Annual Report and Accounts

for the year ended 31 December 2013

UK COMMERCIAL PROPERTY TRUST

Contents

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Front Cover Images: Hatfield Business Park, Hatfield and Arlington Street, London, SW1

Company Summary

The Company

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

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

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

The Group

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

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

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

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

Objectives

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

Benchmark

Investment Property Databank Balanced Monthly and Quarterly Funds.

Management

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

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

ISA Status

The Company's shares are eligible for ISA investment.

Website

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

Financial and Property Highlights

Financial Highlights

- NAV per share of 73.1p as at 31 December 2013 (2012 – 69.6p), a rise of 5.0% driven by portfolio capital growth, beneficial sale activity and a reduction in swap liabilities;
- NAV total return of 13.2% and share price total return of 25.7% in the year, both outperforming the IPD Balanced Monthly & Quarterly Funds benchmark of 10.7%;
- Strong share price performance resulted in the Company's shares trading at a 5.3% premium to NAV as at 31 December 2013 (31 December 2012: Discount of 5.5%);
- Over a five year period the Company has returned 107.5% on a share price total return basis, ahead of the IPD Benchmark (44.4%), the FTSE Real Estate Investment Trusts Index (71.9%) and the FTSE All Share Index (95.2%);
- A move towards a more sustainable dividend policy with the dividend reduced by 30% to 3.68p per annum from May 2014, providing an attractive yield of 4.7% (based on the share price as at 28 February 2014);
- Subject to regulatory approval, the management fee will be reduced by 7% (based on 31 December 2013 total assets) from July 2014, which also takes into account the additional services that Ignis Fund Managers Limited will provide in relation to the Alternative Investment Fund Managers Directive ("AIFMD");
- Considerable cash resources of over £80 million are available for the commitment at Aberdeen Gateway, Aberdeen, other income enhancing acquisitions and asset management opportunities;
- Lowest gross gearing in the Company's peer group* of 20.7%.

*AIC Property Direct-UK sector

Property Highlights

- Strong portfolio total return of 11.5% for the year driven by value improvements in Central London assets, South East Industrial assets, Distribution Warehouses and selective Regional Offices.
- Good progress with portfolio strategy underpinned by the repositioning of the portfolio specifically:
  - Sales of Buchanan Street, Glasgow, Bushey Road, Raynes Park, London and Charter Place, Uxbridge during the year for a combined total of £44.2 million, significantly ahead of valuations and reducing both risk and void rates within the portfolio;
  - Purchase of Newton's Court, Dartford in June 2013 for £17.9 million and a commitment in January 2014 to purchase three fully pre-let assets at Aberdeen Gateway Business Park, Aberdeen for up to £48.3 million, strengthening the tenant base and increasing exposure in the favoured industrial sector.
- A number of successful asset management initiatives completed during the year including:
  - Lettings at Junction 27 Retail Park, Leeds, improving income, average lease length and rental tone at this asset;
  - Lease re-gears at Dolphin Industrial Estate, Sunbury resulting in investment in the property and strengthening income streams;
  - The introduction of new occupiers to The Rotunda, Kingston upon Thames, adding £0.5million to the value of this property at the end of 2013;
  - Acquisition of the long leasehold of a residential flat within existing ownership at 6 Arlington Street, London, allowing the Company greater control and flexibility in realising its strategy for the residential conversion of this office building;
  - A number of long term lettings completed in the shopping centre portfolio generating a combined income after rent free periods of £1.1 million;
- 99% occupancy rate within the Company's regional office portfolio;
- Void rate of 4.4% at 31 December 2013 (4.8% in 2012), significantly below the benchmark figure of 7.3%;
- Continuing strong rent collection rates of 99% within 28 days of the quarter date, highlighting the strength of tenant covenants within the Company's ownership.

Performance Summary

Capital Values & Gearing	31 December 2013	31 December 2012	% Change
Total assets less current liabilities (£'000)	1,107,486	1,073,720	3.1
Net asset value per share (p)	73.10	69.60	5.0
Ordinary Share Price (p)	77.00	65.75	17.1
Premium/(discount) to net asset value (%)	5.3	(5.5)	
Gearing (%): Gross*	20.7	21.3	
Net**	14.5	15.3	

Total Return	1 year % return	3 year % return	5 year % return
NAV***	13.2	17.6	47.2
Share Price***	25.7	15.9	107.5
Investment Property Databank (IPD) Balanced Monthly & Quarterly Funds Benchmark	10.7	21.9	44.4
FTSE Real Estate Investment Trusts Index	19.6	42.4	71.9
FTSE All-Share Index	20.8	31.0	95.2

Earnings & Dividends	31 December 2013	31 December 2012
Dividends declared per ordinary share (p)	5.25	5.25
Dividend Yield (%)****	6.8	8.0
IPD Benchmark Yield (%)	5.9	6.3
FTSE Real Estate Investment Trusts Index Yield (%)	3.5	4.2
FTSE All-Share Index Yield (%)	3.3	3.6
Ongoing Charges		
(as a % of average net assets) †	1.81	1.52
Void (%)	4.4	4.8

European Public Real Estate Association ("EPRA") NAV at 31 December 2013 (excluding swap liabilities) – 73.7p (2012 – 71.0p)

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

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

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

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

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

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

Chairman's Statement

With its prime portfolio of assets and strong tenant base, I am pleased to report that the Company was well positioned to take advantage of the strong re-rating of the UK commercial property sector in 2013. The Company delivered a NAV total return of 13.2%, ahead of the IPD benchmark total return. Encouragingly, the positive return was not only due to the superior income return from the Company's property portfolio, but also valuation increases which delivered a capital return of 4.7%.

The Company's shares produced an impressive total return of 25.7% in the year, significantly outperforming the IPD benchmark, the FTSE REIT Index total return of 19.6% and the overall UK equity market, (the FTSE All Share returned 20.8% over the same period).

These returns not only highlight the current attractiveness of the asset class, but also reflect the underlying strength of the Company's portfolio and tenant base, further demonstrated by the Company's shares trading at a premium to NAV of 5.3% at 31 December 2013 (8.2% premium as at 28th February 2014) compared to a discount of 5.5% at the end of 2012.

Over the longer term, the Company has consistently outperformed on both a NAV and share price basis against the IPD benchmark, returning 47.2% and 107.5% respectively against an IPD benchmark total return of 44.4% over five years.

The Company's portfolio strategy is to invest across all commercial sectors in a balance of institutional grade assets with strong covenants and modest capital expenditure requirements that also offer the prospect of value enhancing asset management opportunities.

The Company's investment objective remains to provide shareholders with an attractive level of income as well as the potential for capital growth. The re-basing of the dividend payable by the Company to a more sustainable level, announced on 4 February 2014, will allow the Company to invest in properties that will, in aggregate, form a portfolio with a better balance between income and capital growth potential.

Economic Background

The UK economy now appears to be on a solid upward trend and, according to the Office of National Statistics, is estimated to have grown by 1.9% in 2013. This expansion was broad-based with Manufacturing, Production, Services and Construction all making substantial positive contributions. The latest UK Purchasing Manager Index ("PMI") indicators also remain positive, with the PMI's Services index in particular remaining well ahead of its long-term average. With business and consumer confidence continuing to improve, unemployment levels falling and house prices rising, the wider recovery in the UK economy now seems firmly entrenched. Crucially, business investment is also now expanding with corporations more confident about future profitability – a key requirement for sustained expansion.

Commercial Property Market

The last 12 months have seen a marked change in sentiment towards UK commercial property. Whilst 2013 started with a modest decline in capital values, by the second half of the year this trend had been reversed as an increasingly wide range of investors sought to acquire a limited amount of suitable available stock.

The UK commercial property sector recorded a total return of 10.7% in the year to end 31 December 2013 according to the IPD benchmark. The vast majority of the 4.5% capital return occurred in the second half of the year, while income returns remained relatively stable at 6.0%.

Improved valuation yields continued to be the major force behind capital growth as investor demand served to drive down yields across the major sectors. Importantly, there is evidence that demand for stock and resultant yield compression is now spreading from the key London and South East markets to regional markets.

Significant Property Transactions

There were a number of significant property transactions to the date of this statement as set out below:

- Sale of 2-8 Buchanan Street, Glasgow for £10.45 million in January 2013;
- Purchase of a multi-let industrial estate at Newton's Court, Crossways Business Park, Dartford, Kent for £17.93 million (excluding costs and stamp duty) in June 2013, increasing exposure to the sector in the favoured South East region;
- Sale of 84-86 Bushey Road, Raynes Park, London in July 2013 for £7.25 million removing one of the largest voids in the portfolio;
- Sale of Charter Place, Uxbridge in December 2013 at a price significantly ahead of its most recent valuation of £22.0 million, reducing development risk and cutting the portfolio's void position by almost 2.5%;
- Exchange of conditional missives in January 2014 for the purchase of three pre-let properties by way of forward funding and forward purchase commitments, up to £48.3 million on the Aberdeen Gateway Business Park, Old Wellington Road, Aberdeen.

These transactions have reduced development/income risk and voids within the portfolio (4.4% as at 31 December 2013) and highlight the significant progress that has been made in repositioning the portfolio in line with the agreed portfolio strategy set out in the Manager's report.

Borrowing

As at 31 December 2013 the Company's gross gearing was 20.7%, comfortably the lowest in the Company's peer group and with an attractive blended interest rate of 3.85% based on current margins. The Company also has cash resources that can be utilised for future acquisitions or asset management opportunities, net of the Aberdeen Gateway commitment referred to above.

Dividends

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

	Payment Date (2013)	Dividend per share (p)
4th interim for prior period	Feb	1.3125
1st interim	May	1.3125
2nd interim	Aug	1.3125
3rd interim	Nov	1.3125
Total		**5.2500**

A fourth interim dividend of 1.3125p was paid on 28 February 2014.

The Company's dividend policy was set at launch in 2006 at a time of strong rental growth prospects. However, the economic downturn has significantly undermined rental growth and, despite an improving economic outlook, the prospects for rental growth remain muted outside Central London. While the Company's balance sheet could have sustained the historic dividend level in the short term, ultimately this would have placed a strain on the Company's resources. As a result, the Board concluded that rebasing the dividend to a more sustainable level of 0.92p per share per quarter from Q1 2014 (a reduction of 30%) was the most prudent course of action.

The new dividend level fully underpins the portfolio strategy and would have achieved approximately 106% cover had it applied in the year to 31 December 2013. It also diversifies the future financing ability of the Company. The shares will still provide a yield of 4.7% (based on the share price at 28 February 2014) remaining attractive when compared to the yield available from other asset classes.

Alternative Investment Fund Managers Directive ("AIFMD")

The Alternative Investment Fund Managers Directive creates a European-wide framework to regulate managers of Alternative Investment Funds ("AIFs") and came into force in July 2013.

A transitional period under the directive means that existing AIFs, such as the Company, have until July 2014 to comply with the relevant regulations. The AIFMD is intended to reduce systemic risk created by the financial sector and aims to improve regulation, enhance transparency and investor protection and develop a single EU market for AIFs. As such, full compliance with the Directive represents best practice for an AIF.

Following a review the Board was pleased to announce in February 2014, that it has decided to appoint Ignis Fund Managers Limited to act as the Company's Alternative Investment Fund Manager ("AIFM"). The Board is confident that the processes and procedures that Ignis has in place will ensure that the Company's shareholders will receive the full benefits and protection envisaged by the AIFMD.

In addition to the above, it has been agreed that the fee payable to the Manager will be reduced to 0.65% of total assets from 1 July 2014 (subject to regulatory approval), a reduction of approximately 7% based on the 31 December 2013 NAV. This fee reduction also takes into account the additional services that the Manager will provide in relation to AIFMD.

Board Changes

On 12 December 2013, following a systematic selection process, Mrs Sandra Platts was appointed as a non-executive Director of the Company. Mrs Platts, a resident of Guernsey, acts as a Director to public and private financial services companies and brings skills that will complement and strengthen the skill set of the Board as a whole.

Mr Christopher Fish has announced his intention to retire at the 2014 AGM scheduled for 17 June 2014. The Board would like to thank him for the enormous contribution he has made in both developing and growing the Company since inception in 2006 and the insightful and knowledgeable manner in which he chaired the Audit Committee.

Following Mr Fish's departure, Mr Ken McCullagh, a Chartered Accountant with significant financial experience in the real estate sector, will chair the Audit Committee.

Outlook

The UK economy is now firmly on the road to recovery with most forecasters suggesting that 2014 GDP growth will be stronger than the majority of the other major western economies. The return to sustainable growth, however, coupled with the quicker than expected reduction in headline unemployment, presents a challenge for the Bank of England, which will have to judge when the economy can handle the withdrawal of the stimulus provided by historically low interest rates and quantitative easing. The managing of expectations from businesses, consumers and financial markets as the UK returns to a more 'normal' monetary policy environment will be crucial to the performance of the UK economy over the medium term.

Improving capital values through yield compression are expected to continue to have a positive influence on total return in the short term. Income, however, remains the key factor driving performance over the longer term and the Company's portfolio, with its prime assets, income bias, quality tenant base and the Manager's asset management skills, is in a strong position to take advantage of this outlook.

With good progress being made in relation to the portfolio strategy, the rebasing of the dividend to a more sustainable level and the more pleasing economic outlook, I believe that the Company is now in an excellent position to build on the progress made in 2013.

