Annual Report and Accounts

for the year ended 31 December 2014

www.ukcpt.co.uk

UK COMMERCIAL
PROPERTY TRUST

Contents

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Front Cover Images: Aberdeen Gateway, Aberdeen and Regent Circus, Swindon – Two of the Company’s major purchases during the year.

Company Summary

The Company

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

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

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

The Group

The Group consists of the Company and its six wholly owned subsidiaries, including 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.

Following the year end a further subsidiary was set up, UK Commercial Property Finance Holdings Limited. The principal business of this Company 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 21.

Management

Ignis Fund Managers Limited is the Investment Manager of the Group succeeding Ignis Investment Services Limited as Investment Manager on 18 July 2014. Both companies are wholly owned by Standard Life Investments Limited.

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

ISA Status

The Company's shares are eligible for ISA investment.

Website

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

Financial and Property Highlights

Financial Highlights

- NAV per share of 83.0p as at 31 December 2014 (2013 – 73.1p), a rise of 13.5% driven by portfolio capital growth and successful asset management initiatives;
- NAV total return of 19.7% and share price total return of 20.4% in the year, both outperforming the IPD Balanced Monthly & Quarterly Funds benchmark of 17.4%;
- Share issuance of £82 million in the year at premiums to NAV ranging from 4.3% to 7.1%, the proceeds of which have been utilised for further investment in the Company's portfolio strategy;
- Post year end, successful refinancing of the Company's Lloyds debt facility with a 12 year, £100 million debt facility secured from Cornerstone Real Estate Advisors Europe LLP, part of the MassMutual Financial Group, at an attractive fixed rate of 3.03%;
- In addition, in order to provide flexibility, the Company has agreed a £50 million revolving credit facility with Barclays as well as lowering the current margin on the existing Barclays loan and extending the term out to April 2020;
- The debt refinancing has resulted in the Company having a blended cost of debt of 2.89% and an average debt maturity of 7.8 years (assuming the revolving credit facility remains undrawn) while providing additional resources for investment but still maintaining the lowest gearing in the Company's peer group;
- Significant cash resources of over £100 million available for investment following the debt refinancing;
- A fully covered and sustainable dividend of 3.68p per share paid in relation to the year ending 31 December 2014, resulting in a yield of 4.2%, higher than the FTSE All-Share REIT Index (3.0%) and the FTSE All-Share Index (3.4%);
- Ongoing charges of 1.49% as at 31 December 2014 (2013: 1.81%) underlining the significant fall in the Company's expenses due to decreasing void costs and lower bad debt provisions combined with an increasing NAV.

Property Highlights

- As at 31 December 2014, the portfolio was valued at £1.272 billion, an increase of 21.3% in the year;
- Strong portfolio total return of 18.4% for the year driven by value improvements in South East Industrial assets, Central London holdings, Distribution Warehouses and selective Regional Offices;
- With £150 million in transactions, significant progress made in repositioning the portfolio and extending average lease length in-line with portfolio strategy, specifically:
    - Sales totalling £53 million to date of this report, reducing exposure to shorter income and capital intensive assets within Regional Office and Secondary Shopping Centre sectors;
    - £97 million invested in prime industrial and leisure assets producing £6.2 million of annual income, an overall income yield of 5.9% and an average lease length of 16 years 5 months with majority of this income benefiting from fixed guaranteed uplifts;
- A number of successful asset management initiatives, contributing to income and capital values, completed during the year including:
    - Lease renewal at 15 Great Marlborough Street at £2.1 million per annum for 5 years after rent free periods, a 10% uplift on the previous rent;
    - Lettings securing additional income of £472,000 per annum of income at Dolphin Industrial Estate, Sunbury, Gatwick Gate, Crawley and Emerald Park Bristol after incentives;
    - Purchase and Leaseback in Dartford generating over 50% uplift in value and complementing the Company's existing Dartford holding;
    - 99% occupancy in Industrial Portfolio & 100% occupancy rate within the Company's regional office portfolio;
- Void rate of 2.6% at 31 December 2014 (4.4% in 2013), significantly below the benchmark figure of 6.8%;
- Continuing strong rent collection rates of 99% within 28 days highlighting the continued strength of tenant covenants within the Company's ownership.

Performance Summary

Capital Values & Gearing	31 December 2014	31 December 2013	% Change
Total assets less current liabilities (excl Bank loan & swap) (£'000)	1,316,850	1,111,924	18.4
Net asset value per share (p)	83.0	73.1	13.5
Ordinary Share Price (p)	88.2	77.0	14.5
Premium/(discount) to net asset value (%)	6.3	5.3	
Gearing (%): Gross*	17.5	20.7	
Net**	13.3	14.5	

Total Return %	1 year	3 year	5 year
NAV***	19.7	34.2	56.9
Share Price***	20.4	55.2	55.6
Investment Property Databank (IPD) Balanced Monthly & Quarterly Funds Benchmark	17.4	33.1	63.6
FTSE Real Estate Investment Trusts Index	23.7	93.3	88.4
FTSE All-Share Index	1.2	37.3	51.8

Earnings & Dividends	31 December 2014	31 December 2013
Dividends paid per ordinary share (p)	4.0725	5.25
Dividend Yield (%)****	4.2	6.8
IPD Benchmark Yield (%)	5.3	5.9
FTSE Real Estate Investment Trusts Index Yield (%)	3.0	3.5
FTSE All-Share Index Yield (%)	3.4	3.3
Ongoing Charges		
(as a % of average net assets) †	1.49	1.81
Void (%)	2.6	4.4

European Public Real Estate Association ("EPRA") NAV at 31 December 2014 (excluding swap liabilities) – 83.7p (2013 – 73.7p).

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

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

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

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

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

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

Chairman's Statement

I am pleased to report that, in what has been a pivotal period, significant progress has been made both at a corporate and portfolio level in the evolution of the Company.

At a corporate level, the Company delivered above benchmark returns in the year, with a NAV total return of 19.7% and share price total return of 20.4%, driven by strong portfolio performance. In addition, following the change in dividend policy, the Company also grew by virtue of a number of equity issues which raised £82 million at premiums to NAV. These proceeds have been used to acquire properties that are in line with the Company's objective of providing an attractive level of income together with the potential for capital growth.

Just as importantly, following the year end, the Company secured 12 year financing at historically low interest rates and introduced a revolving credit facility to give the Investment Manager flexibility to invest in suitable assets should the opportunity arise. This is a very positive step for the Company as it has reduced the blended cost of debt significantly and increased the resources available to invest in the portfolio strategy, whilst maintaining a prudent gearing policy, which is still the lowest in the Company's peer group.

The Company has also made great strides both in terms of performance and restructuring of the portfolio. Over the 12 months to 31 December 2014, the Company's investment portfolio outperformed the IPD benchmark, generating a total return of 18.4%. Encouragingly, the portfolio continued to deliver above benchmark returns on both a capital and income basis which is testament to its strength and quality and to the successful asset management initiatives undertaken by the Investment Manager. This outperformance was achieved whilst completing significant restructuring to prepare for future market trends, with a total of £150 million of assets traded up to the date of this report.

Economic Background

In the 12 months to 31 December 2014 the UK economy started to grow at rates which were closer to historical trends. According to the Office of National Statistics, the UK economy grew by 2.8% in 2014, the highest rate of growth recorded since 2007. Importantly, while the dominant service sector was the largest contributor, all the main sectors of the economy contributed to this growth. With unemployment continuing to fall, wage growth accelerating and inflation at a low level, the macroeconomic picture for the UK is more positive than it has been for a considerable time. The UK General Election, which may be inconclusive, the Eurozone, which is now in a period of deflation, and the threat of a Greek exit from the Euro all represent significant risks which have the potential to unsettle markets and could undermine growth. However, even allowing for these risks, most forecasters expect the UK to continue on the path of stable, if unspectacular, growth with the IMF predicting the UK economy will grow by 2.7% in 2015.

Commercial Property Market

In line with improved performance of the economy, the UK commercial property market was the best performing asset class in 2014 as values rose strongly, continuing the trend that emerged in the summer of 2013. Persistent investor demand for a limited supply of property has underpinned this growth with many investors, overseas and domestic, looking to acquire assets in the regions given the current price of London commercial real estate.

The UK commercial property sector, as measured by IPD, recorded a total return of 17.4% in the year to 31 December 2014 with capital returns of 11.4% being the main driver and income returns remaining fairly stable at 5.4%. Continuing yield compression across all the main sectors combined with rental growth, mainly in London but importantly for the Company, spreading to some of the regions, have been the main reasons for this impressive capital return.

Significant Property Transactions

There have been a number of property transactions up to the date of this statement as set out below:

- Completion in December 2014 of the acquisition and forward funding at Aberdeen Gateway resulting in the purchase of two industrial units and one office building. This resulted in a healthy valuation uplift relative to the combined cost of all three assets;
- Purchase of Regent Circus, Swindon increasing the Company's exposure to its favoured leisure sector;
- Purchase of two industrial units in Dartford which complement the existing holding, leading to valuation uplifts;
- Sale of two small office blocks in Bristol at above valuation;
- Post the year end, sale of Pall Mall Court, Manchester and Sovereign Centre, Weston-super-Mare at prices in line with valuation.

From 1 January 2014 up to the date of this report, the Company has purchased £97 million of assets (including costs) and, including the two asset sales post year end, sold assets with a value of £53 million. This demonstrates the significant progress the Company has made in the implementation of a portfolio strategy that has increased exposure to the industrial and leisure sector, reduced retail exposure and sold assets where future return prospects are considered to be limited.

Chairman's Statement (continued)

Further details on these purchases and sales and the portfolio as a whole are set out in the Manager's report.

Borrowing

As at 31 December 2014 the Company's gross gearing was 17.5%, comfortably the lowest in the Company's peer group and significantly below the 25% limit set by shareholders.The Company has taken advantage of this low gearing with the refinancing of the £80 million Lloyds Bank facility and on 8 April 2015 announced it had taken out a 12 year, £100 million loan from Cornerstone Real Estate Advisers Europe LLP, a member of the MassMutual Financial Group, a large US based life company with AA+ rating from Standard & Poor's. The loan has a fixed interest rate of 3.03%.

Post year end the Company has also taken out a £50 million revolving credit facility for five years with Barclays Bank which can be drawn down or repaid at any time, at a margin of 1.5% over LIBOR. As part of this facility, Barclays agreed to reduce the margin on the existing loan facility by 0.2% to 1.5% over three month LIBOR and extend the term of the loan to April 2020 from May 2018. The Company also repaid the existing swaps and took out a new swap to match the extended maturity on this loan.

This debt restructuring represents a significant opportunity for the Company: long term debt with a mixed maturity profile has been secured at historically low interest rates and a more flexible form of debt has been introduced in order that the Manager can act quickly should suitable opportunities arise.The overall increase in debt of up to £70 million provides the Manager with additional resources to invest in a property market which remains strong but still ensures that the Company is prudently geared, with gearing of 18.7% at an attractive blended interest rate of 2.89% (assuming the revolving credit facility remains undrawn). In addition continuation vote cycles have been successfully changed to tie-in with the dates of future debt re-financings.

Dividends

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

	Payment Date (2014)	Dividend per share (p)
4th interim for prior period	Feb	1.3125
1st interim	May	0.9200
2nd interim	Aug	0.9200
3rd interim	Nov	0.9200
Total		**4.0725**

A fourth interim dividend of 0.92p was paid on 27 February 2015.

Based on an annual dividend of 3.68p and the share price at 31 March 2015 of 91.9p, the Company's shares produce a dividend yield of 4.0% which is attractive when compared to other asset classes. Importantly, this yield is underpinned by a prime portfolio of UK commercial property and, based on a 3.68p annual dividend rate, was fully covered in 2014.

Share Issuance

In total the Company issued 102,063,607 shares during the year, including 41,445,142 shares previously held in treasury, raising £82 million in total.These share issues have been at premiums to NAV ranging from 4.3% to 7.1% and the majority of the proceeds have been invested in the acquisitions referred to earlier. This is the first time the Company has been able to issue shares since 2010 and, underlining the ongoing appeal of the sector and the Company even after such significant share issuance, the shares continue to trade at a healthy premium to NAV (10.7% at 31 March 2015).

Investment Manager

As previously reported Standard Life completed the acquisition of Ignis Asset Management on 1 July 2014. After extensive due diligence, the Board consented to the change of control of its investment manager. This has enabled the Company to utilise the significant resources that Standard Life has at its disposal, something which was of great benefit during the recent debt negotiations. Having overseen the successful transition of the portfolio onto the Standard Life platform, Robert Boag, the Company's lead Fund Manager since 2009, has decided to seek fresh opportunities. Robert has worked tirelessly on behalf of the Company and he leaves with our gratitude and our very best wishes for the future. Robert will be replaced by Will Fulton who has 27 years of experience in real estate asset management working on a number of different real estate vehicles. The Board is confident that his management of the portfolio, supported by the rest of the UK Commercial Property Trust team, will sustain the good performance of the Company.

REIT

The Company has noted that a number of its peers have indicated their intention to convert to REIT status or have already done so. Having reviewed the position, the Board does not believe that converting to a REIT at the current time is in the best interests of the Company's shareholders. The Board will continue to review the matter on a regular basis.

Outlook

The economic fundamentals supporting the UK economy remain robust. Along with economic stability, business sentiment and consumer confidence remain at high levels and this can only be helped by the fall in oil prices and the resultant impact on inflation.

Chairman's Statement (continued)

In terms of the UK commercial property market, it is expected that careful choices of location and a continued focus on property fundamentals will be the defining characteristics contributing to returns over the next year. Prime assets and good quality secondary assets in stronger locations are likely to provide the best opportunities in the robust economic environment anticipated in 2015. With capital growth not forecast to be as strong in the next three years as in 2014, income will also play an increasingly important role in generating positive returns. Both of these trends suit the current shape of the Company's portfolio with its regional bias and strong income profile. Combined with the significant resources that the Company has to make further selective acquisitions, funded by additional debt raised at historically low rates, UK Commercial Property Trust Limited is in excellent shape to continue delivering positive performance for shareholders.

Christopher M.W. Hill
Chairman
20 April 2015

Investment Management Team

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

SLI is a global asset manager and has approximately £246 billion of assets under management with £12 billion in real estate.

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

The Company is managed by a dedicated property investment, finance and administration team within Standard Life which is set out below. As mentioned in the Chairman's Statement Will Fulton will be taking over from Robert Boag at the end of April 2015.

ROBERT BOAG, BSc Dip IPF MRICS – Fund Manager (Real Estate)

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.

WILL FULTON BLE MRICS – Fund Manager (Real Estate)

Will graduated from the University of Aberdeen in 1987 with a degree in Land Economy when he joined Standard Life, becoming a member of the Royal Institution of Chartered Surveyors in 1990. Throughout his 27 year career he has held a variety of commercial real estate positions gaining multi-disciplinary experience spanning investment, valuation, asset management, debt facility management, development and investor relations both in the UK and across continental Europe. Most recently, from 2010, he oversaw a team managing the £2.3 billion Standard Life Heritage With Profits Real Estate Fund.

