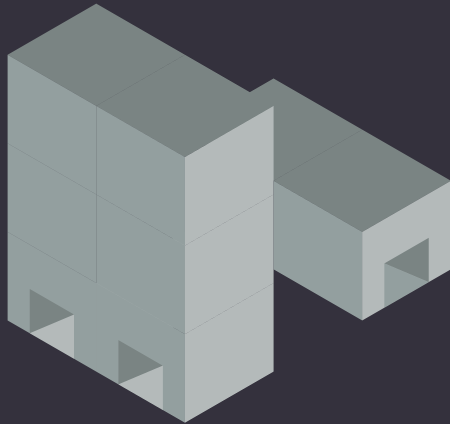
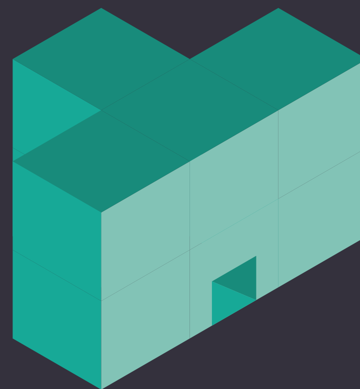
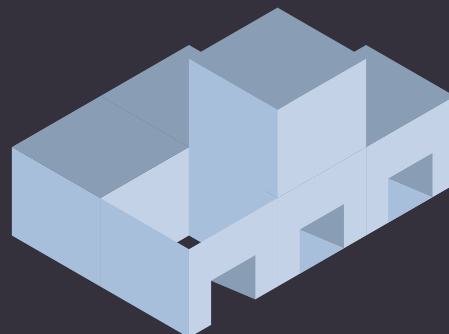
UK COMMERCIAL PROPERTY REIT
ANNUAL REPORT & ACCOUNTS

for the year ended 31 December 2023







abrdn

UK Commercial Property REIT

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POSITIONED FOR FURTHER GROWTH

£1.25bn portfolio benefits from **strong underlying fundamentals** to generate **earnings growth.**

6.3%
Growth in earnings
Adjusted EPRA EPS 3.35p[1]

3.0%
NAV total return
Underlying valuation stability

4.6%
Increase in dividend paid v 2022 — 99% covered

17.2%
Gearing[2]
Strong balance sheet

6.3% 2023 earnings **growth** with **significant 30% future** rental reversion opportunity[3]

4.6% increase in 2023 dividends (99% covered[4]) v 2022

Disciplined capital allocation

Values stabilised producing a **NAV total return of 3.0%** for the 2023 calendar year (–1.2% capital movement)

Positive implementation of **ESG*** and **Net Zero Carbon strategy**

Continued **strong leasing momentum**

Source: abrdn, 31 December 2023

[1] Excluding non-cash Cineworld adjustment announced in Q2 2023 results

[2] Calculated under AIC guidance

[3] Including Hyatt Hotel, Leeds, under development anticipating Q3 completion

[4] Based on EPRA Adjusted Dividend Cover excluding Cineworld adjustment

* ESG = Environmental, Social and Governance

"UK Commercial Property REIT continues its strategic focus on earnings growth through development completion and portfolio reversion."

PETER PEREIRA GRAY,
CHAIR OF UK COMMERCIAL PROPERTY REIT

UKCM Strategy Aims to Drive Earnings Growth

Portfolio Positioned for Growth

Strategic capital allocation towards the industrial sector which offers the best rental prospects.

Disciplined Capital Management

Strengthened our balance sheet via strategic disposals focussed on lower yielding assets and reducing RCF draw. Alive to reinvestment opportunities.

Asset Management Generating Earnings

Focus on asset management. Continue momentum in capturing rental reversion opportunities and impending delivery of Hyatt, Leeds development.

193
TENANCIES
(2022: 196)

39
PROPERTIES
(2022: 40)

7.4yrs
AVERAGE WEIGHTED UNEXPIRED LEASE TERM
(2022: 8.3yrs)
Source: MSCI Inc

PERFORMANCE SUMMARY

CAPITAL VALUES AND GEARING	31 December 2023	31 December 2022	% Change
Total assets less current liabilities (excl bank loan) £'000	1,259,579	1,327,405	(5.1)
IFRS Net asset value (£'000)	1,023,247	1,035,719	(1.2)
Net asset value per share (p)	78.7	79.7	(1.3)
Ordinary Share Price (p)	62.0	58.4	6.2
Discount to net asset value (%)	(21.2)	(26.7)	n/a
Gearing (%)#*	17.2	20.0	n/a

TOTAL RETURN	1 year % return	3 year % return	5 year % return
NAV †*	3.0	2.5	1.7
Share price †*	13.1	6.6	(4.7)
UKCM Direct Portfolio	3.9	9.3	12.0
MSCI Balanced Portfolios Quarterly Property Index	(1.9)	3.7	4.3
FTSE Real Estate Investment Trusts Index	11.6	(1.1)	8.3
FTSE All-Share Index	7.9	28.1	37.7

EARNINGS AND DIVIDENDS	31 December 2023	31 December 2022
Net profit/(loss) for the year £'000	31,708	(222,329)
Adjusted EPRA Earnings per share (p)	3.35	3.15
IFRS Earnings per share (p)	2.44	(17.11)
Dividends paid per ordinary share (p)	3.40	3.25
Dividend Yield (%)	5.5	5.6
MSCI Benchmark Yield (%)	5.1	4.8
FTSE Real Estate Investment Trusts Index Yield (%)	4.5	4.6
FTSE All-Share Index Yield (%)	4.0	3.6

ONGOING CHARGES AND VACANCY RATE	31 December 2023	31 December 2022
As a % of average net assets including direct property costs*	1.5	1.2
As a % of average net assets excluding direct property costs*	0.9	0.8
Vacancy rate (%)	4.0	2.0

Calculated, under AIC guidance, as gross borrowings less cash divided by portfolio value.
* See alternative performance measures on page 114 for further details.
† Assumes re-investment of dividends excluding transaction costs.

Sources: abrdn, MSCI

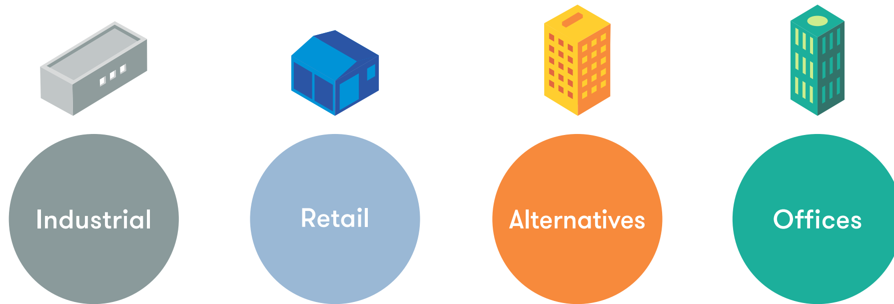
ABOUT US

UK Commercial Property REIT Limited ("UKCM") is a listed Real Estate Investment Trust (REIT) with a net asset value of £1.0 billion as at 31 December 2023.

UKCM is one of the largest diversified REITs in the UK and is a component of the FTSE 250 index made up of the largest 350 companies with a primary listing on the London Stock Exchange.

OBJECTIVE

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



This objective is achieved by:

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

BOARD & MANAGEMENT

The Company has a Board of five experienced Non-Executive Directors who have significant expertise in property, accounting, risk and tax. UKCM is managed by abrdn, a top 10 European (inc. UK) real estate manager with over £39bn of assets under management across direct and indirect strategies.

To learn more, visit our website at:
ukcpreit.com

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.
If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in UK Commercial Property REIT Limited, please forward this document, together with the accompanying documents, immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Ocado Distribution Unit,
Hatfield Business Area, Hatfield

2023 PORTFOLIO ANALYSIS

All figures as at 31 December 2023

Top 10 Tenants by Rent

33.5% of passing rent

No.1
OCADO
Industrial
5.8% of passing rent

No.2
PUBLIC SECTOR
Office & Industrial
5.1% of passing rent

No.3
ARMSTRONG LOGISTICS
Industrial
3.6% of passing rent

No.4
TOTAL
Industrial
3.1% of passing rent

No.5
KANTAR
Office
2.8% of passing rent

No.6
B&Q
Retail Warehouse
2.7% of passing rent

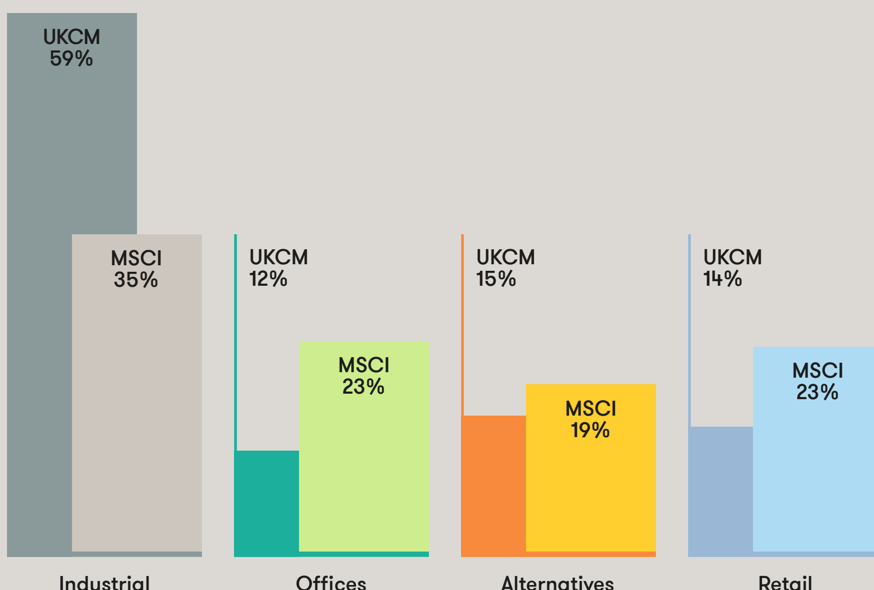
No.7
ODEON CINEMAS LIMITED
Industrial
2.7% of passing rent

