retail

The year to 31 December 2012 was another challenging year for the retail sector with weakening occupier markets undermining both rental and capital values. As a result, the sector was the weakest performer for the second consecutive year with a 1.0% total return. The capital values in all retail subsectors were downgraded with shopping centres and high street retail the hardest hit, retaining only a moderate income benefit. High street retail in the South East proved to be the most resilient with only modest capital falls aided by healthier occupational demand. The retail occupational and investment markets continue to be affected by administrations including Outdoor Group, JJB Sports, Clinton Cards and Comet. As a result, investors continue to exercise caution generally in the retail sector and there has been a drop in the overall level of investment volumes in the sector. This, allied to falling rental levels, has contributed to a fall in retail capital values of 4.7%. As we have become accustomed to over the last few years, this masks a disparity between Central London and Rest of UK where, in the case of the former, High Street retail values fell by a modest 0.4% while the rest of the country fell by 5.6%. There was evidence, however, of fierce demand for good quality retail investments that offered the right environment for retail occupiers whether that was in Central London or elsewhere in stronger regional retail locations.

Reflecting the wider market trend, the Company‘s retail portfolio had the weakest overall performance, producing a total return of minus 1.3%. Similar to the market, both the Company‘s shopping centres and high street retail properties were the principal focus for administrations and loss of rental income resulting in some cases in falling capital values and rents. The performance of the Company‘s South East retail and retail warehouse portfolios proved to be more robust and were positively impacted by successful income and value enhancing asset management initiatives. These are highlighted in the asset management activity section below.

Other Commercial – Leisure

The Company‘s single leisure investment, The Rotunda Leisure Scheme in Kingston upon Thames, acquired in 2011, retained its position as the strongest performer within the portfolio. This property, with an overall return of 7.7%, provided a significant margin over the 6.5% total return in the broad ranging “alternatives” IPD sector which includes Leisure, Student Accommodation, Hotels, Pubs, Car Parks etc.

Investment Activity

In February 2012 the Company acquired an off-market portfolio of three principally multi-let industrial properties for £63.5 million (including costs of acquisition) representing a net initial yield of 7.3%. The purchase was in-line with the Company‘s strategy to acquire sound income producing assets in sectors which improve the portfolio‘s income return and where our strengths in asset management can be leveraged. The portfolio comprises:

- Emerald Park East, Emersons Green, Bristol – A modern industrial estate developed between 2000 and 2004, located close to Junction 19 of the M4, to the north of Bristol. The estate currently generates income of £1.7 million per annum from 235,635 sq ft across 17 units, let to tenants including Knorr Bremse Systems, Sungard Availability Services and Smiths News Trading. The average unexpired lease length was four years three months to breaks and eight years six months to expiry.
- Gatwick Gate Industrial Estate, Crawley – An industrial estate located on Charlwood Road, to the immediate south of Gatwick Airport. The estate generates income of £1.1 million per annum from 144,944 sq ft of space across nine units, let to tenants including Signet Group and Cooper Callas. The average unexpired lease length was five years to expiry and break.
- Motor Park, Eastern Road, Portsmouth –This group of car showrooms represents the principal automotive dealership location in the Portsmouth area, offering brands including Mercedes-Benz, Audi, BMW, Volkswagen, Mini, Chrysler and Jeep. The park generates income of £1.8 million per annum from 162,661 sq ft of space across ten units, let to tenants including Volkswagen Group UK Ltd, Pentagon Ltd and Affinion International. Average unexpired lease length was 12 years two months to break and twelve years nine months to expiry.

Emersons Green, Bristol

This acquisition, aided by the realisation of some identified asset management initiatives, made a positive contribution to the portfolio with a current income return of 7.7% against the portfolio income return of 6.8%.

The Company sold one asset during the year. Sovereign House, Slough, an office building, was sold in September for £8.6 million, which was in line with the valuation at the time. Significantly over-rented with only two years unexpired on the lease and the tenant not in occupation, the sale was in accordance with the Company's strategy to reduce exposure to those assets that demand a significant level of capital expenditure with limited total return prospects.

Asset Management Activity

Despite the continuing challenges in some markets in 2012, we continued our drive to strengthen income streams, extend lease lengths and add value to the Company's ownerships. During the year we completed 135 new leases, lease renewals and rent reviews securing £3.6 million of annual rental income for the Company.

Of the above total, 65 new lettings were entered into in 2012 generating £3.5 million of annual income after rent free periods. Their average lease length is 9 years and 4 months to expiry. 75 per cent of this letting activity took place in the shopping centre portfolio where in some cases, defensive action was taken to replace failed occupiers with short term flexible leases or, where possible, longer term leases were agreed at rental levels either in line with or above ERV. Examples include lettings to Caffé Nero to replace Priceless Shoes at the Sovereign Centre, Weston-super-Mare and Hotter Shoes to replace Jane Norman at the Pride Hill Shopping Centre in Shrewsbury.

At The Parade, Swindon, a letting to Deichmann Shoes involved the creation of a new 6,000 sq.ft. flagship store and the relocation of two other retailers to generate an increase in overall income of £150,000 per annum after rent free periods. This initiative also improved value and the average lease length, as well as reducing the void ERV by 26%.

Within the High Street sector we completed a new ten year lease with Sportsdirect.com for a new 8,000 sq. ft. unit in Kensington High Street, London, W8. The annual rent is £440,000 per annum which was above ERV and an increase of £21,000 on the rent payable by the previous tenant. In addition, the renovation of a supermarket at Marlow resulted in a rent increase of £69,500 per annum after rent free periods for the remaining 22 years of the lease and an uplift in valuation of £675,000.

Across the office portfolio we completed a series of asset management initiatives including at 9 Colmore Row, Birmingham, with new lettings to Costa Coffee (£89,500 p.a. on a ten year lease) and Whitewall Gallery (£75,000 p.a. on a ten year lease). When combined with lease re-gears with Ecclesiastical and

Investment Manager Review (continued)

25 Moorgate, these initiatives resulted in income improving from £1.6 million to £1.8 million per annum (after rent free periods), longer leases and a fully let building.

At Charter Place, Uxbridge, we secured outline planning consent for the refurbishment of the property. Both tenants have also agreed to lease extensions, with Coca Cola agreeing a short term lease extension and Nexen agreeing to remain in occupation on a longer term basis while we work towards viability and a pre-let of the refurbished space.

Our exposure to other sectors, most notably leisure, helped to generate value in 2012 with an improved ERV at The Rotunda, Kingston upon Thames, following a new letting to Cattle Grid. The contract with Pizza Express at Junction 27, Leeds, became unconditional in 2012 and added £165,000 p.a. of new income to the rent roll of the park while improving both tenant mix and customer experience. Another new letting was with Costa Coffee at Great Marlborough Street, London W1, which generated £130,000 per annum on a ten year lease.

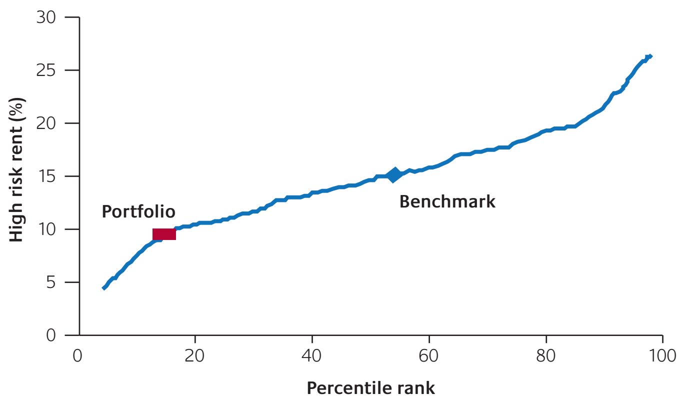
In the Industrial sector, lease re-gears involving Webcon and Volt Delta at Dolphin Trading Estate, Sunbury, and with Parkare at Emersons Green, Bristol, improved lease length and secured income of £342,000 p.a.

Despite the general economy and downward pressure on rent levels, rent review activity generated over £291,000 per annum of additional income from the 42 rent reviews that were settled in 2012. Highlights included rent review awards for Mothercare and TK Maxx at Kew Retail Park, Richmond, a Marks & Spencer distribution hub in Neasden and also on George Street, Edinburgh, where a £65,000 per annum increase in rent was negotiated with Waterstones.

A number of high profile occupiers within the Company's portfolio entered administrations last year, including Clinton Cards, JJB, Comet, Peacocks, Bon Marche, Julian Graves and Game Station. As a result of lease expiries at Bushey Road, Raynes Park, and break options that were exercised across the portfolio (notably at Dolphin Trading Estate, Sunbury) the Company's void position moved from 3.4% to 4.8% of ERV at the end of the year. If tenant failures through administrations etc. are included the void rate increases to 6.9%. However, both void rates are well below the benchmark figure of 10.0%.

George Street, Edinburgh

The covenant strength of the Company's occupiers remains a source of encouragement with average rent collection figures of 99.2% per annum after 28 days in 2012. A total of £492,000 of bad debts were written off, representing only 0.7% of rental income in the year. This strength is also demonstrated by the graph below which shows the percentage of high risk rents within the portfolio compared to the benchmark.



Sustainability

The Company recognises that every property for which we are responsible impacts in the way we all work, live and play. We are committed to conducting our business in a way which is sustainable, protecting the environment, enhancing our properties' efficiency and reducing any negative impacts on the environment.