Christopher M.W. Hill
Chairman
19 March 2014

Investment Management Team

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

Ignis is a leading asset manager and has approximately £66 billion of assets under management.

Ignis has a long history of managing commercial property and over the years has built up a high level of knowledge and experience in this asset class. Ignis has the advantage of a strong and well-resourced team that is dedicated to searching out value actively in the property sector and in the portfolios that it manages and, in this context, has a rigorous policy to manage conflicts of interest. The team manages a number of property portfolios, totalling around £3.0 billion.

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

ROBERT BOAG, BSc Dip IPF MRICS – Senior Investment Director (Real Estate)

Robert graduated from the University of Paisley in 1986 with a degree in Land Economics. In 1987 he became a Member of the Royal Institution of Chartered Surveyors. He had several years experience operating as property asset/investment manager throughout the UK with Scottish Metropolitan and Haslemere Estates. He joined Ignis Asset Management in January 2006.

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

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

SHEILA CAMPBELL, MA (Hons) MSc Dip IPF MRICS – Asset Manager (Real Estate)

Sheila graduated from the University of Glasgow in 1996 with a Master of Arts (honours) degree in English Literature and Media Studies. She then went on to study at University of Paisley where she obtained an MSc in Urban Property Appraisal in 1997. Sheila began her career in 1997 in retail & development agency at Jones Lang Lasalle. In 2000 she joined DTZ Debenham Tie Leung as a Surveyor in the professional department and then moved into retail agency. Sheila joined Ignis Asset Management in 2007. She is a member of the Royal Institution of Chartered Surveyors, elected MRICS in 1999.

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

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

GRAEME MCDONALD, BA CA – Fund Accounting Manager (Real Estate)

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

Investment Manager Review

Market Review

The UK economy closed 2013 in a much healthier condition than a year ago. Market indicators suggest that the composition of economic growth appears healthy, reasonably well-balanced, and is expected to be more than maintained over the short term at least. Business and consumer confidence continue to improve and house prices are rising. This is leading to an increase in investment within the private sector as greater confidence surrounds future profitability.

The strengthening outlook for the UK economy, supports the case for real estate as an asset class. Business investment is now increasing as corporations become more confident about future profitability, a crucial requirement for sustained expansion. It has been some considerable time since the UK economy has enjoyed positive news of this scale and magnitude.

Although all this positive data is welcome, it has yet to translate fully into real income growth for most which suggests that the increase in consumer spending has been fuelled by a reduction in savings, a strengthening housing market and reduced interest rates. Inflation, which has undermined real income growth in recent times, does, however, seem to be reverting to long term target rates which should ease the pressure on any prospect of a pre-emptive rise in interest rates.

When the rate of GDP growth accelerates, there is usually a corresponding uplift in rental growth, and we expect to see this as we enter the next phase of the current economic cycle. However, some commentators believe that this may be more muted than in previous cycles, with a rate of rental growth of only around 2% p.a. over three years, focused in certain sub sectors and regions of the UK, the most likely outcome.

The volume of investment transactions in the UK rose steadily during 2013, reaching £53 billion over the year, the highest investment level since 2007. This increase does not fully reflect investor demand, as the supply of good quality stock remains constrained and is arguably holding back transaction levels, although investor appetite has now spread from London and the South East markets to the UK's regional markets, albeit on a more selective basis.

Although it has been the familiar theme of Central London retail and offices delivering the strongest returns, the yield gap between London/South East and the UK's regional markets, combined with nascent signs of an improving occupier market in the key regional centres and an increasing investor appetite towards risk, has manifested itself in increasing investor demand for good quality assets in the UK's regional markets. This was reflected in the fact that almost a third of investment volumes were from regional markets.

In the second half of the year prime yields in key regional markets fell by over 0.5%. However, this yield shift is not evident in the poorer quality secondary/tertiary end of the spectrum, where structural shifts in attitudes to risk and occupational demand mean that vacancy rates will remain stubbornly high, void periods will be longer and rents lower. This is now being reflected in yield movement and all property yields are moving firmly downwards. Market evidence suggests that the downward movement has been much stronger in the closing quarter of 2013 than is currently being reported in IPD (whose data is based on valuations, rather than transactions).

Performance Review

Property returns improved quarter on quarter through 2013, opening with a modest capital decline which evened out with income to deliver 3.0% by the half year as measured by the IPD Benchmark. In response to the combined effects of an improved economic outlook (both home and abroad) and a low interest rate environment, capital values continued to gain momentum with the second half of the year producing 4.0% capital growth i.e 7.0% total return and in the process produced the highest quarterly total return for three years in the last quarter of 2013. For the year, the UK commercial property sector delivered a total return of 10.7% with a 6.0% income return and 4.5% capital growth. Capital value growth was driven by yield compression as rental values across the market generally remained flat. All property rental value growth has been modestly positive over the year (0.6%) with growth in office and industrial rental values, predominantly in London and the South East, off-setting rental value decline in the retail sector.

Whilst all the principal sectors recorded positive capital growth throughout 2013, offices remained the strongest performing sector. With an overall return of 15.8%, Central London continued to be at the forefront of this performance, buoyed by yield compression in response to continued investor demand from home and abroad as well as sustained levels of strong rental growth. The year witnessed very strong returns for Outer London and South East markets as investors began to recognise the strong property fundamentals evident in these markets, which led to very healthy capital growth driven by yield compression and accelerating rental growth. South East office markets delivered a total return of 15.4% in 2013. Although the prevalence of yield compression was also evident in the better regional markets, the rental growth story was much more benign but the market was still able to deliver a total return of 6.2%.

Industrial markets also benefited from yield compression as the year progressed, particularly within distribution warehouses, where a lack of available supply was also supporting upward pressure on rents. All Industrial total returns were 12.9% for 2013.

The retail market remained the greatest source of market divergence, with Central London continuing to be driven by very strong rental growth and delivering 16.1% total return. This was in stark contrast to shopping centres and high streets in the rest of the country where structural changes, weak disposable income growth, and a continued over supply in secondary markets continued to cause rental falls and resulted in a total return of 2.4% over the year.

Overall, divergence in performance between prime and secondary assets on the whole persisted over the review period; however, in certain markets, the variance is narrowing.

Income

Annualised rental income for the Company was £68.1 million at the end of the year representing a fall of 6.1% from the previous year. The largest single contributor to this reduction was the Coca Cola lease expiry at Charter Place, Uxbridge (sold in December 2013) but a number of lease expiries and breaks mainly within the Company's shopping centres were also important factors. As highlighted in the asset management section below, a concerted effort continues to be made to replace that income and this will remain a key focus for the Company.

The threat of administrations seems to have diminished although where it has occurred within the portfolio it has resulted in improved income levels and lease length in certain cases.

The investment of some of the Company's cash resources and proceeds from sales has had a positive effect on revenue with the acquisition of Newton's Court, Dartford producing an income yield of 6.4% as well as the commitment to fund Aberdeen Gateway.

Portfolio Performance

In a similar fashion to the overall market, the performance of the portfolio improved as the year progressed and delivered an overall portfolio return comfortably ahead of the benchmark of 11.5% for the year with 4.7% capital growth, principally from the last quarter, and an income return of 6.5%. The external portfolio valuation as at 31 December 2013 was £1,048.7 million.

The Company's Central London retail and office holdings were the principal reasons for that capital growth but it was also particularly pleasing to see the improved contribution from the performance of the Company's industrial and retail warehouse assets, which represent approximately 47% of the overall portfolio.

The table below sets out the components of total return of the Company and of the benchmark in each sector for the year to 31 December 2013:

	Total Return		Income Return		Capital Growth	
	Fund %	Benchmark %	Fund %	Benchmark %	Fund %	Benchmark %
Offices	21.2	14.1	6.7	5.6	13.6	8.1
Industrials	15.9	12.9	6.8	6.9	8.6	5.7
Retail	5.5	8.1	6.3	5.9	-0.8	2.0
Other Commercial (incl Leisure)	11.2	9.6	6.3	5.7	4.6	3.8
Total	11.5	10.7	6.5	6.0	4.7	4.5

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

Offices

The Company's office holdings continued to provide the portfolio's strongest returns in 2013. This was led by continued yield compression and rental growth in Central London with very strong capital growth of 13.6% being the principal component in a total return of 21.2% for the year.

There has been a notable shift in pricing for assets with shorter lease lengths in Central London and South East office markets where severe supply shortages are manifesting themselves in higher headline rents and a marked fall in incentives. The Company's own Central London assets were notable beneficiaries of this trend with three out of the five top performers in the portfolio from the West End office portfolio such as Craven House, Fouberts Place, London and two properties in Great Marlborough Street, all of which are within the Soho office sub market.

Great Marlborough Street, London, W1

Outside London, and reflecting the improvement in investor sentiment in the regions highlighted above, the total return for the

Investment Manager Review (continued)

Company's regional office portfolio was 11.1%, this being the combination of a strong income yield of 8.2% and improved capital growth of 2.7%. This comfortably outperformed the benchmark.

Industrials

The Company's Industrial portfolio was the next best performer during the year with an overall return of 15.9%. The broad ranging industrial assets, which include retailer led distribution warehouses and traditional multi-let estates, were well placed to benefit from the combined effects of improved yields, driven by a marked improvement in investor demand, as well as stable rental values. Across all assets, yields improved by as much as 50 basis points in some cases with asset management (highlighted further below) providing an additional boost to income and capital growth throughout the year.

Retail

Although there are many reasons to be positive about the Company's retail portfolio (e.g improving market sentiment, stabilisation of rents and a reduction of voids in certain cases), this sector was the weakest performer, in common with the general market.

Capital growth was witnessed in the final quarter of 2013 for the first time since Q2 2011. Across the portfolio, values improved by 2.3% in Q4 and, although this was not enough to offset falls from earlier in the year, it is an indication of some stability entering the retail market.

The Company's South East retail assets benefited from the continued investor focus within London markets, as well as supermarkets, and helped provide a very strong total return during the year of 18.1%.

Retail Warehouses, driven by asset management and improving yields, provided a healthy 8.6% overall return for the year. The attractive income return, supported by minimal voids and longevity of income within that sector of the portfolio, delivered outperformance against benchmark.

The shopping centre portfolio, which represents 12.4% of the total portfolio, continues to be the most challenging sub-sector, with a negative overall return of 6.7% for the year resulting from falling rental and capital values. There has been a further reduction of income and estimated rental values at the Sovereign Centre, Weston-super-Mare which, combined with the liquidation of the Menzies Hotel at The Parade in Swindon, has undermined some very good asset management work throughout the year.

In line with our strategy to stabilise and rebuild income for the Shrewsbury shopping centres, there was a continued focus on the improvement of net operating income within the Company's shopping centre portfolio which if maintained will benefit from an improving investment market.

Other Commercial – Leisure

The Company's single leisure investment, The Rotunda, Kingston upon Thames generated a total return of 11.2% during the year providing a good margin over the 9.6% total return in the broad ranging Other Commercial sector. The returns were helped by increasing investment demand for the sector, resulting in yields strengthening, and consolidation of the rental tone in this asset supporting a healthy income return.

Investment Activity

Sales

Good progress was made with sales throughout 2013, with capital intensive assets such as Bushey Road, Raynes Park, London and Charter Place, Uxbridge, both being sold at prices well ahead of valuation. Including the sale of the high street retail property at Buchanan Street, Glasgow earlier in the year, the Company realised a total of £44.2 million from sales at a net exit yield of 2.25% and in doing so de-risked the portfolio by removing significant requirements for capital and revenue expenditure and reducing overall portfolio voids.

The sale of Charter Place, Uxbridge was the most significant of the sales and was achieved at a time when there was very strong investment demand for South East offices which ensured that the Company was able to benefit from a price significantly ahead of the September valuation of £22 million. Importantly, the sale reduced the portfolio's void position by almost 2.5% and was also in line with the Company's strategy to limit portfolio income risk and development risk and to sell assets where significant capital expenditure is required.

Purchases

In line with the strategy of increasing exposure to the multi-let industrial sector, the Company purchased a multi-let industrial estate at Newton's Court, Dartford, Kent for £17.9 million (excluding costs and stamp duty) at a net initial yield of 6.4% in June. The property is a high quality, modern industrial estate in an area with restricted available supply. This restricted supply and improving occupational demand, in addition to asset management potential from letting the vacant space and lease restructuring, is expected to support growing income from the asset and has been a positive contributor to the outperformance of the industrial portfolio.

Immediately following the reporting period, the Company concluded conditional missives in January 2014 for the purchase of three properties by way of forward funding and forward purchase commitments on the Aberdeen Gateway Business Park, Old

Wellington Road, Aberdeen. The three predominantly industrial properties will extend to 265,000 sq. ft. The Company's maximum commitment will be £48.3 million on phased completion through to December 2014 and will initially generate a yield of 6.0% and a 19 year average weighted unexpired lease length. All leases provide for fixed guaranteed rental uplifts.

Artist's impression of Aberdeen Gateway, Aberdeen

This purchase demonstrates the continued recycling of cash realised from 2013 disposals, further supporting the Company's strategy with investment in the industrial sector within a strong underlying economy enjoying sound market fundamentals. It also provides the Company with further tenant diversification with the tenants involved being new to the Company and of strong covenant, operating within the dynamic and prosperous oil sector.

