UK COMMERCIAL PROPERTY REIT
INTERIM REPORT & ACCOUNTS

for the half year ended 30 June 2020

Aberdeen Standard Investments

UK Commercial Property REIT

COMPANY SUMMARY

An overview

ABOUT US

Launched in **2006**

FTSE **350**

£1.1bn
Net Asset Value
as at 30 June 2020

UK Commercial Property REIT Limited ("UKCM") is a listed Real Estate Investment Trust (REIT) with a net asset value of £1.1 billion as at 30 June 2020.

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

OBJECTIVE

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

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

Diversified portfolio

Industrial | Offices | Retail | Alternatives

BOARD & MANAGEMENT

ASI manage **1,600** Properties

in **20** Countries

6
Board members

The Company has a Board of six experienced Non-Executive Directors who have significant expertise in property, accounting, risk and tax (see page 24 to 25 for further details). UKCM is managed by Aberdeen Standard Investments, one of the world's largest real estate managers that manages over 1,600 properties in 20 countries.

Visit our website at:
ukcpreit.com to learn more

UKCM IS ONE OF THE UK'S LARGEST, DIVERSIFIED REITS

(all numbers as at 30 June 2020)

£1.3bn Gross assets

£33.0m Average value of properties

201 Tenancies

37 Properties

UKCM FINANCIAL REVIEW
As at 30 June 2020

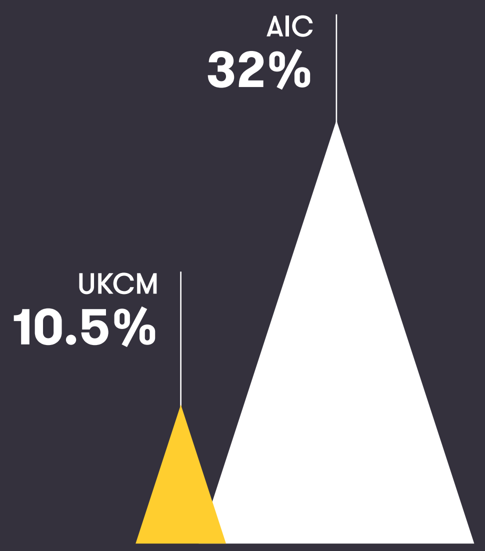
NAV TOTAL RETURN*
Net Asset Value ("NAV") total return of –5.1% (H1 2019: 1.9%) as portfolio values impacted by COVID-19.

–5.1%

SHARE PRICE TOTAL RETURN*
Share price total return of –31.3% (H1 2019: 8.3%) as COVID-19 impacted share prices of all diversified property REITs. As at 31 August 2020 the share price stood at a discount of 20.9% to NAV.

0.46p

DIVIDEND
Current quarterly dividend of 0.46p. UKCM used the strength of its balance sheet to maintain a dividend, reduced by 50% versus the previous quarterly dividend level, throughout the rent collection period impacted by COVID-19.



NET GEARING*
Low net gearing of 10.5% (H1 2019: 16.2%) as at 30 June 2020 remains one of the lowest in the Company's peer group and the wider REIT sector and compares to the AIC Property Direct – UK Commercial sector average of 32%.

£194m

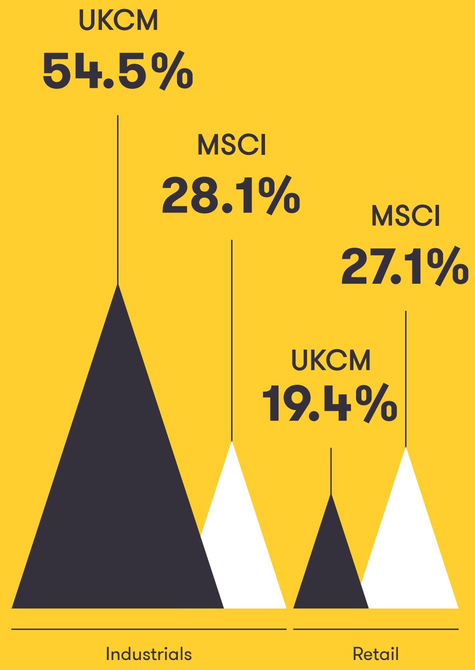
SIGNIFICANT FINANCIAL RESOURCES
£194 million available for investment comprising £94 million of uncommitted cash and £100 million of the Company's low cost, flexible, revolving credit facility ("RCF").

* Additional Performance Measures (see page 6 and glossary on pages 40 and 41 for further details)

UKCM PORTFOLIO REVIEW
As at 30 June 2020

–3.4%

PORTFOLIO PERFORMANCE
Portfolio total return of –3.4% compared to total return on the Company's MSCI benchmark of –2.7%, as positive relative performance of the Company's industrial portfolio was offset by falls in the value of the Company's retail and leisure holdings which are predominantly anchored by cinemas.



£85.8m

SALE OF ASSETS
Sale of three assets totalling £85.8 million as the Company made good progress in its portfolio strategy by reducing retail exposure and exiting assets where asset management initiatives have been successfully completed and future return prospects limited.

PORTFOLIO VALUE
Portfolio is now valued at £1.22 billion and is positively aligned to sectors forecast to outperform with an overweight position to industrials of 54.5% (MSCI – 28.1%) and an underweight position to retail of 19.4% (MSCI benchmark – 27.1%).

90%

77%

100%

OCCUPANCY
Occupancy rate of 90%. Since 30 June 2020, the Company let its largest void unit which increased occupancy by 3.5%.

RENT COLLECTION
Rent collection for the Q2 and Q3 billing periods of 77% as at 31 August 2020 with good progress being made on negotiations with tenants who have been unable to pay to date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)
The Company has achieved 100% diversion of waste from landfill across the portfolio. Further details on the Company's recently published ESG document entitled "Dialling up the Integration of ESG" which is available on the Company's website: **ukcpreit.com/en/literature-library**

PERFORMANCE SUMMARY

CAPITAL VALUES AND GEARING	30 June 2020	31 December 2019	% Change
Total assets less current liabilities £'000	1,338,089	1,414,591	(5.4)
Net asset value £'000	1,090,456	1,167,144	(6.6)
Net asset value per share (p)	83.9	89.8	(6.6)
Ordinary share price (p)	59.8	88.8	(32.7)
Discount to net asset value (%)	(28.7)	(1.1)	n/a
Gearing (%) — Net*	10.5	14.7	n/a
Gearing (%) — Gross**	18.7	17.7	n/a

TOTAL RETURN	6 month % return	1 year % return	3 year % return	5 year % return
NAV†	(5.1)	(6.7)	5.8	20.0
Share Price†	(31.3)	(29.4)	(26.4)	(18.6)
UKCM Property portfolio	(3.4)	(4.1)	10.4	26.5
MSCI UK Balanced Portfolios Quarterly Property Index	(2.7)	(1.9)	11.9	28.9
FTSE All-Share Real Estate Investment Trusts Index	(24.6)	(10.1)	(6.4)	(6.3)
FTSE All-Share Index	(17.5)	(13.0)	(4.6)	15.2

EARNINGS AND DIVIDENDS	30 June 2020	30 June 2019
EPRA Earnings per share (p)	1.60	1.70
Dividends paid per ordinary share (p)	1.38	1.84
Dividend Yield (%)‡	5.4	4.2
MSCI Benchmark Yield (%)	4.8	4.7
FTSE All-Share Real Estate Investment Trusts Index Yield (%)	4.4	4.5
FTSE All-Share Index Yield (%)	4.7	4.1

* Calculated as net borrowings (gross borrowings less cash) divided by total assets less cash and current liabilities.
** Calculated as gross borrowings divided by total assets less current liabilities.
† Assumes reinvestment of dividends excluding transaction costs.
‡ Based on last four dividends paid pre-30 June and the share price at 30 June.

Sources: Aberdeen Standard Investments, MSCI

Alternative Performance Measures ("APMs") including gross and net gearing, NAV total return, share price total return, dividend cover, dividend yield and portfolio total return are defined in the glossary on pages 40 to 41.

Chair's Statement

Ken McCullagh
Chair

PORTFOLIO WEIGHTING

54.5%
Industrial

19.4%
Retail

14.6%
Offices

11.5%
Alternatives

Background

What we have experienced this year is unprecedented in modern times. The COVID-19 global pandemic resulted in the complete shutdown of movement across the world as governments implemented measures to try and control the spread of the virus and limit the tragic human cost. The economic implications have also been profound. In the UK, the Bank of England has been supporting the economy on a previously inconceivable scale, interest rates have been cut to 0.1%, the lowest level since records began and the government has paid the wages of huge swathes of the population through its furlough scheme. While this has all undoubtedly helped, the stark reality is that the lockdown has resulted in a huge supply and demand shock to the economy with GDP falling by 20.4% in Q2 2020, unemployment rising rapidly and the UK entering a recession, albeit one that is likely to be short-lived as the economy begins to recover.

Real Estate Market

In terms of the economic impact, and because it touches every aspect of life, the UK commercial real estate market is at the forefront of the impact that COVID-19 has reaped on the UK economy. Valuations have fallen in most real estate sectors, the main exceptions being supermarkets and logistics units, with a material uncertainty clause applied to all valuations in March and almost all sectors in June, with a few exceptions including industrials, supermarkets and certain residential asset classes.

The primary focus for almost all landlords has been on rent collection, with tenants suffering financial pressures as lockdown came into force and economic activity slowed and, in some cases, ceased altogether. Responsible landlords, such as UKCM, have been working to reach mutually acceptable agreements that balance tenants' commercial considerations with their contractual requirement to continue paying rent to landlords who, in turn, need to meet the dividend needs of their investors.

UKCM Review

Against this background, UKCM has had an active first half of the year. Our portfolio strategy has continued to make good progress while our diversified tenant base, well-aligned portfolio and strong balance sheet have provided a measure of resilience against the exceptional circumstances caused by COVID-19.

FROM THE CHAIR

> "UKCM also has a robust balance sheet with low gearing and significant financial resources. This has allowed us to continue paying a dividend to our shareholders throughout this crisis while still maintaining the Company's financial strength, which provides both a healthy buffer against any further COVID-19 impact and firepower for any opportunities that may arise."

Portfolio Activity

The Company has a clear portfolio strategy of reducing retail exposure and realising profits on properties where successful asset management initiatives have been completed while reinvesting in assets that will provide attractive but secure levels of income.

In the six month period to the end of June the Company continued to make good progress against this strategy with three disposals. Broadbridge Retail Park and Portsmouth Motor Park, which sold for a combined £47.9 million, were both sales that reduced risk in the portfolio and resulted in the Company's retail exposure falling to 19.4% compared to the benchmark weighting of 27.1%. Moreover, they were also particularly timely given the impact of COVID-19 on these sectors.

In addition, the sale of the Company's one remaining City of London office at Eldon House for £40 million was above its December 2019 valuation. This sale allowed us to crystallise a healthy profit following the completion of an asset management plan which captured the building's reversionary potential by achieving full occupancy and regearing existing leases.

Some of the proceeds of these sales were reinvested into the forward funding of a new 221 bed student residential development in Exeter, adjacent to the main university campus, with completion expected for the start of the 2022/23 academic year. The land, with full planning permission, was acquired for £6.5 million with an additional capped funding commitment of c. £21.5 million and is expected to provide a sustainable income stream with an anticipated net income yield of 5.6%.

Since 30 June 2020, the Company also let XDock 377 at Lutterworth which accounted for over a third of the Company's 10% vacancy rate at the period end. In addition, the Company further reduced its retail weighting by selling Great Lodge Retail Park, Tunbridge Wells for £46.25 million. Further details on these successful transactions are given in the Investment Manager's Review.

Portfolio and Corporate Performance

Overall the portfolio delivered a total return of −3.4% in the half year, below that of the benchmark total return of −2.7%. The main reason for this negative performance was the Company's retail warehouse portfolio, which was impacted by the temporary closure of most stores for a period of time and resulted in a −9.4% total return, as well as the Company's leisure holdings, which are heavily geared towards cinemas and restaurants and therefore also adversely affected by lockdown, providing a total return of −11.3%.

However, to highlight an area of the portfolio that has benefitted from COVID-19 we can look at the industrial sector where the acceleration of the trend towards online retail sales, and away from the traditional high street and shopping centres, resulted in a more positive total return of 0.4%. The Company has a 54.5% weighting towards industrials and the expected continuation of this trend should help boost relative returns going forward.

Further details on the Company's portfolio performance are given in the Investment Managers' Review.

The portfolio performance was the main driver behind a −5.1% NAV total return for the period. The share price return, taking into account dividends paid over the period, was significantly lower at −31.3% as the discount at which the Company's shares traded versus their net asset value increased from 1.1% at the end of December 2019 to 28.7% at 30 June 2020. It should be highlighted however that the Company's rating has improved since the end of June and as at 31 August stood at 20.9%.