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

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

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

Daniel graduated in 1991 from Nottingham Trent University with a 2:1 honours degree in Urban Estate Surveying. In 1992 he qualified as a member of the Royal Institution of Chartered Surveyors whilst working as an Estates Surveyor for the Lloyds Chemist Group. In 1994 Daniel joined Lambert Smith Hampton specialising in retail agency and development before accepting employment with the Co-Op to manage their London & South East portfolio. Daniel then took up an overseas position with Jones Lang LaSalle in Sydney, Australia within their Asset Management Division, managing investment properties for clients such as AMP Henderson and MID before returning to the UK in 2004 and joining Kilmartin Property Group in Edinburgh. In October 2010, Daniel joined Ignis Real Estate as an Asset Manager. Daniel transferred over to SLI in October 2014.

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

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

Investment Management Team (continued)

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

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

Investment Manager Review

Market Review

The UK economy continued to strengthen in 2014 with GDP increasing to 2.6%, the highest growth rate since 2007 and a much stronger performance than the Eurozone. The year was further characterised by a more balanced expansion in GDP growth, low interest rates, rising employment, falling inflation and an overdue (albeit still modest) increase in real wage growth. Whilst these were dominant themes for most of the year, the increasing uncertainty surrounding global economic growth, especially with the ongoing travails within the Eurozone and the collapse in oil prices in the second half of the year, provided a salient reminder of the risks still faced by the UK economy.

Within such an economic environment, the global search for yield continued with an ever growing pool of capital recognising the relative appeal of commercial property as an asset class. Whilst increased capital flows into UK commercial property and the resultant yield compression were the principal drivers of returns for the sector, this was supported by an improving outlook for rental levels as well as an increased availability of cheaper debt to finance transactions. The combined impact of this was a record year of £71 billion of investment in UK commercial property, increased values and a tightening of yields throughout the market as investors moved up the risk curve geographically and sectorally.

Although investment increased across the board in 2014, the largest gains were recorded outside London with £27.5 billion invested, a 52% increase year on year. Opportunistic, particularly US, investors continue to pursue higher yielding investments in the regions whilst core investors, keen to invest capital on a relative basis, competed for the more limited prime stock across all sectors. As a result, yields fell overall by 70bps according to IPD, the fastest rate for more than six years. The greatest movement in yields occurred in the office sector, with average yields falling 135bps closely followed by Industrials with a 90bps fall. Retail yields fell by only 10bps over the year yet this figure masks the divergence across this sector, with shopping centre yields falling by 130bps while the rest of UK high street fell by only 17bps.

Performance Review

The IPD benchmark delivered an impressive total return of 17.4%, the highest annual return since the Company's inception. Capital growth, driven by yield compression, was the principal component with the 11.4% increase resulting in an IPD net initial yield of 5.3% and equivalent yield of 6.2%. Income return for the year was 5.4%.

In response to the improved economic outlook, rental value growth gained momentum over the year reaching a broad level of 3.0%. As has been the case for the last few years, Central London office markets were the strongest during 2014, with 11.6% rental growth, followed by South East offices with 6.1%. Regional office rental growth, whilst positive, was only modestly so at 1.4%.

Against a backdrop of increased demand and decreasing supply, rental growth in regional industrials was an encouraging 2.2%, with the South East recording a particularly buoyant 3.7%.

Ongoing structural change within the retail sector is reflected in the mixed picture for rental growth. Only South East high street retail (including Central London) recorded any significant rental growth at 3.6%, with Retail warehouses registering a very modest 0.2% growth. Shopping centres and rest of UK high street retail remain in negative territory with -0.1% and -0.6% respectively.

Income

Annualised rental income for the Company was £69.5 million at the end of the year representing a like-for-like increase of 1.5% from the previous year, highlighting not only an improvement in market conditions but also the positive impact of a number of asset management initiatives, which are covered within the asset management section below. New leases contributed additional annualised income (after rent free periods) of £2.6 million during the year. This was partially offset by the impact of lease expiries/breaks across all sectors, which resulted in lost income of £2.3 million with the net effect of other lease events such as rent reviews, stepped rent and turnover rents amounting to £700,000.

Although £97 million (after costs) has been invested in four separate transactions during 2014, the full impact of the £5.9 million annual rental income is not fully reflected in the year end income figures, given the completion date of the majority of these purchases. The full benefit of that income will emerge throughout 2015 as rent free periods expire.

Portfolio Performance

In a year which witnessed significant portfolio activity (and the resultant costs) it is pleasing to see above benchmark performance from the portfolio with a return of 18.4% (IPD: 17.4%). The strong characteristics of the portfolio have been reflected in a superior capital growth within the portfolio of 11.8% (IPD: 11.4%) and an enhanced income return of 5.9% (IPD: 5.4%).

The external portfolio valuation as at 31 December 2014 was £1.272 billion (excluding lease incentive adjustment), an increase of 21.3% on 2013.

Significantly, all sectors of the portfolio increased in value, with the industrial portfolio being the strongest performer. This is recognition and reward for the Company's strategy of increasing its exposure to that sector in recent years because of its strong income characteristics.

The second best performer within the portfolio was the office sector, previously the strongest performing sector in the portfolio. The attractive returns made in this sector were driven by improved investment sentiment within the regions and continued strength in the London occupier and investment markets.

It was also encouraging to see the positive contributions that both the retail and leisure portfolio made to total performance, both sectors providing above benchmark returns.

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 2014:

	Total Return		Income Return		Capital Growth	
	Fund %	Benchmark %	Fund %	Benchmark %	Fund %	Benchmark %
Industrials	25.2	22.8	6.0	6.0	18.3	15.9
Office	20.7	22.1	5.7	4.9	14.2	16.4
Retail	14.6	13.2	6.0	5.6	8.2	7.2
Other Commercial (incl Leisure)	13.8	13.5	6.0	5.3	7.4	7.7
Total	**18.4**	**17.4**	**5.9**	**5.4**	**11.8**	**11.4**

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

Industrials

In common with the wider market, the Industrial sector was the Company's strongest performer in 2014. For some time the Company has recognised the strong income characteristics of the sector and, in recent times, this view has been supported by other investors. With an imbalance between strong demand and limited supply, yield compression was at its greatest in this sector particularly in the South East as institutional and overseas investors, often dealing in large portfolio transactions, contributed to a 57% year on year increase in investment volumes. Within occupier markets, strong demand, particularly from online businesses, led to a fall in vacancy rates and healthy rental growth as well as the return, in certain locations, of speculative development.

The diverse nature of the Company's assets, supplemented by acquisitions in core locations and strong asset management, ensured that the Company benefited strongly from these market dynamics delivering an impressive total return of 25.2% driven by capital growth of 18.3%. This was achieved whilst still upholding the Company's objective of providing an attractive income yield which in turn supports the dividend, the income return being 6.0% in the year.

Offices

In recent years we have grown accustomed to a strong performance from the Company's office portfolio, led principally by the exposure to London's West End. Whilst this remains a contributing factor to the 20.7% total return for the office sector, another big theme was the acceleration in investment and improving occupier environment outside London. This resulted in improving yields within the "Big 6" office locations and ensured that the Company's regional office portfolio, which has for some time now enjoyed a high occupancy level, provided an improved balance to this overall sector return.

This, allied to a strong covenant base within assets located in core locations, which in most cases are let on long leases, helped to provide a 10.8% capital value uplift and a total return of 19.0% supported by a strong income return of 7.5% which again offers support to the Company's dividend policy.

Retail

Although the prospects for some elements of the retail sector remain uncertain, improving market sentiment and a far more positive, yet still polarised, occupier environment was reflected in a stabilisation of rents and reduction of voids within many principal locations in 2014. This provided a platform for an improved performance from the Company's retail portfolio.

This sector was again the greatest source of divergence across sub-sectors, with South East high street retail benefiting from further yield compression, producing 13.2% capital growth and the strongest total return of 18.0% within the retail portfolio. This, once again, was in contrast to the Company's regional high street retail, now restricted to two assets, which held their values yet provided an overall income return of 7.6%.

One notable and pleasing feature within the retail portfolio was the capital uplift of 6.5% and total return of 14.0% from the Company's shopping centre assets as the ongoing asset management strategy for each of the assets gained traction and, in the case of the Sovereign Centre, Weston-super-Mare, provided the Company with the opportunity to achieve a sale ahead of valuation.

In the retail warehouse sector, strong institutional investor demand drove an improvement in investment yields, resulting in the retail warehouse portfolio producing a total return of 14.3%.

The improving market conditions in the retail market should represent an opportunity for continued good performance from the Company's retail portfolio, in particular shopping centre and retail warehouses, as the market recognises the attractive income return and potential for income and value enhancement from asset management which exists within a number of the Company's assets.

Other Commercial – Leisure

For most of the year the Company held only one leisure investment: The Rotunda, Kingston-upon-Thames. This generated an improved total return, achieved with the benefit of further income enhancing asset management initiatives and increasing investment demand for the sector resulting in further yield compression.

The acquisition of Regent Circus, Swindon highlighted below, increased the Company's exposure to the Leisure sector. Although the costs associated with the acquisition undermined overall leisure returns within the last quarter of the year, resulting in a total return of 13.8%, the strong fundamentals underlying that purchase will over time, prove to be supportive of the Company's income objective

Investment Activity

With the benefit of the change in dividend policy, and against the backdrop of a positive outlook for property, the Company has been particularly active within the investment market, with £147 million of transactions from January 2014 up to the date of this report. This activity has helped to reposition the portfolio, reducing exposure to secondary shopping centres and regional office assets that had an increasing need for capital expenditure, whilst increasing exposure to Industrial and Leisure sectors where the return prospects over the long term are more favourable.

Sales

In line with the well established strategy of de-risking the portfolio by the removal of shorter income assets where capital expenditure requirements had the potential to undermine future performance, the Company also achieved its aim of reducing exposure to shopping centres and regional offices.

Up to the date of this report, a total of £53 million (before costs) was raised from four separate sales and, in doing so, the Company took the opportunity to benefit from improving sentiment in secondary shopping centres and regional offices and to realise proceeds from successful asset management. The largest of these sales was The Sovereign Shopping Centre in Weston-super-Mare, sold to a UK asset manager with finance from a US Private equity client for £29.9 million. In addition, Pall Mall Court, Manchester was sold to a UK Regional office fund, again with US private equity backing for £19.5 million.

Having identified both properties as sales opportunities from the Company's business plan, both sales were timed for the turn of the year to allow momentum to build in the investment market and the retention of income for as long as possible. This former point was evident from the fact that there were a number of bids for each asset. Although both properties were marketed in the last quarter of the year, the sales did not complete until January 2015.

In October, the Company sold its two smallest assets in the portfolio at Freshford and WCA House, Bristol. Whilst reducing the Company's exposure to regional offices, the tenant's decision to vacate the property at a lease break in July 2015 was also a significant factor in this sale to an institutional Regional Office Fund for £3.6 million, ahead of September valuation.

In aggregate, the four assets produced £4.6 million per annum rental income with a short average lease length of 3 years 4 months. Although the sale of all four assets will have a short term impact on income yield, this is outweighed by the improved return prospects for the portfolio once the proceeds are re-invested, as well as the reduction of capital expenditure requirements, which were estimated to be in excess of £10 million over a three year horizon.

The Company still has a significant exposure to both the shopping centre and regional office sectors which have the characteristics and potential to benefit from the continued improvement in their respective markets, particularly with the added benefit of ongoing asset management.

Purchases

The year also saw significant investment for the Company with £97 million of acquisitions (including costs) reflecting good progress being made on a reinvigorated strategy following the rebasing of the Company's dividend. This allowed for a continued focus on institutional grade assets, which have attractive income yields as well as security and longevity of income, particularly within the favoured industrial and leisure sectors.

In October, the Company completed the acquisition of Site D, Aberdeen Gateway for £11.0 million (including stamp duty). As previously reported, the 60,000 sq.ft. warehouse and office facility is fully let on a 20 year lease with five yearly rent reviews to the higher of open market rental value or 2.75% per annum compounded.

Also in Aberdeen Gateway, the Company completed the forward funding of the 182,000 sq.ft. warehouse facility at Site A following the practical completion of that development and the completion of a 25 year lease to Total (E&P) UK Ltd with the benefit of five yearly rent reviews to the higher of open market rental value or 3% per annum compounded. Total purchase price was £28.7 million (including stamp duty).

Both transactions followed the related purchase in July, by way of a forward commitment, of the 25,600 sq.ft., two storey office building let to Ensco Services for a 15 year term with the benefit of five yearly rental uplifts of 2.75% per annum compounded. Total purchase price was £7.7 million (including stamp duty).

The Company's ownership in Aberdeen now extends to three predominantly industrial properties totalling 267,000 sq.ft., all fully let to sound, secure covenants. In addition, the leases have an average lease length of 18 years 11 months with provision for fixed guaranteed uplifts offering some inflation protection over the lease term.

Investment Manager Review (continued)

The total commitment (after stamp duty) was £47.4 million, which generates a net income yield of 6.3% on the total income of £3.0 million; this represents a significant margin to South East England industrial yields for similar quality stock. The timing of the transaction and the proven strong investment demand during 2014 resulted in the latest valuation for all three assets exceeding the total purchase price and in doing so absorbing the costs of the transaction.

Notwithstanding the recent volatility in the oil market, the Company is satisfied that the investment in Aberdeen, given the location, specification, long-term income characteristics and, in particular, strong occupier profile, will support the Company's income objective over the long term.

In December, the Company completed the freehold purchase of the 97,000 sq.ft. leisure and supermarket development at Regent Circus, Swindon. Let to Morrisons, Cineworld, Zizzi, Gourmet Burger Kitchen and Nando's amongst others, the nature of the development is such that the Company will meet the total commitment of £41.1 million (including stamp duty) in phases with a payment of £37.0 million (including stamp duty) initially made in December. As previously reported, the total income on completion will be £1.9 million, with an average lease length of 18 years 8 months. The Cineworld lease benefits from fixed guaranteed uplifts.

The Company increased its exposure to the South East industrial sector in two separate transactions in the second half of the year with two purchases adjacent to its existing multi-let industrial estate ownership at Newton's Court, Dartford.

The 67,000 sq.ft. distribution warehouse Crossways Cargo Centre, was purchased in September for £6.7million (including stamp duty). Let to long established local logistics operator Veerstyle Limited until April 2019, the rental income of £440,000 per annum provides an income yield of 6.4%.

In late December, the Company paid £5.9 million (including stamp duty) on a sale and lease back basis for a 71,000 sq.ft. industrial unit at Unit 12 Newton`s Court, Dartford, let to Compagnie Fruitier at a rent of £497,000 per annum and an income yield of 8.3%.

Each acquisition was identified as a potential target at the time that the Company acquired Newton's Court in June 2013. They both complement that multi-let estate, providing further diversity of income and unit size, as well as increasing the lot size of the investment and in doing so improving its investment appeal. This has been recognised in the latest valuations for both assets which were ahead of the purchase price.

Whilst both were modest acquisitions for the Company, they provide a combined income of £937,000 per annum and an initial yield of 7.2%.

The overall yield for all acquisitions was a dividend supportive 5.9% with the average lease length of 16 years 5 months benefiting the portfolio lease length. Furthermore, 53% of the annualised income of £5.9 million benefits from guaranteed fixed uplifts, which offers some inflation proof income growth.

Asset Management Activity

During the year the Company continued its drive to strengthen income streams, extend lease lengths and add value to the portfolio. A total of £3.6 million of annual income was generated after rent free periods and incentives through 87 new leases, fixed rental increases and rent reviews. A significant proportion of this asset management activity was in the Shopping Centre portfolio.