No.8
DALATA
Alternatives
2.7% of passing rent

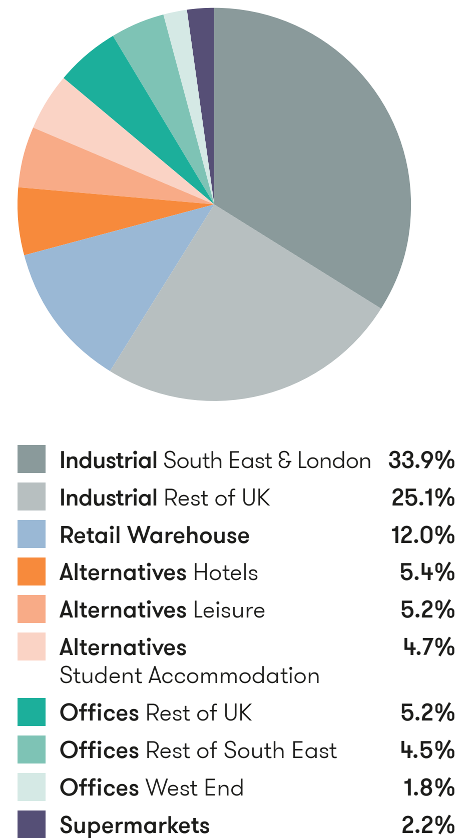
No.9
WARNER BROS. STUDIOS LTD
Industrial
2.5% of passing rent

No.10
STUDENTS (EXETER)
Alternatives
2.5% of passing rent

Asset Allocation vs Benchmark

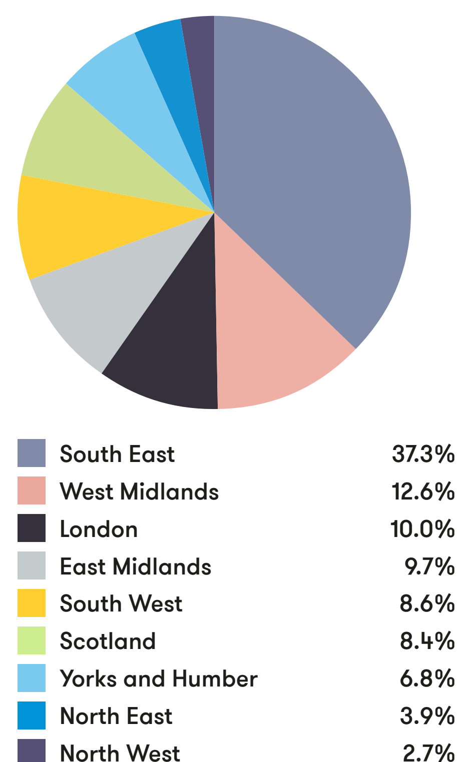


Portfolio Split by Sub Sector



Industrial South East & London	33.9%
Industrial Rest of UK	25.1%
Retail Warehouse	12.0%
Alternatives Hotels	5.4%
Alternatives Leisure	5.2%
Alternatives Student Accommodation	4.7%
Offices Rest of UK	5.2%
Offices Rest of South East	4.5%
Offices West End	1.8%
Supermarkets	2.2%

Portfolio Split by Geography



South East	37.3%
West Midlands	12.6%
London	10.0%
East Midlands	9.7%
South West	8.6%
Scotland	8.4%
Yorks and Humber	6.8%
North East	3.9%
North West	2.7%

Peter Pereira Gray
Chair

Dear Shareholder

I am pleased to present the UKCM Annual Report for the year to December 2023.

The Board can report that the UK market has recovered a little of the poise that was lost in the steep decline in commercial property values experienced in the second half of 2022. The MSCI UK Quarterly property index recorded a –1.0% total return for the year; a marked improvement from the –9.1% of 2022.

To set the scene for this muted performance, the Bank of England (BoE) aggressively raised interest rates through the first half of 2023 before settling at 5.25% in their August 2023 meeting, (and where they remain at the time of writing). The UK's Consumer Price Index (CPI), measuring inflation, declined over the calendar year from a peak of 10.4% in February 2023 to 4.0% by December 2023.

In such a context, with interest rates rising as inflation was falling, the Government's 10-year Gilt has been relatively volatile. Starting from a yield as low as 1.13% at the beginning of January 2022, it peaked at around 4.5% in September that year, and then declined to around 3.0% by February 2023. The later months of the year have seen gilt yields rise back and surpass that September 2022 peak, hitting 4.75% in August 2023. At the time of writing, the 10-year Gilt has fallen back to a yield of around 4.3%, but the generally increasing rate environment of 2023 has made it a difficult backdrop for values to move ahead strongly, especially as GDP growth has remained lacklustre.

The improvement in property returns recorded in 2023 (whilst still overall negative) was led by the industrial and living sectors, both of which posted positive total returns for the year, counterbalancing the office sector which continued its decline as thematic headwinds remained. The lack of uniformity across the sectors has been notable and offered opportunities for diversified portfolio managers to orientate toward those sectors which would prospectively perform well.

The industrial market rebounded from a bruising second half of 2022, posting a positive annual total return of 4.1% by the end of the year according to the MSCI Quarterly Index. Yields stabilised so that capital value growth levelled out on an annual basis at the All Industrial level at –0.4%. London and the Southeast posted total returns of 3.2% and 4.0% respectively, and all regions posted positive capital value changes on an annual basis. Market rental growth has decelerated from the positive growth seen in 2022 as levels of supply and demand became more balanced.

The retail sector posted an annual total return of –0.1% to December 2023 according to the MSCI Quarterly Index. The sector enjoyed something of a year of two halves, with a relatively robust total return of 2.2% in the first half but reducing again in the second half as the cost-of-living pressures cemented themselves in consumer psychology. Consequential consumer spending habits and structural changes in the market continue to influence performance. Typically, value-conscious consumers have propelled discount retailers to the forefront of UK retail sales and much of the recovery was influenced by strong performance within the high-yielding shopping centres and resilient retail warehousing sub-sectors, with the latter posting consistent month-on-month rental growth over the year.

"During the year, we continued to focus on increasing earnings, controlling our gearing and delivering a strong underlying operational performance of the Company."

The office sector continued to underperform, delivering an annual total return of –10.2% to December 2023 according to the MSCI Quarterly Index. Weakening capital values led this decline, with the deterioration accelerating over 2023 as the Bank of England raised interest rates. An uneven performance across the sector was experienced as London West End offices were substantially stronger at –2.4% total annual return than the –13.9% and –15.4% for the City of London and wider Southeast respectively. Market rental value growth was also uneven with Midtown and West End offices leading the pack with an annual 4.8% and 4.4% respectively, compared to 2.4% for the year for all offices.

The alternatives sector, or 'Other' as categorised by MSCI, saw an annual total return of –0.3% over 2023. Notable within these returns were a resilient living sector, benefitting from a supply demand imbalance. Purpose Built Student Accommodation (PBSA) delivered strong total returns of 2.7%, with a return of 1.4% delivered solely in Q4. Elsewhere, the hotel market reversed its recent fortunes in the face of sustained cost of living pressures and delivered above All Property total returns at 0.8% to December 2023.

2024 has started with a renewed confidence and whilst 'caution' is the watchword, the market is displaying the hallmarks of producing a positive annual return for the year which would be welcomed by many. The Real Estate Investment Trust market is seen by some as a leading indicator of the direct market, and share prices have moved ahead in recent months, triggered by clear anticipation of an improving macroeconomic picture and the consequent potential for corporate transaction activity. The direct property market is expected to follow later in the year and should continue to improve into 2025 if lower interest rates result from inflation stabilising. At the time of writing, oil and commodity prices are rising which suggests the path to lower interest rates and uninterrupted economic growth might not be straightforward.

In such a diverse out turn across sectors, assets and regions, the Company's managers have done well to record a relatively strong positive total return, meaningfully exceeding the MSCI Benchmark index for the year which we report on page 11.

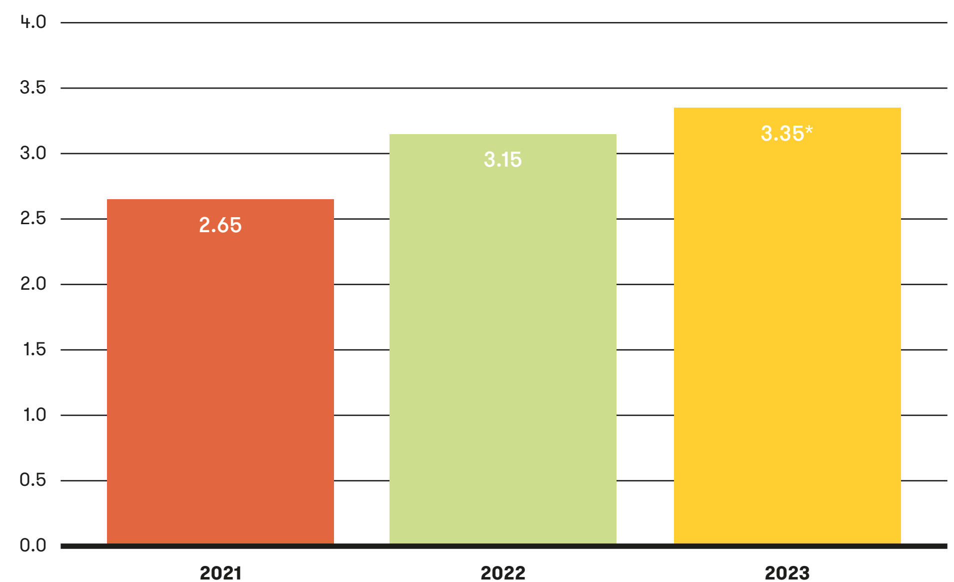
Portfolio and Corporate Performance

Earnings Growth — the Company delivered a net £4.9 million p.a. increase in rental income from active asset management (excluding lease incentive adjustments) and three development completions (243,000 sq ft) during the year.