Over the longer term the Company has outperformed the AIC peer group on both a NAV and share price total return basis delivering 84.3% and 23.4% respectively over ten years compared to the 36.0% and 8.3% returns from the peer group.

Financial Resources

UKCM continues to be in a financially robust position with a NAV of £1.1 billion as at 30 June 2020 and net gearing of just 10.5% (gross gearing of 18.7%). We remain one of the lowest geared companies in the AIC peer group and the wider REIT sector, a positive position to be in at a time when values are declining. The weighted average cost of this debt is an attractive 2.66% per annum and the Company continues to be comfortably within the covenants on its three debt facilities. In addition, the Company has over £390 million of unencumbered assets which provide further significant headroom and flexibility with respect to the Company's covenants and overall gearing strategy.

The Company had substantial financial resources available at the period end boosted by the sale of the three aforementioned assets, with £194 million available for investment comprising £94 million of uncommitted cash and £100 million undrawn from the Company's low cost, flexible revolving credit facility (RCF).

In relation to the utilisation of these resources, there is a continued focus upon exploring and assessing possible acquisitions. However the Company needs to be completely satisfied that any acquisitions are in line with our portfolio strategy and enhance the portfolio, while at the same time balance the Board's desire to maintain a strong financial position and continue to pay a dividend during this time of uncertainty.

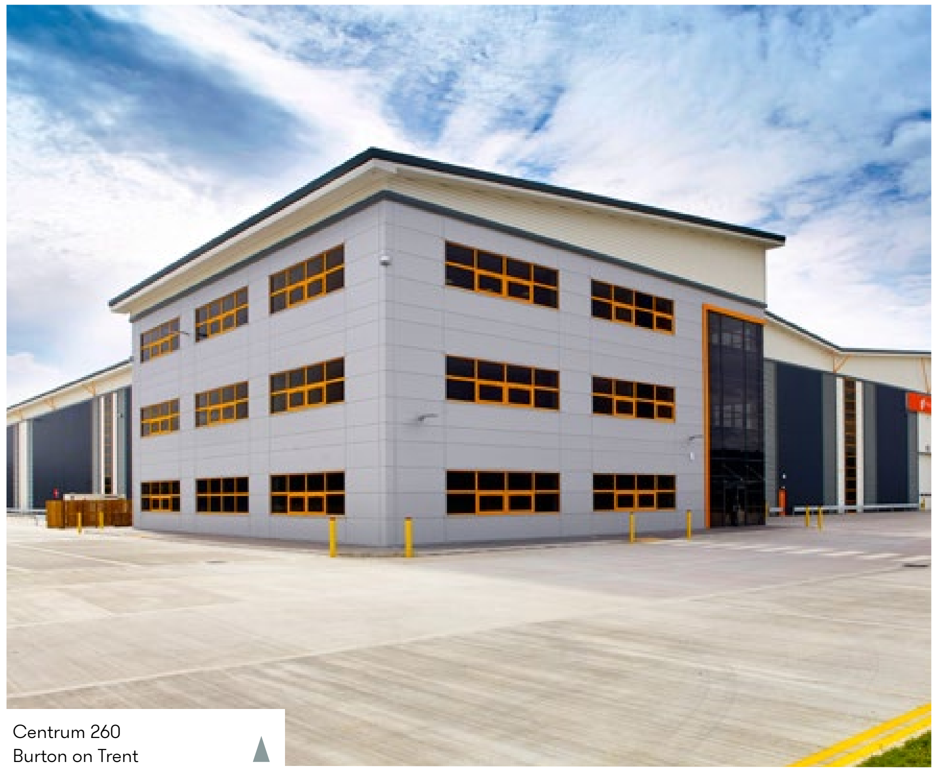
Rent Collection and Dividends

While prioritising the health and safety of all our stakeholders, the primary focus of UKCM's asset management team has been engaging with tenants on requests for rental assistance in a manner which is fair and, where possible, is balanced by a future benefit for the Company. UKCM has put in place a number of rent deferrals and monthly lease payment structures for tenants, which are designed to assist both the tenant and the Company, with a number of these leading to commercial re-gear agreements that create value through longer lease commitments.

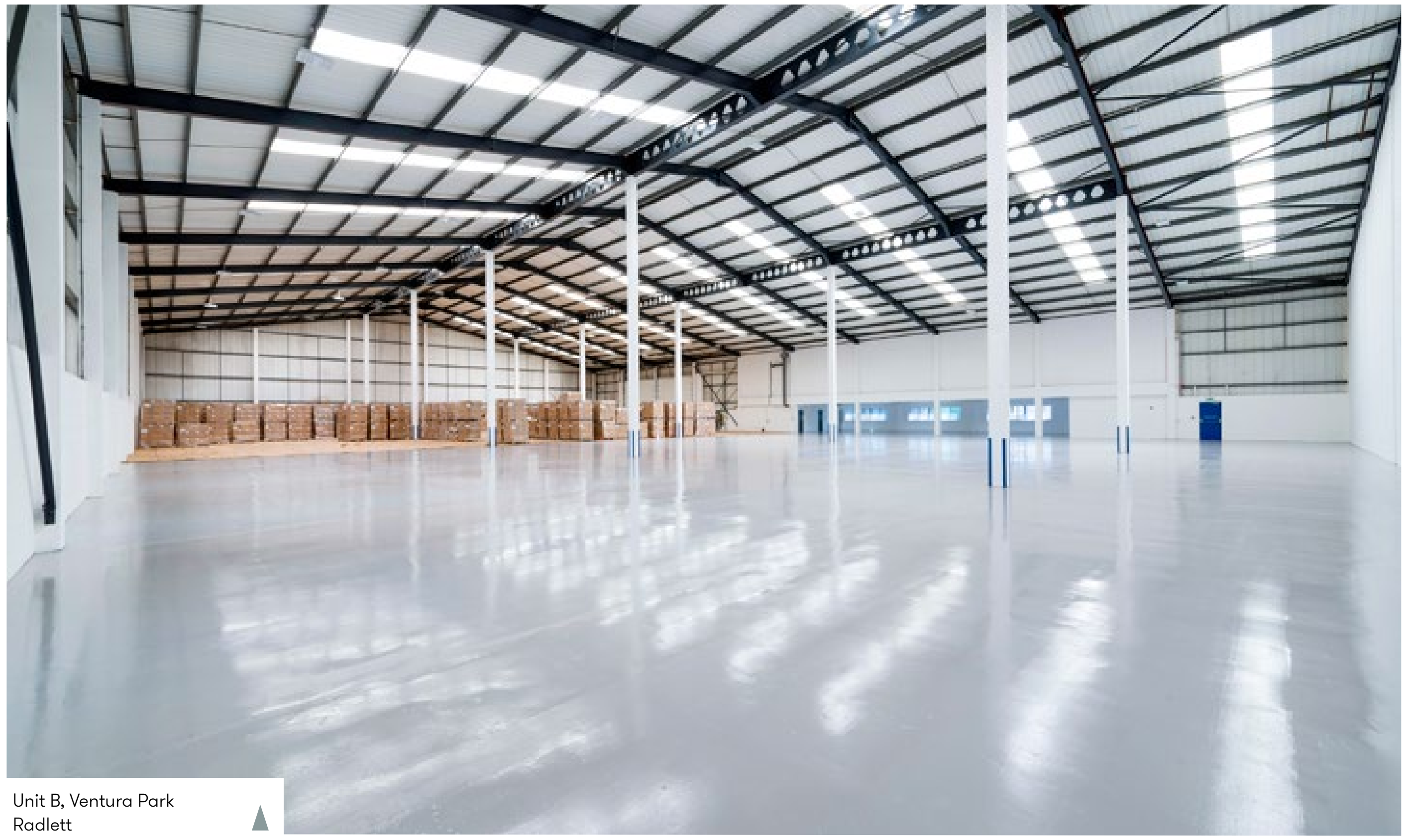
As at close of business on 31 August 2020, the Company had received payments reflecting 77% of rents due for what can collectively be termed advance billing for the third quarter of the year. At the same date, collection levels stood at 77% for rent due for the second quarter of the year.

The Board is cognisant of the importance of dividends to its shareholders especially when the COVID-19 crisis has forced many listed companies, both in the real estate sector and beyond, to cancel or suspend their dividends. As a result the Board took the decision to use the strength of the Company's balance sheet to continue paying a dividend throughout this period of uncertainty and approved a reduced dividend of 50% in May and August of 2020. The Board believes this rate strikes an appropriate balance between cash rent receipts and recurring earnings and the income requirements of its shareholders.

The Board will continue to monitor the evolution of COVID-19 closely and should have clear visibility of 2020 earnings at the time of the Q4 dividend announcement which will provide the opportunity to review the total dividend distribution for 2020 and future dividend policy.



Centrum 260
Burton on Trent

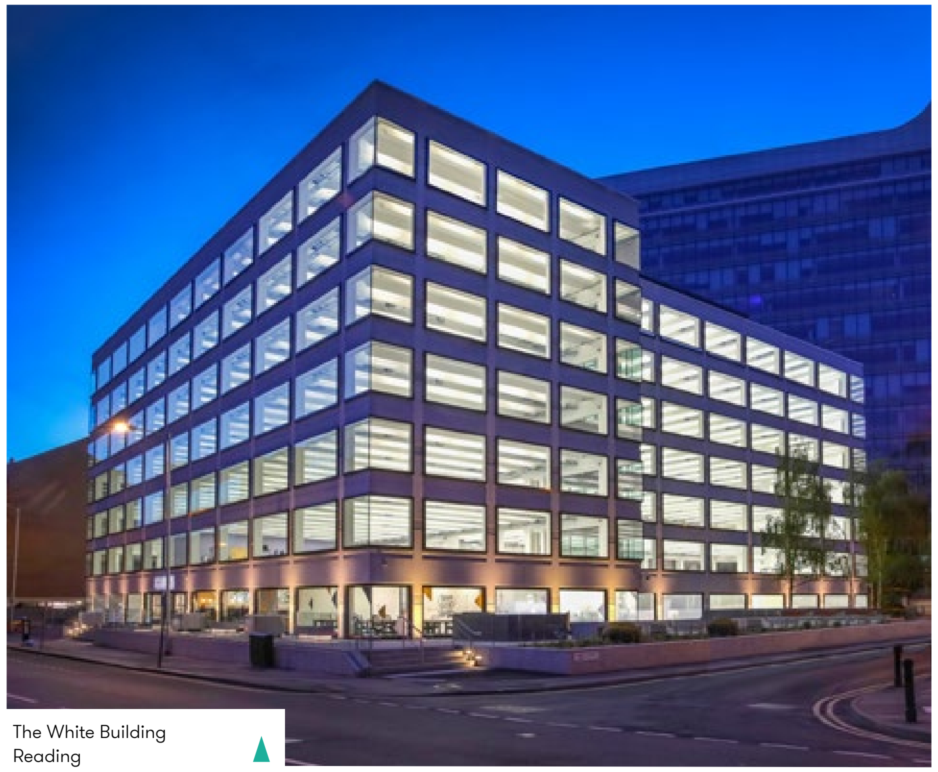


Unit B, Ventura Park
Radlett

Environmental, Social and Governance ("ESG")

As a Board we take our environmental, social and governance responsibilities very seriously with a number of initiatives under way in the portfolio. A lot of these are highlighted in the Company's recently published ESG document entitled "Dialling up the Integration of ESG" which is available on the Company's website at the link below and which I would urge all UKCM stakeholders to read:

www.ukcpreit.com/en/literature-library



The White Building
Reading

Outlook

As lockdown eases, and on the assumption that there are no further national lockdowns, the key questions are how much and how quickly the economy can recover and if and when a COVID-19 vaccine might be developed which would allow a return to full economic activity. The effect of the ongoing Brexit negotiations and the uncertainty around whether a trade deal will be agreed between the UK and the EU also cannot be ignored in assessing the future prospects for the UK economy. Our Investment Manager is forecasting a 12.9% fall in GDP for 2020, a figure which testifies to the damage done to the economy, but encouragingly also forecasts 11.8% GDP growth in 2021, on the basis there are no further setbacks.

Taking this in the context of UK commercial real estate, it is forecast that valuations, which were already under pressure pre COVID-19, will continue to decline for the remainder of the year. The ability of tenants to continue trading and to pay rent will be key in preserving values and revenues and it is pleasing to note that in our own portfolio many tenants are willing to work with the Company's Investment Manager to reach solutions on rent obligations.