At The Parade, Swindon, contracts were exchanged with H&M to create a new fashion anchor store at the north eastern entrance to the Centre. When completion is achieved, following construction of the new anchor store, H&M will be committed to a 15 year lease.

The introduction of H&M at The Parade will be a major milestone and one that builds on the success of the redevelopment that took place in 2011 for Top Shop, Top Man, BHS and River Island. These events continue to help improve The Parade's position within the town's retail hierarchy and this is already resulting in encouraging discussions with other retailers who are interested in taking further space in the Centre.

The Parade, Swindon (artists's impression)

In line with our strategy to stabilise and rebuild income in the Shrewsbury Shopping Centres, new leases were completed with Roman Originals, HMV Retail Ltd, JG Foods, Poundworld, CJR Trading, FexCo, Yours, Blue Inc. and Eurochange. In addition, various short term and seasonal lettings were progressed to improve occupancy levels and strengthen the net operating income at the property.

We continue to look at options for the redevelopment of Riverside Mall. Working closely with Shropshire Council and the Image Match Community Infrastructure Company we have introduced temporary occupiers and have been very pleased to give tangible expression to the Company's Environmental & Ethical Policy by accommodating social and community enterprises on the site in the interim. In the meantime there has been some success in revitalising the existing mall within the Pride Hill Centre.

Within the Retail Warehouse portfolio, contracts completed with Betta Living and Multiyork, at improved levels of rent following the demise of Comet at Junction 27 Retail Park, Leeds. The unit was sub-divided to accommodate the new retailers and the units opened to coincide with the Grand Départ Tour De France, which started in Leeds in July 2014.

At Broadbridge Retail Park, Horsham, a lease renewal with Halfords has maintained the rent passing for a further 10 years.

At Kensington High Street we successfully achieved A3 planning consent for a prominent corner unit which allowed a 20 year lease to Yo! Sushi to complete at a rent of £200,000 per annum. The introduction of a restaurant use at this location has increased vibrancy, delivered an impressive fit out and improved customer dwell times at the property.

Kensington High Street, London W8

Within the Industrial sector, lettings on the Dolphin Trading Estate, Sunbury, and Gatwick Gate, Crawley, helped to amplify income, secure 99% occupation and drive value during the year.

New occupiers at Dolphin Trading Estate include EHD London, Shotuku Ltd and Sunbury Warehousing and Logistics Ltd, all entered into a weighted average lease length of 7 years and 7 mths at a combined rent of £374,250 per annum after rent free periods. At Gatwick Gate, Crawley, TSL Lighting entered into a 10 year lease at a rent of £79,000 per annum after incentives.

Dolphin Trading Estate, Sunbury

Within the favored Leisure sector, the failure of one tenant within the Rotunda, Kingston-upon-Thames, allowed a letting to Five Guys Burgers & Fries to progress for a 20 year term at a rent ahead of ERV at £155,000 per annum after incentives. The lease incorporates fixed increases that will provide for future improvement in income at the property.

Five Guys at The Rotunda, Kingston-upon-Thames

Within the Regional office portfolio, a lease re-gear was agreed with Brewin Dolphin at Colmore Row, Birmingham, maintaining both occupancy and the rental income steam over a longer term which helped to improved value. In Bristol, a sub-lease was granted to Ovo Energy at No. 1 Rivergate which may be helpful for the continued future occupation of this prime building.

In London's Soho, the long awaited lease renewal was finalised with Sony at 15 Great Marlborough Street securing £2.1 million per annum of income after rent free periods for a term of at least five years.

In Mayfair, the second floor of 6 Arlington Street was let to Anamatrix Capital LLP at £168,000 per annum after incentives. The lease incorporates landlord flexibility that will help to facilitate the residential conversion strategy at this property.

Great Marlborough Street, Soho, London

With over-renting still a common theme throughout most sectors of the market, the majority of the 19 open market rent reviews within the portfolio that were agreed during the year were at nil uplifts although it should be highlighted that the portfolio as a whole has

Investment Manager Review (continued)

reversionary potential. Increases were, however, achieved at The Rotunda, Kingston-upon-Thames, and also at the distribution facilities in Brackmills and Hatfield, which improved rental income by over £219,000 per annum.

In addition there were 21 instances of stepped or fixed increases in rent across the portfolio during the year at Newton's Court, Dartford, Dolphin Industrial Estate, Sunbury, The Parade, Swindon, The Charles Darwin and Pride Hill Centres in Shrewsbury and Knaves Beech, High Wycombe all of which helped to improve annualised income by over £767,000 per annum.

With an improvement in the economy the number of tenant failures reduced significantly during the year. Taking into account the lease expiry profile and recognising the strategic sales activity, it was pleasing to see the Company's lowest ever void position at 31 December 2014 of 2.6% (of ERV), compared to 4.4% at the end of 2013. Allowing for tenant failures through administrations, the void rate increases to 3.1% (2013 – 6.2%). However, as we have always noted, tenant failure does not always equate to a loss in income or value and quite often has been a source of opportunity for the Company to attract better tenants on improved terms. This was demonstrated by tenant failures at Junction 27, Leeds, and The Rotunda which presented the Company with an opportunity to replace two tenants with three new occupiers, complementing the tenant mix, adding value and improving customer choice since opening at the individual properties.

The void figure remains comfortably below the IPD benchmark void rate of 6.8 %.

The covenant strength of the Company's occupiers is a key attribute of the Company's portfolio with average rent collection figures of 99% each quarter throughout the year. A total of £1.1 million of bad debts was written off, a large figure in absolute terms but representing only 1.5% of rental income for the year.

Market Outlook

Although there are some political and economic concerns that will feature in 2015, the recovery continues to materialise strongly in the UK commercial real estate sector with prices maintaining reasonable acceleration and rents gathering further momentum. In the favourable environment of improving confidence and reducing void rates, investors are allocating more capital to the sector and consequently, given the increased weight of capital, risk appetite is increasing.

In terms of outlook, we can expect positive total returns in the region of 7% per annum for investors on a three year hold period due to the strong income component and further modest capital appreciation. The sector remains attractive from a fundamental point of view with strengthening economic drivers and a limited pipeline of developments. Eurozone deflation and the forthcoming UK general election are immediate risks, although there is a reasonable buffer in pricing to compensate, particularly as the prospects for any rise in interest rates seems to have abated for the moment.

As we move through the cycle, rental growth momentum is increasing as capital growth momentum decelerates and it is the improvement in levels of rental growth which will provide upside for many investors. Having witnessed muted rental growth for a prolonged period, the UK's regional office markets should benefit from the broadening economic recovery and resultant improvements in occupier demand. The continuing reduction in the availability of Grade A stock combined with a limited number of speculative development completions will also contribute to rental growth.

The retail sector continues to face a series of headwinds that may hold back recovery in weaker locations due to oversupply and structural issues, but the prospects for retail within London and other stronger retail locations are expected to improve further as the economic recovery gains more traction and shoppers take some confidence from continuing low interest rates and falling oil prices.

Many commentators expect the distribution sector to continue its good performance with strong occupational demand underpinned by the structural shift to internet retailing and limited availability of the right buildings in core locations applying upward pressure to rents.

Opportunities are arising in the transactions market for good quality secondary buildings where these assets can be repositioned as prime. There is also likely to be a further rebound for secondary asset prices due to the elevated margin in pricing between prime and secondary reducing as risk appetite increases. In the long term, however, poorer quality secondary assets remain unattractive at a broad level, although there will be opportunities for experienced property investors to reposition assets or generate reasonably good returns on a comparable basis from some of these poorer quality secondary assets. Given the Company's income objective, however, this can also be seen as an opportunity to dispose of certain assets which do not meet the Company's criteria and performance expectations.

We expect location choices and a continued focus on property fundamentals to be the defining characteristics contributing to returns over 2015. Good quality stock will continue to attract strong competition which will drive further yield compression Prime/good quality secondary assets as well as selective poorer quality secondary assets in stronger locations are likely to provide the best opportunities in the robust economic environment we anticipate over 2015.

Portfolio Strategy

Although there is no doubt that higher yields can be achieved in the secondary market, in many cases these yields reflect the inherent risks within that sector. Given the Company's investment objective, it is important that the prime nature of the portfolio is maintained for long term sustainable performance.

For this reason, the Company will continue its policy of disposing of assets which fail to meet its performance expectations and do not support the income objective, whether that be due to poor income growth expectations or increasing need for capital expenditure. The increasing size of the portfolio is such that the sale of a number of the Company's smaller assets, which add little to performance, is also planned, with the proceeds of sales to be recycled into larger, income focused acquisitions as well as income enhancing asset management initiatives. The increasing risk appetite within the market will provide the appropriate environment and identify suitable purchasers for such assets.

The Company's existing cash resources, raised principally from the proceeds of 2014 sales, in-line with strategy, will also provide an opportunity to invest further in selective institutional grade assets with stronger income characteristics, minimal capital expenditure requirements and asset management potential. Existing portfolio weightings support the case for further acquisition in offices in Central and Greater London and the South East where rental growth prospects continue to be strong, as well as income dominated sectors such as industrials (South East preferred) and alternative asset classes including leisure (including hotels) and student accommodation.

This would provide the Company with the opportunity to improve, over time, income yield and dividend cover and maintain or extend the average lease length within the portfolio. In addition, the introduction of an alternative income stream with fixed rental uplifts provides an element of diversification to income growth in a market where rental growth, even where it exists, cannot always be captured.

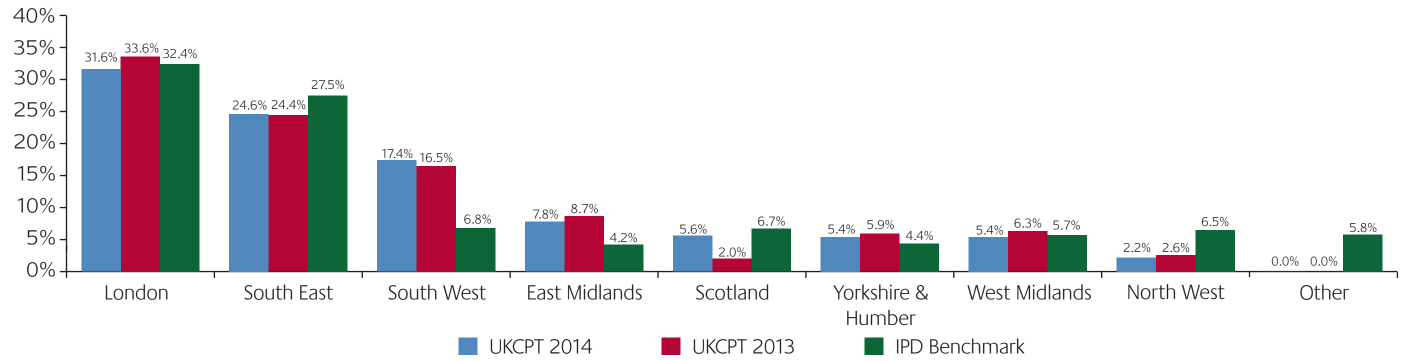
As we enter another phase in the property cycle, with a move away from yield compression to a market where income and income growth are given their rightful status as the principal drivers of property returns over the long term, the importance of income will remain integral to any investment decision. The basis upon which the Company buys or holds assets will always be determined by the characteristics of the assets themselves and the continued focus on income and asset management remains central to the Company's portfolio strategy. Only with that discipline will the Company be able to support and improve dividend cover and, over the long term, meet its objective of providing shareholders with an attractive level of income, together with the potential for capital and income growth for investment in a diversified portfolio of UK commercial property.

Robert Boag
Fund Manager
Standard Life Investments
20 April 2015

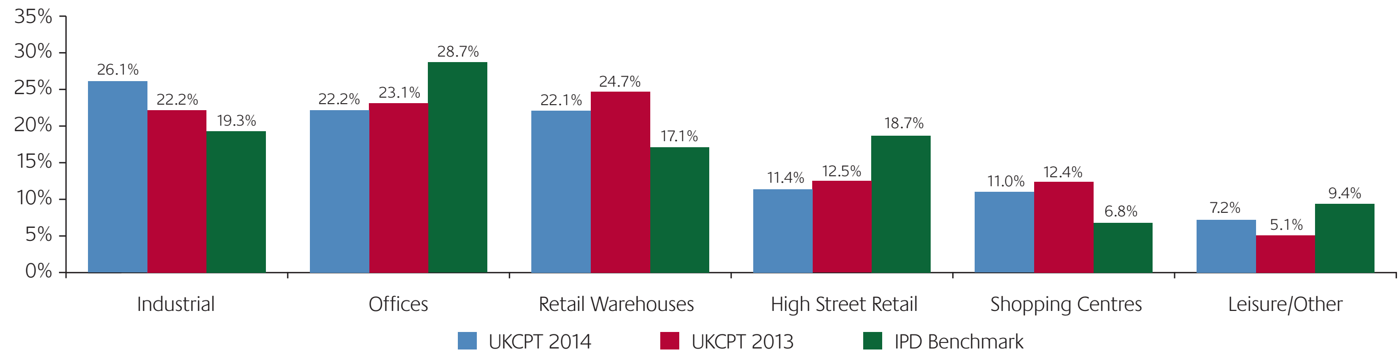
Portfolio Statistics and Key Performance Indicators

As at 31 December 2014

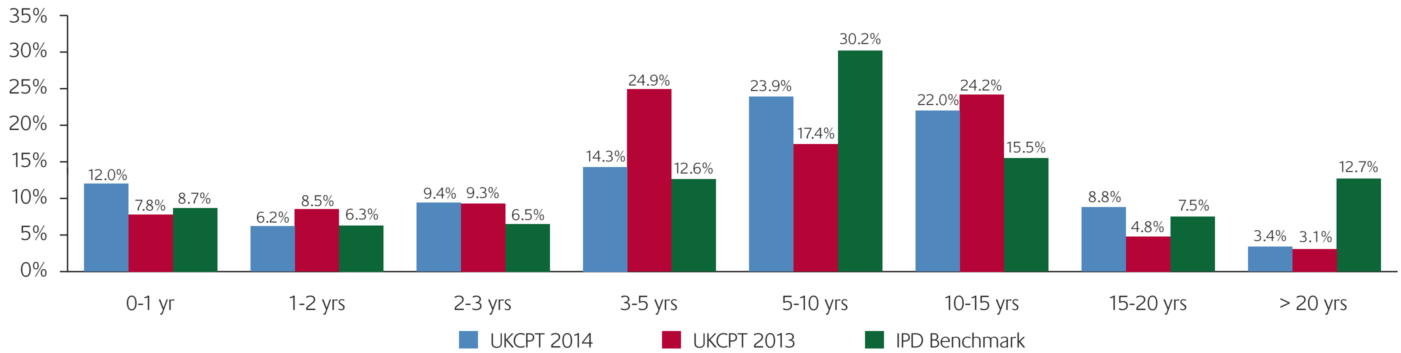
Capital Value Split by Location*



Capital Value Split by Sector*



Lease Expiry Profile*



Top 10 Tenants by Passing Rent

Rank	Company Name	Sector	% of Passing Rent	Weighted Expiry
1	B & Q PLC	Retail Warehouse	5.8	Dec 2027
2	Public Sector	Office	5.4	Mar 2021
3	Sony	Office	4.0	Jun 2016
4	Ocado Limited	Industrial	3.9	Sep 2032
5	DSG Retail Limited	Retail Warehouse	3.7	Nov 2024
6	Argos Limited	Industrial	2.8	Dec 2017
7	Odeon Cinemas Limited	Leisure	2.7	Sep 2027
8	Marks & Spencer plc	Industrial	2.6	Mar 2018
9	British Telecommunications plc	Office	2.2	May 2018
10	Asda Stores Limited	Industrial	2.2	Nov 2028

