To: RNS

From: UK Commercial Property Trust Limited

Date: 5 March 2015

UK Commercial Property Trust Limited

Proposed refinancing, amendment to the Articles and publication of a circular

Introduction and background

UK Commercial Property Trust Limited is a closed-ended Guernsey registered property investment company which is listed on the Official List of the UK Listing Authority. The Company's investment objective is to provide Shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified UK commercial property portfolio.

The Group has an £80 million term loan facility with Lloyds Bank plc, which is repayable in June 2015. The Group also has in place a seven year £150 million term loan facility with Barclays Bank plc which is repayable in May 2018. Both of these loan facilities are fully drawn down. The Board has been reviewing the refinancing options for the Group with its Investment Manager and other advisers. The Board is pleased to announce that the Group is in advanced negotiations to refinance the Lloyds Facility through a 12 year term loan facility with a new lender and has agreed terms for the amendment and extension to the Existing Barclays Facility.

The Articles require the Board to put to Shareholders an ordinary resolution at the annual general meeting of the Company to be held in 2016 approving the continuation of the Company and on a five yearly basis thereafter. In the light of the proposed Refinancing, the Board is proposing a special resolution to amend the Articles to replace the current continuation vote with a vote in 2020 and seven yearly thereafter.

The Company has today sent a circular to its Shareholders (the "Circular") in connection with the proposed Refinancing convening an extraordinary general meeting of the Company to consider the special resolution to amend the Articles and thereby approve the continuation of the Company. The Circular also explains why the Directors believe that these proposals are in the best interests of the Company and Shareholders as a whole and recommends that Shareholders vote in favour of the Resolution.

New financing arrangements

New term loan

The Group is in advanced negotiations with a new lender to provide a 12 year term loan facility (the "New Facility") which will be repayable in 2027. The New Facility will be drawn down through FinanceCo, a new intermediate holding company of the Group which will hold the UKCPH Subsidiaries, and used to repay the existing Lloyds Facility.

FinanceCo is expected to enter into a facility agreement with Cornerstone Real Estate Advisers Europe LLP, a member of the MassMutual Financial Services Group, reflecting the agreed outline terms. Under the facility agreement FinanceCo will drawdown £100 million to finance the repayment of the Lloyds Facility. The balance of the New Facility will be used for general working capital purposes. The availability of the New Facility will be subject to the legally binding facility agreement being executed and on a number of conditions precedent including valid security and guarantees being granted over the assets of FinanceCo and the UKCPH Subsidiaries including floating charges and fixed legal charges over the properties at (i) Junction 27 Retail Park, Birstall, Leeds, (ii) Aberdeen Gateway – Sites A, C2 and D1, Aberdeen, (iii) 81-85 George Street, Edinburgh, (iv) Broadbridge Retail Park, Horsham, (v) Motor Park, Portsmouth and (vi) Emerald Park East, Bristol only. There will be a process under the terms of the New Facility for substitution of the secured properties. The New Facility will not be secured over the other assets of the Group.

Interest is expected to be payable on the New Facility at a rate in the range of 1.25 to 1.45 per cent. per annum over the relevant 12 year UK Gilt. Based on UK Gilt rates as at 3 March 2015 (being the latest practicable date prior to publication of the Circular) it is estimated that the total interest rate payable under the New Facility would be between approximately 3.31 and 3.51 per cent. per annum.

If all or any part of the New Facility is repaid prior to the end of 2026, FinanceCo will be required to pay an early repayment penalty (being an adjusted Spens penalty) based on the greater of (i) a specified percentage of the amount prepaid (being 1 per cent. up to the ninth anniversary of drawdown and 0.5 per cent. any time thereafter); and (ii) an adjusted redemption premium based on UK Gilt yields on the date of prepayment and the interest which would have been payable for the balance of the loan. Accordingly, a higher repayment penalty will be suffered the earlier the New Facility is repaid and/or if interest rates are lower at the time of repayment. While the level of UK Gilt yields in five years time cannot be accurately predicted, it should be noted that any early repayment penalty would be substantial in an environment of unusually low yields.

The New Facility is expected to contain covenants, warranties and undertakings which are customary for a term loan facility of this nature.

Amendment to the Existing Barclays Facility

In addition to the refinancing of the Lloyds Facility, the Group has agreed heads of terms with Barclays for an extension of the term of the Existing Barclays Facility to 2020 (the "Extended Barclays Facility") and the provision of a five year additional revolving credit facility (the "Barclays Revolving Credit Facility") of up to £50 million (together the "New Barclays Facilities"). The Group expects to enter into an amended facility agreement in due course with Barclays substantially reflecting the heads of terms agreed with Barclays.

Interest is expected to be payable on the Extended Barclays Facility at the rate of 1.5 per cent. per annum over LIBOR, a reduction of 0.2 per cent. from the Existing Barclays Facility. It is expected that the Extended Barclays Facility will contain covenants, warranties and undertakings which are the same as or substantially similar to the Existing Barclays Facility.

The Barclays Revolving Credit Facility is to be available for general purposes and may be utilised to fund the acquisition of assets anywhere in the Group. The facility introduces flexibility to the debt structure as it will allow aggregate debt to be increased or decreased depending on the Investment Manager's view of the property market and ongoing cash levels within the Group. It will also provide the Investment Manager with additional finance that can be utilised in a quick and efficient manner should acquisition or asset management opportunities arise.