Asset Management Activity

During the year the Company continued its drive to strengthen income streams, extend lease lengths and add value to the portfolio. During the year 127 lease actions were completed with lease renewals, re-gears or rent reviews securing £1.9 million of annualised rental income for the Company. A significant proportion of this asset management activity was in the shopping centre portfolio.

At The Parade, Swindon long term lettings where secured with Costa and Schuh at annual rents of £100,000 pa and £72,500 pa respectively, improving the already strong tenant line up within that asset and reducing the void rate. This improved tenant mix continues to help improve The Parade's position within the towns retail hierarchy and is already resulting in positive discussions with other retailers who are interested in taking further space in The Parade.

In line with our strategy to stabilise and rebuild income in the Shrewsbury Shopping Centres, new leases were completed with The Entertainer, Ryman and Blue Inc. In addition, lease renewals were agreed with the jeweller, F. Hinds, the Perfume Shop Ltd and QVC. This progress has improved net operating income and will help stabilise values within a market which is showing some signs of improvement.

At The Sovereign Centre, Weston-super-Mare longer term leases were agreed with Clinton Cards and Bon Marche with a combined income of £133,000 pa. With the additional benefit of short term flexible lettings, this has improved the income profile for the Centre but not by enough to sustain the overall income from the Centre, which fell throughout the year.

Within the Retail Warehouse portfolio, contracts have been exchanged with Betta Living and Multi York, who will both be granted new leases at improved levels of rent when the former Comet unit at Junction 27 Retail Park, Leeds is sub-divided, with works scheduled to complete in late March 2014. This further example of asset management has improved values in a sector which has already benefited from some yield compression and ensured that the voids within the Company's retail warehouse portfolio remain low and comfortably below the benchmark.

In the industrial sector, successful asset management helped realise an improvement in income and capital at the Dolphin Trading Estate, Sunbury. In two separate transactions involving the principal tenants within the estate, Transglobal Freight Management Ltd and Lubkowski Saunders & Associates Ltd, lease re-gears improved overall rental income by £270,400 pa and increased lease length from 4 years 2 months to 7 years 1 month.

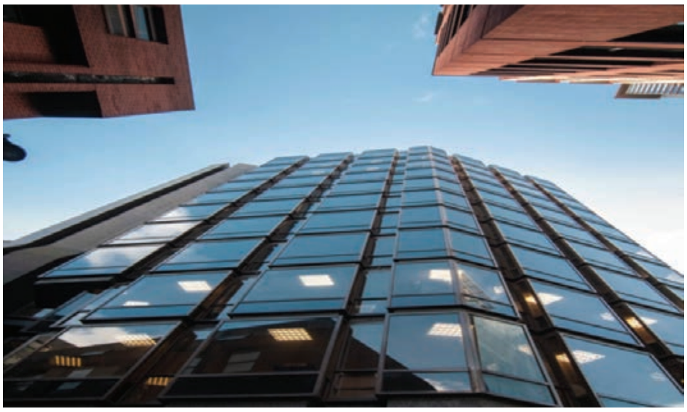
Dolphin Trading Estate, Sunbury

Further evidence of the strong underlying property fundamentals supporting the Company's industrial portfolio can be found in the rent review award which resulted in a 7% rental increase for the warehouse facility at Hatfield which, allied to an improvement in yield, significantly boosted capital value for that asset in the final quarter of the year.

Within the office portfolio, the Company acquired the long leasehold investment of a residential flat within its existing ownership at 6 Arlington Street, London, SW1 for £1.75 million. The purchase affords the Company greater control and flexibility in realising its strategy for the residential conversion of this office building which should, in due course, unlock further value from this prime asset, which has already provided strong performance for the Company.

Arlington Street, London, SW1

In the regional office portfolio, leases were re-geared at Pall Mall Court, Manchester and at Colmore Row, Birmingham which ensured the continued occupation of certain tenants, improved longevity of income and increased value for both assets. This was the culmination of a number of successful asset management initiatives over recent times which have resulted in a 99% occupancy rate within the Company's regional office portfolio.



Pall Mall Court, King Street, Manchester

With over-renting still a common theme throughout most sectors of the market, the majority of the 29 rent reviews within the portfolio were at nil uplifts. However, rent increases were achieved on Kensington High Street, The Rotunda, Kingston, Kew Retail Park, Richmond and at the Distribution Facility in Hatfield, all of which helped to improve annualised income by £286,000 pa.

Kensington High Street, London, W8 (Ground Floor only)

As the economy has started to show signs of improvement, the number of tenant failures reduced significantly this year. Taking into account the lease expiry profile throughout the year and recognising the strategic sales activity, it was pleasing to see the Company's void position at 31 December 2013 reduced to 4.4%, compared to 4.8% at the end of 2012. Allowing for tenant failures through administrations, the void rate increases to 6.2% (2012 – 6.9%). However, as we have always noted, tenant failure does not always equate to a loss in income or value and quite often has been a source of opportunity for the Company to attract better tenants on improved terms. This was demonstrated by the failure of one tenant at the Rotunda, Kingston upon Thames, which presented the Company with an opportunity to secure Five Guys Burgers and Fries at a higher level of rent and for a longer lease duration. This new tenant will complement the customer experience and improve footfall when the unit opens in early 2014.

The void figures remain comfortably below the IPD benchmark void rate of 7.3 %.

The covenant strength of the Company's occupiers remains a key attribute of the portfolio with average rent collection figures of 99% each quarter throughout the year. A total of £498,000 of bad debts was written off, representing only 0.7% of rental income for the year.

Sustainability

The Company accepts that, as a real estate business, it has a duty to understand its environmental performance, to use natural resources efficiently and to set programmes in place to improve for the future.

Furthermore, we believe that the incorporation of environmental performance into both long term plans and day-to-day operational management is now critical for success. As a result, we have established an environmental management approach which ensures that environmental issues are integrated into our decision making processes.

We are committed to continual improvement and pollution prevention. Objectives and targets have been established across our business to address significant environmental risks.

The Company both recognises and embraces the rapidly changing environmental landscape within the real estate industry. We have established programmes to track legislative changes in the areas where we operate. This approach will ensure that we are not only able to meet our commitment to comply with environmental legislation but also to benefit significantly from early planning.

Last year we set targets to reduce consumption by between 5-10% year on year by using low or no cost options. We achieved this target for electricity but letting activity and increased occupation across the portfolio led to increases in the consumption of water, gas and waste.

Our Significant Environmental Impacts

Environmental impacts are generated across a property's lifecycle. From an environmental perspective, the Company's operations are grouped into three categories: Property and Asset Management, Transactional Management, Refurbishment and Re-development.

Property and Asset Management

The operational phase of a building's lifecycle generates possibly the greatest environmental impact. Accordingly we are introducing a programme to collect environmental performance information from all of our assets on a monthly basis. The information collected will be used to develop improvement objectives. These improvement objectives also focus heavily on reducing electricity, gas, water and waste impacts across the portfolio. Wherever relevant, environmental objectives will be incorporated into individual property asset plans.

Transactional Management

Environmental issues are embedded into the Company's decision making process. An environmental sustainability assessment, to evaluate both risks and opportunities, is used to assess all potential acquisitions. Importantly, information collected during acquisition is used to set goals for improving operational performance. Key environmental performance information will also be collected for all assets and held in a format that ensures readiness for sale from an environmental perspective.

Refurbishment and redevelopment

Refurbishment and redevelopment programmes generate environmental risks but also present the greatest opportunities to improve. An evaluation of environmental improvement opportunities is completed as part of all refurbishment or building redevelopment plans.

Planning to Improve

The establishment of objectives and targets is core to our environmental management system. Environmental Plans will be established to cover our core significant impacts. Each multi-strand plan involves different parts of our business, as appropriate.

Governance

To ensure delivery, we have established the following Governance structure:

- Overarching responsibility for the environmental programme sits with the Board of Directors and is delegated to Ignis Investment Services Limited who report progress against performance on a regular basis.
- All employees, managing agents, consultants and contractors will be made aware of our policy, commitments and, importantly, their own specific requirements.
- A full review of the policy, environmental management systems and objectives and targets is completed on an annual basis.

Market Outlook

The supply of good quality investment stock will remain constrained and this factor, combined with continued strong investor demand, should ensure that downward pressure on yields continues through at least the first half of 2014.

Central London markets, both retail and offices, are forecast to deliver double digit total returns in 2014 based on the conviction that rental value growth will be converted into higher net incomes. Central London yields could be bid down even lower in the short term.

With the regional industrial and office markets now attracting greater investor interest and an improving outlook for occupational demand, performance in 2014 will primarily be driven by further yield compression, which is expected to extend to good quality secondary property.

Retail Warehouses, supermarkets and leisure schemes offer better prospects within the retail sector over the medium term. Rising house prices and activity in that market will support consumer spending to a degree, but shopping centre and High Street retail returns will continue to be polarised between prime investments and secondary centres in weaker locations.

Overall, as a further downward yield shift occurs in the first part of the 2014 assisted by the forecast modest rise in the rate of rental growth, Ignis anticipates a total return of more than 11% in 2014, ahead of the latest consensus view. Over the medium term, the Ignis forecast suggests that all major sectors will generate capital value growth over a three-year horizon, pushing the “All Property” three year annualised total return to 8.7%.

Portfolio Strategy

The strategy to re-balance the portfolio by shifting away from capital intensive and shorter income assets to improve income return and lease length and to maintain voids at their current low level continues with resolve.

Good progress was made throughout 2013, with capital intensive assets such as Raynes Park, South West London and Charter Place, Uxbridge, both being sold at prices well ahead of valuation. In addition, at Shrewsbury, the Company has adopted an income retention strategy which runs in tandem with the medium term re-development proposals of the shopping centre asset.

Whilst this has placed the Company on a much firmer footing and benefiting from a more robust income profile, there is still much work to be done, particularly within the Company’s retail (shopping centre) portfolio which continues to operate within a market which, whilst improving, is still not without its risks.

Some of the Company’s forthcoming lease expiries will involve capital expenditure and although in some cases the prospect of improved returns can be achieved with that additional expenditure, where this is not the case then these assets should be ultimately sold.

The potential for further sales of prime lower yielding assets (particularly where premium bids can be obtained in a market which continues to generate strong investor demand) for reinvestment in higher yielding (multi let) assets should always remain a possibility but the priority must be sales of those assets that involve significant holding cost/capital expenditure and where income is at risk.

The improving market outwith Central London will not only enhance the performance prospects for the portfolio but should also assist the Company in the rebalancing of the portfolio from the sale of certain assets which will, once proceeds are reinvested, improve the overall portfolio prospects.

Whilst the market is expected to remain very competitive for the best assets, the Board and the Manager are confident that further acquisitions can be secured to complement the portfolio. The recent forward funding of Aberdeen Gateway is an excellent example of the quality of location, specification and longevity of income, with the existence of guaranteed fixed uplifts, which will be sought by the Company. The recently announced change in dividend policy will support this strategy and afford the Company greater opportunity to improve the overall quality of the portfolio in a market which enjoys a very positive outlook.

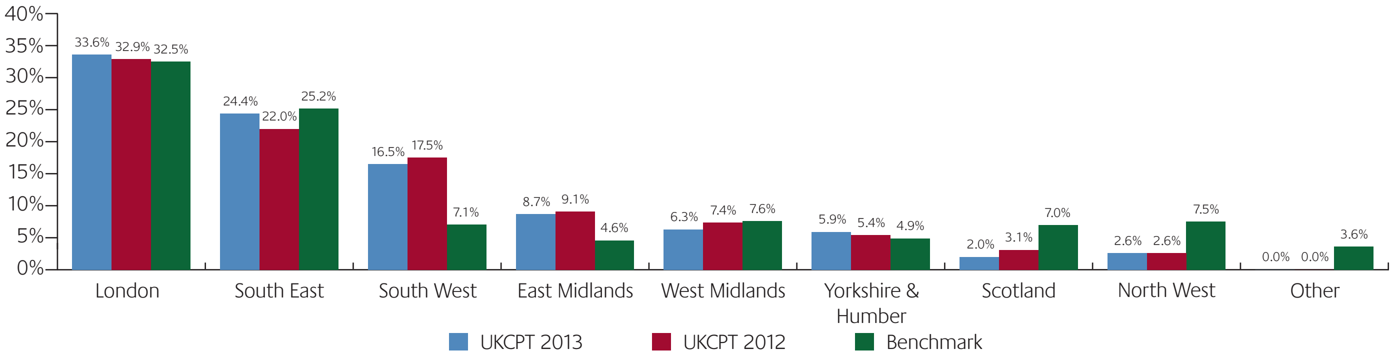
Given the attractive backdrop of a wider improvement in the economy, improved portfolio performance and a revised dividend policy, the Company is in an excellent position to build on the very good progress achieved in 2013 and meet the long term investment objective of providing shareholders with exposure to a core, balanced UK property portfolio with an attractive yield offering the potential for both income and capital growth.