Any recovery in real estate will not be felt to the same extent across all sectors. COVID-19 resulted in most consumer goods only being available online for a period of time, with the consequence that all generations have become more "computer savvy" and increasingly comfortable with online transactions during lockdown. This is widely forecast to further accelerate the move towards online retail with an increasing demand for logistics units at the expense of traditional High Street retail and shopping centres. This trend is one that UKCM is well positioned to take advantage of given its 54.5% weighting to the industrial sector which is forecast to continue being the best performing real estate sector.

UKCM also has a robust balance sheet with low gearing and significant financial resources. This has allowed us to continue paying a dividend to our shareholders throughout this crisis while still maintaining the Company's financial strength, which provides both a healthy buffer against any further COVID-19 impact and firepower for any opportunities that may arise.

Overall, I believe the Company has both a strong portfolio and financial foundations that will allow it to navigate through the current difficult situation and maintain its position as one of the UK's largest diversified REITs.

Ken McCullagh
Chair of UKCM
23 September 2020

Market Commentary

Following an encouraging start to the year as a result of the post-election bounce, economic growth came to an abrupt end in March with the onset of COVID-19 and the resultant Government imposed lockdown and restrictions. This led to a 2.2% decline in UK GDP for the first quarter of 2020, the largest fall in UK GDP since Q3 1979 when it also fell by 2.2%. To put the size of decline in perspective, throughout the Global Financial Crisis (GFC), GDP shrunk no more than 2.1% in a single quarter. With restrictions in place throughout, the second quarter saw the UK undergo a vast economic contraction of 20.4% in the three months to June, the speed and magnitude of which has been unprecedented in modern recorded history.

Will Fulton UKCM Fund Manager

Ocado Distribution Unit
Hatfield

81/85 George Street
Edinburgh

The government's fiscal response to the pandemic has involved a number of stimulus measures which, as of June 2020, were worth around 6% of GDP in total. Perhaps the most important of these was the coronavirus job retention scheme, which has allowed firms to furlough staff, with the government covering 80% of salaries up to £2,500 per month. Further stimulus, worth another 1–2% of GDP, was announced in the Chancellor's summer statement. From a monetary policy perspective, the Bank of England cut rates to the effective lower bound of 10bps, announced £200 billion of Quantitative Easing (QE), introduced credit easing measures, and loosened regulatory policies.

High frequency indicators suggest that consumer spending has recovered significantly since the low point in activity in April, albeit from a very low base and with retail sales growth driven by grocery and online. Despite some encouraging signs, the Bank of England's Monetary Policy Committee (MPC) has factored in a slow recovery in demand into its central scenario for GDP growth, as health concerns drag on activity. Under this scenario, GDP is not expected to exceed its Q4 2019 level until the end of 2021. Risks to the outlook for GDP are judged to be skewed to the downside according to the MPC.

INVESTMENT MANAGER'S STATEMENT

> "The Company is in robust shape with a good portfolio allocation weighted towards urban and regional industrial distribution, with no exposure to shopping centres, a small underweight Central London office position and no investment in City of London or Docklands offices."

Commercial Property

As we have moved through the summer and lockdown restrictions have been gradually relaxed, there is a degree of cautious optimism emerging. Non-essential retailers have reported strong trade since reopening in mid-June. However restructuring activity in retail, through the use of company voluntary arrangements and pre-pack administrations, continues. With the government's moratorium on normal legal remedies available to landlords in respect of tenants not paying rent, for example forfeiture of leases, income from retail assets remains at extraordinarily low ebb. The challenges facing the retail sector are well documented and the pool of potential investors in this sector remains very thin. However, there are areas of retail which have fared much better during the pandemic, namely food stores and DIY assets let to strong covenants, which continue to attract healthy levels of investor interest, especially where strong underlying use values exist.

The future of offices is a hot topic. As is the case with a number of real estate sectors, the COVID-19 crisis has simply expedited trends that were already underway for offices prior to the pandemic, with a wealth of survey evidence pointing to a structural rise in remote working. Companies will be required to reassess their office needs in light of more flexible work arrangements, which points to a lower structural demand for office space in the medium to long term. Whilst vacancy rates are below historical averages at present, surplus space available to sub-let from occupiers coming back to the market will be a key driver of vacancy and we therefore expect this to put downward pressure on rents. Moving forward, the ability to adapt to changing health and wellbeing requirements will be a key determinant of an office's success. Core, well located assets which possess the ability to adjust to changing tenant requirements will be in a better position to stand the test of time. In contrast, the logistics sector enjoyed record levels of take-up at 22.4m sq ft, the best H1 performance ever recorded[1], with online retail forming the largest component. While there have been short-term deals relating to inventory management issues as a result of the lockdown, the majority of deals have been traditional leases. Investor interest in the UK logistics sector is undoubtedly aided by this healthy occupational market.

Investment volumes for the first six months of the year are largely in line with the same point last year. However, Q1 accounted for approximately 80% of total investment transactions so far this year, as a flurry of deals were completed following the general election result at the end of 2019. It was inevitable that investment levels would be down markedly in Q2 2020 – the lowest quarterly volume since Q1 2009 – with physical inspections impossible and constraint on international travel largely excluding overseas investors. Whilst there is a glimmer of optimism returning, the focus of most investors has narrowed; investor appetite for industrial and logistics assets remains robust, whilst long income and selective alternative sectors maintain strong levels of investor interest.

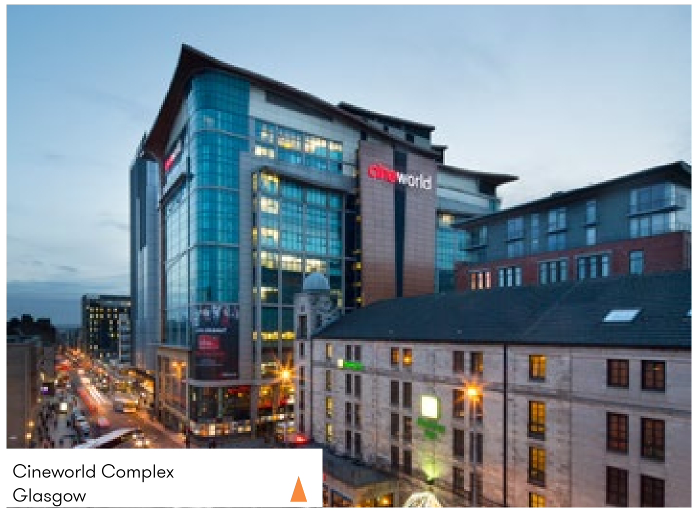
UK real estate performance turned negative in the first six months of 2020 with a total return of −3.3%[2]. The consumer facing areas of the real estate market bore the brunt of declines, with values in the retail sector down −11.1% over this period. MSCI's 'Other' (or 'Alternative') category also recorded a total return of −3.3%. Within this sector, hotels, beginning to gradually re-open at limited capacity, unsurprisingly recorded a negative total return of −3.9%, whilst the residential sub-sector recorded a positive 1.2%. Total returns for the industrial sector were also marginally positive at 0.6%. Property valuations are clearly a vital part of the total return calculation and in Q2 the RICS advised lifting material uncertainty clauses for standalone food stores, specialist supported housing, the industrial and logistics sector and build to rent residential property of institutional grade. This was followed in July with advice to lift the uncertainty clause for Central London offices, student housing of institutional grade and long dated annuity income with a secure covenant.

Overall, our house view forecasts capital values to continue to fall this year. We expect retail to continue to drag the market down, with shopping centre returns forecast to be negative 31% over the year. With the shopping centre segment recording a −9.1% return in the first quarter and the occupier outlook deteriorating substantially since, there may be further downside risk. We continue to expect leisure and hotels to have a very difficult year, despite the recent approval of Travelodge's company voluntary arrangement at least warding off imminent failure. We also now expect a more negative year for Central London offices. The sector's outlook remains subject to much debate but we expect a combination of a cyclical rise in unemployment and structural change to the use of offices to lead many occupiers to fundamentally reappraise their space requirement. "Grey" space (surplus space available to sub-let from occupiers) is expected to weigh negatively on rents.

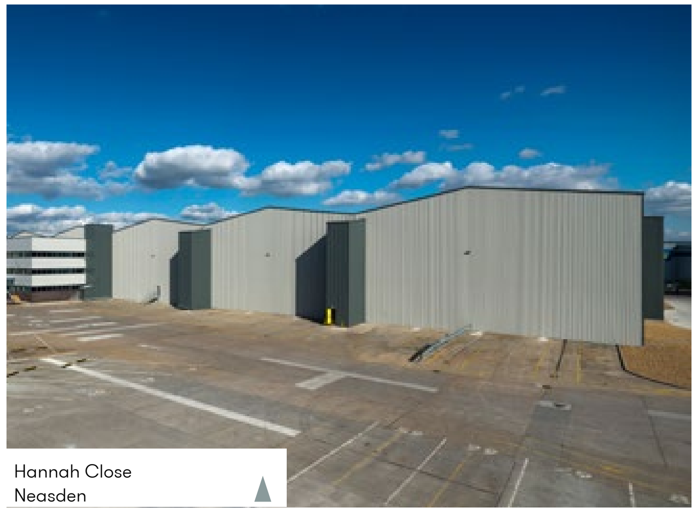
We continue to anticipate performance to diverge substantially across the risk spectrum in most segments. Challenges around rent collection will put even greater emphasis on the stability and durability of income.

On the other hand, in such an unprecedented crisis, with considerable potential for material structural change, a window of opportunity may emerge as lockdown eases to both buy and sell assets where investor sentiment does not match a disciplined view of pricing set against these structural changes and the market outlook.

[1] Savills
[2] MSCI Quarterly Universe – proxy for "the market"



Cineworld Complex
Glasgow



Hannah Close
Neasden

Portfolio Performance

The independent valuation as at 30 June 2020 issued by CBRE had the following Material Uncertainty clause applied to it:

"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Observable market activity – that provides the empirical data for us to have an adequate level of certainty in the valuation – is being impacted in the case of some properties, as set out in the schedule (noting 56% of the Company's portfolio market value is not subject to this Uncertainty Clause). In the case of these properties, as at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation of these properties are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the whole portfolio under frequent review. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation."

The first half of the year, versus the Company's benchmark, was split into a disappointing underperforming first quarter but an outperforming second quarter. However over the six month period the total return from the Company's property portfolio was −3.4% versus −2.7% for its MSCI benchmark[3], a benchmark which itself exceeded a total return of −3.3% delivered by the MSCI market-proxy Quarterly Universe index.

The table below breaks down this return by sector; all valuations were undertaken by the Company's external valuer, CBRE Ltd. Although the portfolio delivered an above benchmark income return of 2.3% over the first six months of the year, this was negated by greater capital declines than the benchmark. These capital declines were most noticeable in the retail and other/leisure sectors with falls of 12.3% and 13.5% respectively. These sectors have been hardest hit by the shutdown of non-essential retail and leisure units, including cinemas, as a result of the COVID-19 pandemic although positively we have a number of active asset management initiatives underway at our leisure and retail warehousing assets. By comparison the industrial sector which comprises 54% of the portfolio delivered a positive total return of 0.4%.

	Exposure		Total Return		Income Return		Capital Growth	
			UKCM %	Benchmark %	UKCM %	Benchmark %	UKCM %	Benchmark %
All	100%	£1219.2m	−3.4	−2.7	2.3	2.2	−5.6	−4.8
Industrials	54.5%	£664.1m	0.4	0.7	1.9	2.1	−1.5	−1.4
Offices	14.6%	£177.7m	−1.7	−1.1	2.7	1.9	−4.3	−2.9
Alternatives	11.5%	£140.5m	−11.2	−2.9	2.7	2.1	−13.5	−4.9
Retail	19.4%	£236.9m	−9.5	−7.2	3.1	2.7	−12.3	−9.7

Source: MSCI, assumes reinvestment of contracted income in capital gain/loss

[3] MSCI UK Balanced Portfolios Quarterly Property Index

Industrial

The Company has a strong, strategic overweight position to the industrial sector which is well placed to benefit from the accelerated structural changes caused by the COVID-19 pandemic. With an increased shift to online retailing and an anticipated requirement for greater on-shoring of goods when Brexit is concluded we expect to continue to see good occupational demand in the sector. Despite the economic and property market volatility the industrial holding delivered a positive return of 0.4% over the first half of the year albeit this was marginally behind the benchmark return of 0.7%. The industrial income return of 1.9% is indicative of the higher quality, lower yielding London and South East assets held and also reflects the current 14% industrial portfolio vacancy rate. We continue to see good interest in the vacant units and have completed a number of asset management initiatives which have enhanced lease terms and increased rents in the occupied units. As the strongest performing segment of the benchmark, our strategic overweight allocation to the sector enhanced overall Fund returns.

The company's industrial portfolio is split approximately 50/50 between logistics/distribution assets and multi let industrial estates. The distribution assets comprise predominantly large single occupier units which tend to be let on longer lease terms and offer a higher income yield. The multi let units, of which the majority are in and around the M25, offer greater asset management opportunities to enhance income streams, drive up rents and create value.