Gearing policy

In accordance with the Company's investment policy, gearing may not exceed 65 per cent., calculated by borrowings as a percentage of the Group's total assets. However, it remains the Board's intention that borrowings of the Group at the time of drawdown will not exceed 25 per cent. of the total assets of the Group.

Group borrowings

Following the Refinancing, the Group will have available borrowings of £300 million of which £250 million will be drawn down. On the basis that the Barclays Revolving Credit Facility is undrawn, the weighted average period to maturity on the Group's debt will be 7.8 years (being an increase of 5.6 years). Based on the total assets of the Group as at 31 December 2014, such borrowings would represent 18.7 per cent. of the Group's total assets.

The current weighted average interest rate is 3.85 per cent. per annum. The weighted average interest rate post completion will depend on the underlying interest rates at the date of completion and the swap strategy the Company employs in relation to the current interest rate swaps it has in place. However, based on (i) the New Facility which will be at a fixed interest rate with a margin expected at a rate of 1.25 per cent. to 1.45 per cent. per annum; (ii) the crystallisation of the swaps in respect of the repayment of the Lloyds Facility; and (iii) the potential restructuring of the existing interest rate swaps on the Barclays Facility (which will be decided on nearer the time of completion), it is expected that the weighted average interest rate on the Company's entire borrowings will fall. As at 31 December 2014, the Lloyds and Barclays swaps were valued at having a break cost of £760,000 and £7,507,000 respectively. These liabilities have been fully reflected in the 31 December 2014 net asset value of the Company announced on 12 February 2015.

Key attractions of the Group

The Directors believe that continuation of the Company is in the best interests of Shareholders for the following reasons.

- The Group has performed well since its launch in 2006 delivering strong annualised performance.
- The Company remains one of the most highly rated companies in its sector and its shares continue to trade at a significant premium to NAV per Share.
- The Property Portfolio is well positioned to continue to out-perform the wider UK commercial property market over the medium and longer term.
- There are a number of asset management opportunities in the Property Portfolio that will assist in the performance of the Group over the forthcoming years.
- Following the Refinancing, the Group will have in place cost effective long term borrowings which are expected to enhance returns to Shareholders over the longer term.

Continuation vote

The Articles require the Board to put to Shareholders an ordinary resolution approving the continuation of the Company at the annual general meeting of the Company to be held in 2016, and five yearly thereafter. Given the potential liabilities incurred on repayment of the New Facility during its term, the Company would prefer to align the continuation votes with the debt repayment dates. In the light of the proposed Refinancing, the Board is proposing that Shareholders approve the continuation of the Company by agreeing to a special resolution to amend the Articles to replace the current continuation vote with a vote in 2020 (being the expected repayment date of the New Barclays Facilities) and seven yearly thereafter (i.e. 2027 being the expected repayment date of the New Facility).

Accordingly, there will be one continuation vote during the proposed term of the New Facility. Shareholders should note that if the New Facility is repaid prior to the end of 2026, an early repayment penalty will be payable as described above. The Board believes that it is in the best interests of Shareholders to secure long term financing, with a mixed maturity profile, at current attractive interest rates notwithstanding the requirement to hold a continuation vote during the term of the New Facility.

Discount control

The Board intends to continue to use the share buyback authority granted at each annual general meeting to purchase Shares (subject to the income and cash flow requirements of the Company) if the price of a Share is more than five per cent. below the published Net Asset Value for a continuous period of time.

In the event that such discount is more than five per cent. for 90 consecutive dealing days or more, the Directors will convene an extraordinary general meeting of the Company to be held within three months to consider an ordinary resolution for the continuation of the Company. In considering whether to propose a continuation vote in times of market volatility, the Board may consider estimated Net Asset Values between the published quarterly Net Asset Values. If this continuation resolution is not passed, the Directors will convene a further extraordinary general meeting of the Company, to be held within six months of the first extraordinary general meeting, to consider the winding up of the Company or a reconstruction of the Company which offers all Shareholders the opportunity to realise their investment. If such continuation resolution is passed, this discount policy, save in respect of share buybacks, would not apply for a period of two years thereafter. If the Company is wound up during the term of the New Facility, the early repayment penalty noted above would apply.

Shareholder meeting

If the Resolution is passed by Shareholders at the General Meeting, the requirement on the Directors to hold a continuation vote at the annual general meeting in 2016 will be removed from the Articles and replaced with a continuation vote in 2020 (being the expected repayment date of the New Barclays Facilities) and seven yearly thereafter.

The General Meeting has been convened for 10.00 a.m. on 31 March 2015, to be held at Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL. All Shareholders are entitled to attend and vote on the Resolution to be proposed at the General Meeting.

If the Resolution is not passed, the Directors will consult with Shareholders in advance of the Refinancing and put to Shareholders an ordinary resolution for the continuation of the Company at the annual general meeting of the Company to be held in 2015.

Phoenix Life Limited, the Company's largest Shareholder with a holding of 53.2 per cent. of the issued Shares, has irrevocably undertaken to vote in favour of the Resolution.

Circular

A copy of the circular has been submitted to the National Storage Mechanism and will shortly be available for inspection at http://www.morningstar.co.uk/uk/NSM.

Definitions

Terms used and not defined in this announcement have the meanings given in the Circular.

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