We seek to create long-term value for our investors through addressing sustainable and corporate matters responsibly. We adhere to statutory and legal requirements and we ensure in the management, refurbishment or development of our properties that measures are taken to promote the sustainable use of resources, protect the environment, reduce greenhouse emissions and minimise waste.

Through practical implementation we will establish targets for improving our performance in sustainability issues where these are under the control or direct influence of the landlord, with particular reference to energy consumption, water consumption and waste production. Using 2012 as a benchmark we will aim to reduce consumption by between 5-10% year on year by using low or no cost options.

The annual report is published on Creator paper which is made from raw materials sourced from managed and sustainable forests that are subject to strict environmental control. Pulp is ECF (elemental chlorine free) and comes from Spain, Portugal and Finland. The manufacturing processes for the Creator range are certified under the prestigious ISO9001 and ISO14001 standards.

Market Outlook

In its latest Inflation Report, the Bank of England acknowledged the likelihood of weak underlying growth continuing with forecast GDP growth of around 1.0% in 2013. Forecasts predicting a return to growth rely on a strong expansion in private sector investment and a relatively benign outlook on inflation feeding through to disposable income growth. As well as boosting real incomes, low inflation is crucial if the Bank is to hold interest rates at current low levels for the foreseeable future. The medium term outlook for inflation is mixed, with little protection afforded against imported inflation should there be further surges in global commodity prices. As the Government has acknowledged, the deficit reduction target will not be met until well into the next parliament and, as a result, the return of the UK to satisfactory levels of sustainable economic growth will prove a long, difficult path.

We continue to believe that property will remain an attractive asset class for investors through offering a relatively high income yield and clear diversification benefits. Ignis's most recent forecast for all property total returns in 2013 is 6.5% with annualised total returns for the next three years (2013-2015) of 7.7% p.a. This would represent solid performance in an environment likely to remain challenging, even if there are some signs that investor sentiment is now stabilising. Our forecast for 2013 reflects the likelihood that, outside London, economic growth will be insufficient to generate any broad-based occupier demand, restricting any real rental growth to Central London and some micro-markets. Rents in more secondary retail markets will remain under pressure, as these properties face serious obsolescence risk from the continued move from traditional retailers to online trading formats.

Although the divergence between prime and secondary and London and the rest of the country is expected to continue throughout 2013, many commentators feel that it will begin to narrow. With prime yields stabilising, and in some sectors at levels approaching or higher than their long term average, there is a suggestion that prime is becoming an expensive and slightly riskier option relative to the risk free alternative. With the gap between prime and secondary yields in excess of 400bps, there are nascent signs that greater opportunities might exist in the next tier of investment i.e. within good quality and well located secondary property. Although risks still exist in that broad ranging market, particularly with those sectors experiencing structural change such as retail, favourable returns driven by income can be achieved with a full appreciation of the correct property fundamentals and the associated risks.

Portfolio Strategy

The continued focus on income and management of risk across a prime diversified portfolio offers the best defence in uncertain times and will continue to provide a firm platform for driving attractive income returns. The overall quality of the portfolio and the Company's ability to identify income-enhancing initiatives, even in a market with selective occupier demand, offers solid prospects for future income and capital growth.

The retention and enhancement of income will always remain a key tenet of the Company's strategy and the portfolio expiry profile does present some opportunities for asset management initiatives to mitigate the forecast increase in voids in the short term. Some of these expiries will involve significant capital expenditure and, although in some cases the prospect of improved returns can be achieved with additional expenditure, where this is not the case then these assets should be sold. In a market where competition for prime property is fierce and at times assets can be mispriced, the potential for further sales of prime lower yielding assets for reinvestment in higher yielding (multi-let) assets or into portfolio initiatives should always remain a possibility. The priority, however, must be sales of those assets that involve significant holding costs/capital expenditure with poor return prospects. There are also a number of asset management initiatives within the portfolio which have the potential to improve

Investment Manager Review (continued)

both income and capital. These will be assessed further and prioritised in terms of viability and deliverability and met in part from existing cash resources.

Given the immediate outlook for the sector, the key objective for the Company is to reduce its exposure to the retail sector. Although mention has been made of some selective sales of high street retail assets which would help achieve this objective, the main priority will be the future strategy for the holding in Shrewsbury where good progress is being made.

In terms of acquisitions, whilst the assets to be acquired will be determined by the characteristics of the assets themselves, priority will be given to sectors offering a relatively high income return in which the Company has underweight positions i.e. the multi-let industrial, leisure and alternative (e.g. Student Accommodation) sectors. In addition we continue to look for opportunities in Central London that meet our income requirements. The Company‘s strong balance sheet gives the opportunity to identify suitable propositions in a market which continues to be characterised by deleveraging and to commit capital to sound, income producing assets which offer the potential for implementing asset management initiatives to maintain and, where possible, enhance dividend cover. Overall, in the current economic environment, the Company is well placed for the future.

Robert Boag
Senior Investment Director
Ignis Investment Services
20 March 2013

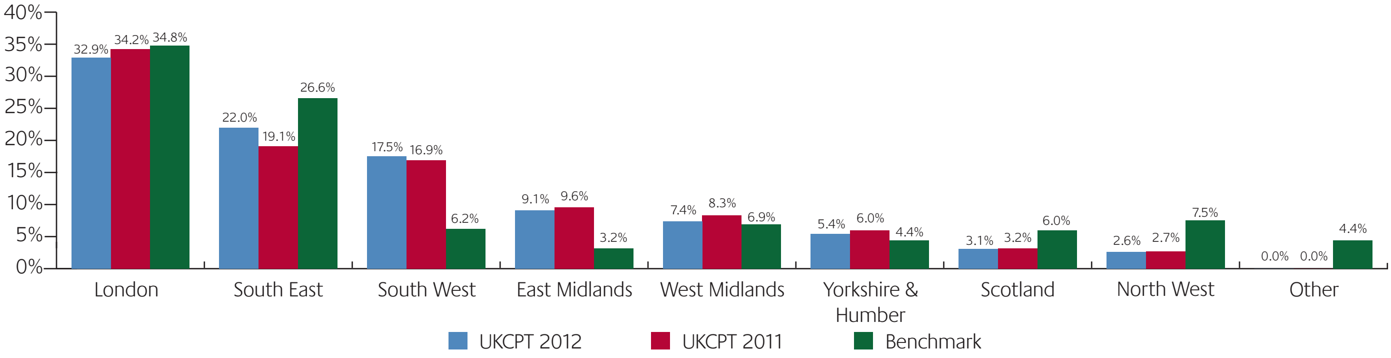
New Deichmann store at The Parade, Swindon

Costa Coffee at Great Marlborough Street, London, W1

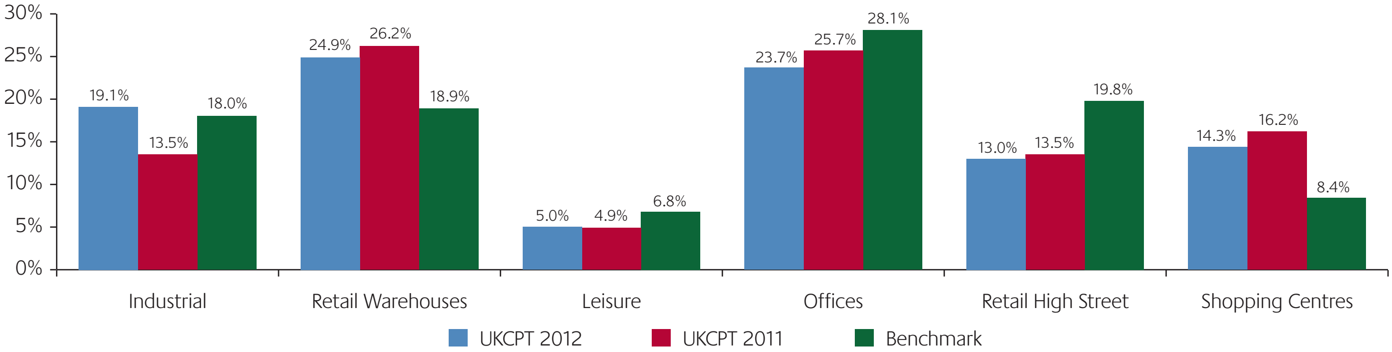
Portfolio Statistics and Key Performance Indicators