Robert Boag
Senior Investment Director
Ignis Investment Services
19 March 2014

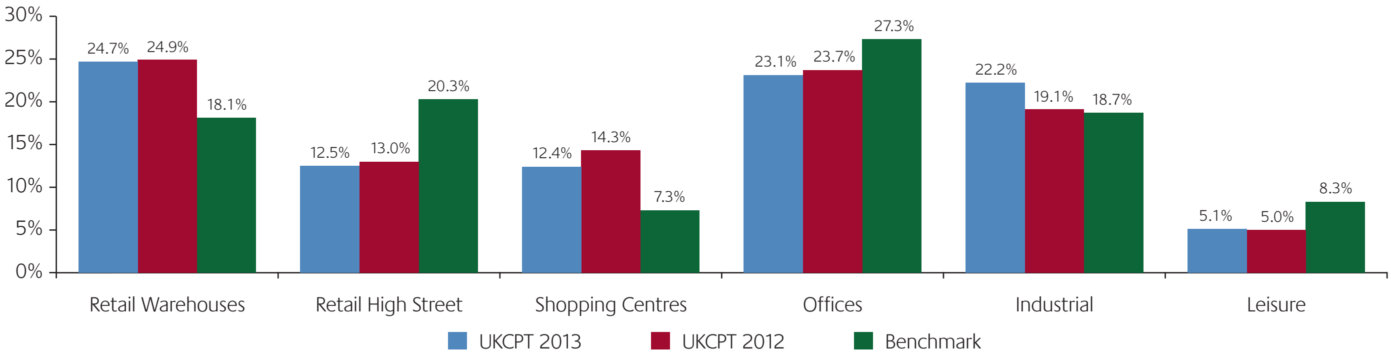
Portfolio Statistics and Key Performance Indicators

As at 31 December 2013

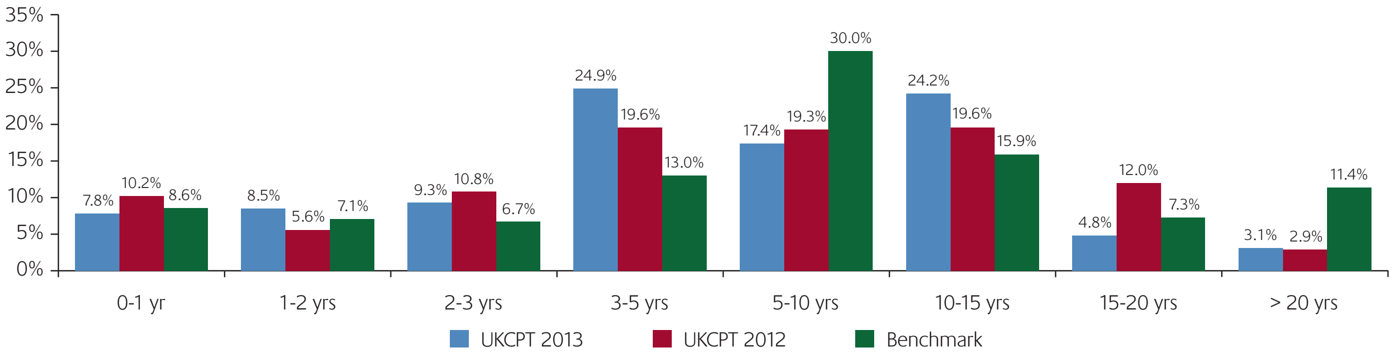
Capital Value Split by Location*



Capital Value Split by Sector*



Lease Expiry Profile*



Top 10 Tenants by contracted rent*

Rank	Company Name	Primary Sector	% of Passing Rent	Weighted Expiry
1	Government	Office	6.4	Jun 2020
2	B & Q PLC	Retail Warehouse	6.0	Dec 2027
3	Sony	Office	4.2	May 2016
4	Ocado Limited	Industrial	3.8	Sep 2032
5	DSG Retail Limited	Retail Warehouse	3.8	Dec 2024
6	Argos Limited	Industrial	2.9	Jan 2018
7	Odeon Cinemas Limited	Leisure	2.8	Sep 2027
8	Marks & Spencer plc	Industrial	2.7	Mar 2018
9	British Telecommunications plc	Office	2.3	May 2018
10	Asda Stores Limited	Industrial	2.3	Nov 2028

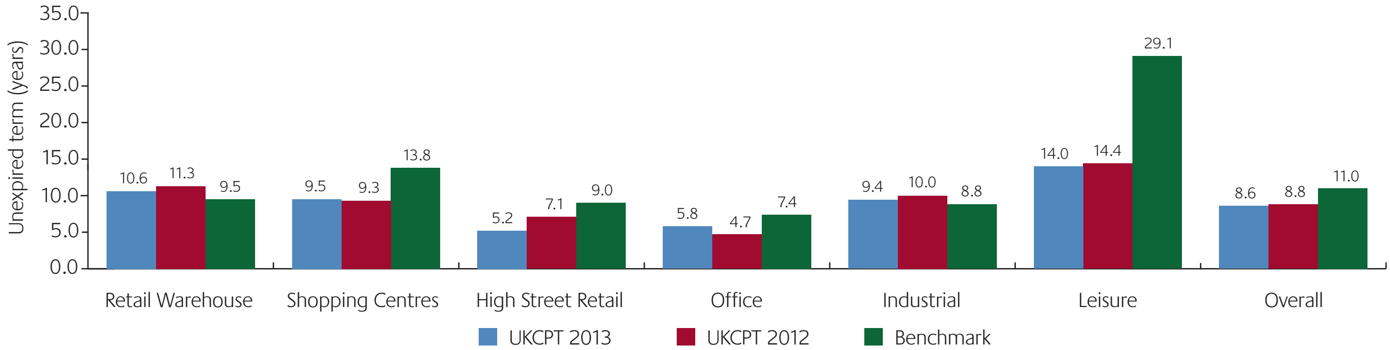
Portfolio Statistics and Key Performance Indicators (continued) – Sector Analysis

As at 31 December 2013

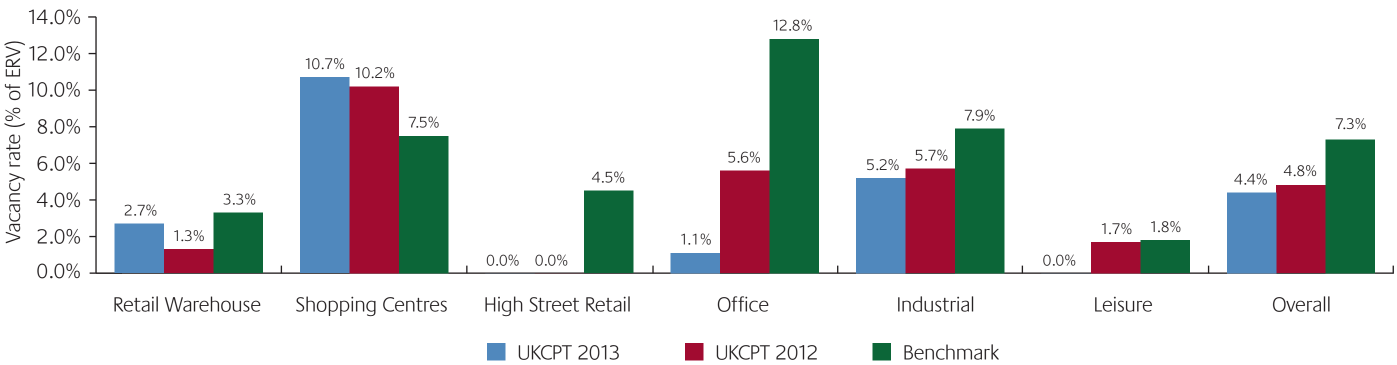
Performance by sector*

	1 year		3 year (annualised returns)		5 year (annualised returns)	
	Fund %	Benchmark %	Fund %	Benchmark %	Fund %	Benchmark %
Retail	5.5	8.1	3.6	5.2	7.5	7.2
Industrials	15.9	12.9	9.4	7.7	11.1	7.4
Offices	21.2	14.1	10.9	8.6	10.8	8.1
Leisure	11.2	9.6	n/a	8.5	n/a	9.2
Total	11.5	10.7	6.7	6.8	8.9	7.6

Unexpired Lease Term by sector*



Vacancy Rate by sector*



*Source: IPD, Ignis Investment Services

Property Portfolio

As at 31 December 2013

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

Overall number of properties	41
Total number of tenancies	341
Total average property value	£25.6 million
Total floor area	4,974,328 sq.ft
Freehold/Leasehold (leases over 100 years)	89%/11%

Board of Directors

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

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

Christopher Fish
Christopher Fish is a resident of Guernsey. He retired in 2005 as Managing Director of Close International Private Banking. Mr Fish has over 35 years' experience in offshore banking, asset management, treasury, trust services and fund administration. He is also a director of three other UK listed funds and is a former director of an European commercial property fund. Mr Fish has been a Director of the Company since launch in September 2006.

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

John Robertson
John Robertson is a resident of the UK. Mr Robertson has over 35 years' experience in investment management in a variety of roles, and was most recently Director – Funds and Corporate Governance at Ignis Investment Services Limited. Prior to his retirement from Ignis in 2012, he was a director of Ignis International Funds plc, Ignis Alternative Funds plc, Ignis Liquidity Fund plc, Ignis Strategic Solutions Funds plc and Ignis Global Funds SICAV. He is a Fellow of the Chartered Association of Certified Accountants. Mr Robertson has been a Director of the Company since launch in September 2006.

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

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

Report of the Directors

The Directors present the Annual Report and accounts of UK Commercial Property Trust Limited, ("the Company") for the year ended 31 December 2013.

Results and Dividends

The results for the year are set out in the attached accounts. The Company has paid interim dividends in the year ended 31 December 2013 as follows:

	Payment Date	Rate per share (p)
Fourth Interim for prior period	Feb 2013	1.3125
First interim	May 2013	1.3125
Second interim	Aug 2013	1.3125
Third interim	Nov 2013	1.3125
Total		5.2500

On 4 February 2014 the Company declared a fourth Interim dividend of 1.3125p per Ordinary Share with an ex-dividend date of 12 February 2014, which was paid on 28 February 2014.

Post Balance Sheet Events

In January 2014, the Company committed to the purchase of three fully pre-let sites at Aberdeen Gateway Business Park, Aberdeen via forward funding and Commitment agreements for a maximum £48.3 million on phased completion through to an estimated completion date of December 2014.

In February 2014, the Company announced a reduction in its annual dividend from 5.25p to 3.68p per annum, effective from May 2014, along with a reduction in the management fee payable by the Company to 0.65% of total assets from 1 July 2014.

Principal Activity and Status

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

Listing Requirements

Throughout the period the Company complied (and intends to continue to comply) with the conditions applicable to property investment companies set out in the Listing Rules.

Share Capital

The issued Ordinary share capital at 31 December 2013 consisted of 1,197,348,858 Ordinary shares of 25p each and 41,445,142 Ordinary shares held in treasury. At 18 March 2014, these numbers were unchanged. Each Ordinary share of the Company carries one vote at general meetings of the Company.

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

Business Review

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, corporate governance, and risk management. A review of the business and how it has performed in the year is encompassed in the Chairman's Statement and Investment Manager Review as well as the Report of the Directors. Biographical details of the Directors, all of whom are non-executive, can be found on page 18.

Investment Policy

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

Investment risks are spread through the Company and its subsidiaries (the "Group") by investing in a diversified portfolio of freehold and long leasehold UK commercial properties. The Group invests in income producing investments. The Group currently invests in four commercial property sectors: office, retail, industrial and leisure. The Group has not set any maximum geographic exposures within the UK nor any maximum weighting limits in the principal property sectors. No single property shall, however, exceed at the time of acquisition 15 per cent of the gross assets of the Group.

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

At an EGM of the Company on 28 April 2011 the shareholders of the Company approved a revised gearing policy of the Group amended to read as follows: "*Gearing, calculated as borrowings as a percentage of the Group's gross assets, may not exceed 65 per cent. The Board intends that borrowings of the Group at the time of draw down will not exceed 25 per cent. of the Total Assets of the Group. For so long as the Lloyds Facility remains outstanding, it is the Board's current intention that borrowings of the Company will be limited to a maximum of 10 per cent. of the Group's net assets at the time of draw down. The Board receives recommendations on gearing levels from the Investment Manager and is responsible for setting the gearing range within which the Investment Manager may operate*".

As at 31 December 2013 the Group had total borrowings of £230 million, representing a gearing level of 20.7 per cent of the year end gross assets.

An analysis of how the portfolio was invested as at 31 December 2013 is contained within the Investment Manager Review on pages 8 to 14 and a full portfolio listing is provided on page 17.

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

Principal Risks and Risk Uncertainties

The Company's assets consist of direct investments in UK commercial property. Its principal risks are therefore related to the commercial property market in general, but also to the particular circumstances of the properties in which it is invested and their tenants. The Manager seeks to mitigate these risks though continual review of the portfolio utilising research produced by the Manager's in-house research team and also through asset management initiatives. More detailed explanations of these risks and the way in which they are managed are contained under the headings of credit risk, liquidity risk and interest rate risk in note 16 to the accounts. The Board has also identified a number of specific risks that are reviewed at each Board meeting. These are as follows:

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

Other risks faced by the Company include the following:

- Economic – inflation or deflation, economic recessions and movements in interest rates could affect property valuations, and also its bank borrowings.
- Strategic – incorrect strategy, including sector and property allocation and use of gearing, could lead to poor returns for shareholders.
- Regulatory – breach of regulatory rules could lead to suspension of the Company's Stock Exchange Listing, financial penalties or a qualified audit report.
- Management and control – changes that cause the management and control of the Company to be exercised in the United Kingdom could lead to the Company becoming liable to United Kingdom taxation on income and capital gains.
- Financial – inadequate controls by the Investment Manager or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations.
- Operational – failure of the Investment Manager's accounting systems or disruption to the Investment Manager's business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.