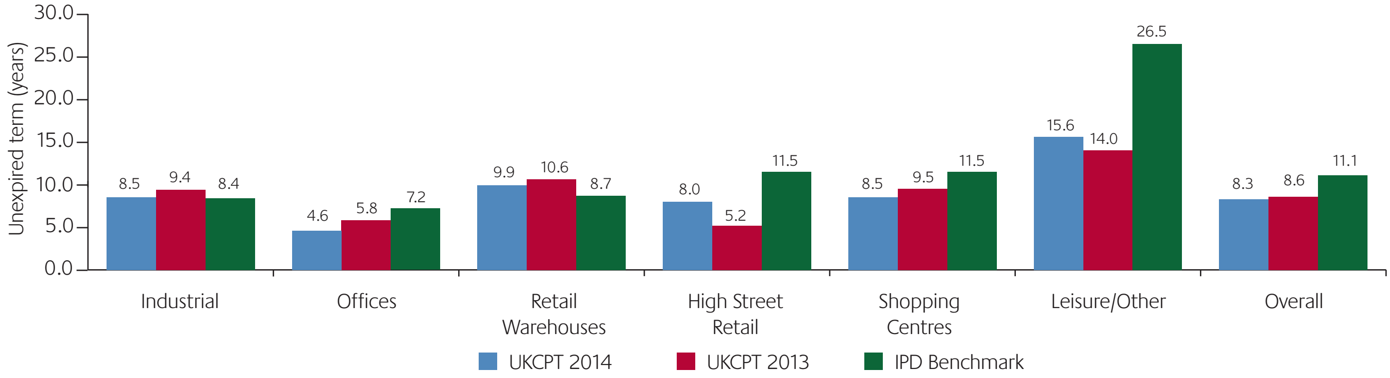
Portfolio Statistics and Key Performance Indicators (continued) – Sector Analysis

As at 31 December 2014

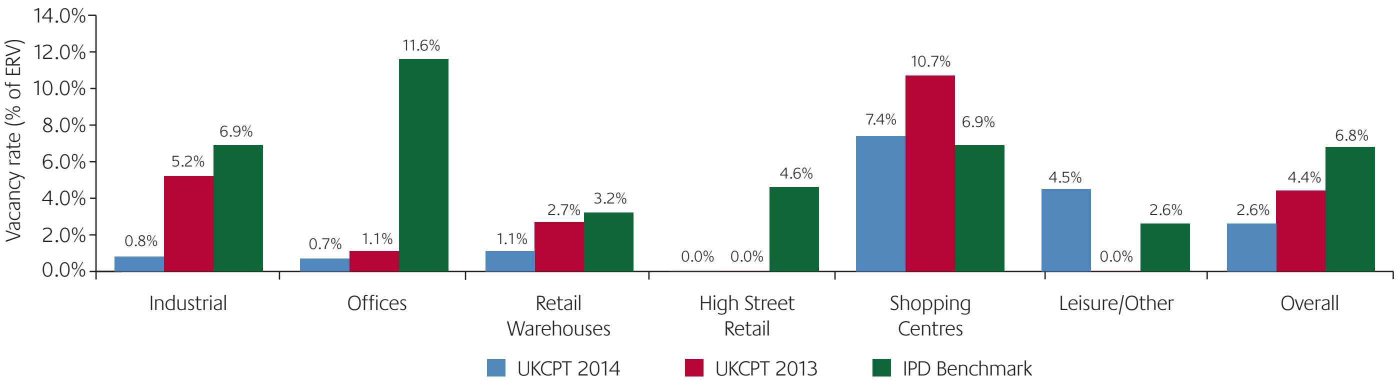
Performance by sector

	1 year Fund %	1 year Benchmark %	3 year (annualised returns) Fund %	3 year (annualised returns) Benchmark %	5 year (annualised returns) Fund %	5 year (annualised returns) Benchmark %
Industrial	25.2	22.8	14.7	12.6	12.7	11.0
Offices	20.7	22.1	14.8	12.9	13.4	12.6
Retail	14.6	13.2	6.1	7.3	7.7	8.7
Leisure/Other	13.8	13.5	10.9	9.7	n/a	10.5
Total	18.4	17.4	10.1	10.0	10.2	10.3

Unexpired Lease Term by sector*



Vacancy Rate by sector*



*Source: IPD, Standard Life Investments Limited

Property Portfolio

As at 31 December 2014

Property	Tenure	Sector	Principal Tenant	Value Range
Junction 27 Retail Park, Birstall, Leeds	Freehold	Retail Warehouse	DSG Retail Ltd	Over £30m (representing 52% of the portfolio capital value)
176 – 206 Kensington High Street, London, W8	Freehold	High St, Retail	Sportsdirect.Com Retail Ltd	
The Parade, Swindon	Mixed	Shopping Centre	BHS Ltd	
Great Lodge Retail Park, Tunbridge Wells	Freehold	Retail Warehouse	B & Q Plc	
The Rotunda, Kingston Upon Thames	Freehold	Leisure	Odeon Cinemas Ltd	
15 Great Marlborough Street, London, W1	Freehold	Office	Sony	
Kew Retail Park, Richmond	Freehold	Retail Warehouse	Mothercare (UK) Ltd	
Ocado Distribution Unit, Hatfield Business Area, Hatfield	Freehold	Industrial	Ocado Ltd	
Dolphin Estate, Sunbury on Thames	Freehold	Industrial	Access Self Storage Properties Ltd	
St Georges Retail Park, Leicester	Leasehold	Retail Warehouse	Toys R Us Ltd	
Regent Circus, Swindon	Freehold	Leisure	WM Morrison Supermarkets Plc	
Hannah Close, London, NW10	Freehold	Industrial	Marks & Spencer Plc	
Argos Unit, Magna Park, Lutterworth	Leasehold	Industrial	Argos Ltd	
Sovereign Centre, Weston-super-Mare*	Freehold	Shopping Centre	Wilkinson Hardware Stores Ltd	£20m – £29.9m (representing 34% of the portfolio capital value)
Site A1, Aberdeen Gateway, Aberdeen	Freehold	Industrials	Total E&P UK Ltd	
Newton's Court, Dartford, Kent	Freehold	Industrial	Gisela Graham Ltd	
Asda, Gowerton Road, Brackmills, Northampton	Freehold	Industrial	Asda Stores Ltd	
6 Arlington Street, London, SW1	Freehold	Office	Public Sector	
13 Great Marlborough Street, London, W1	Freehold	Office	Sony	
B&Q, Roneo Corner, Romford	Freehold	Retail Warehouse	B & Q Plc	
Darwin Shopping Centre, Shrewsbury	Freehold	Shopping Centre	H&M Hennes & Mauritz UK Ltd	
Motor Park, Eastern Road, Portsmouth	Freehold	Industrial	Volkswagen Group UK Ltd	
Emerald Park East, Emersons Green, Bristol	Freehold	Industrial	Knorr-Bremse Systems Ltd	
Colmore Court, 9 Colmore Row, Birmingham	Leasehold	Office	BNP Paribas	
No 2 Temple Quay, Bristol	Freehold	Office	Public Sector	
Broadbridge Retail Park, Horsham	Mixed	Retail Warehouse	Homebase Ltd	
81/85 George Street, Edinburgh	Freehold	High St, Retail	Aviva Insurance Ltd	
Craven House, Fouberts Place, London, W1	Freehold	Office	WH Smith Retail Holdings Ltd	
Network House & Meadowside House, Hemel Hempstead	Freehold	Office	Public Sector	
No 1 Temple Quay, Bristol	Freehold	Office	British Telecommunications Plc	£10m – £19.9m (representing 11% of the portfolio capital value)
Pall Mall Court, King Street, Manchester*	Freehold	Office	AWG Business Centres Ltd	
16/20 High Street & 1/3 Bedford Street, Exeter	Leasehold	High St, Retail	H&M Hennes & Mauritz UK Ltd	
140/144 Kings Road, London, SW3	Freehold	High St, Retail	French Connection UK Ltd	
14 – 22 West Street, Marlow	Freehold	High St, Retail	Sainsbury's Supermarket Ltd	
Gatwick Gate Industrial Estate, Crawley	Freehold	Industrial	Signet Group Ltd	
134/138 North Street, Brighton	Freehold	High St, Retail	Sportsdirect.Com Retail Ltd	
Pride Hill Shopping Centre, Shrewsbury	Freehold	Shopping Centre	Next plc	
Site D1, Aberdeen Gateway, Aberdeen	Freehold	Industrials	Tetra Technologies UK Ltd	
52/56 Market Street, Manchester	Freehold	High St, Retail	Adidas (UK) Ltd	Below £9.9m (representing 3% of the portfolio capital value)
Site C2, Aberdeen Gateway, Aberdeen	Freehold	Offices – Rest of UK	Ensco Services Ltd	
Crossways Cargo Centre, Dartford, Kent	Freehold	Industrials	Veerstyle Ltd	
Knaves Beech Industrial Estate, High Wycombe	Freehold	Industrial	Dreams Ltd	
Riverside Mall, Shrewsbury	Leasehold	Shopping Centre	Wilkinson Hardware Stores Ltd	
146 Kings Road, London SW3	Freehold	High St, Retail	Telefonica O2 UK Ltd	

Overall number of properties	44
Total number of tenancies	347
Total average property value	£28.9m
Total floor area	5,435,800 sq ft
Freehold/Leasehold (leases over 100 years)	91%/9%

* Sold since the year end

Board of Directors

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

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

Andrew Wilson (Senior Independent Director)
Andrew Wilson is a resident of the UK. He was formerly of Richard Ellis, Royal Insurance as Chief surveyor and he joined Rugby Securities as a director in 1987. He was a founder director of Rugby Estates plc in 1990 and chief executive officer through its official listing, move to the Alternative Investment Market and subsequent de-listing and sale. He is also a non-executive director of Ipswich Building Society and non executive Chairman of Folgate Holdings Limited. He is a Chartered Surveyor. Mr Wilson has been a Director of the Company since launch in September 2006 and is Chairman of the Property Valuation Committee.

John Robertson
John Robertson is a resident of the UK. Mr Robertson 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 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. Mr Robertson has been a Director of the Company since launch in September 2006.

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

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

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 2014.

Results and Dividends

The results for the year are set out in the attached accounts. The Company has paid interim dividends in the year ended 31 December 2014 as follows:

	Payment Date	Rate per share (p)
Fourth Interim for prior period	Feb 2014	1.3125
First interim	May 2014	0.9200
Second interim	Aug 2014	0.9200
Third interim	Nov 2014	0.9200
Total		4.0725

On 12 February 2015 the Company declared a fourth Interim dividend of 0.92 pence per Ordinary Share with an ex-dividend date of 19 February 2015, which was paid on 27 February 2015.

Post Balance Sheet Events

In January 2015, the Company sold two properties for a combined value of £49.4 million. These assets are deemed as Investment properties held for sale in the Balance Sheet.

In April 2015, the Company secured twelve year financing from Cornerstone Real Estate Advisers Europe LLP, part of the MassMutual Financial Group. This was used to repay the £80 million Lloyds facility which was due to expire in June 2015 and the associated swap liabilities at the time of repayment. In addition, the Company obtained a £50 million revolving credit facility from Barclays and extended the current £150 million term loan. The Company also repaid all swaps with Barclays that existed at the 31 December 2014 and replaced these with one new 5 year swap. To facilitate the debt facilities above, an EGM was held in March 2015 which approved the continuation of the Company for a further five years. Further details are given in Note 20 on page 57.

Principal Activity and Status

The Company is a Guernsey company and during the year carried on business as a property investment company. The principal activity and status of the Company's subsidiaries is set out in Note 9 on page 48.

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 2014 consisted of 1,299,412,465 Ordinary shares of 25p each. At 20 April 2015 these numbers were unchanged. Each Ordinary share of the Company carries one vote at general meetings of the Company.

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

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. A review of the business and how it has performed in the year is encompassed in the Chairman's Statement and Investment Manager Review as well as the Report of the Directors. Biographical details of the Directors, all of whom are non-executive, can be found on page 20.

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"*. On 8 April 2015 the Lloyds facility referred to above was repaid. (See note 20 to the financial statements.)

As at 31 December 2014 the Group had total borrowings of £230 million, representing a gearing level of 17.5 per cent of the year end total assets.

An analysis of how the portfolio was invested as at 31 December 2014 is contained within the Investment Manager Review on pages 10 to 16 and a full portfolio listing is provided on page 19

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

Principal Risks and Risk Uncertainties

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

The Company's assets consist of direct investments in UK commercial property. Its principal risks are therefore related to the commercial property market in general, but also to the particular circumstances of the properties in which it is invested and their tenants. The Manager seeks to mitigate these risks 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 quarterly Board meeting. These are as follows:

- The Company and its objectives become unattractive to investors which may lead to a persistent discount and a continuation vote. This is mitigated through regular performance reviews of the Company's portfolio, contact with shareholders, a regular review of share price performance and the level of discount at which the shares trade to NAV and regular meetings with the Company's broker to discuss these points and address any issues that arise. At an Extraordinary General Meeting ("EGM") held on 31 March 2015 shareholders approved the continuation of the Company by approving a special resolution to amend the Company's Articles of Association to replace the previous continuation note with a vote in 2020 and at least seven yearly thereafter. Further detail is given in note 20 to the financial statements.
- Company indebtedness – The largest liabilities the Company has are the loan facilities. The Board recognizes that being unable to service or indeed repay these debts would threaten the future solvency and liquidity of the Group. This risk is mitigated by two factors. First of all the Investment policy of the Company limits gearing to 25 per cent. of total assets. This low gearing limit means it is expected that, barring any unforeseen circumstances, the Group will have adequate assets to service and repay the debt if required. Secondly, the underlying assets themselves are mainly invested in a diversified, prime UK commercial property underpinned by a strong tenant base. This means that, even in a significant economic downturn, the Board is confident that the assets will still be of sufficient value and generate sufficient income to meet future liabilities. The debt facilities of the Company were restructured post year end. Further details are given in note 20 to the financial statements.
- 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.
- Taxation – The Group is currently structured in a tax efficient method which results in rental income the Group generates being offset by expenses and internal loan interest. The terms on the internal loan notes, namely interest rates and loan to value ratios, are crucial in preserving the tax efficiency of the group and any material change in these could pose a risk to future performance. To mitigate this risk the Group has agreed the terms of the vast majority of the loan notes in place with HMRC and also goes through a rigorous process when setting new loan notes to ensure they represent commercially available terms. The majority of these loan notes are due to expire in September 2016 and sensitivity analysis has been performed on the impact on the Group should these terms materially change bearing in mind that the Company currently has over £30 million of unutilised tax losses. The impact on the Company's performance will depend on the terms that these internal loan notes can be re-financed. No deferred tax asset has been recognised as it is not certain that these losses will be utilised.

