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# Interim Report and Accounts

## for the half year ended 30 June 2012



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**Front Cover Image: Portsmouth Motor Park**

# Company Summary

## The Company

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

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

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

## The Group

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

The subsidiaries, UK Commercial Property Holdings Limited (“UKCPH”), UK Commercial Property GP Limited (“The GP”), UK Commercial Property Nominee Limited (“UKCPN”), UK Commercial Property Estates Holdings Limited (“UKCPEH” – formerly known as SCP Group Limited) and UK Commercial Property Estates Limited (“UKCPEL”) are incorporated in Guernsey. The principal business of UKCPH, UKCPEL and the GP are that of an investment and property company. The principal business of UKCPN is that of a nominee company. The principal business of UKCPEH is that of a holding company.

The limited partnership, UKCPT Limited Partnership, (“the GLP”) is a Guernsey limited partnership. UK Commercial Property Holdings Limited and UK Commercial Property GP Limited have a partnership interest of 99 and 1 per cent respectively in this entity.

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

## Objectives

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

## Management

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

## ISA Status

The Company’s shares are eligible for ISA investment.

## Website

The Company’s website address is: [www.ukcpt.co.uk](http://www.ukcpt.co.uk)

# Financial and Property Highlights

## Financial Highlights

- Fall in NAV per share to 72.3p as at 30 June 2012 (31 December 2011 – 75.5p) mainly caused by 2.4% like-for-like decline in value of property portfolio;
- Share price total return of 5.9% in the period;
- Over five years NAV and Share price total return exceed IPD benchmark and FTSE Real Estate Investment Trusts Index;
- Lowest gearing in the Company's peer group at 18.5% and blended average debt rate of 4%;
- Attractive annual dividend yield of 7.4% based on period end share price.

## Property Highlights

- Purchase of three multi-let industrial park assets for £60.5 million reflecting a yield on cost of 7.7% and a total income of £4.7 million per annum;
- Additional annual rental income of £1.3 million generated through 20 new lettings in the portfolio with an average lease length of 9 years and 10 months, and 21 rent reviews settled during the period providing an additional £234,000 of rent;
- Several successful asset management initiatives including:
  - Resolution to grant planning consent for £150 million Riverside redevelopment in Shrewsbury along with pre-let agreement signed with Debenhams plc for new 95,000 sq.ft anchor department store;
  - New 15 year lease with existing tenant Next at the Kew Retail Park, Richmond which will increase income from the unit by approximately £90,000 per annum and the asset valuation by approx 2%;
  - Opening of new Cattle Grid restaurant at Rotunda, Kingston upon Thames added £500,000 to valuation of property due to ERV uplift in a unit that was previously void;
  - New unit completed for Pizza Express at Junction 27, Leeds generating £160,000 rent per annum and contributing £1 million of added value to the property.
- Void rate (excluding developments) at June 2012 was 5.0% compared to industry average of 8.3%;
- Property portfolio ranked in top quartile for covenant strength in the independent IPD Rental Information Service.



**Next at Kew Retail Park**



**Cattle Grid at the Rotunda, Richmond, Kingston upon Thames**

# Performance Summary

Capital Values & Gearing		30 June 2012	31 December 2011	% Change
Total assets less current liabilities (£'000)		1,075,624	1,052,296	2.2
Net asset value per share (p)		72.3	75.5	(4.2)
Ordinary Share Price (p)		70.60	69.15	2.1
Discount to net asset value (%)		2.4	8.4	-
Gearing (%)*		18.5	13.3	-
Total Return %				
	6 month	1 year	3 years	5 years
NAV**	(0.8)	0.7	35.7	(2.3)
Share Price**	5.9	(7.7)	29.0	17.0
Investment Property Databank (“IPD”) Balanced Monthly & Quarterly Funds Benchmark	1.0	4.2	40.9	(8.2)
FTSE Real Estate Investment Trusts Index	15.8	(11.9)	50.6	(46.4)
FTSE All-Share Index	3.3	(3.1)	47.4	1.9
Earnings & Dividends			30 June 2012	30 June 2011
Dividends declared per ordinary share (p)			2.625	2.625
Dividend yield (%)***			7.4	6.4
IPD Benchmark Yield (%)			6.2	6.0
FTSE All-Share Index Yield (%)			3.7	3.0
FTSE Real Estate Investment Trusts Index Yield (%)			4.6	5.1
Ongoing Charges (annualised costs including direct property costs expressed as % of average net assets)			1.35	1.25

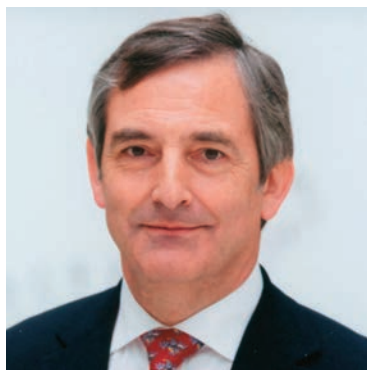
\* Calculated as gross borrowings divided by total assets less current liabilities (excl swaps).

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

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

Sources: Ignis Investment Services, Investment Property Databank (“IPD”)

# Chairman's Statement



I am pleased to present the report of the Company for the six month period to 30 June 2012. Against both a difficult economic and property market background, the Company has continued to make progress in line with our strategy. This has been achieved by growing the size of our portfolio and

increasing rental income through selective acquisitions and asset management initiatives which have contributed to the Company's shares providing an attractive 7.4% dividend yield as at 30 June 2012.