The Board seeks to mitigate and manage these risks through continual review, policy setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Company's property portfolio and levels of gearing, and applies the principles detailed in the UK Corporate Governance Code. Details of the Company's internal controls are described in more detail on page 26.

Management of Assets and Shareholder Value

The Board has contractually delegated the management of the investment portfolio and other services to Ignis Investment Services Limited.

The Company invests in properties which the Investment Manager believes will generate a combination of long-term growth in income and capital for shareholders. Investment decisions are based on analysis of, amongst other things, prospects for future capital growth, sector and geographic prospects, tenant covenant strength, lease length and initial yield.

Investment risks are spread through investing in a range of geographical areas and sectors, and through letting properties to low risk tenants. A list of all the properties held as at 31 December 2013 is contained on page 17 and further analysis can be found in the Investment Manager Review. At each Board meeting, the Board receives a detailed presentation from the Investment Manager together with a comprehensive analysis of the performance of the portfolio during the reporting period.

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

Key Performance Indicators ("KPI")

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

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

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

These indicators for the year ended 31 December 2013 are set out on page 4.

In addition the Board considers specific property KPIs such as void rates, rent collection levels and weighted average lease length on a regular basis. These are reported on pages 15 to 16.

Directors

The Directors who held office during the period and their interests in the shares of the Company as at 31 December 2013 (all of which are beneficial) were:

	Date of Appointment	As at 31 December 2013 25p Ordinary Shares held	As at 31 December 2012 25p Ordinary Shares held
Christopher Hill	Sep 2006	20,000	20,000
Keith Dorrian	Sep 2006 (retired Jun 2013)	n/a	10,000
Christopher Fish	Sep 2006	10,000	10,000
John Robertson	Sep 2006	10,000	10,000
Andrew Wilson	Sep 2006	45,000	45,000
Ken McCullagh	Feb 2013	-	n/a
Sandra Platts	Dec 2013	-	n/a

On 6 February 2014, Mr Andrew Wilson purchased a further 30,000 shares in the Company. There have been no other changes in the above interests between 31 December 2013 and 19 March 2014.

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

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

In accordance with the articles of association Mr C Hill and Mr K McCullagh retire by rotation and, being eligible, offer themselves for re-election. Mrs Platts, having been appointed since the last AGM and in accordance with the articles of association, offers herself for election. In addition, the AIC Code of Corporate Governance and the UK Corporate Governance Code both recommend that all Directors of FTSE 350 companies be subject to annual re-election, therefore both Mr J Robertson and Mr A Wilson also retire and offer themselves for re-election. As explained in the Chairman's Statement, Mr C Fish will retire at the AGM. Following formal performance evaluations which covered each individual Director (excluding Mrs Platts) and the Board as a whole, as well as a review of the performance of the Chairman by the other members of the Board, the performance of all of the Directors continues to be effective with each making a positive contribution to the performance of the Company. Therefore, the re-election of Mr C Hill, Mr K McCullagh, Mr J Robertson and Mr A Wilson and the election of Mrs S Platts is recommended to shareholders at the 2014 Annual General Meeting. In addition to the self appraisal of the Board that is undertaken each year, the consultants Boardroom Review Limited facilitated an external review in February 2014 to consider the effectiveness of the Board, its committees and individual directors. Following this, a list of action points to optimise the functioning of the Board has been compiled and the Board will be working through these points in coming months.

Substantial Interests in Share Capital

At 31 December 2013 the following holdings, representing more than 3 per cent of the Company's issued share capital, had been notified to the Company.

	Number of Ordinary Shares Held	Percentage Held (%)
Phoenix Life Limited	690,960,172	57.7
Investec Wealth & Investment	142,371,353	11.9
Nestle Capital Management Limited	56,137,385	4.7
Investec Asset Management	36,880,674	3.1

No changes to these holdings had been notified to the Company as at 28 February 2014.

The Company's ultimate controlling party is Phoenix Group Holdings and immediate parent company is Phoenix Life Limited. This is also the ultimate controlling party of the Company's investment manager, Ignis Investment Services Limited.

Corporate Governance

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

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

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

The UK Corporate Governance Code includes provisions relating to:

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

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

Principle 1 of the AIC Code recommends that Boards appoint a Senior Independent Director ("SID"). In view of the Board's non-executive nature and having separate Chairs of the Board and Audit Committee, the Board considers the appointment of a SID is not required.

The Board consists solely of non-executive Directors of which Mr Christopher Hill is Chairman. All Directors, other than Mr John Robertson, are considered by the Board to be independent, with any potential conflicts considered at each Board meeting with reference to the AIC Code. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as all Directors will be subject to re-election on an annual basis, it is not appropriate for the Board to have a limit on the overall length of service of any of the Company's Directors, including the Chairman. The Board undertakes formal performance evaluations as set out on page 21.

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

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

The Company has no executive Directors or employees. A management agreement between the Company and its Investment Manager, Ignis Investment Services Limited, sets out the matters over which the Investment Manager has authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing, and corporate governance procedures, are reserved for the approval of the Board of Directors. The Board currently meets at least quarterly and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings.

Board Committees

The Board has appointed four committees to cover specific operations as set out on the following pages. Copies of the terms of reference of each committee are available on the Company's website, or upon request from the Company. In the forthcoming year, with the imposition of AIFMD, a Risk Committee will also be constituted.

Audit Committee

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

The duties of the Audit Committee are as follows:

- Review the Annual and Interim Accounts and challenge where necessary the actions and judgements of the Company's Manager;

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

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

Significant Issues

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

Valuation of Properties – How was the issue addressed?

The valuation of properties is undertaken in accordance with the accounting policy disclosed in note 1(h) to the accounts. The valuation of properties is considered by the Property Valuation Committee, representatives of which met the external valuer, along with the Manager, as part of the year end valuation process. The Chairman of this Committee reported to the Audit Committee in February 2014 and indicated that the following issues were discussed in the meeting with the external valuers:

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

Particular focus was given to the underlying yields applied to a number of the properties and whether they were at the correct level given comparable evidence, letting activity and the property market as a whole. Following this meeting and subsequent discussions with the Investment Manager a value of £1,048,705,000 was agreed as the valuation of the property portfolio as at 31 December 2013. The Audit Committee considered the report by the Chairman of the Valuation Committee along with a summary of the valuation and its key movements by the Investment Manager and agreed that this valuation was appropriate for the financial statements. In terms of existence of the properties, the Committee noted the procedures that the Manager has in place to ensure correct approval and title to all properties held which include any property transaction documentation having to be approved and signed by the Board irrespective of its value and the obligations on the Company's solicitors to ensure good and marketable title. In addition, the Committee sought assurance from the auditor prior to sign off of the financial statements that the confirmation of all titles has been included as part of the audit work undertaken.

Recognition of Rental Income – How was the issue addressed?

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

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

The Audit Committee concluded that, given the controls and reporting in place throughout the year, the rental income number included in the financial statements of £72,191,000 was appropriate.

Review of Auditor

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

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

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

In relation to non-audit fees, these amounted in aggregate to £109,000 (2012: £60,400) for the year ended 31 December 2013 and related principally to costs in connection with capital allowance claims for the Group and corporate advice on AIFMD. Where any non-audit fee is expected to exceed £25,000, the Company operates a policy under which specific prior approval must be given by the Committee. Notwithstanding the provision of such non-audit services, the Audit Committee considers Ernst & Young LLP to be independent, given the safeguards put in place by Ernst & Young LLP to ensure independence.

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

Declaration

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

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

Management Engagement Committee

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

Ignis Investment Services Limited provides management services to the Company. A summary of the contract between the Company and Ignis Investment Services Limited in respect of management services provided is given in note 2 to the accounts.

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

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

Nominations Committee

The Nominations Committee which was set up in the year comprises all independent Directors of the Company and is chaired by Mr Christopher Hill. The Board had previously carried out this role itself. The Nominations Committee considers appointments of new Directors, undertaking a thorough and open process involving, where appropriate, professional recruitment consultants and committee interviews with candidates identified. In the year, the Board developed criteria to address the anticipated vacancy, and involved OSA Consultants Limited (who have no other connection with the Company) in the selection of a long list of candidates. The criteria for selection took into account the need for the Board to have a balance of skills, experience, independence and knowledge of the Company. In addition, the Board and Committee was cognisant of the debate around the recommendations of the Davies Report on Women on Boards. The Board recognises the benefits of diversity in its broadest sense and the value this brings to the Company in terms of skills, knowledge and experience. Initial interviews were carried out and a shortlist of candidates were then interviewed by the Nominations Committee. The search process concluded with the appointment of Mrs Platts on 12 December 2013. The Nominations Committee met once during the year.

Property Valuation Committee

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

Director Meetings Attendance Summary

	Board of Directors		Audit Committee		Nominations Committee		Property Valuation Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
C Hill	4	4	3	3	1	1	2	1
K Dorrian (retired June 2013)	4	1	3	1	n/a	n/a	n/a	n/a
C Fish	4	3	3	3	1	1	1	1
K McCullagh (appointed Feb 2013)	4	4	3	2	1	1	2	2
J Robertson	4	4	n/a	n/a	1	1	2	2
S Platts (appointed Dec 2013)	4	1	n/a	n/a	n/a	n/a	2	1
A Wilson	4	4	3	3	1	1	2	2

The table above sets out the number of Board and Committee meetings held during the year and the number attended by each Director. In addition to the above, there were 17 ad hoc meetings held during the year. All meetings were held outside the UK.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Investment Policy and the Risk Uncertainties review on pages 19 and 20. In addition, Note 16 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

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

The assessments performed include review of the valuation and liquidity of investments as at the balance sheet date and of solvency and cash flow projections under both normal and stressed conditions. In addition the Company and Group has no contingent liabilities.

Having thoroughly considered the going concern assessment the Board has concluded that there are no material uncertainties that may cast significant doubt about the Company and Group's ability to continue as a going concern. The Directors have a reasonable expectation that the Company and Group has adequate resources to continue in operational existence for the foreseeable future, thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Environmental, Health & Safety, Ethical & Bribery Policy

The Investment Manager acquires, develops and manages properties on behalf of the Company. It is recognised that these activities have both direct and indirect environmental impacts. The Board has endorsed the Investment Manager's own environmental policy, which is to work in partnership with contractors, suppliers, tenants and consultants to minimise those impacts, seeking continuous improvements in environmental performance and conducting regular interviews. The Company also recognises that it has a commitment to protecting the health and safety of those who use its properties. The Company has a health and safety policy which sets out the arrangements and responsibilities to ensure high standards of health and safety are maintained in each property. In addition the Board has adopted an ethical policy which highlights the need for ethical considerations to be considered in the acquisition and management of both new and existing properties.

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

Internal Controls

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the guidance issued in the UK Corporate Governance Code. The process is based principally on the Investment Manager's existing risk-based approach to internal control whereby a risk matrix is created that identifies the key functions carried out by the Investment Manager and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The risk matrix is regularly updated and the Board is provided with regular reports highlighting all material changes to the risk ratings and confirmation of the action which has been, or is being, taken. A formal annual review of these procedures is carried out by the Board and includes consideration of ISAE 3402 (formerly SAS70) and similar reports issued by the Investment Manager and other service providers.

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

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

Relations with Shareholders

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

Non-Mainstream Pooled investments

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

Annual General Meeting

Among the resolutions being put at the Annual General Meeting of the Company to be held on 17 June 2014, the following resolutions will be proposed.

Disapplication of Pre-emption Rights

Resolution 11 gives the Directors, for the period until the conclusion of the Annual General Meeting in 2015 or, if earlier, on the expiry of 15 months from the passing of resolution 11, the necessary authority either to allot securities or sell shares held in treasury, otherwise than to existing shareholders on a pro-rata basis, up to an aggregate nominal amount of £30,969,850. This is equivalent to approximately 10 per cent of the issued ordinary share capital of the Company as at 19 March 2014 (including Treasury Shares).

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

Directors' Authority to Buy Back Shares

The current authority of the Board granted to it by shareholders at the 2013 AGM to buy back shares in the Company expires at the end of AGM to be held in 2014. The Board intends to renew such authority to buy back shares up to 14.99 per cent of the number of Ordinary Shares in issue. This special resolution, if approved, will enable the Company to buy back up to 179,482,593 shares based on the current number of shares in issue (excluding treasury shares). Any buy back of Ordinary Shares will be made subject to Guernsey law and within guidelines established from time to time by the Board, (which will take into account the income and cash flow requirements of the Company), and the making and timing of any buy backs will be at the absolute discretion of the Board.

Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing published net asset value of an Ordinary Share (as last calculated), where the Directors believe such purchases will enhance shareholder value. Such purchases will also only be made in accordance with the rules of the UK Listing Authority which provide that the price to be paid must not be more than the higher of (i) five per cent above the average of the middle market quotations for the Ordinary Shares for the five business days before the purchase is made and (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange. The minimum price (exclusive of expenses) that may be paid is 25 pence a share.