Interest costs have been managed carefully and the company has shown considerable balance sheet discipline. For example, during the year, the Company sold an industrial asset in Wembley at 3.49% initial yield and paid down its revolving credit facility (RCF) which had an interest cost of approx. 7.2% hence significantly enhancing net earnings on this sum.

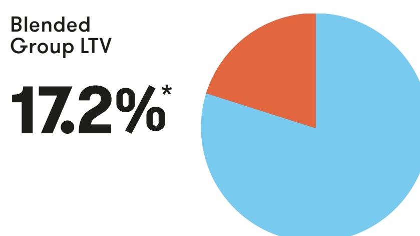
Dividend cover on adjusted EPRA earnings for 2023 was 99% with an expectation of this improving later in 2024 as asset management initiatives come through.

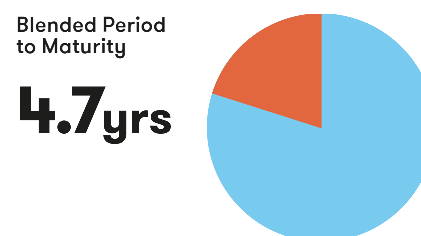
Adjusted EPRA EPS

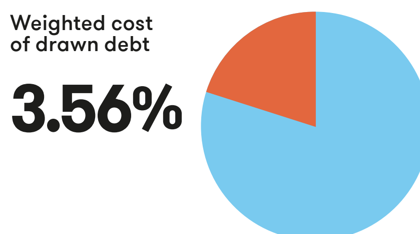


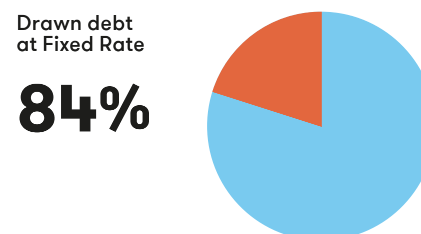
*Excluding non-cash Cineworld adjustment announced in Q2 2023 results

CHAIR'S STATEMENT
Continued









*Calculated under AIC guidance

NAV Stability — Valuations stabilised following the aggressive market repricing in the final quarter of 2022, recording a -1.2% net asset value movement in 2023. Taking into account the positive earnings for the year, the Company's NAV total return was 3% for the year.

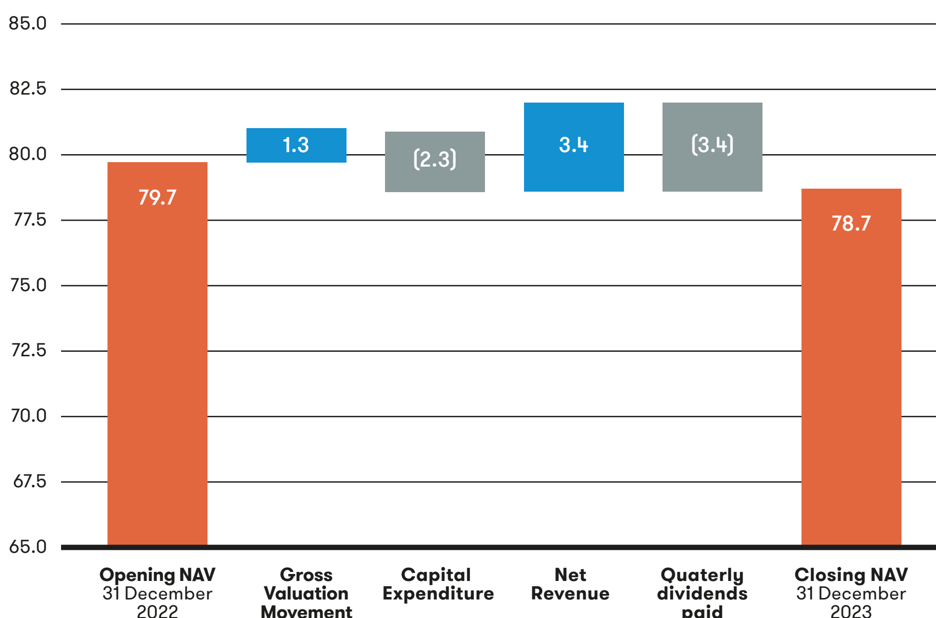
The Board continued to authorise capital expenditure throughout the year to invest in assets that would drive future earnings growth. The majority of capital was utilised to progress the Company's Hyatt hotel development in Leeds which is expected to generate a 7.25% yield on cost when it completes later this year, and which should contribute to enhanced earnings for the company overall.

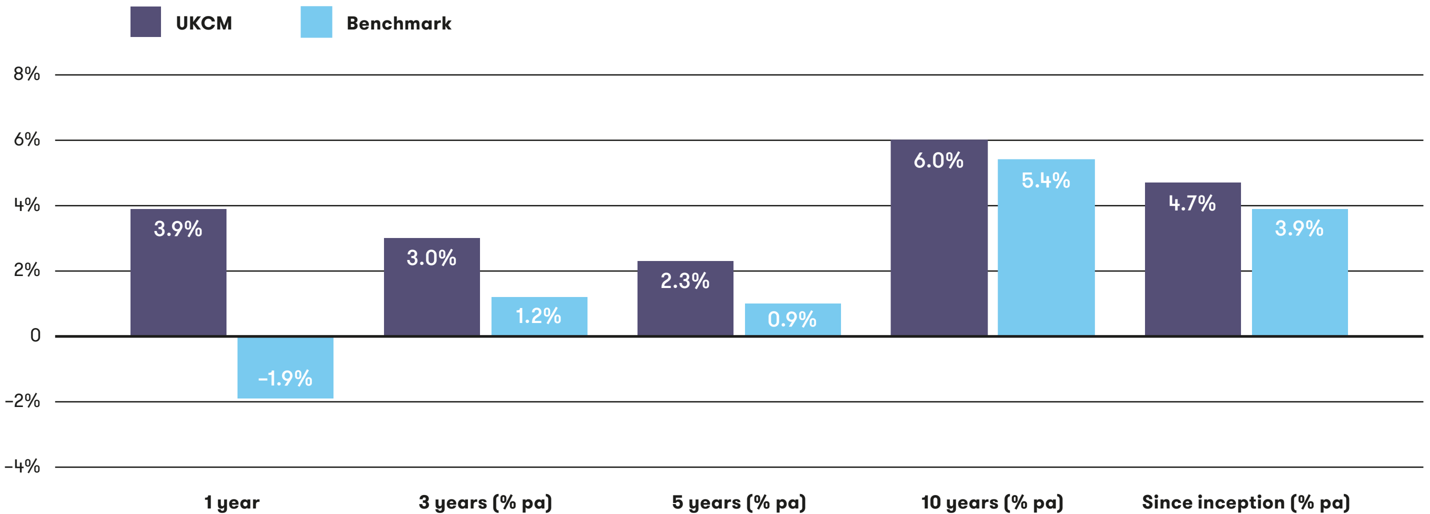
Disciplined Balance Sheet Management — Mindful of the uncertain macroeconomic and geopolitical environment at the current time, the Company continues to maintain a prudent approach to debt to allow it to maintain a robust balance sheet. Gearing remains low relative to UKCM's peer group at 17.2% (2022:20.0%) across its three debt facilities, as calculated using AIC methodology.

All debt covenants are well covered and there is an additional £330 million of unencumbered property which provides further significant headroom and flexibility with respect to the Company's covenant package.

UKCM consequently had financial resources of £91 million available at the end of the year, after allowing for future capital commitments and the February 2024 dividend. The bulk of these resources relate to the Company's reduced RCF which is currently a relatively expensive form of debt and so only likely to be deployed if a compelling and accretive opportunity arises.

UKCM NAV Movement in 2023





Source: MSCI UK Balanced Portfolios Quarterly Property Index

As mentioned, the combination of balance sheet and asset management has led to a property performance of 3.9% total return from UKCM's high quality portfolio, which represents a strong 1-year outperformance of 5.8%. against the MSCI benchmark. UKCM's Board and Manager are pleased to report long-term outperformance of the property portfolio against the MSCI Benchmark over all the traditional time periods of 1, 3,5 and 10 years as shown above.

Portfolio Activity

Further details on all investment transactions and significant lettings during 2023 are outlined in the Investment Manager Review.

Post the December 2023 year end, at the end of January 2024, the Company completed the sale of its Craven House office in London's West End for £22 million at December 2023 valuation, representing a 4.6% net initial yield. The Company believes that the benefits of recycling sale proceeds to reduce floating rate debt costing 7.2% at this time outweighed the planning risk and capital expenditure that would have been required to generate future rental growth from the asset.

Furthermore, at the end of February 2024, the Company completed the sale of its Temple Quay office in Bristol for £14.5 million, in line with the year end December 2023 valuation. Although well located in Bristol, the property was close to the end of its economic life with a short lease remaining. The Investment Manager worked on many options but concluded that the property would require a significant injection of capital to rejuvenate the asset, which, together with planning risk and a redevelopment period would have resulted in an extended period of no income.

Dividends

The Company paid four interim dividends totalling 3.40 pence per share during the period. This represents a 4.6% increase in ordinary distributions over the year, a level which was 99% covered. Positive initiatives in hand within the portfolio are anticipated to give the Board an opportunity to keep this dividend level under review in 2024.