## Economic Background

The UK economy continued to struggle in the first half of 2012 with output falling in both quarters which, following on from the decline in Q4 2011, pulled the economy back into recession. Confidence and stability are key to generating growth in an economy. Both these factors in the UK are being undermined by the continued crisis in the Eurozone where competitiveness has fallen under the single currency and where both national and corporate debt levels are burgeoning. Many analysts believe that the crisis will remain unresolved unless the more prosperous Eurozone states, such as Germany, agree to some form of debt pooling. This would require a level of economic and political integration that will be extremely difficult to achieve. In the UK, the travails of the banking sector and government austerity measures, which have yet to be fully implemented, have not helped consumer and business confidence. Headline inflation has, however, fallen in recent months which should provide some relief for hard pressed consumers.

## Commercial Property Market

The Commercial Property market was not immune to macroeconomic issues, with a commercial property total return of 1.2% for the six months to 30 June 2012. Performance was again driven by income, with a return of 3.3% against a capital return of -1.9%. As has been the case for some time now, there was considerable divergence in performance between the prime rated properties, particularly in Central London which continues to perform strongly, and secondary rated properties, where performance continues to be challenging. However, pricing across all asset classes is extremely volatile at present and commercial property must be viewed in this context although asset management initiatives remain the key to portfolio outperformance.

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

The Company's NAV total return for the six months was -0.8%. The valuation of the property portfolio fell by 2.4% on a like-for-like basis, mainly due to falls in the value of the Company's shopping

centre portfolio, which is a key part of the portfolio for income generation. Transaction costs on purchases together with swap and working capital movements were the other main causes of the decline.

The share price fared significantly better in the six month period, producing a total return of 5.9%, resulting in a narrowing of the discount to 2.4%.

The underlying strength of the Company's portfolio is demonstrated in its longer term performance. Over a five year period both the NAV total return of -2.3% and share price total return of 17.0% have outperformed the IPD benchmark (-8.2%) and the FTSE Real Estate Investment Trust Index (-46.4%). Against the wider UK equity market, the share price total return has comfortably beaten the FTSE All Share Index total return of 1.9%.

A full analysis of the portfolio performance and a description of the portfolio asset management activity are contained in the Manager's report.

## Significant Property Transactions

In February 2012 the Company announced it had acquired a portfolio of three multi-let, principally industrial estates, assets for a total consideration of £60.5 million excluding costs, reflecting a net yield on cost of 7.7% and a total income of £4.7 million per annum. The portfolio comprises the following assets:

- Emerald Park East, Emersons Green, Bristol – a modern industrial park located close to Junction 19 of the M4, to the north of Bristol. This asset currently generates annual income of £1.70 million and we have already secured a significant lease regearing at the site since acquisition;
- Gatwick Gate Industrial Estate, Crawley – An industrial park located on Charlwood Road, immediately to the south of Gatwick Airport. The estate generates an annual income of £1.11 million;
- Motor Park, Eastern Road, Portsmouth – This group of car showrooms represents the principal automotive dealership location in the Portsmouth area. The park generates an annual income of £1.84 million.

The occupancy rate across all three investments is approximately 98%, with units let to a number of institutional grade tenants including Smiths News Trading, UPS Ltd and Volkswagen Group UK Ltd. The average lease length of the acquisitions was 7 years and 7 months.

As well as providing greater exposure to multi-let industrial assets and offering strong, defensive income characteristics, the investments also offer the potential to improve value through the application of our disciplined and focussed approach to asset management. In addition, the overall yield on the purchases is dividend accretive.

# Chairman's Statement (continued)

## Borrowing

The above purchases were financed by a further £60 million drawdown of the Company's facility from Barclays Bank plc. This resulted in £120 million of the facility now being utilised with a further £30 million still available for future investment.

The Company's gearing now stands at 18.5%, the lowest in the Company's peer group. The blended interest rate across the Company's two borrowing facilities is a competitive 4.0%.

## Dividends

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

	Pay Date	Dividend Rate (p)
4th interim for prior period	Feb 2012	1.3125
1st interim	May 2012	1.3125
<b>Total</b>		<b>2.6250</b>

On 19 July 2012, the Company announced a second interim dividend in respect of the period 1 April to 30 June 2012 of 1.3125p per ordinary share. This is payable on 31 August 2012 to shareholders on the register as at 10 August 2012.

The dividend return is important to our share shareholders and the yield on the Company's shares as at 30 June 2012 was an attractive 7.4%, underlining the strong income characteristics of the portfolio, which itself generates a yield of 6.9%. This is further emphasised when comparing the yield against the IPD benchmark yield of 6.0% as well as the FTSE Real Estate Investment Trusts Index yield (4.6%) and the FTSE All-Share index yield (3.7%).

## Corporate Actions

In March, Phoenix Life Limited ("PLL"), the Company's parent undertaking, sold 47.8 million shares in the Company, representing 4% of the issued share capital. The sale of these shares was to a number of new and existing shareholders. This reduction in the shareholding of PLL is consistent with the long term aims of both PLL, who manage closed life funds and hence require liquidity over the longer term, and also the Company, whose aim is to continue to diversify the shareholder base.

## Outlook

The outlook for the UK economy in the short term is mixed. While ongoing Eurozone problems and austerity measures at home will continue to affect the economy adversely, corporate balance sheets are relatively strong. If the problems in the Eurozone can be overcome, this should lead to a more stable environment for private sector investment to increase and hence go some way to counteract the fall in public sector spending.

At a portfolio level, the focus remains on protecting income while minimising the fall in capital values being experienced across the majority of the property market and in particular the retail sector.

The Company has a strong and well diversified tenant base and, as highlighted in the Manager's report, the prime locations of the Company's assets, with over 50% by value based in London and the South East, have meant that, even where there have been administrations, these have not necessarily led to a loss of income. In addition, the Manager has identified a number of key asset management objectives along with the initiatives to achieve them, which should help to preserve income and keep the void rate of the portfolio (currently 5%) relatively low. Moreover, the Company still has £30 million of the Barclays loan facility to utilise for selective acquisitions and/or investment in asset management initiatives. Taken together, these factors mean that the Company is well placed to continue to deliver positive overall returns, especially on the income side, to our shareholders.