Other risks faced by the Company include the following:

- Economic – inflation or deflation, economic recessions and movements in interest rates could affect property valuations, and its bank borrowings.
- Strategic – incorrect strategy, including sector and property allocation and use of gearing, could lead to poor returns for shareholders.
- Regulatory – breach of regulatory rules could lead to suspension of the Company's Stock Exchange Listing, financial penalties or a qualified audit report.
- Management and control – changes that cause the management and control of the Company to be exercised in the United Kingdom could lead to the Company becoming liable to United Kingdom taxation on income and capital gains.

- Financial – inadequate controls by the Investment Manager or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations.
- Operational – failure of the Investment Manager's accounting systems or disruption to the Investment Manager's business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.

The Board seeks to mitigate and manage these risks through continual review, policy setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Company's property portfolio and levels of gearing, and applies the principles detailed in the UK Corporate Governance Code. Details of the Company's internal controls are described in more detail on page 28.

Alternative Investment Fund Manager ("AIFM")

The Board appointed Ignis Fund Managers Limited (registered in the United Kingdom) as its AIFM on 18 July 2014 to undertake the management of the Company under the new regulatory regime which is now in operation. Ignis Fund Managers Limited is a subsidiary of Standard Life Investments Limited. A new investment management agreement has been entered into and Citibank International PLC has been appointed as depositary.

Management of Assets and Shareholder Value

The Board has contractually delegated the management of the investment portfolio and other services to Ignis Fund Managers 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 2014 is contained on page 19 and further analysis can be found in the Investment Manager Review. At each Board meeting, the Board receives a detailed portfolio, financial, risk and shareholder presentation from the Investment Manager together with a comprehensive analysis of the performance of the portfolio during the reporting period.

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

Key Performance Indicators ("KPI")

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

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

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

These indicators for the year ended 31 December 2014 are set out on page 4.

In addition the Board considers specific property KPIs such as void rates, rent collection levels and weighted average lease length on a regular basis. These are reported on pages 17 to 18.

Directors

The Directors who held office during the period and their interests in the ordinary shares of the Company as at 31 December 2014 (all of which are beneficial) were:

	Date of Appointment	As at 31 December 2014	As at 31 December 2013
Christopher Hill	Sep 2006	20,000	20,000
Christopher Fish	Sep 2006 (retired Jun 2014)	n/a	10,000
John Robertson	Sep 2006	10,000	10,000
Andrew Wilson	Sep 2006	75,000	45,000
Ken McCullagh	Feb 2013	40,000	-
Sandra Platts	Dec 2013	-	-

There have been no changes in the above interests between 31 December 2014 and 31 March 2015.

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 (and post year end UK Commercial Property Finance Holdings Limited) which are all wholly owned subsidiary undertakings.

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

In accordance with the articles of association Mr A Wilson and Mrs S Platts retire by rotation and, being eligible, offer themselves for re-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 Mr C Hill, Mr K McCullagh and Mr J Robertson also retire and offer themselves for re-election. Following formal performance evaluations for each individual Director and the Board as a whole, as well as a review of the performance of the Chairman by the other members of the Board, the performance of all of the Directors continues to be effective with each making a positive contribution to the performance of the Company. Therefore, the re-election of all the Directors is recommended to shareholders at the 2015 Annual General Meeting. In addition to the self-appraisal of the Board that is undertaken each year, the consultants Boardroom Review Limited facilitated an external review in February 2014 to consider the effectiveness of the Board, its committees and individual directors. A number of action points arose in the course of this review and the Board has addressed these; where appropriate, revised practices have been adopted.

Substantial Interests in Share Capital

At 31 December 2014 the following holdings, representing more than 3 per cent of the Company's issued share capital, had been notified to the Company.

	Number of Ordinary Shares Held (000's)	Percentage Held
Phoenix Life Limited	690,960,172	53.2
Investec Wealth Limited	161,177,855	12.4
Nestle Capital Management Limited	56,137,385	4.3
Schroders plc	43,427,556	3.4

In March 2015, Investec Wealth Limited notified the Company it had reduced its holding to 155,749,866 shares (11.99%).

No other changes to these holdings had been notified to the Company as at 31 March 2015.

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 an appropriate and satisfactory level of transparency to shareholders.

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

The 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. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

The Board consists solely of non-executive Directors of which Mr Christopher Hill is Chairman and Mr Andrew Wilson is Senior Independent Director. All Directors, other than Mr John Robertson, are considered by the Board to be independent, with any potential conflicts considered at each Board meeting with reference to the AIC Code. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as all Directors will be subject to re- election on an annual basis, it is not appropriate for the Board to have a limit on the overall length of service of any of the Company's Directors, including the Chairman. The Board undertakes formal performance evaluations as set out earlier.

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

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

The Company has no executive Directors or employees. A management agreement between the Company and its Investment Manager, Ignis Fund Managers 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. In addition the Board has many ad-hoc meetings and a strategy day held once a year.

Board Committees

The Board has appointed four committees to cover specific operations: Audit Committee, Management Engagement Committee, Nominations Committee and Property Valuation Committee. Copies of the terms of reference of each committee are available on the Company's website, or upon request from the Company.

Audit Committee

The Audit Committee, which was chaired by Mr Christopher Fish and, from 17 June 2014, Mr Ken McCullagh, operates within well-defined written terms of reference, which are available on the Company's website. It comprises all of the directors other than Mr John Robertson, who is invited to attend meetings of the Committee unless, as a non independent director, a conflict of interest would exist. Given the non-executive nature of the Board, the Committee also believe it is appropriate for the Chairman of the Company to sit on the Audit Committee. Within the membership of the Committee, Mr Ken McCullagh, the Chairman, is a chartered accountant.

The duties of the Audit Committee are as follows:

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

The Audit Committee is also the channel through which the auditor reports to the Board of Directors. It meets at least three times a year to take account of the requirements placed on audit committees by the 2012 UK Corporate Governance Code and AIC Code dated February 2013. The Audit Committee considers any matters which the auditor wishes to communicate to the Audit Committee and, through them, to the Board of Directors. This provides a forum for the external auditor to give their views about significant qualitative aspects of the Company's accounting practices and to draw to the attention of the Audit Committee any significant difficulties that they encountered during the audit, any substantial uncorrected misstatements, any disagreements with management and any other matters which they felt it appropriate to raise.

Significant Issues

At a planning meeting of the Audit Committee with the auditor, the scope and timing of the audit were agreed and it was confirmed that the Directors had no knowledge of any fraud within the Company; it was agreed that the significant issues in the audit should be the valuations of the properties and the accuracy of income recognition in the Company and set out below is how the Committee considered these issues during its review of the financial statements.

Valuation of Properties – How was the issue addressed?

The valuation of properties is undertaken in accordance with the accounting policy disclosed in note 1(h) to the accounts. The process adopted in the valuation of the portfolio and the valuations themselves are considered by the Property Valuation Committee, representatives of which met the external valuer, along with the Manager, as part of the year end valuation process. The Chairman of this Committee reported to the Audit Committee in March 2015 and indicated that the following issues were discussed in the meeting with the external valuers:

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

Particular focus was given to the underlying yields applied to a number of the properties and whether they appropriately reflected the comparable evidence, letting activity and the property market as a whole. Following this meeting and subsequent discussions with the Investment Manager, a value of £1,272,315,000 was agreed as the valuation of the property portfolio as at 31 December 2014 (before lease incentive adjustment). The Audit Committee considered the report by the Chairman of the Property Valuation Committee along with a summary of the valuation and its key movements by the Investment Manager and agreed that this valuation was appropriate for the financial statements and that a robust process of analysis had been followed. In terms of existence of the properties, the Committee noted the procedures that the Manager has in place to ensure correct approval and title to all properties held which include any property transaction documentation having to be approved and signed by the Board irrespective of its value and the obligations on the Company's solicitors to ensure good and marketable title. In addition, the Committee sought assurance from the auditor prior to sign off of the financial statements that the confirmation of all titles has been included as part of the audit work undertaken.

Recognition of Rental Income – How was the issue addressed?

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

- Portfolio Yield summaries;
- Movement in annualised contracted rent;
- Quarterly Income Changes with details of lease activity in the quarter;
- Rent collection percentages;
- Rental arrears;
- Detailed quarterly financial reporting detailing out the main reason for revenue movements in the quarter.

The Audit Committee concluded that, given the controls and reporting in place throughout the year, the rental income number included in the financial statements of £70,576,000 was appropriate.

Review of Auditor

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

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

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

In relation to non-audit fees, these amounted in aggregate to £54,000 (2013: £109,400) for the year ended 31 December 2014 and related principally to costs in connection with tax returns, tax structuring and capital allowances. All of these services are deemed by the Committee to be beneficial to the current tax position of the Group. Where any non-audit fee is expected to exceed £25,000, the Company operates a policy under which specific prior approval must be given by the Committee. Notwithstanding the provision of such non-audit services, the Audit Committee considers Ernst & Young LLP to be independent, given the safeguards put in place by Ernst & Young LLP to ensure independence.

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

Declaration

On the recommendation of the Audit Committee, the Board consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders and other users to assess the Company's position, performance, business model and strategy. The Board is able to make this assertion since the Annual Report and Accounts document, which is prepared by the Manager and subsequently subject to external audit, is carefully scrutinised by the Audit Committee (and by any Directors who are not members of the Audit Committee) specifically focusing on the significant issues highlighted in this report. In their consideration of the document, the Directors put themselves in the position of a shareholder and consider carefully whether the comments made are consistent with their view of the overall performance of the Company during the period under consideration. Specifically, consideration has been given to the Financial and Property Highlights section to ensure that the points raised in this have been selected so as to give a fair picture of the Company's position and that the performance data in the document has not been selected so as to give a misleadingly optimistic view of the Company. The Directors have also critically reviewed the Investment Manager's report to ensure that the comments made in this are consistent with their knowledge of the Company and with the figures in the accounts. As with any Company, there are some elements in the accounts that are inevitably more complex than others and the Board has been at pains to have these expressed in clear language so as to make them as understandable as possible.

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

Management Engagement Committee

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

Ignis Investment Services Limited provided management services to the Company up until the 18 July 2014. Following the implementation of the Alternative Investment Fund Managers Directive ("AIFMD"), Ignis Fund Managers Limited was appointed as the Alternative Investment Fund Manager ("AIFM") of the Company from 18 July 2014. A summary of the current contract between the Company and Ignis Fund Managers Limited in respect of management services provided is given in note 2 to the accounts.

The Directors, other than Mr John Robertson, have considered the investment performance of the Company and the capability and resources of the Investment Manager to deliver satisfactory investment performance. They also considered the length of the notice period of the investment management contract and the fees payable to the Investment Manager, together with the standard of the other services provided. It was noted that the Investment Manager had reduced the level of fees charged from 1 July 2014.

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

Nominations Committee

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

Property Valuation Committee

The Property Valuation Committee comprises all of the Directors and is chaired by Mr Andrew Wilson, Chartered Surveyor. Committee members meet CBRE, the independent valuer to the Company and representatives of Standard Life Investments at least twice a year and report back to the Board on the process for arriving at independent valuations and on any issues that arise in relation to this process.

Director Meetings Attendance Summary

	Board of Directors		Audit Committee		Management Engagement Committee		Property Valuation Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
C Hill	4	4	4	4	1	1	3	3
C Fish (retired June 2014)	4	2	4	1	1	1	3	1
K McCullagh	4	4	4	4	1	1	3	3
J Robertson	4	4	n/a	n/a	1	1	3	3
S Platts	4	4	4	4	1	1	3	3
A Wilson	4	4	4	4	1	1	3	3

The table above sets out the number of Board and Committee meetings all held during the year and the number attended by each Director post their appointment date. In addition to the above, there were 37 ad hoc meetings held during the year. All meetings were held outside the UK.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Investment Policy and the Principal and Risk Uncertainties review on pages 21 and 22. In addition, Note 16 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

At both the Company and Group levels comprehensive going concern assessments have been performed. The Board has followed the Financial Reporting Council's "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" when performing their going concern assessments and also considered the new recommendations on Risk Management and Control in the UK Corporate Governance Code (September 2014).

The assessments performed include review of the valuation and liquidity of investments as at the balance sheet date and forecasts of NAV, cash resources and income under both normal and stressed conditions. This has been undertaken over a three year period as this ties in with the forecasting cycle undertaken by the Company's Manager and is considered to be the maximum timescale within which the performance of the asset class can be forecast with a material degree of certainty.

Having thoroughly considered the going concern assessment the Board has concluded that there are no material uncertainties that may cast significant doubt about the Company and Group's ability to continue as a going concern over the next three years, barring any unforeseen circumstances. The only qualification to this statement is that the shares of the Company, which currently trade at a premium to NAV may in the future, trade at a discount to NAV of over 5% for 90 consecutive dealing days, thereby leading to a continuation vote. This risk is considered, and mitigating actions addressed, in the Principal Risk and Uncertainties Review on page 22. The Directors have a reasonable expectation that the Company and Group will be able to continue in operational existence and to have adequate resources to meet its liabilities as they fall due over the next three years. Therefore, the Board continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Environmental, Ethical & Bribery Policy

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

In conjunction with these environmental principles the Company has a health and safety policy which demonstrates commitment to providing safe and secure buildings that promote a healthy working/customer experience that supports a healthy lifestyle. The Company, through the Manager, manages and control health and safety risks systematically as any other critical business activity using technologically advanced systems and environmentally protective materials and equipment. The aim is to achieve a health and safety performance the Company can be proud of and allow the Company to earn the confidence and trust of tenants, customers, employees, shareholders and society at large. In addition the Board has adopted an ethical policy which highlights the need for ethical considerations to be considered in the acquisition and management of both new and existing properties.

It is the Company's Policy to prohibit and expressly forbid the offering, giving or receiving of a bribe in any circumstances. This includes those instances where it may be perceived that a payment, given or received, may be a bribe. The Company has adopted this Anti-Bribery and Corruption Policy to ensure robust compliance with The UK Bribery Act 2010. The Company has made relevant enquiries of its Manager and has received assurances that appropriate anti-bribery and corruption policies have been formulated and communicated to their employees.

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

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

With effect from 18 July 2014, the Company entered into arrangements to comply with AIFMD. The Company appointed Ignis Fund Managers Limited as its AIFM and Citibank International PLC as its Depositary.

The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements.

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

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

Relations with Shareholders

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

Non-Mainstream Pooled investments

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because the Company would qualify as an investment trust if the Company were based in the UK.

Annual General Meeting

Among the resolutions being put at the Annual General Meeting of the Company to be held on 16 June 2015, the following resolutions will be proposed.

Disapplication of Pre-emption Rights

Resolution 11 gives the Directors, for the period until the conclusion of the Annual General Meeting in 2016 or, if earlier, on the expiry of 15 months from the passing of resolution 11, the necessary authority either to allot securities or sell shares held in treasury, otherwise than to existing shareholders on a pro-rata basis, up to an aggregate nominal amount of £32,485,312. This is equivalent to approximately 10 per cent of the issued ordinary share capital of the Company as at 20 April 2015.