Environmental, Social and Governance ("ESG")

The Board fully appreciates the importance of embedding ESG within our ways of working, and ESG considerations underpin every Board discussion and decision. Whilst taking ESG seriously is of critical importance to the world in general, the Board believes that it also plays a critical role in both protecting and creating future value for the company's portfolio, and that the Board's focus on ESG at the company and asset level will lead to enhanced income for shareholders.

Real estate has a very large role to play in our environment, and the Company has previously announced two significant Net Zero Carbon targets following a bottom-up asset-level review across the entire portfolio. By 2030, we aim to achieve Net Zero Carbon for landlord operational emissions and extend this to all emissions by 2040. These targets are in advance of the UK Government's target of 2050. Further details on all targets are outlined in the ESG Report.

I would like to thank my fellow Board members and the Investment Manager for their considerable commitment to the company over the reporting year, and it has been gratifying to see the share price improve markedly to the benefit of shareholders over this time.

Recommended all-share combination

On 21 March 2024, the Company announced they had reached agreement on the terms of a recommended all-share combination with Tritax Big Box REIT plc ("BBOX") pursuant to which BBOX will acquire the entire issued and to be issued ordinary share capital of the Company (the "Combination").

The Combination is conditional on, among other things, the approval of the Company's shareholders at a Court Meeting and a General Meeting to be held on 2 May 2024.

For full details of the Combination, please refer to the scheme document published by the Company on 9 April 2024, available through the Company's website at *ukcpreit.com/en-gb/merger*

Peter Pereira Gray
Chair
19 April 2024

Will Fulton
UKCM Lead Fund Manager

"The portfolio strongly outperformed over the year, almost 6% ahead of its MSCI benchmark, with a total return of 3.9% versus –1.9% for the benchmark."

2023 Review

Following a steep decline in commercial property total returns in the second half of 2022, the UK market began to find its footing during 2023. The MSCI UK Quarterly property index recorded a –1.0% total return, a marked improvement from 2022's –9.1%. This improvement was assisted by the resilient industrial and living sectors, both of which posted positive total returns for the year, despite further interest rate increases working their way into real estate valuations. In particular, the office sector continued its decline across 2023 as thematic headwinds remained.

On a macro plane, the Bank of England (BoE) aggressively raised rates through the first half of 2023 before settling at 5.25% in their August meeting where they have remained since. UK gilts responded, tracking up steadily with the base rate. However, gilts began to shift inwards as market expectations of a BoE pivot filtered through during the latter half of the year. Positively, the UK's Consumer Price Index (CPI), measuring inflation, steadily declined over the calendar year from a peak of 10.4% in February 2023 to 4.0% by December 2023. As the economy cooled off, lacklustre GDP growth followed flipping into negative territory over the second half of the year.

Back in property, cross-sector performance was not equal across 2023 with some of the trends which emerged and grew over the year taking hold. Consumer spending habits and structural changes remain front and centre. Notably, value-conscious consumers have propelled discount retailers to the forefront of UK retail sales which, in turn, has directly fed into strong performance within the retail warehouse sector. The "beds" element of the alternative sector showed greater resilience where hotels capitalised on strong room rate growth and student accommodation sector, helped by lack of supply and robust demand, posted market-beating returns. Polarisation extended to the asset-level, with best-in-class assets outperforming secondary space across logistics and offices alike.

Offices — Review

The office sector continues to underperform, delivering an annual total return of −10.2% to December 2023 according to the MSCI Quarterly Index. Weakening capital values led this decline, with the deterioration in values accelerating over 2023 as the Bank of England raised interest rates.

London West End offices were substantially ahead at −2.4% compared to −13.9% and -15.4% for the City of London and wider Southeast respectively. Market rental value growth provides a similar story, with Midtown and West End offices leading the pack at 4.8% and 4.4%, respectively, compared to 2.4% for all offices.

As has been the trend post-Covid, concealed within these figures is an occupational story of sustained flight to best-in-class quality where the emphasis is on assets with the strongest sustainability credentials and amenities. Outdated and out of fashion stock is therefore experiencing both the highest levels of vacancy and greatest fall in value.

A dwindling pipeline due to rising interest rates and elevated construction costs will only reinforce this trend over the medium term as occupiers embrace flexible working strategies and undesirable offices struggle to reduce vacancies.

Retail Warehouse / Supermarkets — Review

The retail sector posted a total return of −0.1% to December 2023 according to the MSCI Quarterly Index, beating all property returns of −1.0%. This blends a retail year of two halves with outperformance in H1, a relatively robust total return of 2.2%, but reducing in H2 as the cost of living pressures cemented themselves. Despite a slowdown, retail has performed well in context of the significant rebasing seen over 2022.

Much of this recovery was influenced by strong performance within the high-yielding shopping centres and resilient retail warehousing sub-sectors, with the latter posting consistent month-on-month rental growth over the year.

Much of the relative performance within the retail warehousing sub-sector comes from the continued resilience of discount retailers. Value supermarkets and discount homeware brands have been significant beneficiaries of the persistent savvy consumer under sustained cost of living pressures. This is evident within ONS retail sales data through the widening divergence between retail sales values and volumes as consumers increasingly spend more for less.

Although consumer confidence is rising, this is hesitantly filtering into overall retail sales as discretionary spending remains subdued. And as value operators look to expand further, a limited pipeline should support further rental growth in this sub-sector providing value-seeking consumers do not move too far further from standard retailers as e-commerce gains market share.

Industrial — Review

The industrial market rebounded, posting a positive annual total return of 4.1% by the end of the year according to the MSCI Quarterly Index; as yields stabilised capital value growth levelled out on an annual basis across all industrial at −0.4%. London and the Southeast posted total returns of 3.2% and 4.0% respectively, and all regions posted positive value changes on an annual basis.

Market rental growth has decelerated from the near-parabolic positive values seen over 2022 as levels of supply and demand reconfigure. In terms of demand, national take-up over 2023 declined 40% year-on-year to 29.1m sq ft according to Savills, though this represents a 12% increase over pre-Covid levels. Manufacturing, food retailers, and third-party logistics operators (‘3PL’) led take-up figures at 24%, 17%, and 15%, respectively. Similarly, overall investment volumes reached £9.4 billion according to Real Capital Analytics (RCA), down from the £15.8bn seen over 2022 but nearer the long-term average.

Availability rose across the UK during 2023 as occupiers recalibrated their immediate requirements for space, although units over 200,000 sq ft are in notably short supply with the greatest need in the South East for 3PLs. Rental values within this sub-sector of the market will likely continue to be squeezed as costs remain too high to justify Build-to-Suit space and e-commerce captures more of the post-Covid retail sales market, driving demand. Market rental growth is still expected to remain positive in the near term across all industrial, albeit at a slower pace than recent years due to incoming supply.

With consumer confidence rising and the prospect of rate cuts feeding through in the second half of 2024, occupiers will likely feel more confident in demand-driven expansion plans as the economy improves.

Alternatives — Review

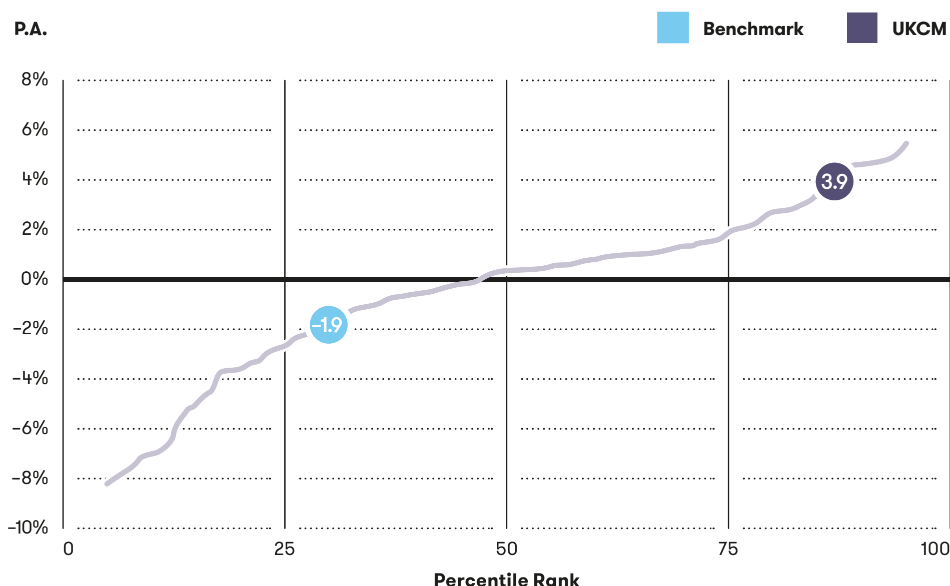
The alternatives sector, or ‘Other’ as categorised by MSCI, saw a total return of −0.3% over 2023, outperforming the all property return of −1.0%. Notable within these returns were a resilient living sector, benefitting from a supply demand imbalance, and a surprisingly resilient hotel market. Purpose Built Student Accommodation (PBSA) delivered strong total returns of 2.7%, with a return of 1.4% delivered solely in Q4. Elsewhere, the hotel market reversed its recent fortunes in the face of sustained cost of living pressures and delivered above all property total returns at 0.8% to December 2023.

Although occupational demand for hotels is intrinsically linked to consumer sentiment, domestic ‘staycations’ and post-Covid travel demand has resulted in strong revenue per available room (RevPAR) growth over 2023. According to PWC, new supply is due to add pressure on occupancy rates but due to the segmented nature of the hospitality industry, and consumer purchasing power, returns are expected to be felt unequally with better prospects in the budget, and potentially London luxury lines.

There is a widening supply imbalance of purpose built student housing (PBSA) as current and forecasted students enrolled at UK universities outstrips beds by some margin. This lack of availability has put significant upward pressure on market rental values and a decline has not been seen over the last thirteen quarters according to the MSCI Quarterly Index. The imbalance is expected to persist as development is constrained by elevated build costs and unfavourable financing conditions.