As at 31 December 2012

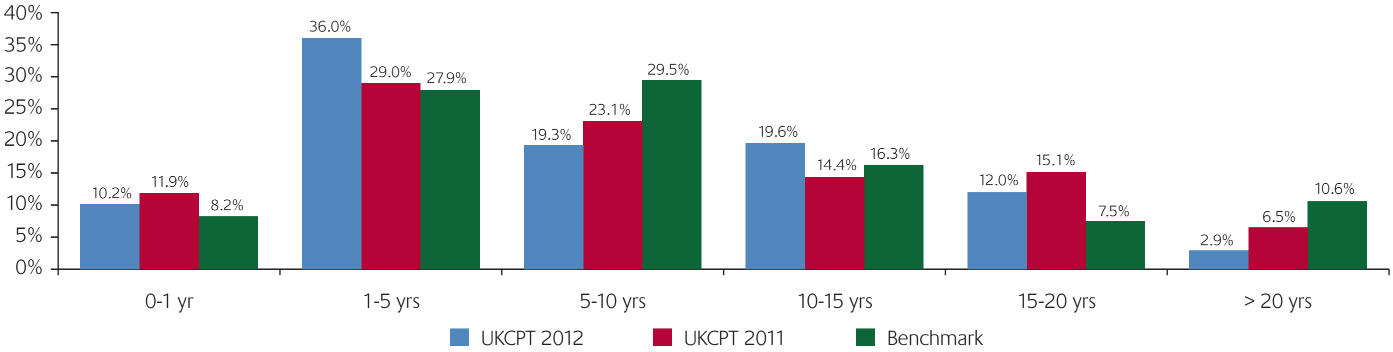
Capital Value Split by Location



Capital Value Split by Sector



Lease Expiry Profile



Top 10 Tenants by contracted rent

Rank	Company Name	Primary Sector	% of Total Rent	Weighted Expiry
1	Government	Office	5.96	Mar-20
2	B & Q PLC	Retail Warehouse	5.53	Dec-27
3	DSG Retail Limited	Retail Warehouse	3.92	Dec-23
4	Sony	Office	3.85	May-16
5	Ocado Limited	Industrial	3.51	Sep-32
6	Coca-Cola Enterprises Limited	Office	3.03	Apr-13
7	Argos Limited	Industrial	2.67	Jan-18
8	Odeon Cinemas	Leisure	2.57	Sep-27
9	Marks & Spencer plc	Industrial	2.47	Mar-18
10	Nexen Petroleum UK Limited	Office	2.22	May-15

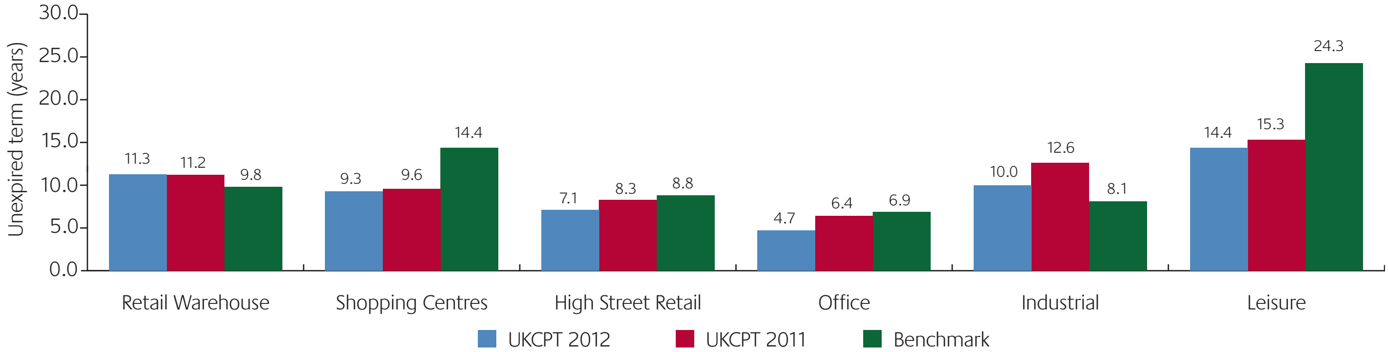
Portfolio Statistics and Key Performance Indicators (continued) – Sector Analysis

As at 31 December 2012

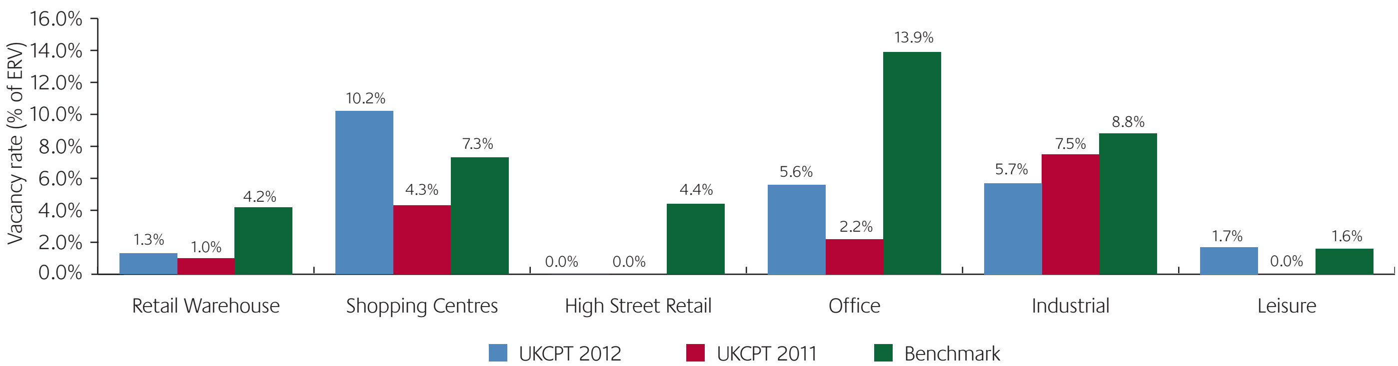
Performance by sector

	1 year		3 year		5 year	
	Fund %	Benchmark %	Fund %	Benchmark %	Fund %	Benchmark %
Retail	-1.3	1.0	6.3	7.5	2.7	0.5
Industrial	3.9	3.1	7.8	6.8	3.1	0.4
Offices	3.4	3.4	8.6	9.1	2.6	0.1
Leisure	7.7	6.5	n/a	9.8	n/a	3.1
Total	1.2	2.4	7.2	8.0	2.8	0.5

Unexpired Lease Term by sector



Vacancy Rate by sector



Source: IPD, Ignis Investment Services

Property Portfolio

As at 31 December 2012

Property	Tenure	Sector	Principal Tenant	Value Range
The Parade, Swindon	Freehold	Shopping Centre	BHS Ltd	Over £30m (representing 50% of the portfolio capital value)
Great Lodge Retail Park, Turnbridge Wells	Freehold	Retail Warehouse	B & Q Plc	
Junction 27 Retail Park, Birstall, Leeds	Freehold	Retail Warehouse	DSG Retail Ltd	
176 - 206 Kensington High Street, London, W8	Freehold	High St, Retail	Sportsdirect.Com Retail Ltd	
The Rotunda, Kingston Upon Thames	Freehold	Leisure	Odeon Cinemas Ltd	
St Georges Retail Park, Leicester	Leasehold	Retail Warehouse	DSG Retail Ltd	
Kew Retail Park, Richmond	Freehold	Retail Warehouse	Mothercare (UK) Ltd	
Darwin Shopping Centre, Shrewsbury	Freehold	Shopping Centre	Hennes & Mauritz UK Ltd	
15 Great Marlborough Street, London, W1	Freehold	Office	Sony	
Ocado Distribution Unit, Hatfield Business Area, Hatfield	Freehold	Industrial	Ocado Ltd	
Sovereign Centre, Weston super Mare	Freehold	Shopping Centre	Wilkinson Hardware Stores Ltd	
Dolphin Estate,Sunbury on Thames	Freehold	Industrial	Access Self Storage Properties Ltd	£20m - £29.9m (representing 30% of the portfolio capital value)
B&Q, Roneo Corner, Romford	Freehold	Retail Warehouse	B & Q Plc	
Motor Park, Eastern Road, Portsmouth	Freehold	Industrial	Volkswagen Group UK Ltd	
Emerald Park East, Emersons Green, Bristol	Freehold	Industrial	Knorr-Bremse Systems Ltd	
Hannah Close, London, NW10	Freehold	Industrial	Marks & Spencer Plc	
Asda, Gowerton Road, Brackmills, Northampton	Freehold	Industrial	Asda Stores Ltd	
6 Arlington Street, London, SW1	Freehold	Office	Public Sector	
Argos Unit, Magna Park, Lutterworth	Leasehold	Industrial	Argos Ltd	
No 2 Temple Quay, Bristol	Freehold	Office	Public Sector	
Broadbridge Retail Park, Horsham	Mixed	Retail Warehouse	Homebase Ltd	
Charter Place,Vine Street, Uxbridge	Freehold	Office	Coca Cola	
81/85 George Street, Edinburgh	Freehold	Office	Aviva Insurance Ltd	
Colmore Court, 9 Colmore Row, Birmingham	Leasehold	Office	BNP Paribas	
13 Great Marlborough Street, London, W1	Freehold	Office	Sony	£10m - £19.9m (representing 17% of the portfolio capital value)
16/20 High Street & 1/3 Bedford Street, Exeter	Leasehold	High St, Retail	Barclays Bank Plc	
Network House & Meadowside House, Hemel Hempstead	Freehold	Office	Public Sector	
No 1 Temple Quay, Bristol	Freehold	Office	British Telecommunications Plc	
Pall Mall Court, King Street, Manchester	Freehold	Office	AWG Business Centres Ltd	
14 - 22 West Street, Marlow	Freehold	High St, Retail	Sainsbury's Supermarket Ltd	
Craven House, Fouberts Place, London, W1	Freehold	Office	WH Smith Retail Holdings Ltd	
140/144 Kings Road, London, SW3	Freehold	High St, Retail	French Connection Uk Ltd	
Pride Hill Shopping Centre, Shrewsbury	Freehold	Shopping Centre	Next plc	
Gatwick Gate Industrial Estate, Crawley	Freehold	Industrial	Signet Group Ltd	
2-8 Buchanan Street, Glasgow	Freehold	High St, Retail	HSBC Bank plc	
134/138 North Street, Brighton	Freehold	High St, Retail	Sportsdirect.Com Retail Ltd	
52/56 Market Street, Manchester	Freehold	High St, Retail	Adidas (UK) Ltd	Up to £9.9m (representing 3% of the portfolio capital value)
84 - 86 Bushey Road, Raynes Park, London, SW3	Freehold	Office	Vacant	
Riverside Shopping Centre, Shrewsbury	Leasehold	Shopping Centre	Wilkinson Hardware Stores Ltd	
Knaves Beech Industrial Estate, Loudwater	Freehold	Industrial	Dreams Plc	
Freshford House, Redcliffe, Bristol	Leasehold	Office	Public Sector	
146 Kings Road, London, SW3	Freehold	High St, Retail	Telefonica O2 UK Ltd	
WCA Building, Bristol	Leasehold	Office	Public Sector	

Overall number of properties	43
Total number of tenancies	342
Total average property value	£23.7m
Total floor area	4,745,880 sq.ft

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 International Oil and Gas Technology Limited and a director of Thames River Multi Hedge PCC Limited.