Ventura Park
Radlett

Office

The Company's office portfolio marginally underperformed with a return of −1.7% vs −1.1%, despite a significantly higher than benchmark income return of 2.7% for the 6 month period. The disposal of Eldon House in the City of London further reduced exposure in the Central London office market to only 2.4%, a market where we expect to see further volatility given uncertainty over when and how occupiers will look to reoccupy their space. Vacancy in the office portfolio increased over the quarter following the expiry of the lease at Network House in Hemel Hempstead.

Retail

The Company has continued to reduce its holding in the retail sector and currently has a weighting of just 19% with zero exposure to shopping centres.

The retail portfolio produces the highest yield with a 3.1% income return for the first 6 months of the year. However we saw significant capital declines over the quarter as values suffered from tenant closures as a result of the Government lockdown of non-essential retail, resulting in yields softening to reflect greater perceived risk within the sector. Total return for the quarter was −9.5% vs −7.2% for the benchmark.

76% of the Company's retail assets are in the retail warehousing sector which look best placed to trade successfully in the current COVID-19 environment, given car borne accessibility and large format stores allowing shoppers to safely socially distance more easily.

Alternatives

Within the alternatives sector we saw significant underperformance over the quarter predominantly driven by capital declines in the leisure assets in Kingston upon Thames, Glasgow and Swindon. Whilst providing good income, at 2.7% for the first six months (benchmark 2.1%), the impact of the COVID-19 lockdown on non-essential retail and leisure saw significant valuation downgrades with capital declines of 13.5% vs 4.9% for the benchmark. Overall performance was a lacklustre −11.2% vs −2.9% for the benchmark. Notably our Dalata Hotel in Newcastle upon Tyne, which commendably remained operational for key workers during the lockdown, has continued to pay full rent throughout and has reported encouraging trade since reopening for normal business at the start of July.

Investment Activity

The Company made three sales in the period totalling £87.9 million and one purchase, in the form of a development funding agreement, with a commitment of £28 million.

In February it sold Motor Park in Portsmouth, a multi-use asset predominantly comprising seven car showrooms, to Glasgow City Council for £29.8 million. Whilst the sale price represented a 3% discount to the December 2019 valuation it allowed the Company to exit a segment of the market which it expects to come under pressure, after completing a programme of active asset management that increased the weighted unexpired lease length at the asset, making it more attractive to the investment market.

Following closely on the heels of Portsmouth, the Company completed its sale of Broadbridge Retail Park, Horsham, in March for £18.1 million. This sale completed, in line with the September and December 2019 valuations, following the exercise of an option by Delancey and Tritax which had been agreed in November 2019, further reducing the Company's retail exposure.

Completing the trio in June, CLI-Dartriver purchased the Company's only City of London office asset, Eldon House, within one of its European private investment programmes for £40 million. Whilst this represented a 3.6% discount to its March valuation it was ahead of the December year end valuation. Purchased for £27.8 million in 2015, the sale follows the completion of an asset management plan which comprised a refurbishment of public spaces, as well as capturing reversionary potential by achieving full occupancy and regearing existing leases.

Motor Park
Portsmouth – SOLD

Post the period end and following a successful asset management programme, the Company announced it had sold Great Lodge Retail Park in Tunbridge Wells, to M7 Real Estate for £46.25 million less rent guarantee deductions. The sale price (after deductions) was at the June valuation and is a continuation of the portfolio strategy to reduce retail exposure and secure additional capital to invest in sectors with strong underlying fundamentals. Post the sale, the Company's portfolio now comprises only 16.3% retail assets with no shopping centre exposure.

Following the expansion of its investment policy in 2019, the Company agreed to reinvest some of these sale proceeds in March with the purchase of land and commitment to forward fund a new 221 bed student residential development in central Exeter. Exeter is a Russell Group University, ranked 10th in the UK according to The Guardian's University League Table 2020 and, from an investment perspective, benefits from an under-supply of modern accommodation. Adjacent to the main university campus, with completion planned to match the start of the 2022/23 academic year, the land had full planning permission and was acquired for £6.5 million. The funding commitment is capped at an additional c. £21.5 million. Whilst in recent months COVID-19 has brought both university accommodation and university student placing into the spotlight our research suggests that the combination of well-located and well-designed new accommodation for higher tier universities which are under-supplied will provide sustainable income streams. We anticipate an income yield net of operating costs of 5.6%.

Entering the third quarter of the year with such a robust balance sheet, as well as significant bank covenant headroom and flexibility, as well as cash on account, provides a good platform from which to survey the market for opportunities while maintaining a healthy balance sheet as the interplay between COVID-19 and rent collection plays out.

Maldron Hotel
Newcastle

Asset Management and Rent Collection

The UK lockdown in response to the COVID-19 pandemic, which commenced in March, was unprecedented and significantly impacted business and the economy. While ensuring the health and safety of all our stakeholders, the primary focus of the asset management team has been engaging with tenants on requests for rental assistance in a manner which is fair and, where possible, is balanced by a future benefit for the Company.

From a tenant base of some 201 tenancies, UKCM received and actioned over 55 tenant requests. After a review of the state of affairs of the tenants in question, where warranted, UKCM put in place a number of rent deferrals and monthly lease payment structures for around 57% of these requests. Such lease adjustments are designed to assist both the tenant and the Company; for example, a number have led to commercial re-gear agreements that create value through longer lease commitments whilst also assisting tenants through rent free periods during a period of cash flow difficulty.

By late August the Company had received payments reflecting 77% of rents due for both the second and third quarters of the year (the third quarter being collectively the 24 June, and 1 July English, and 28 May Scottish, quarterly billing dates) after allowing for agreed rent deferrals and including those tenants who have paid, by agreement, on a monthly basis. We continue to chase debts and engage with tenants to restructure leases; of the outstanding rent not collected approximately 40% is subject to ongoing commercial re-gear discussions. The majority of these discussions are at an advanced stage and comprise an increase in the term of the lease in return for a rent free period or rebased rental tone. This will provide some cash flow relief to tenants to assist them through a challenging trading period whilst providing a more valuable longer lease term to the Company, enhancing value and reducing medium term expiry risk. A further 9% of the outstanding balance relates to tenants who we believe should, and can, pay but are refusing to across the UK – for example a leading UK high street chemist which remained trading throughout the lockdown and occupies two of the Company's industrial warehouses and one retail park unit. The remainder is subject to ongoing negotiations for deferral or recovery. Within the half year accounts a bad-debt provision of £2.3 million has been made for non-collection although we will strive to collect all outstanding amounts whether provided for or not, and we will only waive rent in exceptional and well merited circumstances.

As might be expected, the Company's rent receipt experience was not uniform across sectors, as demonstrated by the tables below showing the latest positions for Quarter 2 (March billing) and Quarter 3 (June billing), with industrials leading the way and 'Other' (principally leisure) lagging. With cinema rent accounting for 44% of the Company's 'Other' sector income (approximately 6% of total contracted income) we are in regular touch with our two cinema operators to both help them, and the Company, and provide us with a better understanding of their view on the medium term outlook for the cinema business, with both remaining confident about future prospects.

Sector	Q3 Rent collection	Q2 Rent collection
Industrial	89%	85%
Office	87%	93%
Retail	73%	75%
Alternative	33%	36%
Total	77%	77%

Eldon House
City of London – SOLD

INVESTMENT MANAGER'S REVIEW
Continued

The Company has low tenant income concentration from its diverse tenant mix of 201 tenancies across 37 assets, with its top tenant, B&Q, accounting for 5.8% of contracted rental income. Overall, occupancy of the portfolio reduced marginally to 90% as at 30 June 2020, predominantly due to the expiry of the lease at Network House in Hemel Hempstead where we are exploring change of planning use for mixed uses. Approximately 60% of the Company's void is in the favoured industrial sector where we have continued to see good tenant interest despite the unprecedented economic conditions.

Asset management highlights within the period included:

- Agreeing a 10 year reversionary lease with Rhenus Logistics at its 74,500 sq ft industrial unit in Cannock. This created a 14 year unbroken lease subject to fixed rental uplifts in 2024 and 2029 at a rent of £667,680 per annum.
- Signing a new 10 year lease at the M8 Interlink industrial property on the edge of Glasgow to M. Markovitz at a rent of £150,000 per annum, 8% ahead of ERV. The lease is subject to a tenant break in year five, a nine month rent free period, and the completion of landlord works to the unit.

XDock 377, Magna Park
Lutterworth

Newton's Court, Dartford

- A new 10 year reversionary lease from December 2020 with Gisela Graham at Newton's Court, a business and industrial park in Dartford, at a minimum rent of £196,000 per annum. The current lease was due to expire in December 2020 and we have inserted a rent review at that point when we would expect to see a significant uplift in the passing rent. A six month rent free period was granted from March to September, also assisting the tenant through the COVID-19 lockdown period.
- A new five year reversionary lease from June 2020 was agreed with Inspired Gaming (UK) Ltd at the Company's Ventura Park industrial / warehouse asset in Radlett at a rent of £327,624 per annum. The lease has a break option in year three and a lower annual rent of £246,000 for the first year payable in lieu of a three month rent free period.
- In addition at Ventura Park, Radlett, Unit D was let to Express Logistics on a 10 year lease subject to a tenant break option at year five. The rent of £177,914 per annum equates to £11 per sq ft helping to push on the ERVs at the park.
- Completed a dilapidations settlement with the outgoing tenant at XDock 377, Magna Park, Lutterworth, with a cash receipt of £3.4m. The asset has been comprehensively refurbished and is available to let.
- Settling two rent reviews at Dolphin Estate in Sunbury. We continue to see good rental growth in the urban logistics assets and the settlement figure of £388,500 showed a 33% uplift on the previous passing rent.

Significant asset management after the period-end:

In September the Company fully let its largest void, the 377,070 sq ft XDock 377 logistics unit at Magna Park in Lutterworth, to Armstrong Logistics, a pan-European distribution company. As a result, and all else being equal, the Company's portfolio void rate is reduced to 6.5% from the 30 June 2020 figure of 10%. Armstrong Logistics have signed a 15.5-year lease with open market rent reviews at £6.50 per sq ft, in line with ERV, which will add a further £2.45 million of annualised income to the Company's rent roll after incentives. Armstrong Logistics is a key UK logistics partner to ALDI, delivering around one third of the ambient goods on ALDI's store shelves and working with over 100 of ALDI's key suppliers across the world.

12.9%

We forecast a 12.9% GDP contraction in 2020

7.7%

We forecast a growth of 7.7% in GDP in 2021

Environmental, Social and Governance (ESG)

The Company has recently released an ESG brochure "Dialling up the Integration of ESG" which is available on the company website. The company was first in its GRESB peer group for ESG performance and obtained a Gold Star from EPRA for ESG reporting. We continue to see reductions in landlord electricity usage and greenhouse gas emissions and 100% of waste is now diverted from landfill.

Specific ESG activities have included ongoing investigations into installing photovoltaics at large format industrial and retail assets and using communal areas in our leisure assets for community events and charitable fund raising.

Investment Outlook

Predicting GDP accurately in this environment, which feeds heavily into our property forecasts, is not an easy task. Our GDP expectations for the calendar year 2020 forecast a 12.9% contraction followed by growth of 7.7% in 2021. These forecasts come with a high degree of uncertainty given the environment – indeed our base case stated here comes with a probability well below 50%. Aside from COVID-19, the lack of progress in Brexit negotiations is an additional downside risk, with a disruptive 'no deal' outcome accentuating this further.

The universe of assets where investors can have confidence in the robustness of income, and the stability of rental values and yields, has narrowed considerably and price transparency remains low. In several sectors, until pricing adjusts materially to reflect and potentially overshoot the increased risk to income and values, it is difficult to identify the opportunity and invest. This contrasts with a resurgent competitive tension for that narrower band of assets where investors can have confidence in the robustness of income, and the stability of rental and capital values, linked to a relative scarcity of genuinely good product.

Investor interest for logistics and industrials is expected to continue as the structural shift to online shopping remains supportive of logistics. Larger inventories to create a greater buffer within existing supply chains are the simplest near-term solution to the risk of COVID-19 and Brexit-related disruption – and will require more warehousing for storage. The structural changes benefitting the logistics sector have been to the detriment of the retail sector, where outside of standalone food stores and DIY units, the investment market remains challenging. Whilst the outlook for the office sector remains uncertain at this stage, overseas capital continues to selectively acquire office assets in the UK with a particular focus on larger lot sizes in Central London. Selectivity is crucial with the office sector and a greater focus must be placed on asset-specific qualities. Newer properties with the right level of amenity provision and good connectivity are likely to outperform older and less competitive stock.