Distribution of Portfolio Returns

All assets performance for the 12 months to December 2023



Source: MSCI

Portfolio Performance

Following the disruption witnessed at the end of 2022 when the market experienced a rapid rerating of property yields, 2023 was a more stable year for the market in general, and positive for UKCM's portfolio.

The portfolio strongly outperformed over the year, almost 6% ahead of its MSCI benchmark, with a total return of 3.9% versus –1.9% for the benchmark. Additionally, over all MSCI's longer recorded time periods and since its inception, the portfolio continues to outperform its benchmark.

Industrial — Performance

The Company maintains a deliberately high weighting to the industrial sector which benefits from continued structural tailwinds in occupier demand and upward pressure on rental values. Although vacancy levels have risen throughout the year, they remain generally low, particularly in London and other key markets. It was again the strongest performing sector in 2023. UKCM benefits from a weighting of 59% at the end of Q4 2023, compared to 35% for the benchmark.

The industrial assets returned 8.9% over 2023 compared to the benchmark return of 3.7%. This outperformance was driven by far stronger growth in the portfolio of 4.9% while the benchmark recorded a capital decline of 0.7%. The Company has a far higher weighting to South East industrials than the benchmark (35% vs. 21% at end Q4 2023) which saw the strongest correction in yields in 2022 and some of this has been recovered this year.

Many of UKCM's assets, which were already highly reversionary saw further strong ERV growth throughout the year. As a result this component of the portfolio delivered capital growth of 6.5% while the benchmark declined –0.4%.

Offices — Performance

The Company has a maintained a deliberately underweight position to the office sector, which faces challenges from reduced occupier demand as tenants continue to assess the long-term impact of hybrid work patterns on their need for offices. At the same time, there is increased pressure on landlords to invest capital in their assets to both attract those tenants in the market and to comply with forthcoming minimum energy standards legislation. At the end of Q4 2023 the Company had a weighting of 12% compared to the benchmark of 23%. UKCM has since reduced its office exposure further with the sale of Craven House, London for £22m in January 2024 and Temple Quay in Bristol for £14.5m in February 2024.

The office portfolio recorded a disappointing total return of –10.4% driven by a capital decline of –16.0%. Whilst this negative return is disappointing it is slightly ahead of the benchmark office total return of –11.1% for the period. The benchmark saw slightly less capital decline at –14.6% however UKCM office assets delivered a far stronger income return of 6.6% while the benchmark income return was 4.1%.

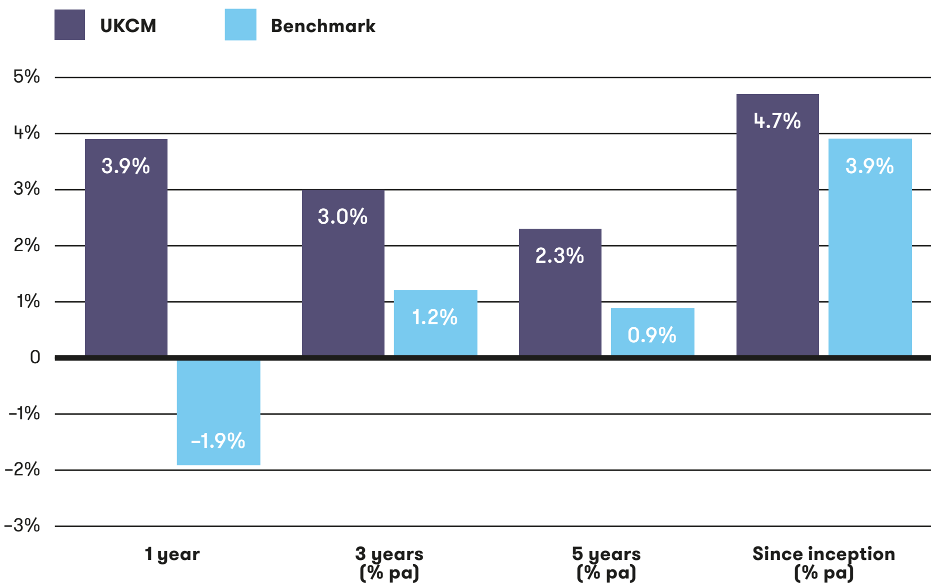
Retail — Performance

At the end of Q4, retail assets made up 14% of the Company's portfolio compared to 23% for the benchmark.

The performance of the Company's retail portfolio was ahead of the benchmark delivering a total return of 3.7%, while the benchmark was –0.3%. UKCM has no shopping centres and no pure high street retail exposure within its retail portfolio, which comprises of bulky goods and discount-led retail warehouses and supermarkets.

These assets have proven to be resilient and are perceived to be the preferred format for both retailers and shoppers as opposed to shopping centres or traditional high streets. The Company's retail assets did experience a mild capital decline of –2.3% which was far less than the benchmark at –5.9%. UKCM's retail assets also delivered a stronger income return of 6.2% versus 5.9% for the benchmark

The Company's retail warehouse parks, which form most of the retail portfolio, strongly outperformed their benchmark, delivering a total return of 4.4% whilst the benchmark recorded a return of 1.9%. UKCM's retail parks experienced a mild capital fall of 1.6% whilst the benchmark saw a decline of 4.1%.



Source: MSCI UK Balanced Portfolios Quarterly Property Index

Alternatives — Performance

The Company's alternative assets slightly underperformed the benchmark return of −0.9%, delivering a return of –2.6% in 2023. This was the result of more negative capital movement in the portfolio of –8.3% whilst the benchmark saw a capital movement of –5.7%. The Company's Alternatives delivered a stronger income return of 6.1%, ahead of the benchmark income return of 5.1%.

In aggregate, the portfolio's 15% weighting to the Alternatives sector is below the benchmark 19%. This will increase with the final completion of the new 305 bed Hyatt Hotel in central Leeds scheduled for Q3 2024. The future rent from this development is linked directly to the trade of the hotel. Given the quality of the hotel, strength of the Hyatt brand and the dynamics of the Leeds market, we expect this to deliver an attractive elevated income return against a traditional leased hotel.

The make-up of the Alternatives element of the portfolio has been deliberately tilted towards the 'living sectors' having developed two student housing developments in Edinburgh and Exeter in recent years adding to the successful Maldron Hotel in Newcastle. The remaining Alternatives assets are three cinema-anchored leisure schemes: The Rotunda in Kingston, Cineworld in Glasgow, and Regent Circus in Swindon. Within the year we took steps to stabilise Cineworld's occupation of the Glasgow and Swindon assets, reducing their rent to a level that should allow them to trade profitably, although this had a negative impact on the assets' valuations.

Investment Activity

There was limited transactional activity in 2023, which reflects our confidence in the construction of the portfolio, the strength of the underlying assets and prioritising reducing RCF borrowings ahead of reinvestment. However, two strategic sales were completed, within and just outside the reporting period, demonstrating UKCM's disciplined approach to capital allocation.

Both were low-yielding assets completed at a blended yield of 3.8%, and both have limited ability to grow rents in the short term. The receipts have been used to repay the Company's Revolving Credit facility which currently costs c.7.2% (February 2024), which is accretive to earnings.

In May, UKCM sold its 186,455 sq ft Wembley 180 logistics asset in London to Covent Garden IP Limited, a registered charitable company for a consideration of £74 million, which reflects a net initial yield of 3.49%. The sale was completed above the 31 March 2023 valuation.

The asset had been owned since 2009 and its asset management plan was completed when it was refurbished in 2019 and relet to Amazon until 2029. The ability to access the full underlying market rent was inhibited until lease expiry as the upcoming rent review was linked to CPI inflation with cap on the uplift.

At the end of January 2024, Craven House in London's West End was sold for £22 million in line with its latest valuation, representing a 4.6% net initial yield. The office is well positioned and let to film and TV production company Molinare.

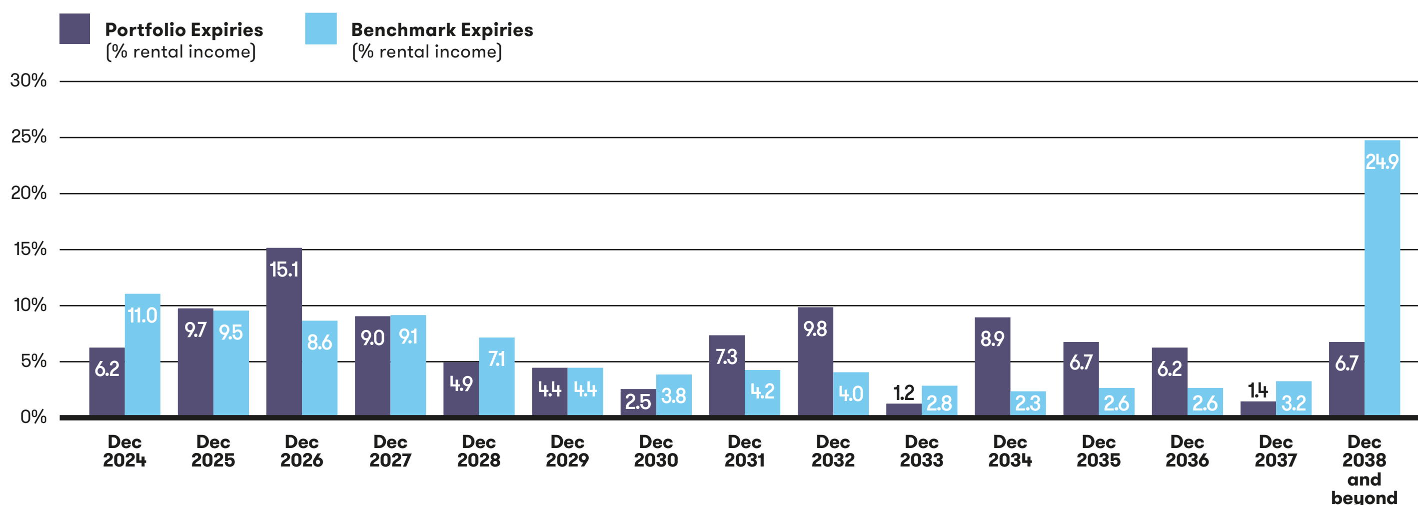
The sale was motivated by our belief that benefits of recycling sale proceeds to reduce floating rate debt outweigh the potential to grow rents at the building which would expose UKCM to planning risk and significant capital expenditure in repositioning the asset.