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. * see below

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. He is also a director of four other UK listed funds and is a former director of a European commercial property fund.

* Mr Dorrian shall retire from the Board at the forthcoming AGM of the Company.

John Robertson
John Robertson is a resident of the UK. Mr Robertson has over 35 years' experience in investment management in a variety of roles, and was most recently Director – Funds and Corporate Governance at Ignis Investment Services Limited. Prior to his retirement from Ignis in 2012, he was 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. He is also a non-executive director of Ipswich Building Society and non executive Chairman of Folgate Holdings Limited. He is a Chartered Surveyor.

Ken McCullagh
Ken McCullagh is a resident of Ireland. For the past 12 years he has been Chief Executive Officer of LNC Property Group, a private real estate investment company which held and managed €500 million of assets. Previously he worked as a Director and Partner of Corporate Finance for Farrell Grant Sparks, Chartered Accountants and was also a Financial Controller of Gunne Estate Agents (now CBRE) in Dublin. He is a Fellow of the Institute of Chartered Accountants of Ireland.

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 2012.

Results and Dividends

The results for the year are set out in the attached accounts. The Company paid interim dividends in the year ended 31 December 2012 as follows:

	Payment Date	Rate per share (p)
Fourth Interim for prior period	Feb 2012	1.3125
First interim	May 2012	1.3125
Second interim	Aug 2012	1.3125
Third interim	Nov 2012	1.3125
Total		5.2500

On 1 February 2013 the Company declared a fourth Interim dividend of 1.3125p per Ordinary Share with an ex-dividend date of 13 February 2013, which was paid on 28 February 2013.

Post Balance Sheet Event

On 31 January 2013 the Company sold Buchanan Street, Glasgow for £10.45 million.

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.

Share Capital

The issued Ordinary share capital at 31 December 2012 consisted of 1,197,348,858 Ordinary shares of 25p each and 41,445,142 Ordinary shares held in treasury. At 20 March 2013, these numbers were unchanged. Each Ordinary share of the Company carries one vote at general meetings of the Company.

There are no restrictions on the transfer of Ordinary shares in the Company other than certain restrictions which may from time to time be imposed by law (for example, insider trading law).

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 18.

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 UK commercial properties. The Group invests in income producing investments. The Group currently invests in four commercial property sectors: office, retail, industrial and leisure. The Group has not set any maximum geographic exposures within the UK nor any maximum weighting limits in the principal property sectors. No single property shall, however, exceed at the time of acquisition 15 per cent of the gross assets of the Group.

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

At an EGM of the Company on 28 April 2011 the shareholders of the Company approved a revised gearing policy of the Group amended to read as follows: "*Gearing, calculated as borrowings as a percentage of the Group's gross assets, may not exceed 65 per cent. The Board intends that borrowings of the Group at the time of draw down will not exceed 25 per cent. of the Total Assets of the Group. For so long as the Lloyds Facility remains outstanding, it is the Board's current intention that borrowings of the Company will be limited to a maximum of 10 per cent. of the Group's net assets at the time of draw down. 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 2012 the Group had total borrowings of £230 million, representing a gearing level of 21.3 per cent of the year end gross assets.

An analysis of how the portfolio was invested as at 31 December 2012 is contained within the Investment Manager Review on pages 8 to 14 and a full portfolio listing is provided on page 17.

The Group's performance in meeting its objectives is measured against key performance indicators as set out on page 20. A review of the Group's returns during the year, the position of the Group at the end of the year, and the outlook for the coming year is contained in the Chairman's Statement and the Investment Manager Review.

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. The Manager seeks to mitigate these risks though continual review of the portfolio utilising research produced by the Manager's in-house research team and also through asset management initiatives. 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 Board has also identified a number of specific risks that are reviewed at each Board meeting. These are as follows:

- The Company and its objectives become unattractive to investors. This is mitigated through regular contact with shareholders, a regular review of share price performance and the level of discount at which the shares trade to NAV and regular meetings with the Company's broker to discuss these points and address any issues that arise.
- Tenant failure or inability to let property. Due diligence work on potential tenants is undertaken before entering into new lease agreements. In addition, tenants are kept under constant review through regular contact and various reports both from managing agents and from the Manager's own reporting processes. Finally, contingency plans are put in place at units that have tenants that are believed to be in financial trouble.
- Loss on Financial instruments. The Company has entered into a number of interest rate swap arrangements. These swap instruments are valued and monitored on a monthly basis by the counterparty banks. The Manager checks the valuations of these swap instruments internally to ensure they are accurate. In addition, the credit ratings of the Banks that the swaps are taken out with are assessed at every Board meeting.

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's accounting systems or disruption to the Investment Manager's business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.

The Board seeks to mitigate and manage these risks through continual review, policy setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Company's property portfolio and levels of gearing, and applies the principles detailed in the Turnbull Guidance Notes. Details of the Company's internal controls are described in more detail on page 23.

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 2012 is contained on page 17 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 to gauge investor sentiment and, to this end, the Investment Manager meets with current and potential new shareholders, and with stockbroking analysts who cover the investment company sector, on a regular basis. In addition, communication of quarterly portfolio information is provided through the Company's website, www.ukcpt.co.uk, and the Company also utilises a public relations agency to enhance its profile among investors.

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 and share price 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.
- Ongoing Charges

These indicators for the year ended 31 December 2012 are set out on page 4.

In addition the Board considers specific property KPIs such as sector performance and weighted average lease length on a regular basis. These are reported on pages 15 to 16.

Directors

The Directors who held office during the period and their interests in the shares of the Company as at 31 December 2012 or date of appointment if later (all of which are beneficial) were:

	As at 31 December 2012 25p Ordinary Shares held	As at 31 December 2011 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	45,000	45,000
Ken McCullagh	-	n/a

There have been no changes in the above interests between 31 December 2012 and 20 March 2013.

The Directors are also Directors of UK Commercial Property Holdings Limited, UK Commercial Property GP Limited, UK Commercial Property Nominee limited, UK Commercial Property Estates Holdings Limited and UK Commercial Property Estates Limited which are all wholly owned subsidiary undertakings.

In accordance with the articles of association Mr A Wilson and Mr J Robertson retire by rotation and, being eligible, offer themselves for re-election. Mr McCullagh, having been appointed since the last AGM and in accordance with the articles of association, offers himself for election. In addition, the AIC Code of Corporate Governance and the UK Corporate Governance Code both recommend that all Directors of FTSE 350 companies be subject to annual re-election, therefore both Mr C Hill and Mr C Fish also retire and offer themselves for re-election. As explained in the Chairman's Statement, Mr K Dorrian will not seek re-election at the AGM. Following formal performance evaluations which covered each individual Director (excluding Mr McCullagh) and the Board as a whole, the performance of all of the Directors continues to be effective with each making a positive contribution to the performance of the Company. Therefore, the re-election of Mr C Hill, Mr C Fish, Mr J Robertson and Mr A Wilson and the election of Mr K McCullagh is recommended to shareholders at the 2013 Annual General Meeting.

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 during the year, 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's commitment to the sector.

Substantial Interests in Share Capital

At 31 December 2012 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	Percentage Held
Phoenix Life Limited	742,960,172	62.05%
State Street Nominees	58,613,401	4.90%
Nortrust Nominees	57,348,529	4.80%

No notifiable changes to these holdings had been notified to the Company as at 28 February 2013.

The Company's ultimate controlling party is Phoenix Group Holdings and immediate parent company is Phoenix Life Limited.

Corporate Governance

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

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

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

The UK Corporate Governance Code includes provisions relating to:

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

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

Report of the Directors (continued)

Principle A.1.2 of the AIC Code recommends that Boards appoint a Senior Independent Director ("SID"). In view of the Board's non-executive nature and having separate Chairs of the Board and Audit Committee, the Board considers it is not appropriate for a SID to be appointed. Principle B.6.2 of the AIC Code recommends that FTSE 350 Companies be externally facilitated at least every three years. The Board believes that given the size of the Board, the recent Board changes and its non executive nature an external facilitation was not required in 2012; however, this matter will be considered in 2013.

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, with any potential conflicts considered at each Board meeting with reference to the AIC Code. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as all Directors will be subject to re-election on an annual basis, it is not appropriate for the Board to have a limit on the overall length of service of any of the Company's Directors, including the Chairman.