The Company may retain any shares bought back as treasury shares for future re-issue and re-sale, or transfer, or may cancel any such shares. During the period when the Company holds shares as treasury shares, the rights and obligations in respect of those shares may not be exercised or enforced by or against the Company. The maximum number of shares that can be held as treasury shares by the Company is 10 per cent of the aggregate nominal value of all issued Ordinary Shares. Ordinary Shares held as treasury shares will only be re-issued, re-sold, or transferred at prices which are not less than the published net asset value of an Ordinary Share.

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

Auditors

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

So far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Recommendations

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

Approved by the Board on 19 March 2014.

Christopher M.W. Hill

Director

Christopher Fish

Director

Directors' Remuneration Report (unaudited)

The Board has prepared this voluntary report in accordance with the new regulations governing the disclosure and approval of Directors' remuneration following changes to the UK Companies Act 2006. This Remuneration Report comprises two parts:

(i) Remuneration Policy, which will be subject to a binding shareholder vote to be put to the members at the forthcoming AGM in the first instance and then every three years thereafter. Should the Remuneration Policy be varied during this interval, then Shareholder approval for the new Remuneration Policy will be sought; and

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

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

Remuneration Policy

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

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

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

	31 December 2013 £	31 December 2012 £
Chairman	45,000	45,000
Chairman of Audit Committee	35,000	35,000
Director	30,000	30,000

Appointment

- The Company only intends to appoint non-executive Directors;
- All the Directors are non-executive appointed under the terms of Letters of Appointment;
- Directors must retire and be subject to election at the first AGM after their appointment, and annually thereafter;
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment (currently £30,000);
- No incentive or introductory fees will be paid to encourage a Directorship;
- The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits;
- The Company indemnifies its Directors for all costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties.

Performance, Service Contracts, Compensation and Loss of Office

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

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

It is intended that, if approved, the Remuneration Policy will take effect at the conclusion of the AGM on 18 June 2014.

Implementation Report

Aggregate Fees

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

Directors' Remuneration Rates

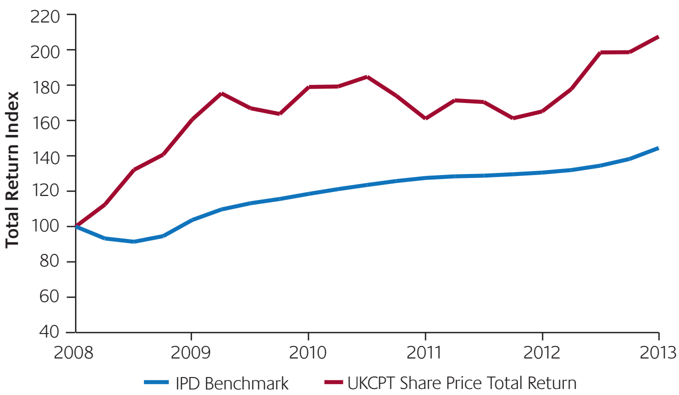
Based on the levels of fees, Directors' remuneration for the forthcoming financial year will be as follows:

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

It is the current intention of the Board that the level of Directors' fees will be reviewed in June 2014. Any changes made will be in accordance with the remuneration policy stated on page 28.

Company Performance

Although the Company has appointed Ignis as an external investment manager pursuant to the terms of the investment management agreement set out in note 2 to the accounts, the Board is responsible for the Company's investment strategy and performance. The following graph compares the total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total return on the IPD Benchmark over a five year period to 31 December 2013 (rebased to 100 at 31 December 2008).



Audited Information

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

	2013	2012
Christopher Hill	45,000	45,000
Keith Dorrian*	14,075	30,000
Christopher Fish	35,000	35,000
Ken McCullagh**	27,417	-
Sandra Platts***	1,630	-
John Robertson	30,000	30,000
Andrew Wilson	30,000	30,000
Total	183,122	170,000

* retired 19 June 2013

** appointed 1 February 2013

*** appointed 12 December 2013

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

Directors' Interests in the Company

The Directors are not required to have a shareholding in the Company. The Directors' interests in the share capital of the Company are shown in the Directors' Report on page 21.

Approved by the Board on 19 March 2014.

Christopher M.W. Hill

Director

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable Guernsey law and those International Financial Reporting Standards ("IFRS") as have been adopted by the European Union. They are also responsible for ensuring that the Annual Report includes information required by the Rules of the UK Listing Authority.

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

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

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

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

We confirm that to the best of our knowledge:

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

On behalf of the Board

Christopher M.W. Hill

Chairman

19 March 2014

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

We have audited the consolidated financial statements of UK Commercial Property Trust Limited for the year ended 31 December 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cashflow Statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibility Statement set out on page 30, the Directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the consolidated financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the consolidated financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on consolidated financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.

Our assessment of risks of material misstatement

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

- Valuation of the Investment Properties; and
- Incomplete or inaccurate revenue recognition.

Our application of materiality

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

When establishing our overall strategy we determined materiality for the Group to be £11.3 million which was 1% of Total Assets. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

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

We agreed that all audit differences in excess of £0.6 million would be reported to the Audit Committee as well as differences below that threshold that in our view warranted reporting on qualitative grounds.

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

An overview of the scope of our audit

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

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

- We addressed the risk around the valuation of the Group's investment properties by:
  - Testing the review controls over inputs into the Investment Manager's model;
  - Testing the reconciliation controls between the Investment Manager's and third party valuation reports;
  - Reading third party property valuation reports to assess the appropriateness and suitability of the reported values, and the changes in value from the previous accounting period;
  - Assessing the independence and qualifications of the appraisers; and
  - For a sample of investment properties, assessing the reasonableness of the valuation methodology adopted and the key valuation inputs and assumptions, where possible supporting these by reference to published market data/information, comparable transaction evidence or anecdotal evidence through market activity.
- We addressed the risk around the incomplete or inaccurate rental income recognition by:
  - Testing the reconciliation control between the income recorded by the Managing Agents and the Investment Manager;
  - Understanding the changes in rental income from the previous accounting period;
  - Agreeing a sample of rental rates to tenancy agreements;
  - Agreeing a sample of rental income from the Group's records income report to bank statements;
  - For a sample of tenancy agreements, assessing the appropriateness of the accounting treatment for rent free periods.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

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

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

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

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

David Robert John Moore
for and on behalf of Ernst & Young LLP
Guernsey, Channel Islands
19 March 2014

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

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Notes	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Revenue			
Rental income		72,191	75,124
Gains/(losses) on investment properties	8	48,395	(58,520)
Interest income		491	368
Total income		121,077	16,972
Expenditure			
Investment management fee	2	(7,456)	(7,418)
Direct property expenses	3	(4,693)	(3,265)
Other expenses	3	(3,627)	(3,021)
Total expenditure		(15,776)	(13,704)
Net operating profit before finance costs		105,301	3,268
Finance costs			
Finance costs	4	(9,229)	(8,222)
Net profit/(loss) from ordinary activities before taxation		96,072	(4,954)
Taxation on profit/(loss) on ordinary activities	5	-	-
Net profit/(loss) for the year		96,072	(4,954)
Other comprehensive income items that may be reclassified subsequently to the income statement			
Gain/(loss) arising on effective portion of interest rate swap	12	9,715	(3,272)
Total comprehensive income for the year		105,787	(8,226)
Basic and diluted earnings per share	7	8.02p	(0.41)p

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

The accompanying notes are an integral part of this statement.

Consolidated Balance Sheet

As at 31 December 2013

	Notes	2013 £'000	2012 £'000
Non-current assets			
Investment properties	8	1,042,728	1,015,532
		1,042,728	1,015,532
Current assets			
Trade and other receivables	10	8,902	8,024
Cash and cash equivalents		80,734	77,062
		89,636	85,086
Total assets		1,132,364	1,100,618
Current liabilities			
Trade and other payables	11	(20,440)	(22,324)
Interest rate swap	12	(4,438)	(4,574)
Long Term Liabilities			
Bank Loan	12	(229,252)	(228,834)
Interest rate swap	12	(2,481)	(12,060)
Total liabilities		(256,611)	(267,792)
Net assets		875,753	832,826
Represented by:			
Share capital	13	482,703	482,703
Treasury shares	13	(25,264)	(25,264)
Special distributable reserve		600,069	615,252
Capital reserve		(174,836)	(223,231)
Revenue reserve		-	-
Interest rate swap reserve		(6,919)	(16,634)
Equity shareholders' funds		875,753	832,826
Net asset value per share	14	73.1p	69.6p

The accounts on pages 33 to 53 were approved and authorised for issue by the Board of Directors on 19 March 2014 and signed on its behalf by:

Christopher M.W. Hill
Director

Christopher Fish
Director

The accompanying notes are an integral part of this statement.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

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

For the year ended 31 December 2012

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

The accompanying notes are an integral part of this statement.

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Cash flows from operating activities		
Net profit/(loss) for the year before taxation	96,072	(4,954)
Adjustments for:		
(Gains)/losses on investment properties	(48,395)	58,520
Movement in lease incentive	(340)	(963)
Movement in provision for bad debts	744	170
Increase in operating trade and other receivables	(1,282)	(522)
Decrease in operating trade and other payables	(1,908)	(1,871)
Finance costs	9,229	8,222
Net cash inflow from operating activities	54,120	58,602
Cash flows from investing		
Purchase of investment properties	(18,648)	(63,545)
Sale of investment properties	44,200	8,600
Capital expenditure	(4,353)	(7,332)
Net cash inflow/(outflow) from investing activities	21,199	(62,277)
Cash flows from financing activities		
Proceeds from drawdown of bank loan	-	90,000
Dividends paid	(62,860)	(62,860)
Bank loan interest paid	(4,156)	(3,814)
Payments under interest rate swap arrangement	(4,631)	(3,534)
Net cash (outflow)/inflow from financing activities	(71,647)	19,792
Net increase in cash and cash equivalents	3,672	16,117
Opening balance	77,062	60,945
Closing cash and cash equivalents	80,734	77,062
Represented by:		
Cash at bank	21,639	22,081
Short term deposits	20,301	40,042
Money market funds	38,794	14,939
	80,734	77,062

Notes to the Accounts

1. Accounting Policies

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

(a) Basis of Accounting

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

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRSs effective for this Group as of 1 January 2013. The nature and the impact of each new standards and amendments are described below. Other amendments to certain standards apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group.

IFRS 10 Consolidated Financial Statements*

The application of IFRS 10 has not impacted the reported financial position or performance of the Group. However, the assessment of control has changed, but the result is the same as prior conclusions. The Group assessed that its control of undertakings based on the factors set out in the standard including the Group's power over the investees and the Group's exposure to variable returns.

IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The additional disclosure requirements in IFRS 12 are set out in these financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited, including assessment of non-performance risk, and adjusted where applicable. The resulting calculations under IFRS 13 affected the principles that the Group uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed.

IFRS 13 mainly impacts the disclosures of the Group. It requires specific disclosures about fair value measurements and disclosures of fair values, based on the lowest levels of inputs, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. IFRS 13 disclosures are provided in notes 8 and 16.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 became effective 1 July 2012 and were first applied by the Group on 1 January 2013. The amendments introduce a grouping of items presented in other comprehensive income (OCI). Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation reserve). The amendment had no impact on the Group's financial position or performance.

*IFRS 10 and IFRS 12 were adopted by the EU but have a different effective date i.e. 1 January 2014.There have been other new and amended standards issued or have come into effect from 1 January 2013 but these are not considered to be applicable and hence not discussed. These standards (together with IFRS11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures) have been adopted by the EU with an effective date of 1 January 2014. The Group has early adopted these standards.

(b) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

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

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

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

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

(c) Basis of Consolidation

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

Notes to the Accounts (continued)

transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(d) Functional and Presentation currency

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

(e) Revenue Recognition

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

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

(f) Expenses

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

(g) Taxation

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

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

(h) Investment Properties

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

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

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

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

(i) Operating Lease Contracts – the Group as Lessor

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

(j) Share Issue Expenses

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

(k) Segmental Reporting

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

(l) Cash and Cash Equivalents

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

(m) Trade and Other Receivables

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

(n) Trade and Other Payables

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

(o) Reserves

Special Reserve

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

Capital Reserve

The following are accounted for in this reserve:

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

Revenue Reserve

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

Interest Rate Swap Reserve

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

Treasury Share Reserve

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

(p) Interest-bearing borrowings

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

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

(q) Derivative financial instruments

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

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

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

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

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

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

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

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

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

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

(r) New standards not applied

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

IFRS 9 Financial Instruments

IFRS 9, as issued in 2010, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013. In November 2013, Chapter 6 of IFRS 9 on hedge accounting was published. At the same time, Chapter 7 containing the effective date and transition provisions was amended to remove the mandatory effective date of IFRS 9. This was intended to provide sufficient time for preparers to make the transition to the new requirements. Entities may still choose to apply IFRS 9 immediately, but are not required to do so with the effective date expected to be no earlier than 1 January 2017. In subsequent phases, the IASB is addressing impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments are effective for annual periods beginning on or after 1 January 2014. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

In addition to the above, IAS 39 – Financial Instruments: Recognition and Measurement (effective 1 Jan 2014), Annual Improvement to IFRSs 2010-2012 Cycle (effective 1 July 2014) and Annual Improvement to IFRSs 2011-2013 Cycle (effective 1 July 2014) have not been adopted early. As at the date of authorisation of these financial statements, the latter two standards and interpretations have not yet been endorsed or adopted by the EU.