Development Activity

The Company continues to invest in its portfolio and is moving towards completion of its 305 bedroom Hyatt-branded hotel at Sovereign Square, Leeds, expected in Q3 2024. The development lies to the south of the city's main railway station and is a short walk from key city centre attractions and businesses. The hotel's accommodation will be split between the short stay Hyatt Place and the extended stay Hyatt House brands. The upscale hotel will provide meeting rooms, a gym and several food and beverage options, including a rooftop bar with its own dedicated entrance. The original specification has also been enhanced by UKCM from an ESG perspective with systems that will operate on an 'electric-only' basis with no gas supply required.

The Hyatt-branded hotel will be operated under a lease by Aimbridge Hospitality, a global leader in hotel operation, with the Company's rental income based on turnover. The acquisition is in line with UKCM's strategy to invest in operational real estate sectors that are expected to deliver resilient rental incomes and are backed by both strong local fundamentals and high quality properties. The development has progressed well throughout the period.

INVESTMENT MANAGER REVIEW
Continued



Source: MSCI

Asset Management Activity

Rent collection rates within the portfolio remain strong, with 99% of rents due across 2023 collected. This is in line with levels reported in 2022. Where arrears have accrued, we remain in dialogue with tenants to maximise recovery.

The average weighted unexpired lease term of the portfolio is 7.4 years at the end of the year. This compares to the benchmark unexpired term of 9.4 years. At 31 December 2023, 28% of the portfolio rent is subject to a form of index-linked rent review or fixed increases. The Company has maintained a very low vacancy rate of 4%, which is half the level reported in the benchmark over the same period at 8%. This reflects the strength of the underlying assets in the portfolio and their appeal to tenants.

The following asset management activity on pages 16 to 18, grouped by sector with percentage occupancy shown as at 31 December 2023, represents a summary of noteworthy transactions:

Industrial — Asset Management
95% Occupied

▲ Ventura Park, Radlett

2023 began with very strong letting activity at the multi-let estate Ventura Park, Radlett, when the 31,803 sq ft Unit B was let to Aerospace Reliance Ltd, which supplies aircraft maintenance materials worldwide, at a rent of £558,025 per annum (£17.55 per sq ft p.a.). The tenant entered a 10 year lease, with a tenant only break option in year 5. A seven month lease incentive was provided as the tenant accepted the unit in its current condition without the need for any Landlord works or additional capital contribution.

Unit 7 was let to Location Collective Ltd, a Film & Media Production Company at a rent of £1,455,880 per annum (£17 per sq ft p.a.). The property has an area of 85,640 sq ft and the tenant entered a 15 year lease with a mutual break in year 12. An incentive of twelve months rent free has been provided to the tenant. Demonstrating the ability to drive rental income and capture reversion in the portfolio, these two new leases equate to a 69% increase on the previous rent paid over the units.

▲ Emerald Park, Bristol

There has been strong letting and asset management activity at Emerald Park, the multi-let estate in Bristol. Unit 111 was let to South West Ambulance Service on a 10 year lease without break at a rent of £92,022 per annum (£10.50 per sq ft p.a.) for the 8,764 sq ft unit with a lease incentive of nine months' rent free. The new rent is 21% ahead of the previous passing rent and is also ahead of ERV. Unit 101 extending to 22,500 sq ft was let to Northgate Vehicle Hire Ltd on a new 10 year lease, subject to a tenant break in year five at £247,500 p.a. establishing a new rental tone of £11 per sq ft. The agreed rent is 31% ahead of the previous rent over the unit and in line with ERV.

Five tenants committed to new leases at the Estate in the year with UPS agreeing a five year lease extension on its 22,524 sq ft unit at a rent of £247,000 per annum, equating to £11 per sq ft while Medequip extended its lease for seven years, subject to a break in year five, over its 5,815 sq ft unit at a rent of £60,900 per annum, equating to £10.50 per sq ft. Erik's Industrial Services Ltd renewed its lease on the 8,097 sq ft. Unit 110 for a further 10 years, subject to a break option in year five. The renewal has increased the rent generated at the unit by 24% to £85,000 p.a., reflecting £10.50 per sq ft.

Ventura Park, Radlett

A further two tenants also committed to long-term leases with CarCo Ltd, the tenant at unit 201, entering a new 10 year lease from expiry of its existing lease in August 2024. The lease incorporates a day one upwardly only rent review to the open market rent which will allow us to capture reversion at that time. The Secretary of State, tenant at unit 203, also entered a 10 year reversionary lease ahead of their lease expiry in March 2024, subject to a break option at the end of year five. The rent will also be agreed via an upward only rent review. We expect to capture further significant reversions from these leases.

Gatwick Gate, Crawley

Espresso Solutions became the latest tenant at the multi-let industrial estate agreeing a new 10 year lease, subject to a five year break option, over Unit 3A. The annual rent of £144,625 p.a. equates to £13.00 per sq ft which is in line with ERV and 25% ahead of the unit's previous passing rent. Two tenants also committed to longer leases at the Estate within the period. A 3 year reversionary lease was agreed with DFS at a rent of £256,000 (£12.74 per sq ft) per annum reflecting an increase of 5.6% from the previous rent and in line with ERV.

A 12 month extension over Unit 2B was agreed with Airbase at a rent of £13.50 per sq ft, equating to £330,000 per annum, increased from £11.50 per sq ft representing a significant rental increase and improving the Estate's rental tone.

Dolphin Industrial Estate, Sunbury-on-Thames

Webcon, a supplier of car parts, agreed a five-year lease renewal for the c.10,000 sq ft Unit 1 at UKCM's Dolphin Industrial Estate a multi-let estate in Sunbury-on-Thames. The new lease increased annual rental income on the unit by 63% to £155,000. A very significant rental uplift was also agreed at rent review over the 64,488 sq ft unit D1/2, which is let to Transglobal Freight Management. The new rent of £1,096,000 (£17.00 per sq ft) represents a 56% increase on the previous passing rent.

Newton's Court Dartford

A 30% uplift on the previous passing rent was secured at Newton's Court multi let industrial estate in Dartford on a new lease over Unit 2 when Flint Hire & Supply Ltd entered into a 15-year lease with a tenant-only break option in year ten, at an annual rent of £214,377 p.a. (£14.50 per sq ft p.a.) and a six month rent free period. The lease set a record rent for the estate. Importantly, the Company was able to sign Flint as a replacement for the previous occupier on a back-to-back basis without any vacancy period. Smart Access Platforms also renewed the lease over their 6,650 sq ft unit. The tenant entered a new ten year lease with a tenant only break option in year five and a new rent of £92,500 per annum, equating to £14.00 per sq ft. The agreed rent is in line with the asset's latest ERV and is 29% higher than the previous rent passing.

Offices — Asset Management
94% Occupied

At the multi-let office, The White Building, Reading we completed an outstanding rent review from September 2022 over the 13,348 sq ft fifth floor with the tenant Roc Search at a rent of £460,506 (£34.50) per annum, reflecting an increase of 1.5% from the previous rent of £453,832 per annum. While this reflects a marginal increase, it helps to substantiate the ERV across the wider building.

A further lease renewal was completed at 18% above the previous passing rent on 6,700 sq ft at the Company's Central Square office in Newcastle upon Tyne. Trimble UK Limited has taken a new 10 year lease, subject to a tenant break option at year 5, at a rent of £156,250 or £23.00 per sq ft.

Retail — Asset Management
100% Occupied

UKCM's retail warehouse parks remain fully occupied at the end of 2023 reflecting the strength of their locations. Their popularity with our current tenants is evidenced by three strong lease renewals agreed at Trafford Retail Park in Manchester.

Carpetright, the tenant at Unit 4 which extends to 10,069 sq ft agreed a new 10 year lease at a rent of £161,100 p.a. (£16 per sq ft), representing a 13% increase on the previous passing rent in line with ERV. Kentucky Fried Chicken, which occupies the 2,388 sq ft unit 4 agreed a new 20 year lease term with a tenant only break option at the end of year 15. The rent of £83,580 per annum (£35 per sq ft p.a.), reflects a 17% increase in passing rent and a 9% premium to ERV.

At the end of the year Iceland Foods Ltd t/a Food Warehouse at Unit 5 agreed a new 5 year reversionary lease from expiry of its existing lease on 1 March 2026, incorporating a day one upwardly open rent review. At the Company's other two retail parks, Junction 27 in Leeds and St Georges Retail Park in Leicester, the focus remains on completing lease renewals and rent reviews to secure and grow rents.

Alternatives — Asset Management
98% Occupied

Glenthorne Road, Exeter

Phase 2 of UKCM's student hall development close to the University of Exeter was completed in Q1 2023. The 214 room development benefits from excellent amenity, including a gym and cinema room, and has secured high occupancy in its first full year of trading. The property is managed by Homes for Students and is currently the top rated student development in Exeter on Student Crowd, the independent student rating website. There is strong letting interest for the forthcoming 2024/2025 Academic Year.