## Christopher M.W. Hill

Chairman

21 August 2012



# Manager's Review

For the half year ended 30 June 2012

## Market Review

UK economic growth continues to disappoint. The recent announcement that GDP fell by 0.7% in Q2 of 2012 (following a 0.3% and 0.4% contraction in Q1 2012 and Q4 2011 respectively) further reinforces the fact that the UK has moved back into recession. It seems the best that can be hoped for is a flat economy for the second half of the year.

Although there is some solace in recent falls in unemployment and headline inflation but the Government's fiscal tightening, combined with weak credit growth against the backdrop of the continuing Eurozone crisis, meant it was no surprise that the Bank of England extended Quantitative Easing by a further £50 billion in July.

Even though corporate balance sheets appear healthy, UK companies are currently tending to hoard cash rather than commit to investment programmes. They want to see some momentum before investing but, conversely, the economy needs that investment to generate momentum. UK companies may also feel that other countries offer greater growth prospects and overseas investors are likely to look at the difficult outlook for Europe as a whole.

## Commercial Property

According to the IPD UK Monthly and Quarterly Benchmark, commercial property total returns fell to 0.3% in Q2 2012, down from the 0.7% recorded in the previous quarter, resulting in a total return figure of 1.0% for H1 2012. In comparison, equities produced 3.3% and gilts 3.1% for the same period.

Performance within the Benchmark was again driven by income return which remained stable at 1.4% in Q2 (1.5% in Q1). This was, however, eroded by falls in average capital values of 0.7% in Q1 and 1.1% in Q2.

Average rental values declined by a modest 0.1% over the last six months with growth in Central London properties, both offices and retail, reducing the impact of greater falls elsewhere, primarily within the retail sector.

The wider decline in capital values over the first six months of 2012 can therefore all be attributed to an outward movement in valuation yields. The headline numbers continue to mask a divergence in performance between prime and secondary assets.

Just under £7.4 billion of investment transactions were recorded by PropertyData in Q2 2012, similar to Q1 2012, but down from the £8.6 billion concluded in Q4 2011. The headline numbers are dominated by the London market, which continues to attract buyers located across the world, and by the large transactions that occur in this market. By contrast, many markets outside London are reporting a level of activity in line with that experienced in early 2009 at the bottom of the previous cycle.

The lack of activity in the broader UK markets reflects the current perception of London as a safe haven for both domestic and global investors. It also highlights the weaker prospects for the UK economy recovering outside the South East, where the effect of public spending cuts are still to be fully realised. There remains limited appetite amongst existing owners to trade their prime or better quality assets, as they seek to maintain value in these assets rather than take on additional risk at this time. As a consequence, valuers have little market evidence on which to price better quality assets with the prospect that sentiment factors, rather than transaction evidence, may now be influencing IPD performance measures.

	Total Return		Income Return		Capital Growth	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
	%	%	%	%	%	%
Other						
Commercial	4.2	2.9	3.3	2.7	0.9	0.2
Industrials	1.6	1.7	3.6	3.3	-1.9	-1.6
Office	1.3	1.5	3.9	2.8	-2.5	-1.3
Retail	-0.8	0.3	3.0	2.9	-3.7	-2.6
<b>Total</b>	<b>0.4</b>	<b>1.0</b>	<b>3.3</b>	<b>2.9</b>	<b>-2.9</b>	<b>-1.9</b>

The Company's strong income profile continued to be a stable and reliable element of the portfolio return, recording a 3.3% contribution in the period. However, this has not been enough to outperform the market on a total return basis, as the portfolio returned 0.4% against an IPD Balanced Monthly and Quarterly Index Funds benchmark total return of 1.0% over the period.

Longer term measures continue to illustrate relative outperformance over three and five years, where the portfolio is ranked 37th and 15th percentile respectively in the IPD benchmark.

## Direct Portfolio Performance

The portfolio valuation at 30 June 2012 (as provided by CBRE acting as independent valuers) was £1,052.8 million, a decrease of 2.4% on a like-for-like basis. During the period, the Company acquired a portfolio of three (primarily) industrial properties for £60.5 million before costs.

## Leisure

A 0.9% increase in value in the Company's leisure asset at Rotunda, Kingston upon Thames, made this the strongest performing sector within the portfolio. This increase in value was the result of a successful asset management initiative involving a new letting of one of the restaurant units which proved a new rental tone within the scheme. Total Return for Leisure for the period was 4.2%, underpinned by an income return of 3.3%.

## Industrial

The strong income characteristics of the Industrial sector, continued investment demand particularly for south east



# Manager's Review (continued)

investments, and the prime nature of the majority of the Company's assets has ensured that this was the next best performing sector within the portfolio with a total return of 1.6%, only slightly behind the benchmark, which returned 1.7% over the period.

Generally speaking, the Company's distribution warehouse investments held their value, although, within that specific sub sector, an uplift in valuation resulting from a favourable rent review settlement in Neasden was offset by a downgrade in valuation in another asset.

Elsewhere, the Company's multi let assets were held back in value as a result of the level of voids within the one dominant asset within that classification. The nature of these assets means they are more heavily influenced by lease expiries and voids. However, it is hoped that ongoing regear discussions, if realised, will have a positive effect on value in the second half of the year.

The long average lease length of the industrial portfolio, low voids and strong covenant base, which was strengthened by the portfolio acquisition in February, should ensure that, even in a market where capital growth is difficult to achieve, returns and performance will continue to be supported by a strong income return.

## Office

Once again the office sector offered the greatest divergence across regions and quality as the positive dynamics of the Central London market were offset by weak fundamentals found elsewhere in the country. This was compounded in the case of some of the Company's South East assets, where short income prevailed and values were consequently hit harder.