The Company does not have a Nominations or Remuneration Committee with the Board as a whole being responsible for the appointment of any new Director and Board remuneration levels. In the year, the Board undertook a thorough and open process to select a new Director involving professional recruitment consultants and Board interviews. The criteria for selection took into account the need for the Board to have a balance of skills, experience, diversity, independence and knowledge of the Company. The search process concluded with the appointment of Mr McCullagh on 1 February 2013.

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 auditor together with its remuneration.

The Audit Committee is also the forum through which the auditor reports to the Board of Directors and meets at least twice a year. The objectivity of the auditor is reviewed by the Audit Committee which also reviews the terms under which the external auditor is appointed to perform non-audit services. The objectivity and independence of the auditor is safeguarded by obtaining assurances from the auditor that adequate policies and procedures exist within its firm to ensure the firm and its staff are independent of the Company by reason of family, finance, employment, investment and business relationships (other than in the normal course of the business) and enforcing a policy concerning the provision of non-audit services by the auditor which governs the types of work which are excluded. The Audit Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors, with particular regard to non-audit fees. Such fees amounted to £60,400 (2011: £181,500) for the year ended 31 December 2012 and related principally to costs in connection with taxation advisory services for the Company and Group. Notwithstanding such services the Audit Committee considers Ernst & Young LLP to be independent given the safeguards put in place by Ernst & Young LLP to ensure independence.

Director Meetings Attendance Summary

	Board of Directors		Audit Committee		Management Engagement Committee		Valuation Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
C Hill	4	4	3	3	1	1	1	1
K Dorrian	4	4	3	3	1	1	1	1
C Fish	4	4	3	3	1	1	1	1
J Robertson	4	4	n/a	n/a	n/a	n/a	1	1
A Wilson	4	4	3	3	1	1	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 19 ad hoc meetings held during the year.

The Management Engagement Committee comprises the full Board other than Mr John Robertson and reviews the appropriateness of the continued appointment of the Investment Manager, together with the terms and conditions thereof, on a regular basis. The Board as a whole monitors the performance of other service providers.

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.

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.

Valuation Committee

The Valuation Committee comprises all of the Directors and is chaired by Mr Andrew Wilson. Representatives from the Committee will meet the independent external valuers of the Company at least once a year and report back to the Board on the process for arriving at independent valuations and on any issues that arise in relation to this process.

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 and the Risk Uncertainties review on page 19. In addition, Note 16 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

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

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 and Group 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 and Group's ability to continue as a going concern. The Directors have a reasonable expectation that the Company and Group 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 & Ethical 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. In addition the Board has adopted an ethical policy which highlights the need for ethical considerations to be considered in the acquisition and management of both new and existing properties.

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 confirmation of the action which has been, or is being, taken. A formal annual review of these procedures is carried out by the Board and includes consideration of ISAE 3402 (formerly 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 places great importance on communication with its shareholders and welcomes the views of shareholders. The Manager and Broker of the Company meet existing and potential shareholders on a regular basis and the Board receives regular

Report of the Directors (continued)

reports on the views of shareholders from these meetings. In addition the Chairman and other Directors are available to meet shareholders and analysts 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.

Annual General Meeting

Among the resolutions being put at the Annual General Meeting of the Company to be held on 19 June 2013, the following resolutions will be proposed.

Disapplication of Pre-emption Rights

Resolution 10 gives the Directors, for the period until the conclusion of the Annual General Meeting in 2014 or, if earlier, on the expiry of 15 months from the passing of resolution 10, 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 20 March 2013 (including Treasury Shares).

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

Directors' Authority to Buy Back Shares

The current authority of the Board granted to it by shareholders at the 2012 AGM to buy back shares in the Company expires at the end of AGM to be held in 2013. The Board intends to renew such authority to buy back shares up to 14.99 per cent of the number of Ordinary Shares in issue. This special resolution, if approved, will enable the Company to buy back up to 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 the higher of (i) five per cent above the average of the middle market quotations for the Ordinary Shares for the five business days before the purchase is made and (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange. The minimum price (exclusive of expenses) that may be paid is 25 pence a share.

The Company may retain any shares bought back as Treasury Shares for future re-issue 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.

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.

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.

Approved by the Board on 20 March 2013.

Christopher M.W. Hill

Director

Christopher Fish

Director

Directors' Remuneration Report

A separate resolution for the approval of the Directors' Remuneration Report will be put to shareholders at the forthcoming Annual General Meeting. The outcome of the vote on this resolution has no legal effect and its sole function is to enable shareholders to demonstrate whether or not they are in agreement with the Board's policies in this matter. Accordingly resolution 2 will be proposed as an ordinary resolution to enable shareholders to show whether they approve or not of the contents of the Directors' Remuneration Report. The determination of the Directors' fees is a matter dealt with by the whole Board on an annual basis. This Report has been divided into separate sections for unaudited and audited information.

Unaudited Information

Remuneration Policy

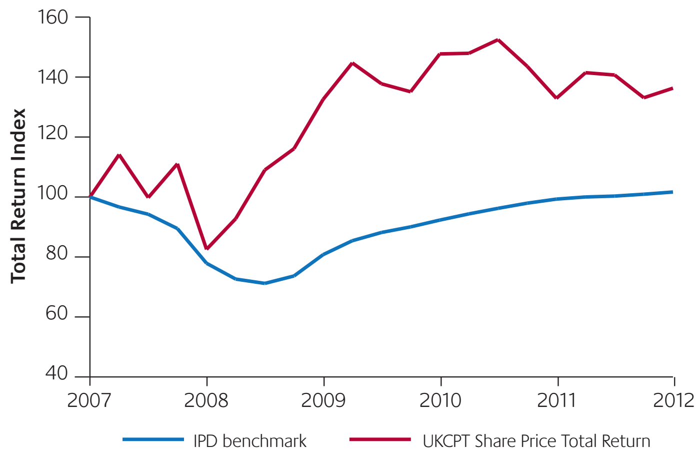
The Articles of Association of the Company set a maximum aggregate limit within a financial year for non-executive Directors' remuneration. The current limit is £300,000 per annum. The Board considers that the present policy to remunerate Directors exclusively by fixed fees in cash is appropriate and adequate for the Company in its present and foreseeable circumstances and there are no plans to introduce additional or alternative remuneration schemes. No Director has a service contract with the Company or its subsidiary undertakings although each has a letter of appointment from the Company confirming their appointment. These letters contain no provisions regarding notice period nor do they make provision for compensation payable upon early termination of the Director's appointment. The fees will be reviewed annually and may be increased in line with usual market rates. Up until the date of his retirement on 17 August 2012 from Ignis, Mr J Robertson's fees were payable to his employer Ignis Investment Services Limited.

Directors' Remuneration Rates

The annual rates of remuneration for the year ending 31 December 2012 were £45,000 for the Chairman, £35,000 for the Audit Committee Chairman and £30,000 for each other Director. Following a review by the Board, it has been agreed these rates will remain unchanged for the year to 31 December 2013.

Company Performance

Although the Company has appointed Ignis as an external investment manager pursuant to the terms of the investment management agreement set out in note 2 to the accounts, the Board is responsible for the Company's investment strategy and performance. The following graph compares the total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total return on the IPD Quarterly Index over a five year period to 31 December 2012 (rebased to 100 at 31 December 2007).



Audited Information

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

	2012	2011
Christopher Hill	45,000	35,000
Keith Dorrian	30,000	30,000
Christopher Fish	35,000	32,500
John Robertson	30,000	25,000
Andrew Wilson	30,000	30,000
Total	170,000	152,500

The above 2011 comparative includes an additional fee of £5,000 paid to each of C Hill, C Fish, K Dorrian and A Wilson in 2011 in recognition of additional work undertaken on the new debt facility put in place during 2011.

There is no performance related remuneration scheme such as an annual bonus or long term incentive scheme such as the granting of share options. The Company does not operate a pension scheme for the Directors and no Director received any form of remuneration during the present or preceding financial year other than the fees shown above.

Approved by the Board on 20 March 2013.

Christopher M.W. Hill

Director

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable Guernsey law and those International Financial Reporting Standards ("IFRS") as 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 as adopted by the EU 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 as adopted by the EU, 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 IFRS as adopted by the EU, 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

20 March 2013

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 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) 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' Responsibility Statement set out on page 26, 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS 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 provisions of the UK Corporate Governance Code specified for our review.

Michael Bane
for and on behalf of Ernst & Young LLP
Recognised Auditors
Guernsey, Channel Islands
20 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Revenue			
Rental income		75,124	68,784
(Losses)/gains on investment properties	8	(58,520)	5,098
Interest income		368	184
Total income		16,972	74,066
Expenditure			
Investment management fee	2	(7,418)	(7,346)
Direct property expenses		(3,265)	(2,611)
Other expenses	3	(3,021)	(3,129)
Total expenditure		(13,704)	(13,086)
Net operating profit before finance costs		3,268	60,980
Finance costs			
Finance costs	4	(8,222)	(4,193)
Loss arising on ineffective portion of interest rate swap	12	-	(3,742)
		(8,222)	(7,935)
Net (loss)/profit from ordinary activities before taxation		(4,954)	53,045
Taxation on (loss)/profit on ordinary activities	5	-	-
Net (loss)/profit for the year		(4,954)	53,045
Other comprehensive income:			
Loss arising on effective portion of interest rate swap	12	(3,272)	(8,267)
Total comprehensive income for the year		(8,226)	44,778
Basic and diluted earnings per share	7	(0.41)p	4.43p

All of the (loss)/profit and total comprehensive income for the year is attributable to the owners of the Company. All items in the above statement derive from continuing operations.