The investment market has experienced a noticeable slowdown this year, but there are tentative signs that the market is beginning to show some signs of recovery. With the economic backdrop remaining uncertain, long secure income, industrials and logistics as well as selective alternative sectors will remain highly sought after. Income in the private rented residential sector has historically been, and is once again, more resilient during periods of economic distress. While available stock is limited, for those less concerned by the lower yield profile, the durable, repeatable cash flows, and strong risk-adjusted returns, remain attractive for many in what is set to be a low return environment.

B&Q
Romford

Portfolio Strategy

Your Company aims to deliver an attractive level of income, together with the potential for capital and income growth, through investment in a diversified UK commercial property portfolio. In the short term, caused by the onset of COVID-19, income has been under pressure and it will be many months, if not longer, before more certainty can be applied to rental income projections. The Company's heavy weighting towards the industrial and logistics sector places it in a stronger position than many as most tenants involved in distribution are benefitting from robust trade, as more goods are purchased online and so demand for distribution increases. Nevertheless not all tenants in that sector are immune from cash flow difficulties.

Letting vacant space is an integral part of our asset management strategy given the benefits to net income generation. Given the current uncertain environment we will continue to engage with tenants and where appropriate look to extend lease duration in return for rent assistance through incentives or rebased rents.

Maldron Hotel
Newcastle

Emerald Park East, Bristol

Strategically, whilst the Company has successfully been reducing its retail exposure since 2015, we will continue to consider opportunities to make further retail disposals in the right circumstances. There continues to be a delicate balance between declining retail value risk and what is becoming a better yielding sector. However the acceleration of structural market changes, which are benefitting the industrial-logistics sector, also accelerate the demise of obsolescent retail and place further pressure on the level of all market rents. Determining where rents will bottom out remains a hazy science even in the relatively more successful retail park segment of the market where the Company has the majority of its retail exposure. In considering the prospects for the Company's retail assets we mix a view on future trade and the ability of our tenants to turn a profit from a location with an appreciation of any underpin or bonus value from a potential alternative underlying use. With the strength of the Company's balance sheet in mind, and the significant capital it has available to invest, we are actively watching for investment opportunities. We are targeting what may loosely be referred to as, 'modern economy assets'. By this we mean property which is structurally appropriate and in demand for life and society in the 2020s, where most significantly town centre shopping and working life has been, and is, changing. In other words, property investments which are fit for purpose in a highly disrupted environment and which can adapt to and benefit from this transformation.

Needless to say these investments will match our focus on sustainable income streams from assets situated in vibrant economies with strong demographic or structural drivers, and be accretive to recurring dividend cover.

There is much talk of the potential for distressed pricing however, at present, other than in parts of the retail market, there has not been a real trigger requiring investors to sell assets with a strong income trajectory at significantly discounted prices. It is important not to be wooed by the prospect of a seemingly attractive income yield in a precarious asset but we are watchful for markers of potential discounting. For instance increased activity around open-ended property funds as they come closer to 'opening' and the attitude of banks on financial covenants within more highly geared property investment vehicles. And whilst there is, rightly so, tremendous focus on COVID-19 at present we are acutely aware the outcome of Brexit is fast approaching; this brings further risk but also the potential for discounting acting as a further selling trigger for certain vehicles should investment attitudes to risk adjust.

The Company is in robust shape with a good portfolio allocation weighted towards urban and regional industrial distribution, with no exposure to shopping centres, a small underweight Central London office position and no investment in City of London or Docklands offices. On top of this is a strong balance sheet and the flexibility and capital to invest.

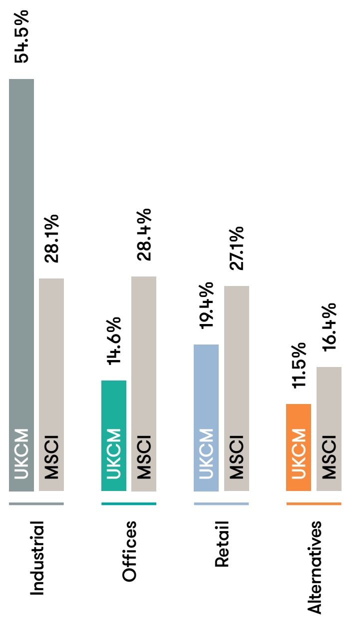
Will Fulton
Fund Manager
23 September 2020

2020 PORTFOLIO ANALYSIS
(all figures as at 30 June 2020)

LEASE EXPIRY PROFILE

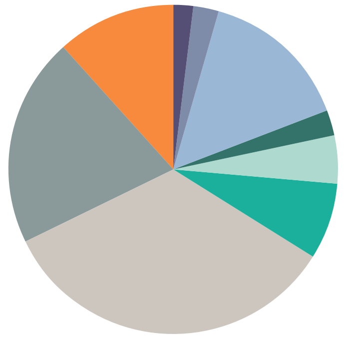
	UKCM	Benchmark
0–1yr	5.6%	11.3%
1–2yrs	7.1%	8.8%
2–3yrs	3.9%	8.7%
3–5yrs	15.3%	16.5%
5–10yrs	37.3%	22.5%
10–15yrs	13.0%	9.0%
>15yrs	17.8%	23.2%

SECTOR SPLIT VS MSCI BENCHMARK
(based on market value)



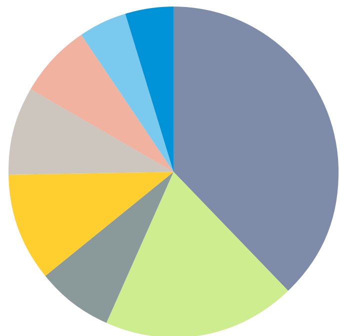
PORTFOLIO SPLIT BY SUB SECTOR

Industrials — South East	34.0%
Industrials — Rest of UK	20.5%
Retail Warehouses	14.8%
Alternatives	11.5%
Offices — Rest of UK	7.4%
Offices — Rest of South East	4.8%
Offices — West End	2.4%
Standard Retails — Rest of UK	2.4%
Standard Retails — South East	2.2%



PORTFOLIO SPLIT BY GEOGRAPHY

South East	38.0%
London	18.8%
Scotland	10.5%
West Midlands	8.8%
South West	7.5%
East Midlands	7.0%
Yorks/Humber	4.9%
North East	4.5%



TOP 10 TENANTS BY PASSING RENT
33.6% of passing rent

#01 **B&Q PLC**
Retail Warehouse
5.8% of passing rent
MSCI risk band: Negligible

#02 **OCADO RETAIL LIMITED**
Industrial
5.0% of passing rent
MSCI risk band: Low

#03 **TOTAL E&P UK LIMITED**
Industrial
3.5% of passing rent
MSCI risk band: Low

#04 **ODEON CINEMAS LIMITED**
Alternatives
3.1% of passing rent
MSCI risk band: Low

#05 **DSG RETAIL LIMITED**
Retail Warehouse
3.0% of passing rent
MSCI risk band: Low

#06 **PUBLIC SECTOR**
Office
2.8% of passing rent
MSCI risk band: Negligible

#07 **WARNER BROS LIMITED**
Industrial
2.8% of passing rent
MSCI risk band: Low

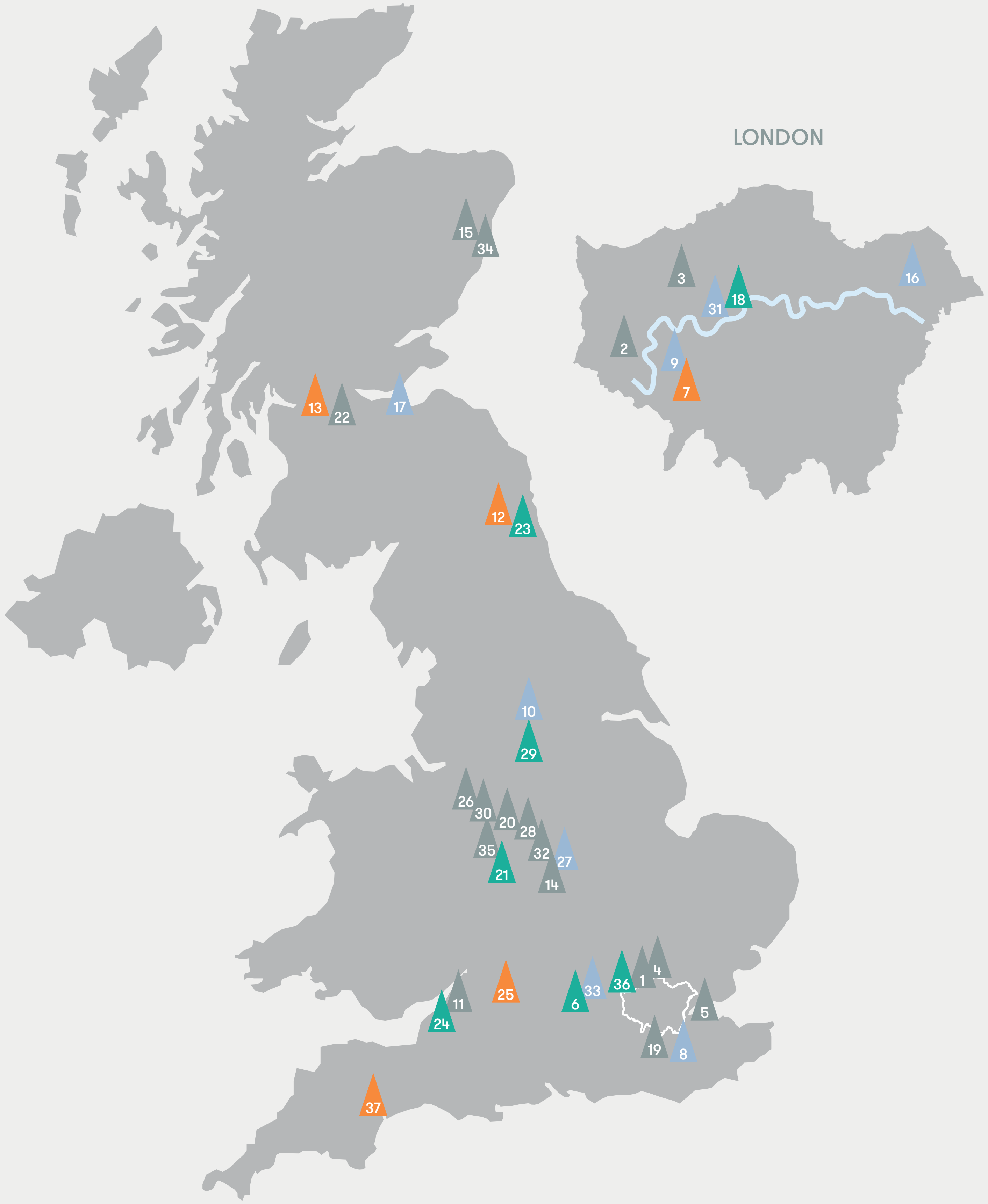
#08 **DALATA GROUP PLC**
Alternatives
2.6% of passing rent
MSCI risk band: High

#09 **CINEWORLD ESTATES LIMITED**
Alternatives
2.6% of passing rent
MSCI risk band: Low

#10 **PALLETFORCE LIMITED**
Industrial
2.4% of passing rent
MSCI risk band: Medium High