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

Directors' Authority to Buy Back Shares

The current authority of the Board granted to it by shareholders at the 2014 AGM to buy back shares in the Company expires at the end of AGM to be held in 2015. The Board intends to renew such authority to buy back shares up to 14.99 per cent of the number of Ordinary Shares in issue. This special resolution, if approved, will enable the Company to buy back up to 194,781,928 shares based on the current number of shares in issue (excluding 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, or transfer, or may cancel any such shares. During the period when the Company holds shares as treasury shares, the rights and obligations in respect of those shares may not be exercised or enforced by or against the Company. The maximum number of shares that can be held as treasury shares by the Company is 10 per cent of the aggregate nominal value of all issued Ordinary Shares. Ordinary Shares held as treasury shares will only be re-issued, or transferred at prices which are not less than the published net asset value of an Ordinary Share.

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

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

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

(b) Approved the Continuation of the Company;

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

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

Amendments to the Memorandum and Articles of Association

It is proposed in Resolutions 13 and 14 to adopt new Memorandum and Articles of Incorporation of the Company in order to update the Company's current Memorandum and Articles of Association, to comply with the Companies (Guernsey) Law, 2008, as amended (the "**Companies Law**").

The principal changes introduced in the new Memorandum and Articles of Incorporation are contained in the Appendix to the Notice of the Annual General Meeting. Other changes, which are of a minor, technical or clarifying nature, and also some more minor changes which merely reflect changes made by the Companies Law or confirm certain language in the new Memorandum and Articles, have not been noted in the Appendix. The new Memorandum and Articles showing all the changes to the current Memorandum and Articles of Association are available for inspection, as stated in the notes to the Notice of Annual General Meeting.

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/she ought to have taken as a Director to make themself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Recommendations

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

Approved by the Board on 20 April 2015.

Christopher M.W. Hill

Director

Ken McCullagh

Director

Directors’ Remuneration Report

The Board has prepared this voluntary report in accordance with best practice following changes to the UK Companies Act 2006. This Remuneration Report comprises two parts:

(i) Remuneration Policy, which will be subject to a binding shareholder vote to be put to the members at the forthcoming AGM and annually thereafter; and

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

The fact that the Remuneration Policy will now be subject to a binding vote does not imply any change on the part of the Company. The principles remain the same as for previous years. There have been no changes to the Directors’ Remuneration Policy during the period of this Report.

Remuneration Policy

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

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

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

	31 December 2014 £	31 December 2013 £
Chairman	50,000	45,000
Chairman of Audit Committee	40,000	35,000
Director	35,000	30,000

Appointment

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

Performance, Service Contracts, Compensation and Loss of Office

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

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

It is intended that, if approved, the Remuneration Policy will take effect at the conclusion of the AGM on 16 June 2015.

Implementation Report

Aggregate Fees

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

Directors' Remuneration Rates

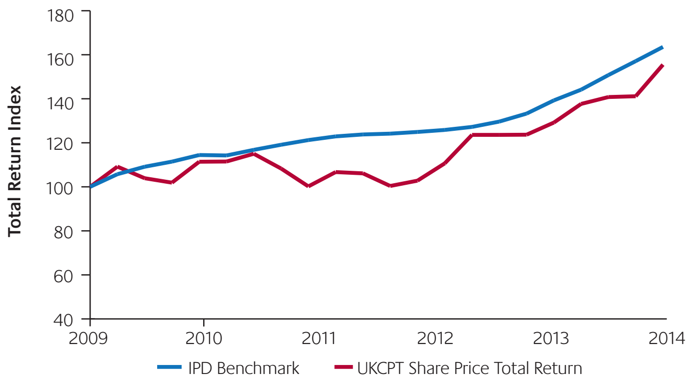
Based on the current annual level of fees, Directors' remuneration for the forthcoming financial year will be as follows:

	31 December 2015 £	31 December 2014 £
Chairman	50,000	45,000
Chairman of Audit Committee	40,000	35,000
Director	35,000	30,000

Following a review by the Board of Directors remuneration which took into account the the nature of their duties, responsibilities and the value of their time spent as well as a review of other comparable vehicles that are similar in size, the Board increased the levels of Directors remuneration to the levels noted above. These rates will be reviewed again in June 2015.

Company Performance

Although the Company has appointed Ignis Fund Managers Limited as an external investment manager pursuant to the terms of the investment management agreement set out in note 2 to the accounts, the Board is responsible for the Company's investment strategy and performance. The following graph compares the total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total return on the IPD Benchmark over a five year period to 31 December 2014 (rebased to 100 at 31 December 2009).



Fees Payable

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

	2014	2013
Christopher Hill	47,500	45,000
Christopher Fish*	16,168	35,000
Keith Dorrian**	–	14,075
Ken McCullagh	35,181	27,417
Sandra Platts	32,500	1,630
John Robertson	32,500	30,000
Andrew Wilson	32,500	30,000
Total	196,349	183,122

* retired 17 June 2014
** retired 19 June 2013

Fees are pro-rated where a change or appointment takes place during a financial year. There were no payments to third parties from the fees referred to in the table above.

Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors' interests in the share capital of the Company are shown in the Directors' Report on page 23.

Approved by the Board on 20 April 2015.

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 have been adopted by the European Union. They are also responsible for ensuring that the Annual Report includes information required by the Rules of the UK Listing Authority.

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

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

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

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

We confirm that to the best of our knowledge:

- the Group financial statements, prepared in accordance with the IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and comply with the Companies Law;
- that in the opinion of the Board, the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Group's performance, business model and strategy; and
- the Report of the Directors and Investment Manager Review include a fair review of the progression and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Christopher M.W. Hill

Chairman

20 April 2015

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

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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.

What we have audited

We have audited the consolidated financial statements of UK Commercial Property Trust Limited for the year ended 31 December 2014 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 IFRSs as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibility Statement set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of risks of material misstatement

We identified the following risks that we believed would have the greatest impact on our overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team:

- Valuation of the Investment Properties, because valuations require significant judgement and estimation, and the valuation of the properties held in the investment portfolio is the key driver of the Group's net asset value; and
- Incomplete or inaccurate revenue recognition, because the rental income receivable by the Group during the period directly drives the Group's ability to make a dividend payment to shareholders.

Our application of materiality

We apply materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and in the auditor's report on the financial statements and in forming our opinion. We apply the concept of materiality to the individual account or balance level through our determination of performance materiality, which is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

When establishing our overall strategy we determined materiality for the Group to be £10.8 million (2013: £11.3 million) which was 1% of Net Assets (2013: 1% of Total Assets). This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. We have derived our materiality calculation based on a proportion of Net Assets as we consider this, on balance, to be the most important financial metric on which shareholders would judge the performance of the Group.

On the basis of our risk assessment, together with our assessment of the overall control environment, our judgement is that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% of our materiality, namely £8.1 million (2013: £8.5 million). Our objective in adopting this approach was to ensure that detected and undetected audit differences in all accounts did not exceed our materiality level.

We agreed that all audit differences in excess of £0.54 million (2013: £0.57 million) would be reported to the Audit Committee

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

as well as differences below that threshold that in our view warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements and potential audit differences against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

An overview of the scope of our audit

The Group consists of the Company and its wholly owned subsidiaries which are all subject to a full scope audit by the Group audit team.

Following our assessment of the risk of material misstatement to the Group's consolidated financial statements, our response was as follows:

We addressed the risk around the valuation of the Group's investment properties by:

- Obtaining an understanding of the valuation process by performing a walkthrough of the process;
- Testing the review controls over inputs into the Investment Manager's model;
- Testing the reconciliation controls between the Investment Manager's and third party valuation reports;
- Reading the valuation reports from the independent valuers to identify any property valuations that the independent valuers deemed unreasonable compared to market rates;
- Assessing the independence and competence of the independent valuers as required by auditing standards;
- Selecting a sample of properties and performing the following procedures in respect of valuations performed:
    - Engaging our EY property valuation experts to assess the appropriateness of the models used to derive the valuation of the properties against the requirements of the RICS Red Book;
    - Utilised EY property valuation experts to confirm that market related inputs and assumptions, such as yields and voids, were reasonable based on current market conditions and that valuation outputs were reasonable;
    - Tested factual inputs (such as rental profiles, tenant details, occupancy) to supporting documentation;
    - Tested calculations and arithmetical accuracy; and
    - Tested the clerical accuracy and extraction of independent valuations to accounting records and financial statements.
- Making inquiries with the investment manager to understand transactions and other developments in the portfolio.

We addressed the risk around the incomplete or inaccurate rental income recognition by:

- Testing the reconciliation control between the income recorded by the Managing Agents and the Investment Manager;
- Understanding the changes in rental income from the previous accounting period;
- Performing detailed analytical review procedures on rental income to identify any items that did not meet our expectations formed on the underlying agreements and previous period experience;
- Agreeing a sample of rental rates to tenancy agreements;
- Agreeing a sample of rental income from the Group's records to bank statements; and
- For a sample of tenancy agreements, assessing the appropriateness of the accounting treatment in accordance with IFRSs as adopted by the European Union.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited consolidated financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

We have nothing to report in respect of the following matters where Companies (Guernsey) Law, 2008 require us to report to you if, in our opinion:

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

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

David Robert John Moore
for and on behalf of Ernst & Young LLP
Guernsey, Channel Islands
20 April 2015

The maintenance and integrity of the UK Commercial Property Trust Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Notes	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Revenue			
Rental income		70,576	72,191
Gains on investment properties	8	124,771	48,395
Interest income		456	491
Total income		195,803	121,077
Expenditure			
Investment management fee	2	(8,168)	(7,456)
Direct property expenses	3	(3,653)	(4,693)
Other expenses	3	(1,947)	(3,627)
Total expenditure		(13,768)	(15,776)
Net operating profit before finance costs		182,035	105,301
Finance costs			
Finance costs	4	(9,327)	(9,229)
Net profit from ordinary activities before taxation		172,708	96,072
Taxation on profit on ordinary activities	5	-	-
Net profit for the year		172,708	96,072
Other comprehensive income items that may be reclassified subsequently to the income statement			
(Loss)/gain arising on effective portion of interest rate swap	12	(1,348)	9,715
Total comprehensive income for the year		171,360	105,787
Basic and diluted earnings per share	7	13.96p	8.02p

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

The accompanying notes are an integral part of this statement.

Consolidated Balance Sheet

As at 31 December 2014

	Notes	2014 £'000	2013 £'000
Non-current assets			
Investment properties	8	1,215,861	1,042,728
		1,215,861	1,042,728
Current assets			
Investment properties held for sale	8	49,370	-
Trade and other receivables	10	10,626	8,902
Cash and cash equivalents		63,379	80,734
		123,375	89,636
Total assets		1,339,236	1,132,364
Current liabilities			
Trade and other payables	11	(22,386)	(20,440)
Interest rate swap	12	(3,573)	(4,438)
Bank Loan	12	(80,700)	-
Long Term Liabilities			
Bank Loan	12	(148,937)	(229,252)
Interest rate swap	12	(4,694)	(2,481)
Total liabilities		(260,290)	(256,611)
Net assets		1,078,946	875,753
Represented by:			
Share capital	13	539,872	482,703
Treasury shares	13	-	(25,264)
Special distributable reserve		597,406	600,069
Capital reserve		(50,065)	(174,836)
Revenue reserve		-	-
Interest rate swap reserve		(8,267)	(6,919)
Equity shareholders' funds		1,078,946	875,753
Net asset value per share	14	83.0p	73.1p

The accounts on pages 37 to 57 were approved and authorised for issue by the Board of Directors on 20 April 2015 and signed on its behalf by:

Christopher M.W. Hill
Director

Ken McCullagh
Director

The accompanying notes are an integral part of this statement.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

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

For the year ended 31 December 2013

	Share Capital £'000	Treasury Shares £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Interest Rate Swap Reserve £'000	Total £'000
At 1 January 2013	482,703	(25,264)	615,252	(223,231)	-	(16,634)	832,826
Net profit for the year	-	-	-	-	96,072	-	96,072
Other comprehensive income	-	-	-	-	-	9,715	9,715
Dividends paid	-	-	-	-	(62,860)	-	(62,860)
Transfer in respect of gains on investment properties	-	-	-	48,395	(48,395)	-	-
Transfer from special distributable reserve	-	-	(15,183)	-	15,183	-	-
At 31 December 2013	482,703	(25,264)	600,069	(174,836)	-	(6,919)	875,753

The accompanying notes are an integral part of this statement.

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Cash flows from operating activities		
Net profit for the year before taxation	172,708	96,072
Adjustments for:		
Gains on investment properties	(124,771)	(48,395)
Movement in lease incentive	(1,106)	(340)
Movement in provision for bad debts	(790)	744
Decrease/(Increase) in operating trade and other receivables	172	(1,282)
Increase/(decrease) in operating trade and other payables	1,885	(1,908)
Finance costs	9,345	9,229
Net cash inflow from operating activities	57,443	54,120
Cash flows from investing		
Purchase of investment properties	(97,033)	(18,648)
Sale of investment properties	3,610	44,200
Capital expenditure	(4,309)	(4,353)
Net cash (outflow)/inflow from investing activities	(97,732)	21,199
Cash flows from financing activities		
Issue of Ordinary Shares	49,776	-
Reissue of Treasury Shares	32,657	-
Issue costs	(824)	-
Dividends paid	(49,776)	(62,860)
Bank loan interest paid	(4,303)	(4,156)
Payments under interest rate swap arrangement	(4,596)	(4,631)
Net cash inflow/(outflow) from financing activities	22,934	(71,647)
Net (decrease)/increase in cash and cash equivalents	(17,355)	3,672
Opening balance	80,734	77,062
Closing cash and cash equivalents	63,379	80,734
Represented by:		
Cash at bank	22,191	21,639
Short term deposits	-	20,301
Money market funds	41,188	38,794
	63,379	80,734

Notes to the Accounts

1. Accounting Policies

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

(a) Basis of Accounting

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards issued by, or adopted by, the International Accounting Standards Board (the IASB), interpretations issued by the IFRS Interpretations Committee that remain in effect, and to the extent that they have been adopted by the European Union, applicable legal and regulatory requirements of Guernsey law and the Listing Rules of the UK Listing Authority.

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRSs effective for this Group as of 1 January 2014. The nature and the impact of each new standard and amendment are described below. Other amendments to certain standards apply for the first time in 2014, however, they do not impact the annual consolidated financial statements of the Group.

Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments are effective for annual periods beginning on or after 1 January 2014. None of the Group subsidiaries are considered to be investment entities as defined in IFRS 10 as all subsidiaries within the group are wholly owned within the Group and hence are related parties. As none of the Group subsidiaries are deemed as investment entities there has been no impact on the Group.

There have been other new and amended standards issued or have come into effect from 1 January 2014 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.

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

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

(c) Basis of Consolidation

The consolidated accounts comprise the accounts of the Company and its subsidiaries drawn up to 31 December each year. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The structured entities within the Group are all controlled via voting rights and hence these entities are consolidated.

(d) Functional and Presentation currency

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

(e) Revenue Recognition

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

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

(f) Expenses

Expenses are accounted for on an accruals basis. The Group's investment management and administration fees, finance costs and all other expenses are charged through the Statement of Comprehensive Income. Service charge costs, to the extent they are not recoverable from tenants, are accounted for on an accruals basis and included in operating profit.