The accompanying notes are an integral part of this statement.

Consolidated Balance Sheet

As at 31 December 2012

	Notes	2012 £'000	2011 £'000
Non-current assets			
Investment properties	8	1,015,532	1,011,775
		1,015,532	1,011,775
Current assets			
Trade and other receivables	10	8,024	6,709
Cash and cash equivalents		77,062	60,945
		85,086	67,654
Total assets		1,100,618	1,079,429
Current liabilities			
Trade and other payables	11	(22,324)	(24,014)
Interest rate swap	12	(4,574)	(3,119)
Long Term Liabilities			
Bank Loan	12	(228,834)	(138,141)
Interest rate swap	12	(12,060)	(10,243)
Total liabilities		(267,792)	(175,517)
Net assets		832,826	903,912
Represented by:			
Share capital	13	482,703	482,703
Treasury shares	13	(25,264)	(25,264)
Special distributable reserve		615,252	624,546
Capital reserve		(223,231)	(164,711)
Revenue reserve		-	-
Interest rate swap reserve		(16,634)	(13,362)
Equity shareholders' funds		832,826	903,912
Net asset value per share	14	69.6p	75.5p

The accounts on pages 28 to 46 were approved and authorised for issue by the Board of Directors on 20 March 2013 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 2012

	Share Capital £'000	Treasury Shares £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Interest Rate Swap Reserve £'000	Non-controlling Interest £'000	Total £'000
At 1 January 2012	482,703	(25,264)	624,546	(164,711)	-	(13,362)	-	903,912
Net loss for the year	-	-	-	-	(4,954)	-	-	(4,954)
Other comprehensive income	-	-	-	-	-	(3,272)	-	(3,272)
Dividends paid	-	-	-	-	(62,860)	-	-	(62,860)
Transfer in respect of losses on investment properties	-	-	-	(58,520)	58,520	-	-	-
Transfer from special distributable reserve	-	-	(9,294)	-	9,294	-	-	-
At 31 December 2012	482,703	(25,264)	615,252	(223,231)	-	(16,634)	-	832,826

For the year ended 31 December 2011

	Share Capital £'000	Treasury Shares £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Interest Rate Swap Reserve £'000	Non-controlling Interest £'000	Total £'000
At 1 January 2011	482,703	(25,264)	635,717	(169,809)	-	(1,353)	10	922,004
Net profit for the year	-	-	-	-	53,045	-	-	53,045
Other comprehensive income	-	-	-	-	-	(8,267)	-	(8,267)
Non controlling interest bought back	-	-	-	-	-	-	(10)	(10)
Dividends paid	-	-	-	-	(62,860)	-	-	(62,860)
Transfer in respect of fair value movement on interest rate swap	-	-	-	-	3,742	(3,742)	-	-
Transfer in respect of gains on investment properties	-	-	-	5,098	(5,098)	-	-	-
Transfer from special distributable reserve	-	-	(11,171)	-	11,171	-	-	-
At 31 December 2011	482,703	(25,264)	624,546	(164,711)	-	(13,362)	-	903,912

The accompanying notes are an integral part of this statement.

Consolidated Cash Flow Statement

For the year ended 31 December 2012

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Cash flows from operating activities		
Net (loss)/profit for the year before taxation	(4,954)	53,045
Adjustments for:		
Losses/(gains) on investment properties	58,520	(5,098)
(Increase) in operating trade and other receivables	(1,315)	(1,563)
(Decrease)/increase in operating trade and other payables	(1,871)	2,536
Net finance costs	8,222	10,140
Net cash inflow from operating activities	58,602	59,060
Cash flows from investing		
Purchase of investment properties	(63,545)	(100,610)
Sale of investment properties	8,600	-
Capital expenditure	(7,332)	(7,317)
Net cash outflow from investing activities	(62,277)	(107,927)
Cash flows from financing activities		
Proceeds from drawdown of bank loan	90,000	97,900
Loan set up costs	-	(2,205)
Buyback of non-controlling interest	-	(10)
Dividends paid	(62,860)	(62,860)
Bank loan interest paid	(3,814)	(1,695)
Payments under interest rate swap arrangement	(3,534)	(2,255)
Net cash inflow from financing activities	19,792	28,875
Net increase/(decrease) in cash and cash equivalents	16,117	(19,992)
Opening balance	60,945	80,937
Closing cash and cash equivalents	77,062	60,945
Represented by:		
Cash at bank	22,081	41,675
Short term deposits	40,042	6,600
Money market funds	14,939	12,670
	77,062	60,945

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 adopted by the EU, 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

The following new and amended IFRS are mandatory as of 1 January 2012 unless otherwise stated and the impact is stated below.

IAS 12 Income Taxes – Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. The amendment became effective for annual periods beginning on or after 1 January 2012, but does not have any effect on the Group's performance or in its disclosures because the tax rate for these assets in the jurisdictions in which they are located does not differ if they are recovered by sale or use.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosures about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. The amendment became effective for annual periods beginning on or after 1 July 2011. The Group did not have any assets with these characteristics, so there has not been any effect in the presentation of the financial statements.

There have been other new and amended standards issued or have come into effect in 2012 but these are not considered to be applicable and hence not discussed.

(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.

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

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

Volatility in the global financial system is reflected in commercial real estate markets. There was a significant reduction in transaction volumes in 2011 and, to a lesser extent, into 2012. Therefore, in arriving at their estimates of market values as at 31 December 2011 and 31 December 2012, valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparables. In these circumstances, there was a greater degree of uncertainty in estimating the market values of investment property than would exist in a more active market.

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

(c) Basis of Consolidation

The consolidated accounts comprise the accounts of the Company and its subsidiaries drawn up to 31 December each year. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(d) Functional and Presentation currency

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

(e) Revenue Recognition

Rental income, excluding VAT, arising on investment properties is accounted for in the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term of ongoing leases. Surrender lease premiums paid and rent free periods granted 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 for 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 Consolidated Statement of Comprehensive Income.

(g) Taxation

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

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

(h) Investment Properties

Investment property comprises completed property that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the income statement in the year in which they arise. For the purposes of these financial statements, in order to avoid double accounting, the assessed fair value is:

- Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments
- Increased by the carrying amount of any liability to the superior leaseholder or freeholder that has been recognised in the balance sheet as a finance lease obligation

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the Consolidated Statement of Comprehensive Income in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

(i) Operating Lease Contracts – the Group as Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements that it retains all the significant risks and rewards of ownership of these properties and so accounts for leases as operating leases.

(j) Share Issue Expenses

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

(k) Segmental Reporting

The Directors are of the opinion that the Group is engaged in a single segment of business being property investment in the United Kingdom.

(l) Cash and Cash Equivalents

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

(m) Trade and Other Receivables

Trade receivables, which are generally due for settlement at the relevant quarter end are recognised and carried at the original invoice amount less an allowance for any 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.

(n) 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 distributable reserve.

Interest Rate Swap Reserve

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

Treasury Share Reserve

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

(o) Interest-bearing borrowings

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

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

(p) 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 Consolidated 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 Other Comprehensive Income, are transferred to profit or loss.

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

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

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

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

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

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

(q) 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. The impact of these standards has not yet been assessed by the Group but will be in due course. There have been other new and amended standards issued in 2012 which are not effective for the accounting period under review. However, these are not considered to be applicable and hence not discussed.

IAS 1 Financial Statement Presentation — Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, joint arrangements that meet the definition of a Joint Venture must be accounted for using the equity method. Otherwise joint arrangements are accounted for by recognising the Group's share of the arrangements assets and liabilities. IFRS 11 becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required including: a requirement to disclose judgements made in determining if the Group controls, has joint control or significant influence over an entity; and a requirement to disclose judgements made in determining the type of joint arrangement in which the Group has an interest. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 becomes effective for annual periods beginning on or after 1 January 2013.

Notes to the Accounts (continued)

2. Fees

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Investment management fee	7,418	7,346

The Company's Investment Manager, Ignis Investment Services Limited, receives 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. Due to the increasing complexity of the Group structure, the Board agreed to increase the administration fee payable to the Manager. The Investment Manager is now entitled to an administration fee amounting to £165,000 (2011: £114,000) which will increase annually in line with inflation. Both fees are payable quarterly in arrears. The fees of any managing agents appointed by the Investment Manager are 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 2012 £'000	Year ended 31 December 2011 £'000
Valuation and other professional fees	1,700	1,353
Movement in bad debt provision	170	362
Directors' fees*	170	132
Administration fee	165	114
Facility fees	348	607
Administration and company secretarial fees	85	87
Regulatory fees	104	90
Auditor's remuneration for:		
Statutory audit	48	49
Taxation advisory services	60	182
Other expenses	171	153
	3,021	3,129

*In the year ended 31 December 2011 other than Mr Robertson, the Directors received an additional £5,000 each in relation to the set up of a new loan facility. This £20,000 was charged to set up costs to be amortised over the life of the loan facility and is therefore not included in the cost of £132,000.