2. Fees

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Investment management fee	7,456	7,418

The Group's Investment Manager, Ignis Investment Services Limited, receive an aggregate annual fee from the Group at an annual rate of 0.75 per cent of the of the Total Assets, less the amount of the Group's borrowings, plus an amount calculated at the rate of 0.50 per cent, of the value of the assets of the Group represented by borrowings. The Investment Manager is also entitled to an administration fee amounting to £165,000 which will increase annually in line with inflation. In the current year this fee amounted to £168,000 (see note 3). Both fees are payable quarterly in arrears. The fees of any managing agents appointed by the Investment Manager are payable out of the Investment Management fee. The Investment Management agreement is terminable by any of the parties to it on 12 months' notice.

3. Expenses

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Direct Property Expenses		
Direct operating expenses arising from investment property that generated rental income during the period;	4,356	3,061
Direct operating expenses arising from investment property that did not generate rental income during the period	337	204
	4,693	3,265
Other Expenses		
Professional fees	1,986	1,700
Movement in bad debt provision	744	170
Directors' fees	183	170
Administration fee	168	165
Facility fees	-	348
Administration and company secretarial fees	85	85
Regulatory fees	115	104
Auditor's remuneration for:		
Statutory audit	43	48
Non audit services	109	60
Other expenses	194	171
	3,627	3,021

4. Finance costs

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Interest on principal loan amount	4,210	4,141
Amounts payable in respect of interest rate swap arrangement	4,656	3,717
Amortisation of loan set up fees	363	364
	9,229	8,222

Notes to the Accounts (continued)

5. Taxation

UK Commercial Property Trust Limited owns four Guernsey tax exempt subsidiaries, UK Commercial Property GP Limited (GP), UK Commercial Property Holdings Limited (UKCPH), UK Commercial Property Estates Limited (UKCPEL) and UK Commercial Property Estates Holdings Limited (UKCPEH). GP and UKCPH are partners in a Guernsey Limited Partnership ("the Partnership") and own six Jersey Property Unit Trusts. UKCPEL owns 3 Jersey Property Unit Trusts. The Partnership, UKCPH and UCKPEL own a portfolio of UK properties and derived rental income from those properties. As the Partnership, GP, UKCPH, UKCPEL and UKCPEH are considered tax transparent in the UK, their taxable results are liable to UK income tax at the rate of 20 per cent on their respective net rental income.

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

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Net profit/(loss) before tax	96,072	(4,954)
UK income tax at a rate of 20 per cent	19,214	(991)
Effect of:		
Capital (gains)/losses on investment properties not taxable	(8,377)	10,786
Lease incentive adjustment not allowable for tax purposes	68	193
Capital (gains)/losses realised not taxable	(1,370)	725
Income not taxable	(98)	(74)
Intercompany loan interest	(12,754)	(12,520)
Expenditure not allowed for income tax purposes	1,773	1,466
Deferred tax asset not provided for	1,544	415
Total tax charge	-	-

The Group has unused tax losses carried forward of £23,238,833 (2012: £24,964,059). These will only be utilised if the Group has profits chargeable to income tax in the future.

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

The Directors intend to conduct the Group's affairs such that management and control is not exercised in the United Kingdom and so that neither the Company nor any of its subsidiaries carries on any trade in the United Kingdom. Accordingly, the Company and its subsidiaries will not be liable for United Kingdom taxation on their income or gains other than certain income deriving from a United Kingdom source.

6. Dividends

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Dividends on Ordinary Shares:		
2012 Fourth interim of 1.3125p per share paid 28 February 2013 (2011 Fourth interim: 1.3125p)	15,715	15,715
2013 First interim of 1.3125p per share paid 31 May 2013 (2012 First interim: 1.3125p)	15,715	15,715
2013 Second interim of 1.3125p per share paid 30 August 2013 (2012 Second interim: 1.3125p)	15,715	15,715
2013 Third interim of 1.3125p per share paid 30 November 2013 (2012 Third interim: 1.3125p)	15,715	15,715
	62,860	62,860

A fourth interim dividend of 1.3125p was paid on 28 February 2014 to shareholders on the register on 14 February 2014. Although this payment relates to the year ended 31 December 2013, under International Financial Reporting Standards it will be accounted for in the year ending 31 December 2014.

7. Basic and diluted Earnings per Share

The earnings per share (EPS) are based on the net profit for the year of £96,072,000 (2012: loss £4,954,000) and on 1,197,348,858 (2012: 1,197,348,858) Ordinary Shares, being the weighted average number of shares in issue during the year. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

The EPRA EPS for the year ended 31 December 2013 is 3.98p per share (2012: 4.47p). This is calculated after excluding any gain/loss on investment properties and losses arising on ineffective portions of interest rate swaps from the Net profit/(loss) position for the year.

8. Investment Properties

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Freehold and Leasehold properties		
Opening valuation	1,015,532	1,011,775
Purchases at cost	18,648	63,545
Capital expenditure	4,353	7,332
Gain/(loss) on revaluation to market value	41,885	(56,157)
Disposals at prior year valuation	(37,350)	(10,000)
Adjustment for lease incentives	(340)	(963)
Fair value at 31 December 2013	1,042,728	1,015,532
Gains/(Losses) on investment properties at fair value Comprise		
Valuation gains/(losses)	41,885	(56,157)
Movement in provision for lease incentives	(340)	(963)
Gain/(loss) on disposal	6,850	(1,400)
	48,395	(58,520)
Losses on investment properties sold		
Original cost of investment properties sold	(66,950)	(12,227)
Sale proceeds	44,200	8,600
Losses on investment properties sold	(22,750)	(3,627)
Recognised in previous periods	(29,600)	(2,227)
Recognised in current period	6,850	(1,400)
	(22,750)	(3,627)

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

CBRE Limited, Chartered Surveyors (the "Property Valuer") completed a valuation of Group investment properties at 31 December 2013 on an open market basis in accordance with the requirements of the Valuation Standards issued by the Royal Institution of Chartered Surveyors, which is deemed to equate to market value. The Property Valuer, in valuing the portfolio, is acting independently and external to it. Market value is determined by reference to market based evidence, which is the amount for which each asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arms length transaction as at the valuation date. The market value of these investment properties amounted to £1,048,705,000 (2012 – £1,021,170,000). The difference between the market value and the fair value at 31 December 2013 consists of accrued income relating to the pre-payment for rent-free periods recognised over the life of the lease totaling £5,977,000 (2012 – £5,638,000) which is separately recorded in the accounts as a current asset.

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

In addition to the above, the property portfolio market value as at 31 December 2013 is based on the following:

- The Estimated Net Annual Rent for each property, which is based on the current rental value of each of the properties, which reflects the terms of the leases where the property, or part of the property, are let at the date of valuation. If the property, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent the valuer considers would be obtainable on an open market letting as at the date of valuation.
- The valuer has assumed that all rent reviews are to be assessed by reference to full current rents. Also there is the assumption that all tenants will meet their obligations under their leases, and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge.
- The valuer has not made any adjustments to reflect any liability to taxation that may arise on disposal, nor any costs associated with disposals incurred by the owner.
- The valuer assumes an initial yield in the region of 4 to 7 per cent for the majority of the properties, with the reversionary yield being in the region of 5 to 7 per cent.
- The property valuer takes account of deleterious materials included in the construction of the investment properties in arriving at its estimate of open market valuation when the Investment Manager advises of the presence of such materials.

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

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

Sector	Fair Value at 31/12/13 (£m)	Valuation techniques	Unobservable inputs	Range (weighted average)
Retail	517.2	Yield methodology	Annual rent per sq ft	£10-£310 (£80)
			Capitalisation rate	3.5%-12.5% (6.2%)
Office	240.7	Yield methodology	Annual rent per sq ft	£10-£80 (£35)
			Capitalisation rate	3.5%-12.5% (5.6%)
Industrial	231.8	Yield methodology	Annual rent per sq ft	£4-£17 (£8)
			Capitalisation rate	5.5%-7.5% (6.6%)
Leisure	53.0	Yield methodology	Annual rent per sq ft	£35-£45 (£40)
			Capitalisation rate	5.5%-6.5% (5.8%)

Sensitivity analysis

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

Sector	Assumption	Movement	Effect on valuation
Retail	Yield	+50 basis points	Decrease £41.3m
		-50 basis points	Increase £59.3m
Office	Yield	+50 basis points	Decrease £22.5m
		-50 basis points	Increase £27.9m
Industrial	Yield	+50 basis points	Decrease £17.0m
		-50 basis points	Increase £21.8m
Leisure	Yield	+50 basis points	Decrease £4.0m
		-50 basis points	Increase £4.7m

Investment property valuation process

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

These reports are based on both:

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

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

9. Investment in Subsidiary Undertakings

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

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

UKCPT Limited Partnership, (GLP), is a Guernsey limited partnership, and it holds a portfolio of properties. UKCPH and GP, have a partnership interest of 99 and 1 per cent respectively in the GLP. The GP is the general partner and UKCPH is a limited partner of the GLP.

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

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

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

Notes to the Accounts (continued)

10. Trade and other receivables

	2013 £'000	2012 £'000
Rents receivable (net of provision for bad debts – see below)	1,256	1,240
Other debtors and prepayments	7,646	6,784
	8,902	8,024
Provision for Bad Debts as at 31 December 2012/2011	764	594
Movement in the year	744	170
Provision for Bad Debts as at 31 December 2013/2012	1,508	764

Other debtors include tenant deposits of £807,000 (2012 – £827,000). All other debtors are due within one year. No other debts past due are impaired.

11. Trade and other payables

	2013 £'000	2012 £'000
Rental income received in advance	13,749	14,942
Investment Manager fee payable	1,976	1,861
VAT payable	2,495	2,819
Other payables	2,220	2,702
	20,440	22,324

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

12. Bank Loan and Interest rate swaps

	2013 £'000	2012 £'000
Total Facilities available	230,000	230,000
Drawn down:		
Lloyds facility	80,000	80,000
Barclays facility	150,000	150,000
Set up costs incurred	(2,541)	(2,541)
Accumulated amortisation of set up costs	1,091	728
Accrued variable rate interest on bank loan	702	647
Total due	229,252	228,834

(i) Lloyds Facility

The Company has a seven year £80 million facility, maturing in June 2015, with Lloyds Banking Group plc, all of which is drawn down. The bank loan is secured on a proportion of the property portfolio of the Group. Under bank covenants related to the loan the Company is to ensure that at all times:

- The loan to value percentage does not exceed 50 per cent (this is defined as the ratio of the loan compared to the aggregate of the open market property valuations plus any cash deposits);
- The qualifying adjusted net rental income for any calculation period (any 3 month period) is not less than 175 per cent of the projected finance costs for that period;

- No single tenant accounts for more than 30 per cent of the total net rental income;
- The five largest tenants do not account for more than 50 per cent of total net rental income;
- No single property accounts for more than 25 per cent of the gross secured asset value (this is defined as the sum of the value of the properties as stated in the latest valuations plus any cash deposits).

The Company met all the covenant tests during the year.

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

Interest on the swaps is receivable at a variable rate calculated on the same LIBOR basis as for the bank loan (as detailed below but excluding margins) and payable at a fixed rate of 3.0 per cent per annum on £42.1 million and 2.215 per cent per annum on £37.9 million respectively. The fair value of the liability in respect of the two interest rate swap contracts at 31 December 2013 is £2.2 million (2012: £4 million) which is based on the marked to market value. Both swaps are deemed effective for accounting purposes.

Interest is payable by the Company at a rate equal to the aggregate of LIBOR, mandatory costs of the Bank and a margin. The applicable margin depends on the ratio of all loans made available to the Company (under the Bank Facility or otherwise) to the "Gross Assets Value", expressed as a percentage (the "LTV Percentage"). "Gross Assets Value" takes into account the value of the properties and any other assets held by the Company and the Guarantors (currently UK Commercial Property Holdings Limited, UK Commercial Property GP Limited and UKCPT Limited Partnership) as well as unsecured cash. If the LTV percentage is greater than 5 per cent and does not exceed 10 per cent, the margin is 0.55 per cent per annum. If the LTV percentage is greater than 10 per cent and does not exceed 40 per cent, the margin is 0.60 per cent per annum. If the LTV percentage is greater than 40 per cent and does not exceed 50 per cent, the margin is 0.70 per cent per annum. As at 31 December 2013 the applicable margin was 0.60 per cent (2012 – 0.60 per cent.)

(ii) Barclays Facility

The Group also has a seven year £150 million facility, maturing in May 2018, with Barclays Bank plc taken out in May 2011. As at 31 December 2013 this entire loan was drawn down. The bank loan is secured on the property portfolio held by UKCPEL. Under bank covenants related to the loan UKCPEL is to ensure that at all times:

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

UKPCEL met all covenant tests during the year.

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

As at 31 December 2013 the Group had in place interest rate swaps totalling £150 million with Barclays bank plc (2012: £150 million). All of these interest rate swaps effectively hedged the current drawn down loan with Barclays Bank plc.

Interest on the swap is receivable at a variable rate calculated on the same LIBOR basis as for the bank loan (as detailed below but excluding margins) and payable at a fixed rate of 2.9925 per cent per annum on the £100 million swap, 1.2 per cent per annum on the £30 million swap and 1.893 per cent per annum on the £20 million swap. The fair value of the liability in respect of the interest rate swap contracts at 31 December 2013 is £4.7 million (2012: £12.7 million) which is based on the marked to market value.