PROPERTY PORTFOLIO

As at 30 June 2020



	PROPERTY	Tenure	Sector	Principal Tenant	Value Range
1	Ventura Park, Radlett	Freehold	Industrial	Warner Bros Studios Limited	Over £70m (representing 16% of the portfolio capital value)
2	Dolphin Estate, Sunbury on Thames	Freehold	Industrial	Trans Global Freight Management Ltd	
3	Hannah Close, London, NW10	Leasehold	Industrial	Amazon UK Services Limited	£50m – £70m (representing 20% of the portfolio capital value)
4	Ocado Distribution Unit, Hatfield Business Area, Hatfield	Freehold	Industrial	Ocado Ltd	
5	Newton's Court, Dartford	Freehold	Industrial	Compagnie Fruitiere UK Limited	
6	The White Building, Reading	Freehold	Office	Workday (UK) Ltd	
7	The Rotunda, Kingston upon Thames	Freehold	Alternatives	Odeon Cinemas Ltd	£30m – £50m (representing 28% of the portfolio capital value)
8	Great Lodge Retail Park, Tunbridge Wells*	Freehold	Retail Warehouse	B&Q Plc	
9	Kew Retail Park, Richmond	Freehold	Retail Warehouse	TK Maxx Ltd	
10	Junction 27 Retail Park, Birstall, Leeds	Freehold	Retail Warehouse	DSG Retail Ltd	
11	Emerald Park East, Emersons Green, Bristol	Freehold	Industrial	Knorr-Bremse Systems Ltd	
12	Maldron Hotel, Newcastle	Leasehold	Alternatives	Dalata Group plc	
13	Cineworld Complex, Glasgow	Freehold	Alternatives	Cineworld	
14	XDock 377, Magna Park, Lutterworth	Leasehold	Industrial	Vacant (let to Armstrong Logistics post period end)	
15	Total, Aberdeen Gateway, Aberdeen	Freehold	Industrial	Total E&P UK Ltd	
16	B&Q, Roneo Corner, Romford	Freehold	Retail Warehouse	B&Q Plc	£20m – £30m (representing 25% of the portfolio capital value)
17	81/85 George Street, Edinburgh	Freehold	High St, Retail	Clydesdale Bank plc	
18	Craven House, Fouberts Place, London, W1	Freehold	Office	Molinaire Ltd	
19	Gatwick Gate Industrial Estate, Crawley	Freehold	Industrial	International Logistics Group Ltd	
20	Centrum 260, Burton on Trent	Freehold	Industrial	Palletforce plc	
21	Colmore Court, 9 Colmore Row, Birmingham	Leasehold	Office	BNP Paribas	
22	M8 Industrial Estate, Glasgow	Freehold	Industrial	Boots UK Ltd	
23	Central Square Offices, Forth Street, Newcastle Upon Tyne	Freehold	Office	Ove Arup & Partners	
24	No 2 Temple Quay, Bristol	Freehold	Office	Public Sector	
25	Regent Circus, Swindon	Freehold	Alternatives	WM Morrison Supermarkets Plc	
26	Dalewood Road, Newcastle Under Lyme	Freehold	Industrial	TK Maxx Ltd	
27	St Georges Retail Park, Leicester	Freehold	Retail Warehouse	DSG Retail Ltd	
28	Tetron Point, Swadlincote	Freehold	Industrial	Clipper Logistics Plc	Below £20m (representing 11% of the portfolio)
29	Hartshead House, Sheffield	Freehold	Office	Capita Business Services Ltd	
30	Whittle Road, Stoke on Trent	Freehold	Industrial	Bestway Pharmacy NDC Limited	
31	140–146 King's Road, London, SW3	Freehold	High St, Retail	French Connection UK Ltd	
32	Interlink Way West, Bardon	Freehold	Industrial	Roca Ltd	
33	14–22 West Street, Marlow	Freehold	High St, Retail	Sainsbury's Supermarket Ltd	
34	Tetra, Aberdeen Gateway, Aberdeen	Freehold	Industrial	Tetra Technologies UK Ltd	
35	Watling Street, Cannock	Freehold	Industrial	Rhenus Logistics Limited	
36	Network House, Hemel Hempstead	Freehold	Office	Vacant	
37	Exeter University Student Accommodation – Funding	Freehold	Alternatives	N/a	

Overall number of properties	37
Total number of tenancies	201
Total average property value	£33.0m
Total floor area	6,015,395 sq ft
Freehold / Leasehold (leases over 100 years)	87% / 13%

Key: Industrial Office Retail Alternatives

*Sold post year end

BOARD OF DIRECTORS AND MANAGEMENT TEAM

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

BOARD OF DIRECTORS

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

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

Robert Fowlds, Non-executive Director, is a resident of the UK. Mr Fowlds is a Chartered Surveyor and worked in the listed Real Estate Sector for c.30 years. He retired in 2015 as Managing Director & Head of Real Estate Investment Banking for UK & Ireland at J.P. Morgan Cazenove, where in 10 years he doubled the size of the franchise. Prior to his career in Corporate Finance, he was Co-Head of Pan-European Real Estate Equity Research at Merrill Lynch, and previously Kleinwort Benson. His first career was as a Chartered Surveyor specialising in UK investment and development markets. Mr Fowlds now consults for a few leading real estate organisations, and was appointed to the Board on 1 April 2018. He was also appointed to the Supervisory Board of Klepierre S.A. on 24 April 2018, and appointed a Non-Executive Director of LondonMetric Property Plc on 31 January 2019. He was a member of the EPRA Board until 2012.

Sandra Platts, Chair of the Management Engagement Committee and Nomination and Remuneration Committee, is a resident of Guernsey and is a non-executive director of Investec Bank (C.I.) Ltd and Starwood European Finance Partners Ltd. Mrs Platts 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. Mrs Platts 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.

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

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

MANAGEMENT TEAM

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

Tom Elviss, Deputy Fund Manager, has an MA from Edinburgh University and an MSc from the University of Northumbria and started his career at JLL in London. After 6 years working in investment agency, Tom joined Scottish Widows Investment Partnership in June 2011 as an investment manager, before being appointed deputy fund manager for a £2.3 billion Institutional Fund in 2014, with responsibility for transactions, asset management, risk reporting and strategy. Tom was appointed deputy fund manager for UKCM in August 2019.

Graeme McDonald 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 Mr McDonald 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, Mr McDonald transferred to Aberdeen working on both investment trusts and Venture Capital trusts. In 2009 Mr McDonald joined Scottish Widows Investment Partnership as 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 UKCM. Mr McDonald transferred over to Standard Life Investments in October 2014.

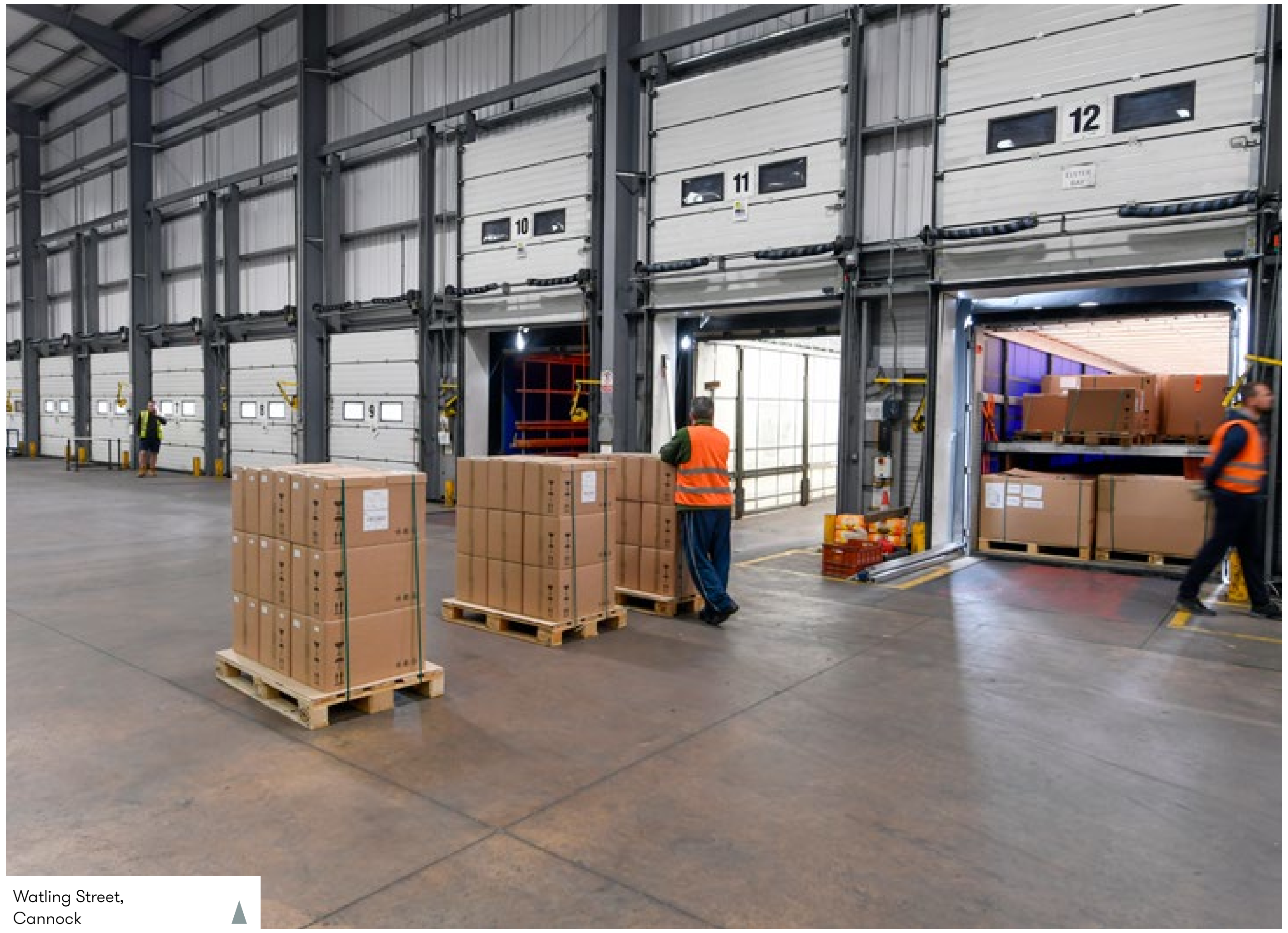
PRINCIPAL RISKS AND UNCERTAINTIES

The Group's assets consist of direct investments in UK commercial property. Its principal risks are therefore related to the UK commercial property market in general, but also the particular circumstances of the properties in which it is invested and their tenants. Other risks faced by the Group include those relating to strategy, investment & asset management, macroeconomics & finance, operations, regulation and shareholder engagement. These risks, and the way in which they are mitigated and managed, are described in more detail under the heading Principal Risks and Uncertainties within the Report of the Directors in the Company's Annual Report for the year ended 31 December 2019, published in June 2020, on pages 26 to 33. Having reviewed the principal risks, including the ongoing impact of COVID-19 and Brexit, the Board believes that the Group's principal risks and uncertainties have not changed materially since the date of that report but this will be kept under review.

GOING CONCERN

Having reviewed the principal risks and uncertainties, including the impact of COVID-19 and Brexit, the Board believes the Company has adequate resources to continue in operational existence for the foreseeable future. The Board therefore believes it is appropriate to adopt the going concern basis in preparing the financial statements.

Dalewood Road,
Newcastle Under Lyme



Watling Street,
Cannock

STATEMENT OF DIRECTORS' RESPONSIBILITIES
in respect of the half yearly financial report to 30 June 2020

We confirm that to the best of our knowledge:

- The condensed set of half yearly financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting", and give a true and fair view of the assets, liabilities, financial position and return of the Company.
- The half yearly Management Report includes a fair value review of the information required by:

  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the company during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board

Ken McCullagh
Chair
23 September 2020

HALF YEARLY CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 30 June 2020

	Notes	Half year ended 30 June 2020 (unaudited) £'000	Half year ended 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
REVENUE				
Rental income		34,941	35,777	71,754
Service charge income		3,355	2,430	6,234
(Losses)/gains on investment properties and disposal of subsidiaries	2	(79,611)	558	(43,094)
Interest income		136	152	238
Total Income		(41,179)	38,917	35,132
EXPENDITURE				
Investment management fee		(4,074)	(4,405)	(8,700)
Direct property expenses		(2,318)	(2,381)	(4,226)
Service charge expenses		(3,355)	(2,430)	(6,234)
Other expenses		(3,798)	(2,888)	(5,222)
Total expenditure		(13,545)	(12,104)	(24,382)
Net operating (Loss)/profit before finance costs		(54,724)	26,813	10,750
FINANCE COSTS				
Finance costs		(4,032)	(4,186)	(8,359)
Loss on derecognition of interest rate swap		—	(703)	(703)
		(4,032)	(4,889)	(9,062)
Net (Loss)/profit from ordinary activities before taxation		(58,756)	21,924	1,688
Taxation on profit on ordinary activities	9	—	—	(45)
Net (Loss)/profit for the period	4	(58,756)	21,924	1,643
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS				
Gain arising on effective portion of interest rate swap		—	703	703
Loss arising on effective portion of interest rate swap		—	(1)	(1)
Other comprehensive income		—	702	702
Total comprehensive income for the year		(58,756)	22,626	2,345
Basic and diluted earnings per share	3	(4.52)p	1.69p	0.13p
EPRA earnings per share		1.60p	1.70p	3.50p