Cineworld Restructuring

The Company has successfully retained Cineworld at Glasgow and Swindon following negotiations in relation to its US Chapter 11 process. The agreement involved a restructuring of the leases to vary turnover and base rent terms to reduce the tenant's annual outgoings ensuring the cinemas are profitable. The Company agreed a reduction in Cineworld's rent representing c.1% of the annualised portfolio valuation rent at the nearest quarter day of 30 June 2023. The retention of Cineworld as a tenant ensures these two assets remain occupied and income producing.

Environmental, Social and Governance (ESG)

Whilst real estate investment provides valuable economic benefits and returns for investors, it has – by its nature – the potential to affect environmental and social outcomes, both positively and negatively. The Company adopts the Investment Manager's expansive policy and approach to integrating ESG in all areas of its investment process, and this has been used as the basis for establishing the Company's ESG objectives. Both the Investment Manager and Board view ESG as a fundamental part of their business.

The Company has made the following commitments:

- **2030** – Achieve Net Zero Carbon across all portfolio emissions under the control of the Company as landlord.
- **2040** – Achieve Net Zero Carbon across all portfolio emissions – both those controlled by the Company as landlord and all the emissions of its tenants and embodied carbon from development activity.

Energy Performance Certificates (EPCs)

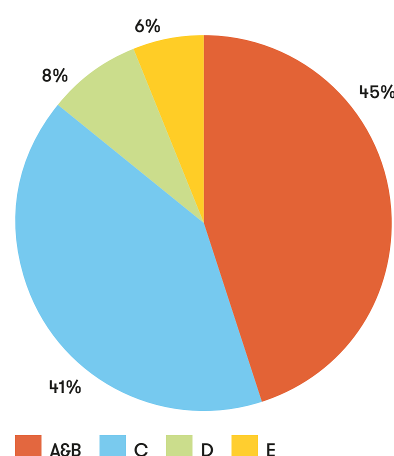
Energy Performance Certificates (EPCs), which each property legally requires, form a powerful regulatory measure by which government can encourage the UK property industry to decarbonise. Draft legislation applying to England and Wales indicates that all property must have an EPC of class A, B, or C by 2027 and A or B by 2030. The legislation and rating scale in Scotland are different and there are currently no similar minimum standards based on the EPC system.

86% of the Company's portfolio by ERV is currently rated A, B, or C. This is a positive position; however every property is kept under review and where asset level interventions are required, we aim to do so at commercially sensible times such as lease expiries or during renewal discussions. There are also instances within the portfolio where there is no need to make improvements as the asset will be entirely redeveloped to a modern and fully compliant specification at lease expiry.

Our embedded approach to ESG is carried through to our approach to development where we target an EPC of A as well as strong BREEAM ratings. With the forthcoming development completion in Leeds, we expect the percentage of the portfolio with an EPC rating of A-C to increase.

Given the significance, and at times quite technical content of ESG and its application, we have dedicated a separate section of our report to ESG matters.

EPC Rating by ERV



ESG Case Study

On Trafford Retail Park, Manchester, an ESG focussed initiative was completed with the resurfacing and remodelling of the customer car park. An additional access lane was introduced to assist vehicle access and egress from the extremely popular, heavily used retail park. A sustainable construction method was used involving the shredding, rather than landfilling, of 1,700 tyres.

Watch a 1 minute video of this initiative at *ukcpreit.com*

These were incorporated in the resurfacing material, reducing the bitumen component, and in turn reducing the use of fossil fuels. Recycled plastic drinks bottles were also used in the manufacture of the replaced slot drains that serve the property.

Trafford Retail Park, Manchester

Market Outlook

2024 has started with renewed but cautious confidence as investors anticipate that the market is close to an inflection point. Led by the REIT market and triggered by clear anticipation of an improved macro-picture, the direct property market is expected to follow later in the year and into 2025 as interest rates are reduced, inflation stabilises, and economic growth appears.

The REIT market has been stimulated by an expectation that interest rates have peaked and are set to fall mildly in 2024 and more materially into 2025, and coupled with a sense of more controlled and declining inflation. The direct property market is set to follow later in 2024 and into 2025 as lower rates are embedded and economic growth picks up.

The REIT sector ended the year on a high, taking the FTSE EPRA Nareit UK Index to a total return of 10.7% for 2023, significantly outperforming the FTSE All-Share Index' s 7.9% over the same period. The UK listed real estate index has historically led the UK direct real estate sector by six-to-nine months, which adds weight to the argument that the fortunes for the latter will improve over the course of 2024.

Encouragingly, the direct UK property market saw a slowing of value declines and stabilisation across many sectors in 2023, when compared with 2022. All Property capital decline in 2023, according to the MSCI quarterly index data, was 5.7% when compared to 2022's decline of 12.8%. Total return –1.0% 2023 versus –9.1% in 2022. It remains the case that not all sectors are equal, far from it in fact, with a wide range in cross-sector performances.

Sectors benefitting from structural and thematic tailwinds, such as the logistics and living sectors are a clear example of this trend, proving to be more resilient in the face of a weaker macroeconomic environment and outperforming the wider market with total returns of 4.1% and 1.6% respectively.

The office sector was the laggard over the course of the year, facing some structural challenges with a negative return of 10.2% during the year. In overview, following erratic UK GDP data in the final quarter of 2023, we expect a stagnant economy in 2024 with growth of 0.2%, followed by growth of 1.5% in 2025 which would, we believe, materially improve business confidence.

The UK economy fell into a technical recession in the second half of 2023, after Q4 GDP declined by 0.3%. However, there are tentative signs that activity growth has started to recover in 2024, helped by falling inflation and easier financial conditions. Recession-like conditions look set to continue into 2024, with the prospect of further fiscal easing to be announced in March helping limit the extent of the downturn. We anticipate an Autumn 2024 UK general election which will undoubtedly create some short-term fog around forecasting. However, based on our base case political outcome, we do not anticipate any economic shock to result.

Inflation was softer than expected in January, holding steady at 4%. Higher energy prices were offset by weakness in core inflation. The bigger picture is that headline inflation is still expected to fall further over the course of 2024, aided by favourable base effects. Meanwhile, cooling wage growth should help to bring down underlying inflation pressure down too. We forecast UK CPI headline inflation to fall to 2.6% by the end of 2024, and to 2.2% by 2025.

The Bank of England's (BoE) rate-setters voted 8-1 to maintain the UK policy rate at a 16-year high of 5.25% at their March 2024 meeting. Importantly, BoE governor Andrew Bailey signalled that the UK is moving in the right direction to start cutting rates. Overall, the meeting indicated a less hawkish position from voting members, with two Monetary Policy Committee (MPC) members who had previously voted for an increase in rates, opting to keep rates on hold at the March meeting.

Inflation is trending lower, but the BoE have maintained their stance that the labour market remains a key determining factor when it comes to their rate setting objectives. We expect rate cuts to start in June 2024, with the policy rate reaching 4.25% by the end of 2024 and 3.0% by the end of 2025.

Whilst yields have rebased outwards across all UK real estate sectors, the rental cycle remains positive for structurally supported sectors. This is particularly the case for the logistics sector, where structural drivers continue to support demand at a time when the supply pipeline remains constrained. Whilst vacancy rates have picked up in the industrial sector, they remain low in a historical context at an estimated 4.1% at year-end according to CoStar data. Importantly, the increased cost of capital, higher construction costs and limited availability of suitable sites have reduced the sector's development pipeline providing the platform for continued rental growth over the medium to long term.

With a weaker economic growth backdrop anticipated in 2024, greater attention will be placed on occupier strength and capturing reversion. Both take-up and investment levels are expected to trend towards long-term historical averages, following a Covid-19 induced surge in both metrics.

Sentiment towards the office sector remains weak as the sector grapples with new working habits, environmental regulation, and an increase in capital expenditure requirements. The most recent data indicates that vacancy rates across all major office sub-markets have started to plateau, but at elevated levels compared with historical averages. This is being driven by the availability of second-hand space as occupiers rationalise their office footprint in light of a fundamental shift in working habits.

Despite a consistent improvement in office occupancy rates across the UK in 2023, it is unlikely that we will see this translate into any meaningful improvement in the vacancy rate as businesses become more selective about the quality of office stock they want to occupy. However, the availability of truly best-in-class office accommodation remains in short supply and is creating a two-tier leasing market, even producing rental growth for prime office assets. Any office that falls out with this definition will see further pressure on rents in 2024. Yields, for all offices remain under negative pressure.

The retail sector faced a challenging year in 2023, with low consumer confidence creating a headwind. Month-on-month retail sale volumes fell by 3.2% in December 2023, according to the Office for National Statistics (ONS), with retail sales down 2.4% compared to December 2022. Black Friday tempted some consumers to bring forward their spending to November, which partly explains the slowdown in December's retail sales.

Positive real wage growth has the potential to provide some support for the sector, although we do not expect it to materially alter retail fortunes this year given the ongoing cost-of-living pressure. We retain a more favourable outlook for retail warehousing, largely because of lower vacancy, lower operating costs for retail tenants, and with footfall and tenant base both proving resilient considering the cost-of-living pressures.