Interest is payable by UKPCEL at a rate equal to the aggregate of LIBOR, mandatory costs of the Bank and a margin. The applicable margin depends on the ratio of all loans made available to the Company (under the Bank Facility or otherwise) to the market value of the property portfolio in UKCPEL expressed as a percentage (the "LTV Percentage") as well as any cash generated from the sale of one of these properties. If the LTV percentage is equal to or less than 25 per cent, the margin is 1.60 per cent per annum. If the LTV Percentage is greater than 25 per cent and does not exceed 35 per cent, the margin is 1.70 per cent per annum. If the LTV Percentage is greater than 35 per cent and does not exceed 40 per cent, the margin is 1.85 per cent per annum. If the LTV Percentage is greater than 40 per cent and does not exceed 45 per cent, the margin is 1.95 per cent per annum. If the LTV Percentage is greater than 45 per cent and does not exceed 60 per cent, the margin is 2.0 per cent per annum. As at 31 December 2013 the applicable margin was 1.70 per cent (2012 – 1.70 per cent.)

Swap Instruments

As at 31 December 2013 the Group had in place interest rate swap instruments totalling £230 million all of which were deemed to be effective hedges as per note 1(q).

Notes to the Accounts (continued)

The revaluation of these swaps at the year end resulted in a gain arising on interest rate swaps of £9.7 million (2012: loss £3.3 million). Of the total gain arising on interest rate swaps, £9.7 million related to effective hedge instruments (2012: loss £3.3 million) which is credited through Other Comprehensive Income in the Statement of Comprehensive Income.

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

The fair value of the interest rate swaps as at 31 December 2013 amounted to £6.9 million (2012: £16.6 million). Based on current yield curves and non-performance risk, £4.4 million of this value relates to the next 12 months and is therefore classified as a current liability. The remainder is classified as a long term liability.

13. Share capital accounts

	2013 £'000	2012 £'000
Share capital		
Ordinary share capital of 25p each as at 31 December 2013/2012	482,703	482,703
(number of shares in issue and fully paid at the year end being 1,238,794,000)		
Treasury shares		
Balance in Treasury account as at 31 December 2013 and 31 December 2012	(25,264)	(25,264)
(number of shares held in treasury being 41,445,142 Ordinary Shares of 25 pence each at 31 December 2013)		

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

14. Net Asset Value per Share

The net asset value per ordinary share is based on net assets of £875,753,000 (2012: £832,826,000) and 1,197,348,858 (2012: 1,197,348,858) Ordinary Shares, being the number of Ordinary Shares in issue at the year end, excluding Treasury Shares.

15. Related Party Transactions

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

Ignis Investment Services Limited received fees for its services as investment managers. Further details are provided in notes 2 and 3. The total management fee charged to the Statement of Comprehensive Income during the year was £7,456,000 (2012: £7,418,000) of which £1,933,000 (2012: £1,818,000) remained payable at the year end. The Investment Manager also received an administration fee of £168,000 (2012: £165,000), of which £43,000 (2012: £41,000) remained payable at the year end. This administration fee rises each July in line with the rise in CPI for the preceding 12 months.

The Directors of the Company are deemed as key management personnel as per IAS 24 and received fees for their services. Further details are provided in the Directors' Remuneration Report (unaudited) on page 28. Total fees for the year were £183,000 (2012: £170,000) none of which remained payable at the year end (2012: nil).

The Group invests in the Ignis Liquidity Fund which is also managed by the Investment Manager. As at 31 December 2013 the Group had invested £38.8 million in the Ignis Liquidity Fund (2012: £14.9 million). No additional fees are payable to Ignis as a result of this investment.

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

16. Financial Instruments and Investment Properties

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

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

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

Fair values

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

Fair value hierarchy

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

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

31 December 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Investment properties	-	-	1,015,532	1,015,532

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

Bank loans

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

31 December 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Bank loans	-	229,864	-	229,864

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

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

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

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

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

Explanation of the fair value hierarchy:

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

Level 2 – Use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data.

Level 3 – Use of a model with inputs that are not based on observable market data.

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

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

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

Real Estate Risk

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

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

Market risk

Market risk is the risk that the market value of properties and financial instruments will change. A 10 per cent increase in the fair value of the investment properties held as at 31 December 2013 would have increased net assets available to shareholders and increased the net profit by £104.3 million (2012: £101.6 million). A 10 per cent decrease in the fair value would have reduced net assets available to shareholders and net profit by £104.3 million (2012: £101.6 million).

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

Credit risk

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

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

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

Financial Assets 2012	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Cash	77,062	-	-	77,062
Rent receivable	1,240	-	-	1,240
Other debtors	1,027	63	-	1,090
	79,329	63	-	79,392

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

The Company has a diversified tenant portfolio. The maximum credit risk from the rent receivables of the Group at 31 December 2013 is £1,256,000 (2012: £1,240,000). The Group holds rental deposits of £807,000 (2012: £827,000) as collateral against tenant arrears/defaults. All tenant deposits are in line with market practice. There is no credit risk associated with the financial assets of the Group. No financial assets past due are impaired.

All of the cash is placed with financial institutions with a credit rating of A or above. £38.8 million (2012: £14.9 million) of the year end cash balance is held in the Ignis Liquidity Fund, which is a money market fund and has a triple A rating. Bankruptcy or insolvency of a financial institution may cause the Group's ability to access cash placed on deposit to be delayed or limited. Should the credit quality or the financial position of the banks currently employed significantly deteriorate, the Investment Manager would move the cash holdings to another financial institution subject to restrictions under the loan facility.

Liquidity Risk

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

The Group's liquidity risk is managed on an ongoing basis by the Investment Manager and monitored on a quarterly basis by the Board. In certain circumstances, the terms of the Group's bank loan entitles the lender to require early repayment, and in such circumstances the Group's ability to maintain dividend levels and the net asset value attributable to the ordinary shares could be adversely affected.

As at 31 December 2013 the cash balance was £80,734,000 (2012: £77,062,000).

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

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

Financial Liabilities 2012	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Bank loan	2,252	6,755	264,389	273,396
Other creditors	18,678	-	827	19,505
	20,930	6,755	265,216	292,901

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

Interest rate risk

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

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

An increase of 1 per cent in interest rates as at the reporting date would have increased the reported profit by £807,000 (2012: increased the reported profit by £771,000). A decrease of 1 per cent would have reduced the reported profit by £807,000 (2012: decreased the reported profit by £771,000). The effect on equity is nil (excluding the impact of a charge in retained earnings as a result of a change in net profit).

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

As at 31 December 2013 the Group had in place a total of £230 million of interest rate swap instruments (2012: £230 million). The values of these instruments are marked to market and will change if interest rates change. It is estimated that an increase of 1 per cent in interest rates would result in the swap liability falling by £7.0 million (2012: £9.2 million) which would increase the reported profit by the same amount. A decrease of 1 per cent in interest rates would result in the swap liability increasing by £7.0 million (2012: £9.2 million) which would decrease the reported profit by the same amount.

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

Notes to the Accounts (continued)

Foreign Currency Risk

There was no foreign currency risk as at 31 December 2013 or 31 December 2012 as assets and liabilities of the Group are maintained in pounds Sterling.

Capital Management Policies

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

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

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

The Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan arrangements in the year to 31 December 2013.

	2013 £'000	2012 £'000
Carrying amount of interest-bearing loans and borrowings	229,252	228,834
External valuation of completed investment property	1,048,705	1,021,170
Loan to value ratio	21.86%	22.41%

The Group's capital balances are set out on page 35 and are regarded as the Group's equity and net funds.

17. Capital Commitments

The Group had no contracted capital commitments as at 31 December 2013 (31 December 2012 – nil).

18. Lease Length

The Group leases out its investment properties under operating leases.

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

	31 December 2013 £000	31 December 2012 £000
Less than one year	63,511	70,492
Between one and five years	196,210	210,029
Over five years	264,955	336,781
Total	524,676	617,302

The largest single tenant at the year end accounted for 6.44 per cent (2012: 6.04 per cent) of the current annual rental income.

The unoccupied property expressed as a percentage of annualised total rental value was 4.4 per cent (2012: 4.8 per cent) at the year end.

The Group has entered into commercial property leases on its investment property portfolio. These properties, held under operating leases, are measured under the fair value model as the properties are held to earn rentals. The majority of these non-cancellable leases have remaining non-cancellable lease terms of between 5 and 15 years.

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

19. Service charge

The Group's managing agents Jones Lang LaSalle manage service charge accounts for all the Group's properties. The Group pays the service charge on any vacant units. Service charges on rental properties are recharged to tenants. The total service charge incurred in the year to 31 December 2013 was £8.5 million (2012: £7.3 million). Of this figure, the service charge paid by the Group in respect of void units was £2.2 million (2012: £1.3 million) and is included in direct property expenses.

20. Post Balance Sheet Events

On 17 January 2014, the Group concluded conditional missives for the purchase of three properties by way of forward funding and forward purchase commitments on the Aberdeen Gateway Business Park, Old Wellington Road, Aberdeen. The three predominantly industrial properties will extend to 265,000 sq. ft. The Group's maximum commitment will be up to £48.3 million on phased completion through to December 2014 and will initially generate a yield of 6.0% and a 19 year average weighted unexpired lease length. All leases provide for fixed guaranteed uplifts.

On 4 February 2014, the Company announced that the annual dividend payable by the Company would reduce from 5.25p per share to 3.68p per share effective from the dividend payable in May 2014. A reduction in the management fee charged by the Company's Investment Manager was also announced with the management fee reduced to 0.65% on total assets from 1 July 2014.

Notice of Annual General Meeting

Notice is hereby given that the seventh Annual General Meeting of UK Commercial Property Trust Limited will be convened at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands, GY1 3QL on 17 June 2014 at 10.00 a.m. for the following purposes.

Ordinary Resolutions

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

1. To approve and adopt the Report of the Directors and auditor and the financial statements for the year ended 31 December 2013.
2. To receive and adopt the Directors' Remuneration Report (other than the Directors' Remuneration Policy) for the year to 31 December 2013.
3. To receive and adopt the Directors' Remuneration Policy.
4. To re-elect Ernst & Young LLP as Auditor to the Company until the conclusion of the next Annual General Meeting.
5. To authorise the Directors to determine the auditor's remuneration.
6. To elect Mrs Platts as a Director of the Company.
7. To re-elect Mr Hill as a Director of the Company.
8. To re-elect Mr McCullagh as a Director of the Company.
9. To re-elect Mr Robertson as a Director of the Company.
10. To re-elect Mr Wilson as a Director of the Company.

Special Resolutions

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

11. That the Directors of the Company be and they are hereby generally empowered, to allot ordinary shares in the Company or grant rights to subscribe for, or to convert securities into, ordinary shares in the Company ("equity securities"), including the grant of rights to subscribe for, or to convert securities into ordinary shares held by the Company as treasury shares for cash as if any pre-emption rights in relation to the issue of shares as set out in the listing rules made by the Financial Services Authority under Part VI of the Financial Services and Markets Act 2000 (as amended) did not apply to any such allotment of equity securities, provided that this power:

(a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

(b) shall be limited to the allotment of equity securities up to an aggregate nominal value £30,969,850 being approximately 10 per cent of the nominal value of the issued share capital of the Company (including treasury shares), as at 19 March 2014.

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

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

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

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

(iv) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2015 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and

(v) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

Notes:

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

2. More than one proxy may be appointed provided each proxy is appointed to exercise the rights attached to different shares.

3. A form of proxy is enclosed for use at the Meeting. The form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach Computershare Investor Services (Jersey) Limited, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not later than 10.00 a.m. on 13 June 2014.

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

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

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

7. Copies of the Articles of Association of the Company will be available for inspection during normal business hours on any day (Saturdays, Sundays and public holidays excepted) until the close of the Annual General Meeting at the registered office of the Company.

8. As at 18 March 2014, the latest practicable date prior to publication of this document, the Company had 1,238,794,000 ordinary shares in issue with a total of 1,197,348,858 voting rights.

9. Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

By order of the Board
Northern Trust International Fund Administration Services (Guernsey) Limited
Secretary
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL
Date: 19 March 2014

Shareholder Information

Dividends

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

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

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

Share Price

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

Change of Address

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

Shareholder Enquiries

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

Financial Calendar 2014/15

28 February 2014	Payment of 2013 fourth interim dividend
20 March 2014	Announcement of annual results
May 2014	Payment of 2014 first interim dividend
17 June 2014	Annual General Meeting
August 2014	Payment of 2014 second interim dividend
August 2014	Posting of Interim Report
November 2014	Payment of 2014 third interim dividend
February 2015	Payment of 2014 fourth interim dividend

Corporate Information

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

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

Registered Number
45387

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

Investment Manager
Ignis Investment Services Limited
50 Bothwell Street
Glasgow G2 6HR

Property Valuer
CBRE Limited
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Independent Auditors
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Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey GY1 4AF

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

UK Legal Advisors and Sponsor
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Maples Teesdale LLP
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London EC2V 8EE

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St Peter Port
Guernsey GY1 1WD

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Edinburgh EH3 9QG

Lloyds Banking Group
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120 George Street
Edinburgh EH2 4LH

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FTI Consulting Limited
200 Aldersgate
Aldersgate Street
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