HALF YEARLY CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Notes	30 June 2020 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000	30 June 2019 (unaudited) £'000
NON-CURRENT ASSETS				
Investment properties	2	1,199,059	1,309,541	1,404,363
Interest rate swap		—	—	—
		1,199,059	1,309,541	1,404,363
CURRENT ASSETS				
Investment properties held for sale		—	48,850	36,275
Trade and other receivables		43,736	30,262	26,617
Cash and cash equivalents		122,816	48,984	26,851
		166,552	128,096	89,743
Total assets		1,365,611	1,437,637	1,494,106
CURRENT LIABILITIES				
Trade and other payables		(27,522)	(23,046)	(25,227)
Interest rate swap		—	—	—
		(27,522)	(23,046)	(25,227)
NON-CURRENT LIABILITIES				
Bank loan		(247,633)	(247,447)	(257,544)
Interest rate swap		—	—	—
		(247,633)	(247,447)	(257,544)
Total liabilities		(275,155)	(270,493)	(282,771)
Net assets	6	1,090,456	1,167,144	1,211,335
REPRESENTED BY				
Share capital		539,872	539,872	539,872
Special distributable reserve		569,998	567,075	567,614
Capital reserve		(19,414)	60,197	103,849
Revenue reserve		—	—	—
Shareholders' funds		1,090,456	1,167,144	1,211,335
Net asset value per share		83.9p	89.8p	93.2p
EPRA Net asset value per share		83.9p	89.8p	93.2p

HALF YEARLY CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 June 2020

HALF YEAR ENDED 30 JUNE 2020 (UNAUDITED)	Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Interest Rate Swap Reserve £'000	Equity Shareholders' Funds £'000
At 1 January 2020		539,872	567,075	60,197	—	—	1,167,144
Net Loss for the period		—	—	—	(58,756)	—	(58,756)
Other comprehensive income		—	—	—	—	—	—
Total comprehensive income		—	—	—	(58,756)	—	(58,756)
Dividends paid	7	—	—	—	(17,932)	—	(17,932)
Transfer in respect of (losses) on investment property		—	—	(79,611)	79,611	—	—
Transfer from special distributable reserve		—	2,923	—	(2,923)	—	—
As at 30 June 2020		**539,872**	**569,998**	**(19,414)**	**—**	**—**	**1,090,456**

FOR THE YEAR ENDED 31 DECEMBER 2019 (AUDITED)	Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Interest Rate Swap Reserve £'000	Equity Shareholders' Funds £'000
At 1 January 2019		539,872	570,158	103,291	—	(702)	1,212,619
Net Profit for the period		—	—	—	1,643	—	1,643
Other comprehensive income		—	—	—	—	702	702
Total comprehensive income		—	—	—	1,643	702	2,345
Dividends paid	7	—	—	—	(47,820)	—	(47,820)
Transfer in respect of (losses) on investment property		—	—	(43,094)	43,094	—	—
Transfer from special distributable reserve		—	(3,083)	—	3,083	—	—
As at 31 December 2019		**539,872**	**567,075**	**60,197**	**—**	**—**	**1,167,144**

HALF YEAR ENDED 30 JUNE 2019 (UNAUDITED)	Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Interest Rate Swap Reserve £'000	Equity Shareholders' Funds £'000
At 1 January 2019		539,872	570,158	103,291	—	(702)	1,212,619
Net Profit for the period		—	—	—	21,924	—	21,924
Other comprehensive income		—	—	—	—	702	702
Total comprehensive income		—	—	—	21,924	702	22,626
Dividends paid	7	—	—	—	(23,910)	—	(23,910)
Transfer in respect of gains on investment property		—	—	558	(558)	—	—
Transfer from special distributable reserve		—	(2,544)	—	2,544	—	—
As at 30 June 2019		**539,872**	**567,614**	**103,849**	**—**	**—**	**1,211,335**

HALF YEARLY CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the half year ended 30 June 2020

	Notes	30 June 2020 (unaudited) £'000	30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the period before taxation		(58,756)	21,924	1,688
Adjustments for:				
(Loss)/gains on investment properties	2	79,611	(558)	43,094
Movement in lease incentive	2	(629)	(3,718)	(5,180)
Movement in provision for bad debts		(1,863)	(74)	(236)
(Increase)/Decrease in operating trade and other receivables		(11,611)	940	(1,081)
Increase/(Decrease) in operating trade and other payables		5,697	(8,731)	(13,503)
Finance costs		4,032	4,186	8,359
Loss on derecognition of interest rate swap		—	703	702
Cash generated by operations		16,481	14,672	33,843
Tax paid		(293)	(1,778)	(1,779)
Net cash inflow from operating activities		**16,188**	**12,894**	**32,064**
CASH FLOWS FROM OPERATING ACTIVITIES				
Purchase of investment properties	2	(7,051)	—	—
Sale of investment properties		84,589	1,156	46,250
Capital receipts	2	2,183	(10,386)	(14,692)
Net cash inflow/(outflow) from investing activities		**79,721**	**(9,230)**	**31,558**
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from utilisation of bank loan		—	7,989	—
Facility fee charges		(334)	—	(2,092)
Dividends paid	7	(17,932)	(23,910)	(47,820)
Bank loan interest paid		(3,811)	(3,510)	(7,344)
Payments under interest rate swap arrangement		—	(184)	(184)
Swap breakage costs		—	(703)	(703)
Net cash outflow from financing activities		**(22,077)**	**(20,318)**	**(58,143)**
Net increase/(decrease) in cash and cash equivalents		**73,832**	**(16,654)**	**5,479**
Opening cash and cash equivalents		**48,984**	**43,505**	**43,505**
Closing cash and cash equivalents		**122,816**	**26,851**	**48,984**
REPRESENTED BY				
Cash at bank		23,765	16,968	25,453
Money market funds		99,051	9,883	23,531
		122,816	**26,851**	**48,984**

The accompanying notes are an integral part of this statement.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard ('IFRS') IAS 34 'Interim Financial Reporting' and, except as described below, the accounting policies set out in the statutory accounts of the Group for the year ended 31 December 2019.

The condensed consolidated financial statements do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2019, which were prepared under full IFRS requirements.

2. INVESTMENT PROPERTIES

FREEHOLD AND LEASEHOLD PROPERTIES	£'000
Opening valuation	1,358,391
Purchases at cost	7,051
Net capital receipts	(2,183)
Loss on revaluation to fair value	(77,762)
Disposal at prior year valuation	(85,810)
Adjustment for lease incentives	(628)
Total fair value at 30 June 2020	1,199,059
Less: reclassified as held for sale	—
Fair value as at 30 June 2020	1,199,059

GAINS ON INVESTMENT PROPERTIES AT FAIR VALUE COMPRISE	
Valuation losses	(77,762)
Movement in provision for lease incentives	(628)
Loss on disposal	(1,221)
	(79,611)

3. BASIC AND DILUTED EARNINGS PER SHARE

The earnings per ordinary share are based on the net loss for the period of £58,756,000 (30 June 2019 net profit of £21,923,000) and 1,299,412,465 (30 June 2019: 1,299,412,465) Ordinary Shares, being the weighted average number of shares in issue during the period.

4. EARNINGS

Earnings for the period to 30 June 2020 should not be taken as a guide to the results for the year to 31 December 2020.

5. SHARES

As at 30 June 2020 the total number of shares in issue is 1,299,412,465 (30 June 2019: 1,299,412,465).

6. NET ASSET VALUE

The net asset value per ordinary share is based on net assets of £1,090,456,000 (30 June 2019: £1,211,335,000) and 1,299,412,465 (30 June 2019: 1,299,412,465) ordinary shares.

7. DIVIDENDS

PERIOD TO 30 JUNE 2020	£'000
2019 Fourth interim of 0.92p per share paid 28 February 2020 (2018 Fourth interim: 0.92p)	11,955
2020 First interim of 0.46p per share paid 29 May 2020 (2019 First interim: 0.92p)	5,977
	17,932

8. 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.

Aberdeen Standard Fund Managers Limited received fees for their services as investment managers. The total management fee charged to the Statement of Comprehensive Income during the period was £4,073,570 (30 June 2019: £4,405,000 of which £2,013,705 (30 June 2019: £2,217,000) remained payable at the period end.

The Directors of the Company are deemed as key management personnel and received fees for their services. Total fees for the period were £138,278 (30 June 2019: £184,000) of which £Nil (30 June 2019: £Nil) was payable at the period end.

All Directors agreed to a 20% reduction in their quarterly fees from 1 April 2020 to 31 December 2020.

The Group invests in the Aberdeen Standard Investments Liquidity Fund which is managed by Aberdeen Standard Investments. As at 30 June 2020 the Group had invested £99.1 million in the Fund (30 June 2019: £9.8 million). No additional fees are payable to Aberdeen Standard Investments as a result of this investment.

9. TAXATION

	£'000
Net loss from ordinary activities before tax	(58,756)
UK corporation tax at a rate of 19 per cent	—
Effects of:	
UK REIT exemption on rental profits and gains	—
Total tax charge	—

The Group operates as a UK REIT, therefore the income profits of the Group's UK property rental business are exempt from corporation tax as are any gains it makes from the disposal of its properties, provided they are not held for trading or sold within three years of completion of development. The Group is otherwise subject to UK corporation tax at the prevailing rate.

As the principal company of the REIT, the Company is required to distribute at least 90% of the income profits of the Group's UK property rental business. There are a number of other conditions that also are required to be met by the Company and the Group to maintain REIT tax status. These conditions were met in the period and the Board intends to conduct the Group's affairs such that these conditions continue to be met for the foreseeable future.

10. 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.

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 set out in the statutory accounts of the Group for the year ended 31 December 2019. The Board, through its Risk committee, has undertaken a thorough review of these risks and believe they have not changed materially from those set out in the 2019 statutory accounts which encompassed the risks that have arisen as a result of COVID-19.

Fair value hierarchy

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

Explanation of the fair value hierarchy:

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

30 June 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Investment properties	—	—	1,199,059	1,199,059

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

The fair value of investment properties is calculated using unobservable inputs as set out in the statutory accounts of the Group for the year ended 31 December 2019.

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

30 June 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Loan Facilities	—	271,889	—	271,889

The lowest level of input is the interest rate applicable to each borrowing as at the balance sheet date which is a directly observable input.

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

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

30 June 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Trade and other receivables	—	43,736	—	43,736
Trade and other payables	—	27,522	—	27,522

The carrying amount of trade and other receivables and payables is equal to their fair value, due to the short-term maturities of these instruments. Expected maturities are estimated to be the same as contractual maturities.

There have been no transfers between levels of the fair value hierarchy during the period.

11. FINANCING

The Company has fully utilised the £100 million facility, which is due to mature in April 2027, with Barings Real Estate Advisers (previously Cornerstone Real Estate Advisers LLP).

The Company has fully utilised the £100 million facility, which is due to mature in February 2031, with Barings Real Estate Advisers.

The Company has in place a £150 million revolving credit facility with Barclays Bank Plc of which £50m (30 June 2019: £60m) was utilised at the period end.

12. SUBSIDIARY UNDERTAKINGS

The Company owns 100 per cent of the issued ordinary share capital of UK Commercial Property Finance Holdings Limited (UKCFH), a company incorporated in Guernsey, whose principal business is to hold and manage investment properties for rental income.

UKCFH 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 to hold and manage investment properties for rental income.

UKCFH 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 to hold and manage investment properties for rental income.

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

The Company owns 100 per cent of the issued share capital of UK Commercial Property Estates Holdings Limited (UKCPEH), a company incorporated in Guernsey, whose principal business is to hold and manage investment properties for rental income.

UKCPEH Limited owns 100 per cent of the issued share capital of UK Commercial Property Estates Limited, a company incorporated in Guernsey, whose principal business is to hold and manage investment properties for rental income.

UKCPEH also owns 100 per cent of Brixton Radlett Property Limited and UK Commercial Property Estates (Reading) Limited, companies incorporated in UK, whose principal business is to hold and manage investment properties for rental income.

UKCPT Limited Partnership, (GLP), is a Guernsey limited partnership. 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.

In addition, the Group wholly owns four Jersey Property Unit Trusts (JPUTs) namely Junction 27 Retail Unit Trust, St Georges Leicester Unit Trust, Kew Retail Park Unit Trust, and Rotunda Kingston Property Unit Trust. The principal business of the Unit Trusts is that of investment in property.

13. POST BALANCE SHEET EVENTS

On 9 September 2020, the Company announced the letting of its largest void unit at XDock 377, Lutterworth to Armstrong Logistics on a 15 year lease.

On 10 September 2020, the Company announced the sale of Great Lodge Retail Park, Tunbridge Wells for £46.25 million.

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

The Company has appointed Aberdeen Standard Fund Managers Limited as its alternative investment fund manager and Citibank Europe Plc as its depositary under the AIFMD. AIFMD requires Aberdeen Standard Fund Managers Limited, as the alternative investment fund manager ("AIFM") of UK Commercial Property REIT Limited, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under AIFMD are published in the Company's PIDD, which can be found on its website. The periodic disclosures required to be made by the AIFM under AIFMD are set out on page 100 of the 2019 Annual Report.

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

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

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

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

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

KEEPING YOU INFORMED

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

Details of the Company may also be found on the Company's own dedicated website at: ukcpreit.com. This provides information on the Company's share price performance, capital structure, stock exchange announcement and an Investment Manager's monthly factsheet. Alternatively you can call 0808 500 0040 (free when dialing from a UK landline) for Company information.