As was the case in 2011, our Central London stock recorded the strongest capital growth in the office portfolio with a 0.7% capital uplift. This was mainly driven by an increase in rental levels within the Soho sub market where limited supply and continued tenant demand is having a positive effect. This is in marked contrast to the Company's South East assets which are dominated by two offices let on short leases on historically high rents. These two assets were the main reason for a 6.1% fall in the value for the Company's South East offices over the period.

Overall the occupational and investment markets for regional offices are still fairly flat. However, the prime nature of the Company's assets has meant that the ability to retain income through lease regears, renewals and new lettings resulted in a total return of 1.3% even though capital values fell by 2.5%. This total return is only marginally below that of the benchmark and highlights the strong income return derived from these assets.

## Retail

The ongoing challenges within the retail sector resulted in the Company's retail properties being the worst performing sector for

the first half of the year with a 3.7% capital fall. This was due to the continued reluctance of consumers to spend and the increasing level of voids across the majority of the country, except London and the stronger dominant centres, which adversely affected investor sentiment to the sector.

Similar to offices, there was a marked divergence in performance across sector and geography, with the Company's south east holdings, aided by asset management initiatives, maintaining their value.

The Company's shopping centres saw a 7.0% capital fall over the six month period. The underlying reason for these movements, namely outward yield movements, an increasing degree of overrenting and, in some cases, a loss of rent through administrations or lease expiries, has affected most shopping centre portfolios.

A number of asset management initiatives across the Company's retail warehouse portfolio, including pre-letting and development of A3 units at Junction 27 Leeds and Kew Retail Park Richmond, has resulted in improved rental and capital levels within these assets. This failed to offset the adverse effect an outward movement in yields had within this sub sector of the portfolio, with capital values falling by 2.7%, but a strong income performance resulted in a total return of 0.2% overall.



**Junction 27, Birstall, Leeds**

## Income

The annualised contracted rent after rent free periods increased over the period from £69.8 million to £73.6 million. The main source of this net increase was the Company's portfolio acquisition, which added £4.7 million p.a. of income.

An additional £1.6 million p.a. was achieved through lettings, reviews and lease engineering. This was offset by lease expiries and retail administrations. In the case of the latter, whilst the period witnessed retail administrations from Peacocks, The Outdoor Group and Game, in many cases income was maintained as the new corporate entities continued to occupy the Company's properties or new occupiers were found. This is testament to the continued appeal that a number of the Company's retail properties have for many retailers.

# Manager's Review (continued)

With many occupier markets remaining difficult, particularly in the retail sector, continued concentrated efforts are being made to ensure that income levels are maintained and void costs minimised.

## Investment Activity

The Company completed the acquisition of a portfolio of three principally Industrial assets at a cost of £60.5 million (excluding costs and stamp duty) providing an income yield on acquisition of 7.7%. The properties (Emerson's Green, North Bristol, Motor Park Portsmouth and Gatwick Gate, Crawley) offer the Company further exposure to multi-let industrials and an introduction to the motor trade sector. Both sectors offer an attractive level of income return in keeping with the Company's strategy of buying institutional grade property with a strong income profile and with the potential to improve income and capital return from asset management. The purchase also provides further income diversification at a tenant level with all occupiers within the portfolio new to the Company and not diluting the overall covenant strength across the portfolio.

The portfolio purchase was funded principally by a £60 million drawdown from the Company's Barclays Bank facility granted in May 2011.

There were no sales during the period.



**Emerald Park, Emerson's Green, Bristol**

## Asset Management Activity

Asset management is ingrained within the Company's investment management team. This characteristic, allied to the prime nature of the many of the Company's properties, has resulted in a number of deals that have improved the portfolio income stream.

Certain occupational markets are such that asset management is more defensive in nature and maintaining income is the more realistic goal in the short term. This is particularly the case in the Shopping Centre portfolio, where administrations remain a threat and a number of retailers are reducing their exposure and not renewing leases at expiry.

There were 20 new lettings in the portfolio over the period producing an additional annual rental of £1.3 million with an average lease length of 9 years and 10 months.

Some of the more notable lettings are evidence of the asset management capability within the Company's Investment Manager with these particular transactions proving new rental levels and offering a platform for further potential income growth.

Lettings to Poundworld at St George's Retail Park Leicester, Cattle Grid at Rotunda Kingston Costa/Next at Kew Retail Park and Costa at Colmore Row, Birmingham are all examples of initiatives identified by the team which have improved rental and capital values.

Further evidence of the quality of the portfolio can be found in the fact that some healthy uplifts were achieved at rent review in both our distribution warehouse in Neasden and Kew Retail Park, Richmond. Overall 21 rent reviews were settled during the period providing an additional £234,000 of rent.

The Company was not immune to a number of tenant administrations such as Peacocks, The Outdoor Group and Game along with some smaller retailers. Generally, the new corporate entities have remained in occupation with rental income maintained in most cases with minor concessions often in the form of monthly rent payments. As a consequence only £268,000 of rental income has been written off or provided against from a total rental income of £848,000 collectable in the period relating to these administrations.

In April, Shropshire Council resolved to grant planning consent for the redevelopment of the Company's Riverside Mall in Shrewsbury to create a 95,000 sq ft full line department store, 50 new shops, 10 restaurants, offices and 300 car parking spaces, providing in total a new 607,000 sq ft centre. A pre-let agreement has been exchanged with Debenhams for the department store anchor. As announced at the time, the Company is currently considering the options available in order to maximise shareholder return.

The Company's void position has increased over the period and, as at 30th June, was 5.0% compared to 3.4% in December 2011. Adjusting for tenant failure through administrations the void rate could increase to 7.3% but, as highlighted earlier, this may not lead to a loss of income and remains below the benchmark void rate of 8.3%.