4. Finance costs

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Interest on principal loan amount	4,141	1,695
Amounts payable in respect of interest rate swap arrangement	3,717	2,255
Amortisation of loan set up fees	364	243
	8,222	4,193

5. Taxation

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

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

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Net (loss)/profit before tax	(4,954)	53,045
UK income tax at a rate of 20 per cent	(991)	10,609
Effect of:		
Capital losses/(gains) on investment properties not taxable	10,786	(1,955)
Lease incentive adjustment not allowable for tax purposes	193	935
Capital losses realised not taxable	725	-
Income not taxable	(74)	(37)
Intercompany loan interest	(12,520)	(11,744)
Expenditure not allowed for income tax purposes	1,466	1,463
Deferred tax asset not provided for	415	729
Total tax charge	-	-

The Group has unused tax losses carried forward of £26,257,978 (2011: £22,084,000). These will only be utilised if the Group has profits chargeable to income tax in the future.

The Company and its subsidiaries are exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. A fixed annual fee of £600 per company is payable to the States of Guernsey in respect of this exemption. No charge to Guernsey taxation will arise on capital gains.

The Directors intend to conduct the Group's affairs such that management and control is not exercised in the United Kingdom and so that 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.

Notes to the Accounts (continued)

6. Dividends

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
2011 Fourth interim of 1.3125p per share paid 28 February 2012 (2010 Fifth interim: 1.3125p)	15,715	15,715
2012 First interim of 1.3125p per share paid 31 May 2012 (2011 First interim: 1.3125p)	15,715	15,715
2012 Second interim of 1.3125p per share paid 31 August 2012 (2011 Second interim: 1.3125p)	15,715	15,715
2012 Third interim of 1.3125p per share paid 30 November 2012 (2011 Third interim: 1.3125p)	15,715	15,715
	62,860	62,860

A fourth interim dividend of 1.3125p was paid on 28 February 2013 to shareholders on the register on 13 February 2013. Although this payment relates to the year ended 31 December 2012, under International Financial Reporting Standards it will be accounted for in the year ending 31 December 2013.

7. Basic and diluted Earnings per Share

The earnings per share (EPS) are based on the net loss for the year of £4,954,000 (2011: profit £53,045,000) and on 1,197,348,858 (2011: 1,197,348,858) Ordinary Shares, being the weighted average number of shares in issue during the year (excluding Treasury Shares). As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

The EPRA EPS for the year ended 31 December 2012 is 4.47p per share (2011: 4.32p). This is calculated after excluding any losses/gain on investment properties and losses arising on ineffective portions of interest rate swaps from the Net (loss)/profit for the year.

8. Investment Properties

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Freehold and Leasehold properties		
Opening valuation	1,011,775	898,750
Purchases at cost	63,545	100,610
Capital expenditure	7,332	7,317
(Loss)/gain on revaluation to market value	(56,157)	9,773
Disposals at prior year valuation	(10,000)	-
Adjustment for lease incentives	(963)	(4,675)
Fair value at 31 December 2012	1,015,532	1,011,775
(Losses)/gains on investment properties at fair value comprise		
Valuation (losses)/gains	(56,157)	9,773
Movement in provision for lease incentives	(963)	(4,675)
Loss on disposal	(1,400)	-
	(58,520)	5,098
Losses on investment properties sold		
Original cost of investment properties sold	(12,227)	-
Sale proceeds	8,600	-
Losses on investment properties sold	(3,627)	-
Recognised in previous periods	(2,227)	-
Recognised in current period	(1,400)	-
	(3,627)	-

CB Richard Ellis Limited, Chartered Surveyors (the "Property Valuer") completed a valuation of Group investment properties at 31 December 2012 on an open market basis in accordance with the Appraisal requirements of the Valuation Standards (6th edition) issued by the Royal Institution of Chartered Surveyors, which is deemed to equate to market value. Market value is determined by reference to market based evidence, which is the amount for which each asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arms length transaction as at the valuation date. The market value of these investment properties amounted to £1,021,170,000 (2011 – £1,016,450,000). The difference between the market value and the fair value at 31 December 2012 consists of accrued income relating to the pre-payment for rent-free periods recognised over the life of the lease totalling £5,638,000 (2011 – £4,675,000) which is separately recorded in the accounts as a current asset.

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

In addition to the above, the property portfolio fair value as at 31 December 2012 is based on the following:

- The Estimated Net Annual Rent for each property, which is based on the current rental value of each of the properties, which reflects the terms of the leases where the property, or part of the property, are let at the date of valuation. If the property, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent the valuer considers would be obtainable on an open market letting as at the date of valuation.
- The valuer has assumed that all rent reviews are to be assessed by reference to full current rents. Also there is an 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 per cent for the majority of the properties, with the reversionary yield being in the region of 5 to 8 per cent.
- The property valuer takes account of deleterious materials included in the construction of the investment properties in arriving at its estimate of open market valuation when the Investment Manager advises of the presence of such materials.

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

Sensitivity analysis

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

	2012 £'000	2011 £'000
Increase in yield of 25bps	(39,070)	(40,430)
Increase in expected vacancy rate of 1%	(10,411)	(10,312)

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.

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 a portfolio of properties. UKCPH and GP, have a partnership interest of 99 and 1 per cent respectively in the GLP. The GP is the general partner and UKCPH is a limited partner of the GLP.

Notes to the Accounts (continued)

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.

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

In addition the Group wholly owns nine Jersey Property Unit Trusts. The principal business of the Unit Trusts is that of investment in property.

10. Trade and other receivables

	2012 £'000	2011 £'000
Rents receivable (net of provision for bad debts)	1,240	513
Other debtors and prepayments	6,784	6,196
	8,024	6,709

11. Trade and other payables

	2012 £'000	2011 £'000
Rental income received in advance	14,942	14,814
Investment Manager fee payable	1,861	1,904
VAT payable	2,819	2,301
Other payables	2,702	4,995
	22,324	24,014

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

12. Bank Loan, and Interest rate swaps

	2012 £'000	2011 £'000
Total Facilities available	230,000	230,000
Drawn down:		
Lloyds facility	80,000	80,000
Barclays facility	150,000	60,000
Set up costs incurred	(2,541)	(2,541)
Accumulated amortisation of set up costs	728	364
Accrued variable rate interest on bank loan	647	318
Total due	228,834	138,141

(i) Lloyds Facility

The Company has a seven year £80 million facility, maturing in June 2015, with Lloyds Banking Group plc, all of which is drawn down. The bank loan is secured on a proportion of 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 all the covenant tests during the year.

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

Interest on the swaps 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 3.0 per cent per annum on £42.1 million and 2.215 per cent per annum on £37.9 million respectively. The fair value of the liability in respect of the two interest rate swap contracts at 31 December 2012 is £4 million (2011: £4 million) which is based on the marked to market value. Both swaps are deemed effective for accounting purposes.

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 into 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. As at 31 December 2012 the applicable margin was 0.60 per cent.

(ii) Barclays Facility

The Group also has a seven year £150 million facility, maturing in May 2018, with Barclays Bank plc taken out in May 2011. As at 31 December 2012 this entire loan was drawn down. The bank loan is secured on the property portfolio held by UKCPEL. Under bank covenants related to the loan UKCPEL is to ensure that at all times:

- The loan to value percentage does not exceed 60 per cent
- Interest cover at the relevant payment date is not less than 160 per cent

UKPCEL met all covenant tests during the year.

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

As at 31 December 2012 the Group had in place interest rate swaps totalling £150 million with Barclays Bank plc (2011: £100 million). All of these interest rate swaps effectively hedged the current drawn down loan with Barclays Bank plc (2011: £60 million). The remainder of the interest rate swap in 2011 was deemed as an ineffective swap under International Financial Reporting Standards.

Interest on the swaps 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 2.9925 per cent per annum on the £100 million swap, 1.2 per cent per annum on the £30 million swap and 1.893 per cent per annum on the £20 million swap. The fair value of the liability in respect of the interest rate swap contracts at 31 December 2012 is £12.6 million (2011: £9.3 million) which is based on the marked to market value.

Interest is payable by UKPCEL at a rate equal to the aggregate of LIBOR, mandatory costs of the Bank and a margin. The applicable margin depends on the ratio of all loans made available to the Company (under the Bank Facility or otherwise) to the market value of the property portfolio in UKCPEL expressed as a percentage (the "LTV Percentage") as well as any cash generated from the sale of one of these properties. If the LTV percentage is equal to or less than 25 per cent, the margin is 1.60 per cent per annum. If the LTV Percentage is greater than 25 per cent and does not exceed 35 per cent, the margin is 1.70 per cent per annum. If the LTV Percentage is greater than 35 per cent and does not exceed 40 per cent, the margin is 1.85 per cent per annum. If the LTV Percentage is greater than 40 per cent and does not exceed 45 per cent, the margin is 1.95 per cent per annum. If the LTV Percentage is greater than 45 per cent and does not exceed 60 per cent, the margin is 2.0 per cent per annum. As at 31 December 2012 the applicable margin was 1.70 per cent.

(iii) Total Facilities

As at 31 December 2012 the Group therefore had in place aggregate interest rate swap instruments totalling £230 million all of which were deemed to be effective hedges.

The revaluation of these swaps at the year end resulted in a loss arising on interest rate swaps of £3.3 million (2011: £12 million). Of the total loss arising on interest rate swaps, £3.3 million related to effective hedge instruments (2011: £8.3 million) and none of this

(2011: £3.7 million) related to ineffective hedge instruments. The ineffective portion of the loss is recognised in the profit and loss and the effective portion is recognised in other comprehensive income.