(g) Taxation

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

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

(h) Investment Properties

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

After initial recognition, investment properties are measured at fair value, with the movement in fair value recognised in the Statement of Comprehensive Income and transferred to the Capital Reserve. Fair value is based on the open market valuation provided by CBRE Limited, chartered surveyors, at the Balance Sheet date. For the purposes of these financial statements, in order to prevent 'double accounting', the assessed market value is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.

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

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

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

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

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

(i) Operating Lease Contracts – the Group as Lessor

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

(j) Share Issue Expenses

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

(k) Segmental Reporting

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

(l) Cash and Cash Equivalents

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

(m) Trade and Other Receivables

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

(n) Trade and Other Payables

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

(o) Reserves

Special Distributable Reserve

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

Capital Reserve

The following are accounted for in this reserve:

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

Revenue Reserve

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

Interest Rate Swap Reserve

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

Treasury Share Reserve

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

(p) Interest-bearing borrowings

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

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

(q) Derivative financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 9 Financial Instruments

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

IFRS 15 – Revenue from Contracts

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

Annual Improvement to IFRS

In addition to the above, Annual Improvement to IFRSs 2010-2012 Cycle (effective 1 July 2014) and Annual Improvement to IFRSs 2011-2013 Cycle (effective 1 July 2014) have not been adopted early.

Notes to the Accounts (continued)

2. Fees

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Investment management fee	8,168	7,456

The Group's Investment Manager, Ignis Fund Managers Limited, receives an aggregate annual fee from the Group at an annual rate of 0.65 per cent. of the Total Assets effective from 1 July 2014 as per a new Investment Management Agreement entered into in July 2014. Prior to this the Group's Investment Manager was Ignis Investment Services Limited and the fee was 0.75 per cent. of Total Assets less borrowings plus 0.50 per cent. on borrowings. The Investment Manager is also entitled to an administration fee amounting to £165,000 which will increase annually in line with inflation. In the current year this fee amounted to £172,000 (see note 3). 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. Expenses

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Direct Property Expenses		
Direct operating expenses arising from investment property that generated rental income during the period;	3,653	4,356
Direct operating expenses arising from investment property that did not generate rental income during the period	-	337
	3,653	4,693
Other Expenses		
Professional fees	1,984	1,986
Movement in bad debt provision	(790)	744
Directors' fees	196	183
Administration fee	172	168
Administration and company secretarial fees	85	85
Regulatory fees	140	115
Auditor's remuneration for:		
Statutory audit	55	43
Non audit services	54	109
Other expenses	51	194
	1,947	3,627

4. Finance costs

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Interest on principal loan amount	4,281	4,210
Amounts payable in respect of interest rate swap arrangement	4,600	4,656
Amortisation of loan set up fees	446	363
	9,327	9,229

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). GP and UKCPH are partners in a Guernsey Limited Partnership ("the Partnership") and own six Jersey Property Unit Trusts. UKCPEL owns 3 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 2014 £'000	Year ended 31 December 2013 £'000
Net profit before tax	172,708	96,072
UK income tax at a rate of 20 per cent	34,542	19,214
Effect of:		
Capital gains on investment properties not taxable	(25,143)	(8,377)
Lease incentive adjustment not allowable for tax purposes	221	68
Capital gains realised not taxable	(32)	(1,370)
Income not taxable	(91)	(98)
Intercompany loan interest	(12,862)	(12,754)
Expenditure not allowed for income tax purposes	1,865	1,773
Deferred tax asset not provided for	1,500	1,544
Total tax charge	-	-

The Group has unused tax losses carried forward of £30,047,000 (2012/2013:£24,375,000) based on the 2013/2014 tax returns.

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

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.

6. Dividends

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Dividends on Ordinary Shares:		
2013 Fourth interim of 1.3125p per share paid 28 February 2014 (2012 Fourth interim: 1.3125p)	15,715	15,715
2014 First interim of 0.92p per share paid 30 May 2014 (2013 First interim: 1.3125p)	11,016	15,715
2014 Second interim of 0.92p per share paid 29 August 2014 (2013 Second interim: 1.3125p)	11,390	15,715
2014 Third interim of 0.92p per share paid 28 November 2014 (2013 Third interim: 1.3125p)	11,655	15,715
	49,776	62,860

A fourth interim dividend of 0.92p was paid on 27 February 2015 to shareholders on the register on 19 February 2015. Although this payment relates to the year ended 31 December 2014, under International Financial Reporting Standards it will be accounted for in the year ending 31 December 2015.

Notes to the Accounts (continued)

7. Basic and diluted Earnings per Share

The earnings per share (EPS) are based on the net profit for the year of £172,708,000 (2013: profit £96,072,000) and on 1,236,787,497 (2013: 1,197,348,858) Ordinary Shares, being the weighted average number of shares in issue during the year. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

The EPRA EPS for the year ended 31 December 2014 is 3.88p per share (2013: 3.98p). This is calculated after excluding any gain/loss on investment properties and losses arising on ineffective portions of interest rate swaps from the Net profit/(loss) position for the year.

8. Investment Properties

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Freehold and Leasehold properties		
Opening valuation	1,042,728	1,015,532
Purchases at cost	97,033	18,648
Capital expenditure	4,309	4,353
Gain on revaluation to market value	125,717	41,885
Disposals at prior year valuation	(3,450)	(37,350)
Adjustment for lease incentives	(1,106)	(340)
Total Fair value at 31 December 2014	1,265,231	1,042,728
Less: reclassified as held for sale	(49,370)	-
Fair value as at 31 December 2014	1,215,861	1,042,728
Gains on investment properties at fair value comprise		
Valuation gains	125,717	41,885
Movement in provision for lease incentives	(1,106)	(340)
Gain on disposal	160	6,850
	124,771	48,395
Losses on investment properties sold		
Original cost of investment properties sold	(10,100)	(66,950)
Sale proceeds	3,610	44,200
Losses on investment properties sold	(6,490)	(22,750)
Recognised in previous periods	(6,650)	(29,600)
Recognised in current period	160	6,850
	(6,490)	(22,750)

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

CBRE Limited, Chartered Surveyors (the "Property Valuer") completed a valuation of Group investment properties at 31 December 2014 on an open market basis in accordance with the requirements of the Valuation Standards issued by the Royal Institution of Chartered Surveyors, which is deemed to equate to market value. The Property Valuer, in valuing the portfolio, is acting independently and external to it. Market value is determined by reference to market based evidence, which is the amount for which each asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arms length transaction as at the valuation date. The market value of these investment properties amounted to £1,272,315,000 (2013 – £1,048,705,000). The difference between the market value and the fair value at 31 December 2014 consists of accrued income relating to the pre-payment for rent-free periods recognised over the life of the lease totalling £7,084,000 (2013 – £5,978,000) which is separately recorded in the accounts as a current asset.

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

In addition to the above, the property portfolio market value as at 31 December 2014 is based on the following:

- The Estimated Net Annual Rent for each property, which is based on the current rental value of each of the properties, which reflects the terms of the leases where the property, or part of the property, are let at the date of valuation. If the property, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent the valuer considers would be obtainable on an open market letting as at the date of valuation.
- The valuer has assumed that all rent reviews are to be assessed by reference to estimated rental value. Also there is the assumption that all tenants will meet their obligations under their leases, and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge.
- The valuer has not made any adjustments to reflect any liability to taxation that may arise on disposal, nor any costs associated with disposals incurred by the owner however, normal acquisition costs are included in the valuation.
- The valuer assumes an initial yield in the region of 3 to 7 per cent for the majority of the properties, with the reversionary yield being in the region of 4 to 7 per cent.
- The property valuer takes account of deleterious materials included in the construction of the investment properties in arriving at its estimate of open market valuation when the Investment Manager advises of the presence of such materials.

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

The following disclosure is provided in relation to the adoption of IFRS 13 Fair Value Measurement. All properties are deemed Level 3 for the purposes of fair value measurement and the current use of each property is considered the highest and best use. The fair value of completed investment property is determined using a yield methodology. Under this method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. As an accepted method within the income approach to valuation, this method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate (capitalisation rate) is applied to establish the present value of the cash inflows associated with the real property. The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of property. In the case of investment properties, periodic cash flow is typically estimated as gross income less vacancy, non- recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net cash inflows, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted. Set out below are the valuation techniques used for each property sector plus a description and quantification of the key unobservable inputs relating to each sector. There has been no change in valuation technique in the year.

Sector	Fair Value at 31/12/14 (£m)	Valuation techniques	Unobservable inputs	Range (weighted average)
Retail	561.7	Yield methodology	Annual rent per sq ft Capitalisation rate	£8-£310 (£83) 3.5%-11.5% (5.6%)
Office	280.5	Yield methodology	Annual rent per sq ft Capitalisation rate	£15-£75 (£35) 3.0%-7.5% (5.0%)
Industrial	330.9	Yield methodology	Annual rent per sq ft Capitalisation rate	£4-£19 (£9) 5.0%-7.0% (5.7%)
Leisure	92.1	Yield methodology	Annual rent per sq ft Capitalisation rate	£18-£40 (£31) 2.5%-6.0% (5.3%)

Notes to the Accounts (continued)

Sensitivity analysis

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

Sector	Assumption	Movement	Effect on valuation
Retail	Capitalisation rate	+50 basis points -50 basis points	Decrease £45.5m Increase £64.9m
Office	Capitalisation rate	+50 basis points -50 basis points	Decrease £28.0m Increase £37.9m
Industrial	Capitalisation rate	+50 basis points -50 basis points	Decrease £26.1m Increase £34.3m
Leisure	Capitalisation rate	+50 basis points -50 basis points	Decrease £8.4m Increase £10.3m

Investment property valuation process

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

These reports are based on both:

- Information provided by the Investment Managers such as current rents, terms and conditions of lease agreements, service charges and capital expenditure. This information is derived from the Investment Managers financial and property management systems and is subject to the Investment Managers overall control environment.
- Assumptions and valuation models used by the valuers – the assumptions are typically market related, such as yields. These are based on their professional judgment and market observation.

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

Assets held for sale

Assets shown on the balance sheet as held for sale at the year end are Pall Mall Court, Manchester and the Sovereign Centre, Weston-super-Mare. These assets are shown at fair value in the Balance sheet as held for sale assets. These assets continue to be valued by CBRE Limited using the method described in this note. Held for sale assets are included in the investment property table shown in this note. Any unrealised gains and losses on these assets are shown in the investment property table and in the consolidated statement of comprehensive income as gains/(losses) on investment properties.

Pall Mall Court, Manchester was sold by the Group on 23 January 2015 for a consideration of £19.5 million.

Sovereign Centre, Weston-super-Mare was sold by the Group on 28 January 2015 for a consideration of £29.9 million.

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.

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.

Post the year end the Company transferred all holdings in UKCPH and GP to UK Commercial Property Finance Holdings Limited (UKCPFH). The Company owns 100% of the share capital in UKCPFH.

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 namely 176-206 High Street Kensington Unit Trust, Junction 27 Retail Unit Trust, Charles Darwin Retail Unit Trust, St Georges Leicester Unit Trust, Kew Retail Park Unit Trust, Pride Hill Retail Unit Trust, Riverside Mall Retail Unit Trust, Rotunda Kingston Property Unit Trust and Weston-super-Mare Unit Trust. The principal business of the Unit Trusts is that of investment in property.

10. Trade and other receivables

	2014 £'000	2013 £'000
Rents receivable (net of provision for bad debts – see below)	960	1,256
Lease Incentive	7,084	5,978
Other debtors and prepayments	2,274	1,668
VAT receivable	308	-
	10,626	8,902

	2014 £'000	2013 £'000
Provision for Bad Debts as at 31 December 2013/2012	1,508	764
Movement in the year	(790)	744
Provision for Bad Debts as at 31 December 2014/2013	718	1,508

Other debtors include tenant deposits of £1,891,000 (2013 – £807,000). All other debtors are due within one year. No other debts past due are impaired.

11. Trade and other payables

	2014 £'000	2013 £'000
Rental income received in advance	14,016	13,749
Investment Manager fee payable	2,153	1,976
VAT payable	-	2,495
Other payables	6,217	2,220
	22,386	20,440

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

12. Bank Loan and Interest rate swaps

	2014 £'000	2013 £'000
Total Facilities available	230,000	230,000
Drawn down:		
Lloyds facility	80,000	80,000
Barclays facility	150,000	150,000
Set up costs incurred	(2,541)	(2,541)
Accumulated amortisation of set up costs	1,454	1,091
Accrued variable rate interest on bank loan	724	702
Total due	229,637	229,252

(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 2014 is £0.8 million (2013: £2.2 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 2014 the applicable margin was 0.60 per cent (2013 – 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 2014 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 2014 the Group had in place interest rate swaps totalling £150 million with Barclays bank plc (2013: £150 million). All of these interest rate swaps effectively hedged the current drawn down loan with Barclays Bank plc.

Interest on the swap is receivable at a variable rate calculated on the same LIBOR basis as for the bank loan (as detailed below but excluding margins) and payable at a fixed rate of 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 2014 is £7.5 million (2013: £4.7 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 2014 the applicable margin was 1.70 per cent (2013 – 1.70 per cent.)

Swap Instruments

As at 31 December 2014 the Group had in place interest rate swap instruments totalling £230 million all of which were deemed to be effective hedges as per note 1(q).

The revaluation of these swaps at the year end resulted in a loss arising on interest rate swaps of £1.3 million (2013: gain £9.7 million). Of the total loss arising on interest rate swaps, £1.3 million related to effective hedge instruments (2013: gain £9.7 million) which is credited through Other Comprehensive Income in the Statement of Comprehensive Income.

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

The fair value of the interest rate swaps as at 31 December 2014 amounted to £8.3 million (2013: £6.9 million). Based on current yield curves and non-performance risk, £3.6 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

	2014 £'000	2013 £'000
Share capital		
Opening balance	482,703	482,703
18,999,527 Treasury Shares of 25 pence each reissued on 7 May 2014	3,333	-
21,755,495 Treasury Shares of 25 pence each reissued on 20 May 2014	3,925	-
690,120 Treasury Shares of 25 pence each reissued 29 August 2014	135	-
17,694,149 Ordinary Shares of 25 pence each issued 29 August 2014	14,244	-
10,320,260 Ordinary Shares of 25 pence each issued 9 September 2014	8,308	-
32,604,056 Ordinary Shares of 25 pence each issued 14 November 2014	27,224	-
Share Capital as at 31 December 2014	539,872	482,703

(number of shares in issue and fully paid at the year end being 1,299,412,465 (2013: 1,197,348,858))

	2014 £'000	2013 £'000
Treasury shares		
Opening balance	(25,264)	(25,264)
18,999,527 Treasury Shares of 25 pence each reissued on 7 May 2014	11,581	-
21,755,495 Treasury Shares of 25 pence each reissued on 20 May 2014	13,262	-
690,120 Treasury Shares of 25 pence each reissued 29 August 2014	421	-
Share Capital as at 31 December 2014	-	(25,264)

(number of shares held in treasury at 31 December 2014: Nil (2013: 41,445,142))

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

Notes to the Accounts (continued)

14. Net Asset Value per Share

The net asset value per ordinary share is based on net assets of £1,078,946,000 (2013: £875,753,000) and 1,299,412,465 (2013: 1,197,348,858) Ordinary Shares, being the number of Ordinary Shares in issue at the year end.