Notwithstanding the difficult occupier markets, further evidence of the Company's strong covenant base can be found in the average rent collection efficiency over the past 12 months which shows that of 96% has been collected after 28 days.

# Manager's Review (continued)

## Market Outlook and Fund Strategy

As outlined earlier in the past six months the economic outlook for the UK has deteriorated. This is before consideration of the Eurozone crisis which could take the global economy into another prolonged recession if it remains unresolved. Real disposable income growth will remain weak for an extended period and the economy, in the short term at least, is unlikely to grow at a rate sufficient to generate employment that replaces all the public sector jobs lost. Muddling through without sustaining further damage is likely to be viewed as a good result for the UK economy over the next two to three years.

We now expect All Property total returns in 2012 to average 3.5%, which reflects the weaker economic statistics that underpin the forecast models and their impact on the retail sector in particular. We have also made an allowance for the impact of how market sentiment is impacting on the valuation of the asset class at the present time. This sentiment factor is likely to persist over the extended summer months given the expected lack of evidence from high quality asset transactions over that period.

We continue to believe that property will deliver a positive real return to investors in 2012 and beyond. Others are suggesting even weaker performance, which is certainly plausible given the widespread capital value decline already discussed and the possibility of even weaker economic growth than is currently predicted.

On the other hand, there is an upside to our short term forecasts based on the resilience of commercial property and the high level of income return relative to other asset classes in the current environment. The strength of investor demand for prime properties remains such that those brought to the market are attracting a level of bidding which maintains or even improves valuation yields for these assets. Prime property remains an attractive investment which continues to offer a higher yield than gilts or cash and without the volatility of the equity markets.

We consider the Company to be well positioned to navigate the challenges that face the market in these uncertain times. The Company has a strong weighting towards London and the South East (51% of the portfolio) and a prime, diversified portfolio of assets with strong income profile and a sound covenant base. The Company's strategy will continue to focus firmly on tenant retention and maintaining, if not improving, levels of income through effective asset management initiatives whilst limiting capital expenditure. This strategy, including the judicious use of the remaining Barclays debt facility, will be crucial to delivering performance.