The fair value of the interest rate swaps as at 31 December 2012 amounted to £16.6 million (2011: £13.4 million). Based on current yield curves £4.6 million of this value relates to the next 12 months and is therefore classified as a current liability. The remainder is classified as a long term liability.

13. Share capital accounts

	2012 £'000	2011 £'000
Share capital		
Share capital as at 31 December 2012/2011	482,703	482,703
(number of shares in issue at the year end being 1,238,794,000)		
Treasury shares		
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 2012 and 2011)

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

14. Net Asset Value per Share

The net asset value per ordinary share is based on net assets of £832,826,000 (2011: £903,912,000) and 1,197,348,858 (2011: 1,197,348,858) 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 £7,418,000 (2011: £7,346,000) of which £1,818,000 (2011: £1,875,000) remained payable at the year end. The Investment Manager also received an administration fee of £165,000 (2011: £114,000), of which £41,000 (2011: £29,000) remained payable at the year end.

The Directors of the Company received fees for their services. Further details are provided in the Directors' Remuneration Report on page 25. Total fees for the year were £170,000 (2011: £152,500) none of which remained payable at the year end (2011: nil).

The Group invests in the Ignis Liquidity fund which is also managed by the Investment Manager. As at 31 December 2012 the Company had invested £14.9 million in the Ignis Liquidity Fund (2011: £12.7 million). This amount is included within cash and cash equivalents. No additional fees are payable to Ignis as a result of this investment.

The Company's immediate parent and ultimate controlling party are disclosed in the Report of the Directors.

16. Financial Instruments and Investment Properties

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

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

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

Fair values

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

Fair value hierarchy

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

31 December 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Interest rate swap	-	(16,634)	-	(16,634)

31 December 2011	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Interest rate swap	-	(13,362)	-	(13,362)

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 curves over the remaining term of the instrument.

Real Estate Risk

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

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

Market risk

Market risk is the risk that the market value of properties and financial instruments will change. A 10 per cent increase in the fair value of the investment properties held as at 31 December 2012 would have increased net assets available to shareholders and increased the net profit by £101.6 million (2011: £101.2 million). A 10 per cent decrease in the fair value would have reduced net assets available to shareholders and net profit by £101.6 million (2011: £101.2 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.

Notes to the Accounts (continued)

Credit risk

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

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

Financial Assets 2012	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Cash and Cash equivalents	77,062	-	-	77,062
Rent receivable	1,240	-	-	1,240
Other debtors	200	63	827	1,090
	78,502	63	827	79,392

Financial Assets 2011	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Cash and Cash equivalents	60,945	-	-	60,945
Rent receivable	513	-	-	513
Other debtors	-	145	561	706
	61,458	145	561	62,164

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

The Company has a diversified tenant portfolio. The maximum credit risk from the rent receivables of the Group at 31 December 2012 is £1,240,000 (2011: £513,000). The Group holds rental deposits of £827,000 (2011: £561,000) 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. A sum of £14.9 million (2011: £12.7 million) of the year end cash balance is held in the Ignis Liquidity Fund, which is a money market fund and has a triple A rating. Bankruptcy or insolvency of a financial institution may cause the Group's ability to access cash placed on deposit to be delayed or limited. Should the credit quality or the financial position of the banks currently employed significantly deteriorate, the Investment Manager would move the cash holdings to another financial institution subject to restrictions under the loan facility.

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

Liquidity Risk

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

The Group's liquidity risk is managed on an ongoing basis by the Investment Manager 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 2012 the cash balance was £77,062,000 (2011: £60,945,000).

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

Financial Liabilities 2012	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	2,252	6,755	264,389	273,396
Other creditors	18,678	-	827	19,505
	20,930	6,755	265,216	292,901

Financial Liabilities 2011	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Bank loan	1,546	4,639	176,395	182,580
Other creditors	21,152	-	561	21,713
	22,698	4,639	176,956	204,293

Interest rate risk

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

Interest is receivable on cash at a variable rate ranging from 0.2 per cent to 0.9 per cent at the year end and deposits are re-priced at intervals of less than one year.

An increase of 1 per cent in interest rates as at the reporting date would have increased the reported profit by £771,000 (2011: increased the reported profit by £1,009,000). A decrease of 1 per cent would have reduced the reported profit by £771,000 (2011: decreased the reported profit by £1,009,000). 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 loans have been hedged by interest rate swaps, these loans are not subject to interest rate cashflow risk.

As at 31 December 2012 the Company had in place a total of £230 million of interest rate swap instruments (2011: £180 million). The values of these instruments are marked to market and will change if interest rates change. It is estimated that an increase of 1 per cent in interest rates would result in the swap liability falling by £9.2 million (2011: £8.7 million) which would increase the reported profit by the same amount. A decrease of 1 per cent in interest rates would result in the swap liability increasing by £9.2 million (2011: £9.8 million) which would decrease the reported profit by the same amount.

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

Foreign Currency Risk

There was no foreign currency risk as at 31 December 2012 or 31 December 2011 as assets and liabilities of the Group are maintained in pounds Sterling.

Capital Management Policies

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

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

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

Notes to the Accounts (continued)

The Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan arrangements in the year to 31 December 2012.

	2012 £'000	2011 £'000
Carrying amount of interest-bearing loans and borrowings	228,834	138,141
External valuation of completed investment property	1,021,170	1,016,450
Loan to value ratio	22.41%	13.59%

The Group's capital balances are set out on page 30 and are regarded as the Group's equity and net funds.

17. Capital Commitments

The Company has no contracted capital commitments as at 31 December 2012 (31 December 2011 – nil).

18. Lease Length

The Group leases out its investment properties under operating leases.

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

	31 December 2012 £'000	31 December 2011 £'000
Less than one year	70,492	69,767
Between one and five years	210,029	211,816
Over five years	336,781	365,574
Total	617,302	647,157

The largest single tenant at the year end accounted for 6.04 per cent (2011: 6.13 per cent) of the current annual rental income.

The unoccupied property expressed as a percentage of annualised total rental value was 4.8 per cent (2011: 3.4 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 1 and 15 years.

Analysis of the nature of investment properties and leases are provided in 'Portfolio Statistics' on pages 15 to 17.

19. Service charge

The Company's managing agents Jones Lang LaSalle manage service charge accounts for all the Company's properties. The Company pays the service charge on any vacant units. Service charges on rental properties are recharged to tenants. The total service charge incurred in the year to 31 December 2012 was £7.3 million (2011: £6.7 million). Of this figure, the service charge paid by the Group in respect of void units was £1.3 million (2011: £1.1 million). These amounts are included in direct property expenses in the Consolidated Statement of Comprehensive Income.

20. Post Balance Sheet Events

On 31 January 2013, the Company sold 2-8 Buchanan Street, Glasgow for £10.45 million which was in-line with valuation.

Notice of Annual General Meeting

Notice is hereby given that the sixth Annual General Meeting of UK Commercial Property Trust Limited will be convened at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL on 19 June 2013 at 10.00 a.m. for the following purposes.

Ordinary Resolutions

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

1. To approve and adopt the Annual Report and Accounts of the Company for the year ended 31 December 2012.
2. To approve and adopt the Directors' Remuneration Report for the year to 31 December 2012.
3. To re-elect Ernst & Young LLP as Auditor to the Company until the conclusion of the next Annual General Meeting.
4. To authorise the Directors to determine the auditor's remuneration.
5. To elect Mr McCullagh as a Director of the Company.
6. To re-elect Mr Hill as a Director of the Company.
7. To re-elect Mr Fish as a Director of the Company.
8. To re-elect Mr Robertson as a Director of the Company.
9. 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:

10. 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 20 March 2013.

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

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

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

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

(iv) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2014 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 10.00 a.m. on 17 June 2013.

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

Notice of Annual General Meeting (continued)

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

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

7. 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 20 March 13, 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 per cent of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

By order of the Board
Northern Trust International Fund Administration Services (Guernsey) Limited
Secretary
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL
Date 20 March 2013

Shareholder Information

Dividends

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

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

Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandates may be obtained from 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 – Conventional Property ICs".

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to 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 2013/14

28 February 2013	Payment of 2012 fourth interim dividend
March 2013	Announcement of annual results
May 2013	Payment of 2013 first interim dividend
19 June 2013	Annual General Meeting
August 2013	Payment of 2013 second interim dividend
August 2013	Posting of Interim Report
November 2013	Payment of 2013 third interim dividend
February 2014	Payment of 2013 fourth interim dividend

Corporate Information

Directors (all non-executive)

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

Registered Office

Trafalgar Court
Les Banques
St Peter Port
Guernsey

Registered Number

45387

Administrator and Secretary

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

Maples Teesdale
30 King Street
London EC2V 8EE

Registrar

Computershare
NatWest House
Le Truchot
St Peter Port
Guernsey GY1 1WD

Principal Bankers and Lenders

Barclays Bank plc
Quay 2
139 Fountainbridge
Edinburgh EH3 9QG

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

Corporate P.R. Advisor

FTI Consulting Limited
Holborn Gate
26 Southampton Buildings
London WC2A 1PB

Corporate broker

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

Website

www.ukcpt.co.uk

Perivan Financial Print 227633

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