15. Related Party Transactions

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

Ignis Investment Services Limited and Ignis Fund Managers Limited received fees for their services as investment managers. Further details are provided in notes 2 and 3. The total management fee charged to the Statement of Comprehensive Income during the year was £8,168,000 (2013: £7,456,000) of which £2,110,000 (2013: £1,933,000) remained payable at the year end. The Investment Manager also received an administration fee of £172,000 (2013: £168,000), of which £43,000 (2013: £43,000) remained payable at the year end. This administration fee rises each July in line with the rise in CPI for the preceding 12 months.

The Directors of the Company are deemed as key management personnel as per IAS 24 and received fees for their services. Further details are provided in the Directors' Remuneration Report (unaudited) on page 29. Total fees for the year were £196,000 (2013: £183,000) none of which remained payable at the year end (2013: nil).

The Group invests in the Ignis Liquidity Fund which is managed by Ignis Investment Services Limited. As at 31 December 2014 the Group had invested £41.2 million in the Ignis Liquidity Fund (2013: £38.8 million). No additional fees are payable to Ignis as a result of this investment.

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

16. Financial Instruments and Investment Properties

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

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

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

Fair values

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

Fair value hierarchy

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

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

31 December 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Investment properties	-	-	1,042,728	1,042,728

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

Bank loans

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

31 December 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Bank loans	-	229,730	-	229,730

The lowest level of input is the interest rate payable on each borrowing which is a directly observable input.

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

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

31 December 2013	Level 1 £’000	Level 2 £’000	Level 3 £’000	Total fair value £’000
Interest rate swap	-	(6,919)	-	(6,919)

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

Explanation of the fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data.
Level 3 – Use of a model with inputs that are not based on observable market data.

The fair value of investment properties is calculated using unobservable inputs as described in note 8.

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

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

Real Estate Risk

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

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

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 2014 would have increased net assets available to shareholders and increased the net profit by £126.5 million (2013: £104.3 million). A 10 per cent decrease in the fair value would have reduced net assets available to shareholders and net profit by £126.5 million (2013: £104.3 million).

Notes to the Accounts (continued)

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

Credit risk

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

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

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

Financial Assets 2013	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Cash	80,734	-	-	80,734
Rent receivable	1,256	-	-	1,256
Other debtors	1,612	-	-	1,612
	83,602	-	-	83,602

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 2014 is £960,000 (2013: £1,256,000). The Group holds rental deposits of £1,891,000 (2013: £807,000) as collateral against tenant arrears/defaults. All tenant deposits are in line with market practice. There is no residual credit risk associated with the financial assets of the Group. No financial assets past due are impaired.

All of the cash is placed with financial institutions with a credit rating of A or above. £41.2 million (2013: £38.8 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.

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 2014 the cash balance was £63,379,000 (2013: £80,734,000).

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

Financial Liabilities 2014	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Bank loan and interest rate swap	2,234	85,296	164,769	252,299
Other creditors	20,495	-	1,891	22,386
	22,729	85,296	166,660	274,685

Financial Liabilities 2013	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Bank loan	2,234	6,702	254,749	263,685
Other creditors	17,139	-	807	17,946
	19,373	6,702	255,556	281,631

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

Interest rate risk

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

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

An increase of 1 per cent in interest rates as at the reporting date would have increased the reported profit by £634,000 (2013: increased the reported profit by £807,000). A decrease of 1 per cent would have reduced the reported profit by £634,000 (2013: decreased the reported profit by £807,000). The effect on equity is nil (excluding the impact of a charge in retained earnings as a result of a change in net profit).

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

As at 31 December 2014 the Group had in place a total of £230 million of interest rate swap instruments (2013: £230 million). The values of these instruments are marked to market and will change if interest rates change. It is estimated that an increase of 1 per cent in interest rates would result in the swap liability falling by £5.2 million (2013: £7.0 million) which would increase the reported other comprehensive income by the same amount. A decrease of 1 per cent in interest rates would result in the swap liability increasing by £5.2 million (2013: £7.0 million) which would decrease the reported other comprehensive income by the same amount.

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

Foreign Currency Risk

There was no foreign currency risk as at 31 December 2014 or 31 December 2013 as assets and liabilities of the Group are maintained in pounds Sterling.

Capital Management Policies

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

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

Notes to the Accounts (continued)

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

The Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan arrangements in the year to 31 December 2014.

	2014 £'000	2013 £'000
Carrying amount of interest-bearing loans and borrowings	229,637	229,252
External valuation of completed investment property (excluding lease incentive adjustment)	1,272,315	1,048,705
Loan to value ratio	18.05%	21.86%

The Group's capital balances are set out on page 39 and are regarded as the Group's equity and net funds.

17. Capital Commitments

The Group had no contracted capital commitments as at 31 December 2014 (31 December 2013 – 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):

	2014 £000	2013 £000
Less than one year	67,477	63,511
Between one and five years	209,661	196,210
Over five years	341,578	264,955
Total	618,716	524,676

The largest single tenant at the year end accounted for 3.74 per cent (2013: 6.44 per cent) of the current annual rental income.

The unoccupied property expressed as a percentage of annualised total rental value was 2.6 per cent (2013: 4.4 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 5 and 15 years.

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

19. Service charge

The Group's managing agents Jones Lang LaSalle manage service charge accounts for all the Group's properties. The Group pays the service charge on any vacant units. Service charges on rental properties are recharged to tenants. The total service charge incurred in the year to 31 December 2014 was £7.1 million (2013: £8.5 million). Of this figure, the service charge paid by the Group in respect of void units was £1.7 million (2013: £2.2 million) and is included in direct property expenses.

20. Post Balance Sheet Events

On 23 January 2015 the Company completed the sale of Pall Mall Court, King Street, Manchester for a consideration of £19.5 million.

On 28 January 2015 the Company completed the sale of the Weston-super-Mare Unit Trust for a consideration of £29.9 million.

On 6 February 2015 the Company completed the purchase of the car park at Regent Circus, Swindon for a consideration of £1.8 million.

In April 2015, the Company secured twelve year financing at an all in-rate of 3.03% from Cornerstone Real Estate Advisors Europe LLP, part of the Mass Mutual Financial Group. This was used to repay the £80 million Lloyds facility which was due to expire in June 2015 and the associated swap liabilities at the time of repayment. In addition, the Company obtained a £50 million revolving credit facility from Barclays at a margin of 1.5% over 1 month LIBOR. As part of this deal, the existing Barclays term loan was extended out to April 2020 and the margin on this loan was cut to 1.5%. To date this revolving credit facility has not been utilised. The Company also repaid all swaps with Barclays that existed at 31 December 2014 and replaced these with one new 5 year swap at a rate of 1.299%.

As part of the restructuring required to facilitate the new debt arrangements a new subsidiary company was set up in March 2015 called UK Commercial Property Finance Holdings Limited. The purpose of this Company is a holding company. In addition, linked to the debt process described above, the Company also held an Extraordinary General Meeting in March 2015 at which shareholders passed a Resolution to amend the Articles of Association of the Company so as to replace the continuation vote due in 2016 with a continuation vote in 2020 and at least seven yearly thereafter.

Notice of Annual General Meeting

Notice is hereby given that the eighth Annual General Meeting of UK Commercial Property Trust Limited will be convened at the offices of Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands, GY1 3QL on 16 June 2015 at 10.00 a.m. for the following purposes.

Ordinary Resolutions

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

1. To approve and adopt the Report of the Directors and auditor and the financial statements for the year ended 31 December 2014.
2. To receive and adopt the Directors' Remuneration Report (other than the Directors' Remuneration Policy) for the year to 31 December 2014.
3. To receive and adopt the Directors' Remuneration Policy.
4. To re-appoint Ernst & Young LLP as Auditor to the Company until the conclusion of the next Annual General Meeting.
5. To authorise the Directors to determine the auditor's remuneration.
6. To re-elect Mr Hill as a Director of the Company.
7. To re-elect Mr McCullagh as a Director of the Company.
8. To re-elect Mrs Platts as a Director of the Company.
9. To re-elect Mr Robertson as a Director of the Company.
10. To re-elect Mr Wilson as a Director of the Company.

Special Resolutions

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

11. That the Directors of the Company be and they are hereby generally empowered, to allot ordinary shares in the Company or grant rights to subscribe for, or to convert securities into, ordinary shares in the Company ("equity securities"), for cash including by way of a sale of ordinary shares held by the Company as treasury shares, as if any pre-emption rights in relation to the issue of shares as set out in the listing rules made by the Financial 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 of £32,485,312 being approximately 10 per cent of the nominal value of the issued share capital of the Company (including treasury shares), as at 13 April 2015.

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

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

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

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

(iv) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2016 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.

13. That:

(a) paragraph 3 of the memorandum of association of the Company be deleted in its entirety and replaced as follows:

"3. The objects and powers of the Company are not restricted.";

(b) paragraph 5 of the memorandum of association of the Company be deleted in its entirety and replaced as follows:

"5. The Company is a non-cellular company.";

(c) paragraphs 6, 7 and 8 of the memorandum of association of the Company be deleted in their entirety; and

(d) so as to incorporate all conforming changes to the new Memorandum of Incorporation presented at the meeting and initialled by the Chairman of the meeting for the purpose of identification.

Notice of Annual General Meeting (continued)

14. That:

    the Articles of Incorporation presented at the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Incorporation of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

Notes:

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

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

3. A form of proxy is enclosed for use at the Meeting. The form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach Computershare Investor Services (Jersey) Limited, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not later than 10.00 a.m. on 12 June 2015.

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

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

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

7. Copies of the new Memorandum and Articles of Incorporation of the Company showing all changes to the current memorandum and articles 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 April 2015, the latest practicable date prior to publication of this document, the Company had 1,299,412,465 ordinary shares in issue with a total of 1,299,412,465 voting rights.

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 April 2015

Appendix

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

It is proposed under Resolution 13 and 14 to adopt changes to the existing Memorandum and Articles of the Association to comply with the Companies (Guernsey) Law, 2008, as amended (the "**Law**"). The following is a summary of the principal proposed changes:

Memorandum of Association

The memorandum of association (the "**Memorandum**") currently contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope of potential activities. The Law deems that a company has unrestricted objects unless it includes restrictions in its memorandum. The objects clause in the Memorandum has been removed and the objects and powers of the Company will now be unrestricted.

The Law also requires that certain statements are made within the Memorandum, such as that the Company is a non-cellular company. This provision has now been included.

The statement as to the unlimited share capital has been removed and is instead contained in the Articles of Incorporation.

Other clauses, such as the common signature, have been removed and the relevant clauses included instead within the Articles of Incorporation; this allows their easier amendment in the future should that be necessary.

Articles of Association

The substantive changes to the articles of association (the "**Articles**") are as follows;

Definitions

Various definitions have been added or amended in the Articles in order to comply with the Law.

Share Issues and Share Capital

The Company shall have the right to issue any number of shares. The Articles will specify that such issue shall be in accordance with the specified provisions of the Law.

The Articles have been amended to include an authority, now required under the Law, for the directors to issue an unlimited number of shares for a period of 5 years. In practice, this authority will be extended at each annual general meeting. It is possible that the requirement to renew this authority may be removed in an anticipated amendment to the Law, and this is contemplated by the new Articles.

References in the Articles to special resolutions for reductions in share capital have been removed as the concept of a reduction of share capital by special resolution is no longer contained in the Law.

Class Rights

The section sets out the relevant provisions and provides a structure in relation to the variation of class rights and class meetings, as required by the Law.

Register of Members

The Law contains more extensive provisions in relation to the register of members which are covered in this section.

Untraceable Shareholders

A new section regarding untraceable shareholders has been added to improve the Articles and the position of the Company regarding untraceable shareholders.

Alteration of Capital

New and amended provisions have been included to deal with the changes pursuant to the Law in relation to the share capital of a company such as the removal of the requirement to have an authorised share capital and permitting alterations to the share capital by ordinary resolution.

General Meetings and Resolutions

Articles in relation to Annual General Meetings and Extraordinary General Meetings have been modified to comply with new statutory provisions including amendments to: the time limits for holding meetings, accounts and reports to be produced, calling and giving notice of meetings, quorum requirements and proxies. In particular, these changes include:

- A proxy will now have all the rights of the shareholder who appointed him to attend and to speak and vote at a meeting of the Company;
- Notices of meetings will now include certain prescribed information in respect of, amongst other things, shareholders rights to appoint a proxy.

Provisions have been inserted in relation to written resolutions such that written shareholder resolutions may be proposed by members.

Directors and Secretary

Amendments have been made to the Articles in relation to Directors including in relation to Directors' interests. In particular, there are now provisions under the Law requiring directors to make disclosures to the Board in respect of transactions in which they have an interest. Relevantly, the Company can avoid a transaction if such disclosure is not made unless there was no requirement to make the disclosure, the transaction is ratified or the Company receives fair value in respect of the transaction.

The previous Articles 87 and 88 relating respectively to cheques etc and keeping of minutes have been moved to immediately before the new heading "Conflict of Interest" as they relate to the heading "Other Powers and duties of the Board", and Article 88 has been redrafted to be consistent with the new Law.

Appendix (continued)

The Directors' indemnity provisions have also been modified to limit any indemnity granted to directors to such indemnity as is able to be granted under the Law. In practice, this means that the Directors will not be able to be indemnified by the Company for negligence, default, breach of duty or breach of trust in relation to the Company.

Provisions in relation to the maintenance of a register of directors have also been included to comply with the provisions of the Law.

Accounts and Auditors

The provisions dealing with accounts in the Articles have been deleted and the new article simply states that the board shall maintain accounting records and issue reports in accordance with the Law. This amendment has been made because the Law contains more extensive requirements in respect of what must be contained in the Company's accounts.

Removal of articles dealing with the appointment of Auditors and insertion of a reference to the appointment provisions under the Law have also been included.

Winding-up

The Articles have been amended to permit the Company to be wound up in the circumstances as set out in the Law.

General

Changes which are of a minor, technical or clarifying nature which reflect changes made by the Law have not been noted in this summary.

Shareholder Information

Dividends

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

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

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

Share Price

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

Change of Address

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

Shareholder Enquiries

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

Financial Calendar 2015/16

21 April 2015	Announcement of annual results
29 May 2015	Payment of 2015 first interim dividend
16 June 2015	Annual General Meeting
August 2015	Payment of 2015 second interim dividend
August 2015	Posting of Interim Report
November 2015	Payment of 2015 third interim dividend
February 2016	Payment of 2015 fourth interim dividend

Shareholder Information (continued)

Alternative Investment Fund Managers ('AIFM') Directive

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Ignis Fund Managers Limited, is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy is available from Ignis Fund Managers Limited on request and the numerical remuneration disclosures in relation to the AIFM's first relevant accounting period (year ended 31 December 2015) will be made available in due course.

The Company's maximum and average actual leverage levels at 31 December 2014 are shown below:

Leverage Exposure	Gross Method	Commitment Method
Maximum Limit	250%	250%
Actual	143%	122%

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

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

Corporate Information

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

Registered Office
PO Box 255
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Registered Number
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Administrator and Secretary
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(Guernsey) Limited
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Channel Islands
GY1 3QL

Investment Manager
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Edinburgh
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Property Valuer
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Depositary
Citibank International PLC
Citigroup Centre
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Website
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Contact:

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

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