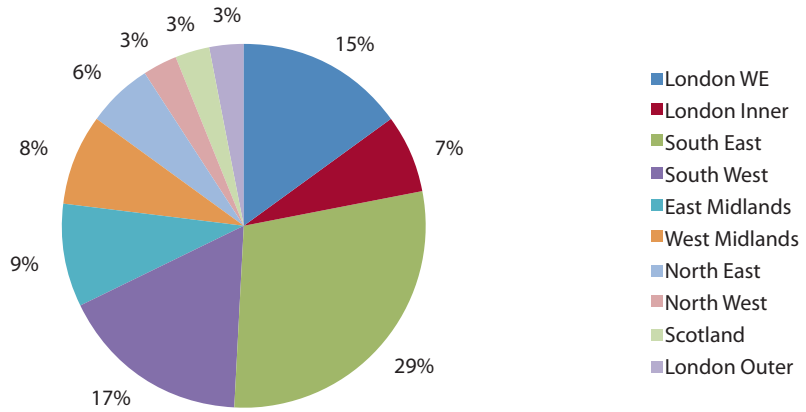
## Robert Boag

Senior Investment Director  
Ignis Investment Services Limited  
21 August 2012

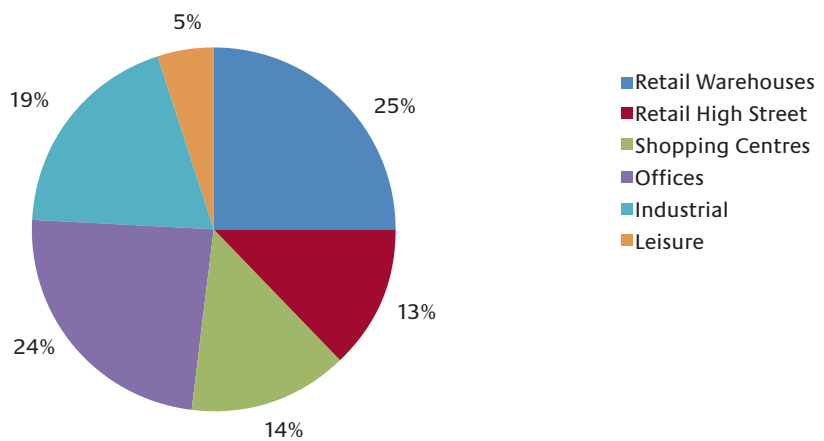
# Portfolio Statistics

As at 30 June 2012

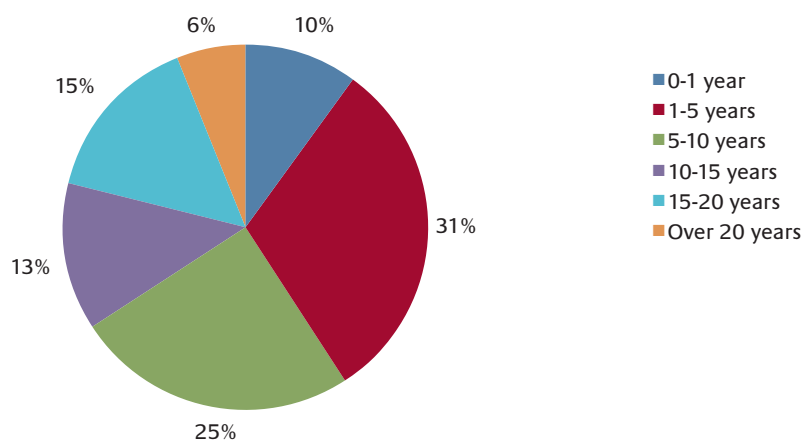
Geographical Analysis\*



Sector Analysis\*



Average Lease Length



\* Based on valuations as at 30 June 2012

# Property Portfolio

As at 30 June 2012

Property	Sector	Value Range
The Parade, Swindon	Shopping Centre	Over £30 million (representing 49% of the portfolio capital value)
Junction 27 Retail Park, Leeds	Retail Warehouse	
Great Lodge Retail Park, Tunbridge Wells	Retail Warehouse	
176/206, Kensington High Street, London, W8	High St, Retail	
St George's Retail Park, Leicester	Shopping Centre	
The Rotunda, Kingston upon Thames	Leisure	
Kew Retail Park, Richmond	Retail Warehouse	
Darwin Shopping Centre, Shrewsbury	Shopping Centre	
15 Great Marlborough Street, London, W1	Office	
Ocado Distribution Unit, Hatfield Business Area, Hatfield	Industrial	
Sovereign Centre, Weston super Mare	Shopping Centre	£20 million – £29.9 million (representing 31% of the portfolio capital value)
Dolphin Estate, Sunbury on Thames	Industrial	
B&Q, Roneo Corner, Romford	Retail Warehouse	
Motor Park, Eastern Road, Portsmouth	Industrial	
Emerald Park East, Emersons Green, Bristol	Industrial	
No 2 Temple Quay, Bristol	Office	
Hannah Close, Neasden, London, NW10	Industrial	
Asda, Gowerton Road, Brackmills, Northampton	Industrial	
Charter Place, Vine Street, Uxbridge	Office	
Argos Unit, Magna Park, Lutterworth	Industrial	
Broadbridge Retail Park, Horsham	Retail Warehouse	
6 Arlington Street, London, SW1	Office	
Colmore Court, 9 Colmore Row, Birmingham	Office	
81/85 George Street, Edinburgh	High St, Retail	
16/20 High Street & 1/3 Bedford Street, Exeter	High St, Retail	£10 million – £19.9 million (representing 16% of the portfolio capital value)
Network House and Meadowside House, Hemel Hempstead	Office	
13 Great Marlborough Street, London, W1	Office	
No 1 Temple Quay, Bristol	Office	
Pall Mall Court, King Street, Manchester	Office	
Craven House, Fouberts Place, London, W1	Office	
140/144 Kings Road, London, SW3	High St, Retail	
14-22 West Street, Marlow	High St, Retail	
Pride Hill Shopping Centre, Shrewsbury	Shopping Centre	
Gatwick Gate Industrial Estate, Crawley	Industrial	
2-8 Buchanan Street (121/132 Argyle Street), Glasgow	High St, Retail	
134/138 North Street, Brighton	High St, Retail	Up to £9.9 million (representing 4% of the portfolio capital value)
52/56 Market Street, Manchester	High St, Retail	
1 Brunel Way, Slough	Office	
Riverside Mall Shopping Centre, Shrewsbury	Shopping Centre	
Knaves Beech Industrial Estate, Boundary Way, Loudwater	Industrial	
84-86 Bushey Road, Raynes Park, London SW3	Office	
Freshford House, Redcliffe, Bristol	Office	
146 Kings Road, London, SW3	High St, Retail	
WCA Building, Bristol	Office	
Overall number of properties	44	
Total number of tenancies	350	
Total average property value	£23.9m	
Total floor area	4,869,198 sq ft	

# Half Yearly Condensed Consolidated Income Statement

For the half year ended 30 June 2012

	Notes	Half year ended 30 June 2012 (unaudited) £'000	Half year ended 30 June 2011 (unaudited) £'000	For year ended 31 December 2011 (audited) £'000
<b>Income</b>				
Rental income		36,986	33,672	68,784
Gains on investment properties	2	(30,865)	5,901	5,098
Interest revenue receivable		88	84	184
<b>Total income</b>		<b>6,209</b>	<b>39,657</b>	<b>74,066</b>
<b>Expenditure</b>				
Investment management fee	8	(3,754)	(3,602)	(7,346)
Direct operating expenses of let property		(1,511)	(1,330)	(2,611)
Valuation and other professional fees		(763)	(429)	(1,353)
Directors fees	8	(85)	(66)	(132)
Administration fees	8	(83)	(56)	(114)
Other expenses		(531)	(153)	(1,530)
<b>Total expenditure</b>		<b>(6,727)</b>	<b>(5,636)</b>	<b>(13,086)</b>
<b>Net operating profit before finance costs</b>		<b>(518)</b>	<b>34,021</b>	<b>60,980</b>
<b>Net finance costs</b>				
Finance costs		(3,907)	(1,219)	(4,193)
Loss arising on ineffective portion of interest rate swap		-	-	(3,742)
		(3,907)	(1,219)	(7,935)
<b>Net profit from ordinary activities before taxation</b>		<b>(4,425)</b>	<b>32,802</b>	<b>53,045</b>
Taxation on profit on ordinary activities		-	-	-
<b>Net (loss)/profit for the period</b>		<b>(4,425)</b>	<b>32,802</b>	<b>53,045</b>
<b>Other comprehensive income:</b>				
Loss arising on effective portion of interest rate swap	9	(2,304)	(2,059)	(8,267)
<b>Net comprehensive (loss)/gain for the period</b>		<b>(6,729)</b>	<b>30,743</b>	<b>44,778</b>
<b>Earnings per share (p)</b>	<b>3</b>	<b>(0.37)p</b>	<b>2.74p</b>	<b>4.43p</b>