If you have any questions about your Company, the Investment Manager or performance, please telephone the Customer Services Department (direct private investors) on 0808 500 0040. Alternatively, please send an email to inv.trusts@aberdeenstandard.com or write to Aberdeen Standard Investments, PO Box 11020, Chelmsford, Essex CM99 2DB.

In the event of queries regarding holding of shares, lost certificates, dividend payments, or registered details, shareholders holding their shares in the Company directly should contact the registrars, Computershare Investor Services (Guernsey) Limited on 0370 707 4040 or by writing to the address on page 38. Calls may be recorded and monitored randomly for security and training purposes. Changes of address must be notified to the registrars in writing.

HOW TO INVEST IN THE COMPANY

Individual investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through Aberdeen Standard Investments' Plan for Children, Investment Trust Share Plan or Investment Trust ISA.

ABERDEEN STANDARD INVESTMENTS PLAN FOR CHILDREN

Aberdeen Standard Investments runs an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including the Company. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to the eligibility criteria as stated within the terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing Aberdeen Standard Investments in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

ABERDEEN STANDARD INVESTMENTS TRUST SHARE PLAN

Aberdeen Standard Investments runs a Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing Aberdeen Standard Investments in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

ABERDEEN STANDARD INVESTMENTS TRUST ISA

Aberdeen Standard Investments operates an Investment Trust ISA ("ISA") through which an investment may be made of up to £20,000 in the tax year 2020/2021.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Investors have full voting and other rights of share ownership. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA TRANSFER

You can choose to transfer previous tax year investments to the Aberdeen Standard Investments Trust ISA which can be invested in the Company while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per trust of £250.

LITERATURE REQUEST SERVICE

For literature and information on the Investment Plan for Children, Share Plan, ISA or ISA Transfer including application forms for the Company and the Manager's investment trust products, please contact:

Aberdeen Standard Investments Trust Administration
PO Box 11020
Chelmsford
Essex, CM99 2DB
Telephone: 0808 500 00 40
(free when dialling from a UK landline)

Terms and conditions for the Aberdeen Standard Investments managed savings products can also be found under the literature section of www.invtrusts.co.uk.

ONLINE DEALING DETAILS

Investor information

There are a number of other ways in which you can buy and hold shares in this investment company.

Online dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers, which can be found through internet search engines, include:

AJ Bell Youinvest; Alliance Trust Savings; Barclays Stockbrokers/Smart Investor; Charles Stanley Direct; Equiniti/Shareview; Halifax Share Dealing; Hargreaves Lansdown; iDealing; Interactive Investor/TD Direct; EQi; The Share Centre; Stocktrade.

Discretionary private client stockbrokers

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

Independent Financial Advisers

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

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:

Tel: 0800 111 6768 or at
https://register.fca.org.uk/s/
email: register@fca.org.uk

EFFECT OF REIT STATUS ON PAYMENT OF DIVIDENDS

REITs do not pay UK corporation tax in respect of rental profits and chargeable gains relating to property rental business. However, REITs are required to distribute at least 90% of their qualifying income (broadly calculated using the UK tax rules) as a Property Income Distribution ("PID").

Certain categories of shareholder may be able to receive the PID element of their dividends gross, without deduction of withholding tax. Categories which may claim this exemption include: UK companies, charities, local authorities, UK pension schemes and managers of PEPs, ISAs and Child Trust Funds.

Further information and the forms for completion to apply for PIDs to be paid gross are available from the Registrar.

Where the Group pays an ordinary dividend, in addition to the PID, this will be treated in the same way as dividends from non-REIT companies.

RETAIL DISTRIBUTION

On 1 January 2014, the FCA introduced rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes (non-mainstream investment products). UK REITs are excluded from these restrictions, therefore the FCA's restrictions on retail distribution do not apply.

Note

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

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

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

CORPORATE INFORMATION

Directors (all non-executive)
Ken McCullagh
Chair

Michael Ayre
Chair of Audit Committee

Sandra Platts
Chair of the Management Engagement Committee and Nomination and Remuneration Committee

Margaret Littlejohns
Chair of the Risk Committee
Senior Independent Director
(appointed as SID on 1 January 2020)

Robert Fowlds
Non-Executive Director

Chris Fry
Chair of Property Valuation Committee

Registered Office
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey
Channel Islands
GY1 3QL

Registered Number
45387

Administrator and Company Secretary
Northern Trust International Fund Administration Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey
Channel Islands
GY1 3QL

Investment Manager and Alternative Investment Fund Manager
Aberdeen Standard Fund Managers Limited
Bow Bells House
1 Bread Street
London
EC4M 9HH

Property Valuer
CBRE Limited
St Martin's Court
10 Paternoster Row
London
EC4M 7HP

Independent Auditors
Deloitte LLP
PO Box 137
Regency Court
Glategny Esplanade
St Peter Port
Guernsey
Channel Islands
GY1 3HW

Guernsey Legal Advisors
Walkers
12–14 New Street
Guernsey
GY1 2PF

UK Legal Advisors and Sponsor
Dickson Minto W.S.
16 Charlotte Square
Edinburgh
EH2 4DF

Maples Teesdale LLP
30 King Street
London
EC2V 8EE

Registrar
Computershare Investor Services (Guernsey) Limited
1st floor
Tudor House
Le Bordage
St Peter Port
Guernsey
Channel Islands
GY1 1DB

Principal Bankers and Lenders
Barclays Bank plc
Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Barings (previously Cornerstone) Real Estate Advisors Europe LLP
Southwest House
11a Regent Street
London
SW1Y 4LR

Corporate P.R. Advisor
FTI Consulting Limited
200 Aldersgate
Aldersgate Street
London
EC1A 4HD

Corporate Broker
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25 Bank Street
Canary Wharf
London
E14 5JP

Depositary
Citibank Europe Plc
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

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Glossary and Alternative Performance Measures

GLOSSARY AND ALTERNATIVE PERFORMANCE MEASURES

AIC	Association of Investment Companies. The trade body representing closed-ended investment companies.
Annual rental income	Cash rents passing at the Balance Sheet date.
Average debt maturity	The weighted average amount of time until the maturity of the Group's debt facilities.
Break option	A break option (alternatively called a 'break clause' or 'option to determine') is a clause in a lease which provides the landlord or tenant with a right to terminate the lease before its contractual expiry date, if certain criteria are met.
Contracted rent	The contracted gross rent receivable which becomes payable after all the occupier incentives in the letting have expired.
Covenant strength	This refers to the quality of a tenant's financial status and its ability to perform the covenants in a Lease.
Dividend	A sum of money paid regularly by the company to its shareholders. The Company currently pays dividends to shareholders quarterly.
Dividend cover	The ratio of the company's net profit after tax (excluding capital items) to the dividends paid.

	Half year ended 30 Jun 20 £'000	Year ended 31 Dec 2019 £'000
Total comprehensive income for the year	(58,756)	2,345
Add back:		
Losses on investment properties	79,611	43,094
Loss arising on interest rate swap	—	1
Non-recurring tax movement	—	45
Profit for dividend cover	20,855	45,485
Dividend paid in the period	17,932	47,820
Dividend cover	116%	95%

Dividend yield	Annual dividend expressed as a percentage of share price.
Earnings per share (EPS)	Profit for the period attributable to shareholders divided by the average number of shares in issue during the period.
EPRA	European Public Real Estate Association. The industry body representing listed companies in the real estate sector.
EPRA Earnings per share	Profit for the period, as defined within EPRA Best Practices Recommendation Guidelines November 2016, divided by the average number of shares in issue during the period.
ERV	The estimated rental value of a property, provided by the property valuers.
ESG	Environmental, Social, and Corporate Governance (ESG) refers to the three central factors in measuring the sustainability and societal impact of an investment.
Fair value	Fair value is defined by IFRS 13 as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'.
Fair value movement	Fair value movement is the accounting adjustment to change the book value of an asset or liability to its market value, and subsequent changes in market value.
Gross gearing	Calculated as gross borrowings divided by total assets less current liabilities (excluding borrowings).

	Half year ended 30 Jun 20 £'000	Year ended 31 Dec 19 £'000
Gross borrowings	250,000	250,000
Total assets	1,365,611	1,437,637
Less current liabilities	(27,522)	(23,046)
	1,338,089	1,414,591
Gross gearing	18.7%	17.7%

Group	UK Commercial Property REIT and its subsidiaries.
IFRS	International Financial Reporting Standards.
Index linked	The practice of linking the review of a tenant's payments under a lease to a published index, most commonly the Retail Price Index (RPI) but also the Consumer Price Index (CPI).
MSCI	An independent organisation supplying an expansive range of regional and global indexes, research, performance modelling, data metrics and risk analytics across direct property, listed and unlisted vehicles, joint ventures, separate accounts and debt.
Lease incentive	A payment used to encourage a tenant to take on a new Lease, for example by a landlord paying a tenant a sum of money to contribute to the cost of a tenant's fit-out of a property or by allowing a rent free period.
MSCI benchmark	Benchmark which includes data relevant to all properties held by funds included in the MSCI UK Balanced Portfolios Quarterly Property Index Benchmark.
NAV	Net Asset Value is the equity attributable to shareholders calculated under IFRS.
NAV total return	The return to shareholders, expressed as a percentage of opening NAV, calculated on a per share basis by adding dividends paid in the period to the increase or decrease in NAV. Dividends are assumed to have been reinvested in the quarter they are paid, excluding transaction costs.
Net gearing	Calculated as net borrowings (gross borrowings less cash) divided by total assets less current liabilities (excluding cash and borrowings).

	Half year ended 30 Jun 20 £'000	Year ended 31 Dec 19 £'000
Gross borrowings	250,000	250,000
Less cash	(122,816)	(48,984)
	127,184	201,016
Total assets	1,365,611	1,437,637
Less cash	(122,816)	(48,984)
Less current liabilities	(27,522)	(23,046)
	1,215,273	1,365,607
Net gearing	10.5%	14.7%

Net initial yield (NIY)	The net initial yield of a property is the initial net income at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.
Ongoing charges	A measure, expressed as a percentage of NAV, of the regular, recurring costs of running an investment company, calculated in line with AIC ongoing charge methodology.
Over-rented	Space where the passing rent is above the ERV.
Passing rent	The rent payable at a particular point in time.
Portfolio fair value	The market value of the company's property portfolio, which is based on the external valuation provided by CBRE Limited.
Portfolio total return	Combining the Portfolio Capital Return (the change in property value after taking account of property sales, purchases and capital expenditure in the period) and Portfolio Income Return (net property income after deducting direct property expenditure), assuming portfolio income is reinvested.
Portfolio yield	Passing rent as a percentage of gross property value.
Premium/Discount to NAV	The difference between the share price and NAV per share, expressed as a percentage of NAV. Premium representing a higher share price compared to NAV per share, discount the opposite.
Property Income Distribution	UK REITs are required to distribute a minimum of 90% of the income from their qualifying property rental business. This distribution is known as a Property Income Distribution ("PID"). PIDs are taxable as UK property income in the hands of tax-paying shareholders.
Rack-rented	Space where the passing rent is the same as the ERV.
REIT	A Real Estate Investment Trust (REIT) is a single company REIT or a group REIT that owns and manages property on behalf of shareholders. In the UK, a company or group of companies can apply for 'UK-REIT' status, which exempts the company from corporation tax on profits and gains from their UK qualifying property rental businesses.
Rent free	A period within a lease (usually from the lease start date on new leases) where the tenant has been granted that they do not have to pay any rent.
Rent review	A rent review is a periodic review (usually five yearly) of rent during the term of a lease. The vast majority of rent review clauses require the assessment of the open market, or rack rental value, at the review date, in accordance with specified terms, but some are geared to other factors, such as the movement in an Index.
Reversionary yield	Estimated rental value as a percentage of the gross property value.
Revolving Credit Facility ("RCF")	A bank loan facility from which funds can be withdrawn, repaid and redrawn again any number of times until the facility expires. As at date of this report UKCM had a RCF of £55 million.
RICS	The Royal Institution of Chartered Surveyors, the global professional body promoting and enforcing the highest international standards in the valuation, management and development of land, real estate, construction and infrastructure.
Share price	The value of each of the company's shares at a point in time as quoted on the Main Market of the London Stock Exchange.
Share price total return	The return to shareholders, expressed as a percentage of opening share price, calculated on a per share basis by adding dividends paid in the period to the increase or decrease in share price. Dividends are assumed to have been reinvested in the quarter they are paid, excluding transaction costs.
Void rate/vacancy rate	The quantum of rent relating to properties which are unlet and generating no rental income. Stated as a percentage of Estimated Rental Value.

UK
Commercial
Property
REIT

ukcpreit.com