# Half Yearly Condensed Consolidated Balance Sheet

As at 30 June 2012

	Notes	30 June 2012 (unaudited) £'000	30 June 2011 (unaudited) £'000	31 December 2011 (audited) £'000
<b>Non-current assets</b>				
Investment properties	2	1,047,971	1,009,343	1,011,775
		1,047,971	1,009,343	1,011,775
<b>Current assets</b>				
Trade and other receivables		6,595	8,692	6,709
Cash and cash equivalents		47,465	28,974	60,945
		54,060	37,666	67,654
<b>Total assets</b>		<b>1,102,031</b>	<b>1,047,009</b>	<b>1,079,429</b>
<b>Current liabilities</b>				
Trade and other payables		(22,608)	(19,640)	(24,014)
Interest rate swap	9	(3,799)	(785)	(3,119)
<b>Long term liabilities</b>				
Bank loans		(198,004)	(102,650)	(138,141)
Interest rate swaps	9	(11,867)	(2,627)	(10,243)
<b>Total liabilities</b>		<b>(236,278)</b>	<b>(125,702)</b>	<b>(175,517)</b>
<b>Net assets</b>		<b>865,753</b>	<b>921,307</b>	<b>903,912</b>
<b>Represented by:</b>				
Share capital		482,703	482,703	482,703
Treasury shares		(25,264)	(25,264)	(25,264)
Special distributable reserve		619,556	631,188	624,546
Capital reserve		(195,576)	(163,908)	(164,711)
Interest rate swap reserve		(15,666)	(3,412)	(13,362)
Revenue reserve		-	-	-
<b>Equity Shareholders' funds</b>		<b>865,753</b>	<b>921,307</b>	<b>903,912</b>
Net asset value per share	6	72.3p	76.9p	75.5p



# Half Yearly Condensed Consolidated Cash Flow Statement

For the half year ended 30 June 2012

	Half year ended 30 June 2012 (unaudited) £'000	Half year ended 30 June 2011 (unaudited) £'000	For year ended 31 December 2011 (audited) £'000
<b>Cash flows from operating activities</b>			
Net operating profit for the period before taxation	(4,425)	32,802	53,045
Adjustments for:			
Losses/(Gains) on investment properties	30,865	(5,901)	(5,098)
Decrease/(Increase) in operating trade and other receivables	114	(3,546)	(1,563)
(Decrease)/Increase in operating trade and other payables	(1,406)	48	2,536
Net finance costs	3,501	965	9,956
<b>Net cash inflow from operating activities</b>	<b>28,649</b>	<b>24,368</b>	<b>58,876</b>
<b>Cash flows from investing activities</b>			
Purchase of investment properties	(63,545)	(100,610)	(100,610)
Capital expenditure	(3,516)	(4,082)	(7,317)
Interest received	88	84	184
<b>Net cash outflow from investing activities</b>	<b>(66,973)</b>	<b>(104,608)</b>	<b>(107,743)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(31,430)	(31,430)	(62,860)
Net proceeds from utilisation of bank loan after set up costs	60,000	60,706	95,695
Bank loan interest paid	(2,055)	(406)	(1,695)
Payments under interest rate swap arrangement	(1,671)	(583)	(2,255)
Buyback of minority interest	-	(10)	(10)
<b>Net cash inflow from financing activities</b>	<b>24,844</b>	<b>28,277</b>	<b>28,875</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(13,480)</b>	<b>(51,963)</b>	<b>(19,992)</b>
Cash balance brought forward	60,945	80,937	80,937
<b>Closing cash and cash equivalents</b>	<b>47,465</b>	<b>28,974</b>	<b>60,945</b>

# Half Yearly Condensed Consolidated Statement of Changes in Equity

For the half year ended 30 June 2012

	Share Capital £'000	Treasury Shares £'000
Half year ended 30 June 2012 (unaudited)		
At 1 January 2012	482,703	(25,264)
Net profit for the period	-	-
Other comprehensive income	-	-
Dividends paid	-	-
Transfer in respect of losses on investment properties	-	-
Transfer from special distributable reserve	-	-
At 30 June 2012	482,703	(25,264)
Half year ended 30 June 2011 (unaudited)		
At 1 January 2011	482,703	(25,264)
Net profit for the period	-	-
Other comprehensive income	-	-
Dividends paid	-	-
Transfer in respect of gains on investment properties	-	-
Transfer from special distributable reserve	-	-
Buyback of non-controlling Interest	-	-
At 30 June 2011	482,703	(25,264)
For the year ended 31 December 2011 (audited)		
At 1 January 2011	482,703	(25,264)
Net profit for the period	-	-
Other comprehensive income	-	-
Dividends paid	-	-
Transfer in respect of fair value movement on interest rate swap	-	-
Transfer in respect of gains on investment properties	-	-
Transfer from special distributable reserve	-	-
Buyback of non-controlling Interest	-	-
At 31 December 2011	482,703	(25,264)

Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Interest Rate Swap Reserve £'000	Minority Interest £'000	Total £'000
624,546	(164,711)	-	(13,362)	-	903,912
-	-	(4,425)	-	-	(4,425)
-	-	-	(2,304)	-	(2,304)
-	-	(31,430)	-	-	(31,430)
-	(30,865)	30,865	-	-	-
(4,990)	-	4,990	-	-	-
619,556	(195,576)	-	(15,666)	-	865,753
635,717	(169,809)	-	(1,353)	10	922,004
-	-	32,802	-	-	32,802
-	-	-	(2,059)	-	(2,059)
-	-	(31,430)	-	-	(31,430)
-	5,901	(5,901)	-	-	-
(4,529)	-	4,529	-	-	-
-	-	-	-	(10)	(10)
631,188	(163,908)	-	(3,412)	-	921,307
635,717	(169,809)	-	(1,353)	10	922,004
-	-	53,045	-	-	53,045
-	-	-	(8,267)	-	(8,267)
-	-	(62,860)	-	-	(62,860)
-	-	3,742	(3,742)	-	-
-	5,098	(5,098)	-	-	-
(11,171)	-	11,171	-	-	-
-	-	-	-	(10)	(10)
624,546	(164,711)	-	(13,362)	-	903,912

# Notes to the Accounts

For the half year ended 30 June 2012

1. The unaudited interim results have been prepared in accordance with the accounting policies set out in the Company's financial statements at 31 December 2011. These accounting policies are expected to be followed throughout the year ending 31 December 2012.

## 2. Investment properties

	Half year ended 30 June 2012 £'000
Freehold and leasehold properties	
Opening valuation	1,011,775
Purchases at cost	63,545
Capital expenditure	3,516
Loss on revaluation to fair value	<u>(30,865)</u>
Fair value at 30 June 2012	<u>1,047,971</u>

The market value provided by CB Richard Ellis Limited at the period end was £1,052,780,000 however an adjustment has been made for lease incentives of £4,809,000 that are already accounted for as an asset.

3. The earnings per Ordinary Share are based on the net loss for the period of £4,425,000 (30 June 2011 net profit of £32,802,000) and 1,197,348,858 (30 June 2011: 1,197,348,858), Ordinary Shares, being the weighted average number of shares in issue during the period.
4. Earnings for the period to 30 June 2012 should not be taken as a guide to the results for the year to 31 December 2012.
5. As at 30 June 2012 the total number of shares in issue is 1,197,348,858 (30 June 2011: 1,197,348,858).
6. The net asset value per ordinary share is based on net assets of £865,753,000 (30 June 2011: £921,307,000) and 1,197,348,858 (2011: 1,197,348,858) ordinary shares.

## 7. Dividends

	Period to 30 June 2012	
	Rate (pence)	£'000
Dividend for the period 1 October 2011 to 31 December 2011, paid 28 February 2012	1.3125	15,715
Dividend for the period 1 January 2012 to 31 March 2012, paid 31 May 2012	1.3125	<u>15,715</u>
		<u>31,430</u>

A dividend of 1.3125p per share for the period 1 April 2012 to 30 June 2012 is payable on 31 August 2012.

Under International Financial Reporting Standards, these unaudited financial statements do not reflect this dividend.

# Notes to the Accounts (continued)

8. No Director has an interest in any transactions which are, or were, unusual in their nature or significance to the Group. The Directors of the Company received fees for their services totalling £85,000 (30 June 2011: £86,000) for the six months ended 30 June 2012, none of which was payable at the period end (30 June 2011: Nil). The total fee for 2011 included an additional one off fee of £5,000 paid to each of the Directors, excluding Mr J Robertson, in respect of additional services undertaken in relation to securing the Barclays loan facility. This fee has been capitalised in the accounts and will be written off over the life of the facility.

Ignis Investment Services Limited received fees for its services as Investment Managers. The total charge to the Income Statement during the period for these fees was £3,837,000 (30 June 2011: £3,658,000) of which £83,000 was administration fees (30 June 2011: £56,000). £1,917,000 (30 June 2011: £1,845,000) of this total charge remained payable at the period end.

## 9. Financing

The Company has fully utilised all of the £80 million facility in place with Lloyds Banking Group plc.

The Company has in place interest rate swaps with Lloyds Banking Group plc totalling £80 million. The fair value in respect of these interest rate swaps as at 30 June 2012 is £4,292,000 (June 2011: £2,107,000).

The Company also has a £150 million facility in place with Barclays Bank plc. As at 30 June 2012 the Company has utilised £120 million of this facility.

The Company has in place interest rate swaps with Barclays Bank plc totalling £120 million. The fair value in respect of these interest rate swaps as at 30 June 2012 is £11,374,000 (June 2011: £1,305,000).

10. The Group results consolidate those of the Company, UK Commercial Property Holdings Limited, UK Commercial Property GP Limited, UKCPT Limited Partnership, UK Commercial Property Nominee Limited, UK Commercial Property Estates Holdings Limited and UK Commercial Property Estates Limited.

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

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

UKCPT Limited Partnership is a Guernsey limited partnership, whose principal business is that of an investment and property entity. UK Commercial Property Holdings Limited and UK Commercial Property GP Limited, have a partnership interest of 99 and 1 per cent respectively in this limited partnership. UK Commercial Property GP Limited is the general partner and UK Commercial Property Holdings Limited is a limited partner of this partnership.

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

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

# Principal Risks and Uncertainties

The Company'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 Company include economic, strategic, regulatory, management and control, financial and operational. 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 2011. The Company's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Company's financial year.

# Statement of Directors' Responsibilities in Respect of the Half Yearly Financial Report to 30 June 2012

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 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 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

Christopher M.W. Hill  
Chairman

21 August 2012



# Directors and Company Information

## Directors (all non-executive)

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

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

Maples Teesdale LLP  
30 King Street  
London EC2V 8EE

## Registered Office

Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey

## Principal Banker

The Royal Bank of Scotland plc  
2½ Devonshire Square  
London EC2M 4XJ

## Registered Number

45387

## Principal Lenders

Barclays Bank plc  
Quay 2  
139 Fountainbridge  
Edinburgh EH3 9QG

## Administrator and Secretary

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

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

## Investment Manager

Ignis Investment Services Limited  
50 Bothwell Street  
Glasgow G2 6HR

## Property Valuer

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

## Independent Auditors

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

## Corporate P.R. Advisor

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

## Solicitors

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

## Corporate broker

JP Morgan Cazenove  
10 Aldermanbury  
London EC2V 7RF

## Website

[www.ukcpt.co.uk](http://www.ukcpt.co.uk)



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\*Authorised and regulated by the Financial Services Authority.

**Contact:**

Ignis Investment Services Ltd  
50 Bothwell St  
Glasgow G2 6HR

Call: **0141 222 8011**

Web: **[www.ukcpt.co.uk](http://www.ukcpt.co.uk)**