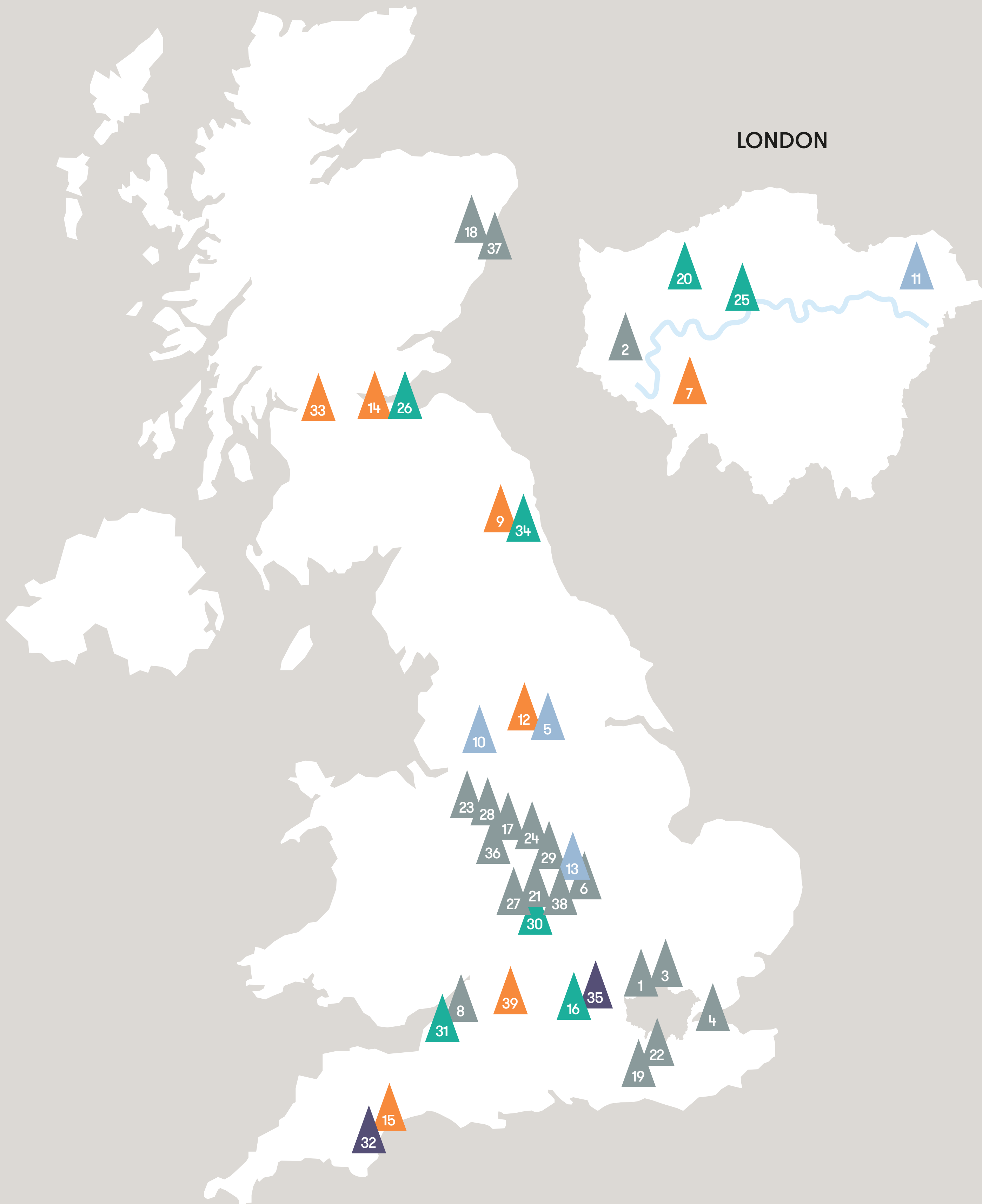
We expect an improvement in UK property performance as we move through 2024, driven by improved investor confidence and greater liquidity in the market. The catalyst for an improvement in the fortunes for UK real estate is the increasing likelihood of an interest rate cutting cycle in the second half of 2024, matched to a repriced real estate market, and the prospect of a more positive real estate yield margin.

While the macro environment will continue to dominate as we move through 2024, sector allocation will remain crucial. Polarisation in performance from both a sector and asset-quality perspective will remain a key differentiator for performance. Real estate refinancing poses a risk to our outlook in 2024, but we believe that the risk is more heavily skewed towards the office sector, given the amount of outstanding debt and lack of appetite for lending in this sector.

Sectors that benefit from longer-term growth drivers, such as the industrial and logistics sector, will continue to garner the most interest from investors. It is unlikely that there will be a material change in investor sentiment towards the office sector, but more attractively priced re-positioning opportunities will emerge over the course of 2024, with debt re-capitalisation and funds working through redemption queues the most likely source of product. However, underwriting assumptions, particularly around capital expenditure, are crucial. Long income assets now look more attractively priced, and we anticipate there will be some good buying opportunities in this area of the market in 2024.

Will Fulton
abrdn
19 April 2024

PROPERTY PORTFOLIO
As at 31 December 2023



	PROPERTY	Tenure	Sector	Principal Tenant	Value Range
1	Ventura Park, Radlett	Freehold	Industrial	Warner Bros Studios Ltd	Over £70m (representing 24.1% of the portfolio capital value)
2	Dolphin Estate, Sunbury on Thames	Freehold	Industrial	Trans Global Freight Management Ltd	
3	Ocado Distribution Unit, Hatfield Business Area, Hatfield	Freehold	Industrial	Ocado Retail Ltd	
4	Newton's Court, Dartford	Freehold	Industrial	Veerstyle Ltd	£40m–£70m (representing 20.5% of the portfolio capital value)
5	Junction 27 Retail Park, Birstall, Leeds	Freehold	Retail Warehouse	Barker & Stonehouse Ltd	
6	XDock 377, Magna Park, Lutterworth	Leasehold	Industrial	Armstrong Logistics Ltd	
7	The Rotunda, Kingston upon Thames	Freehold	Alternatives	Odeon Cinemas Ltd	
8	Emerald Park East, Emersons Green, Bristol	Freehold	Industrial	Knorr-Bremse Systems Ltd	
9	Maldron Hotel, Newcastle	Leasehold	Alternatives	Dalata Group plc	£20m–£40m (representing 44.2% of the portfolio capital value)
10	Trafford Retail Park, Manchester	Freehold	Retail Warehouse	Dunelm (Soft Furnishings) Ltd	
11	B&Q, Roneo Corner, Romford	Freehold	Retail Warehouse	B&Q Plc	
12	Hyatt Hotel, Leeds — Funding	Leasehold	Alternatives	Under Development (PC date — Q3 2024)	
13	St Georges Retail Park, Leicester	Freehold	Retail Warehouse	Aldi Stores Ltd	
14	Gilmore Place, Edinburgh	Freehold	Alternatives	Edinburgh University	
15	Glenthorne Road, Exeter	Freehold	Alternatives	Direct letting to university students	
16	The White Building, Reading	Freehold	Office	Barracuda Networks Ltd	
17	Centrum 260, Burton on Trent	Freehold	Industrial	Palletforce plc	
18	Total, Aberdeen Gateway, Aberdeen	Freehold	Industrial	Total E&P UK Ltd	
19	Sussex Junction, Bolney	Freehold	Industrial	CGG (UK) Ltd	
20	Kantar, London	Freehold	Office	Kantar UK Ltd	
21	Axiom, Precision Park, Leamington Spa	Freehold	Industrial	Public Sector	
22	Gatwick Gate Industrial Estate, Crawley	Freehold	Industrial	International Logistics Group Ltd	
23	Dalewood Road, Newcastle Under Lyme	Freehold	Industrial	TK Maxx Ltd	
24	Tetron Point, Swadlincote	Freehold	Industrial	Clipper Logistics plc	
25	Craven House, Fouberts Place, London, W1	Freehold	Office	Molinaire Ltd (Sold January 2024)	
26	81-85 George Street, Edinburgh	Freehold	Office	Clydesdale Bank plc	
27	Integra, Precision Park, Leamington Spa	Freehold	Industrial	Iron Mountain (UK) Ltd	
28	Whittle Road, Stoke on Trent	Freehold	Industrial	Bestway Pharmacy NDC Ltd	
29	Interlink Way West, Bardon	Freehold	Industrial	Roca Ltd	£0m–£20m (representing 11.2% of the portfolio capital value)
30	Aura, Precision Park, Leamington Spa	Freehold	Office	Tata Technologies Europe Ltd	
31	No.2 Temple Quay, Bristol	Freehold	Office	Public Sector (Sold February 2024)	
32	Asda, Torquay	Freehold	Supermarkets	Asda Stores Ltd	
33	Cineworld Complex, Glasgow	Freehold	Alternatives	Cineworld Group plc	
34	Central Square Offices, Forth Street, Newcastle Upon Tyne	Freehold	Office	Ove Arup & Partners International Ltd	
35	14-22 West Street, Marlow	Freehold	Supermarkets	Sainsbury's Supermarket Ltd	
36	Cannock Watling Street	Freehold	Industrial	Rhenus Logistics Ltd	
37	Tetra, Aberdeen Gateway, Aberdeen	Freehold	Industrial	Tetra Technologies UK Ltd	
38	Units G&H, Precision Park, Leamington Spa	Freehold	Industrial	Vacant	
39	Regent Circus, Swindon	Freehold	Alternatives	WM Morrison Supermarkets plc	

Overall number of properties	39
Total number of tenancies	193
Total average property value	£32.1
Total floor area	6,217,983 sq ft (excluding Hyatt)
Freehold / Leasehold (leases over 100 years)	92% / 8%

Key: Industrial Offices Retail Warehouse Alternatives Supermarket

UKCM Approach to ESG

The Company adopts the Investment Manager's policy and approach to integrating ESG and this has been used as the basis for establishing the Company's ESG objectives. The Investment Manager and Board view ESG as a fundamental part of their business. Whilst real estate investment provides valuable economic benefits and returns for investors it has – by its nature – the potential to affect environmental and social outcomes, both positively and negatively. Such outcomes can also have a positive or negative affect on investment performance.

The Investment Manager's approach is underpinned by the following three over-arching principles:

- **Transparency, Integrity and Reporting:** being transparent in the ways in which we communicate and discuss the strategy, approach and performance with investors and stakeholders.
- **Capability and Collaboration:** drawing together and harnessing the capabilities and insights of platforms, with those of our investment, supply chain and industry partners.
- **Investment Process and Asset Management:** integrating ESG into decision-making, governance, underwriting decisions and asset management approach. This includes the identification and management of material ESG risks and opportunities across the portfolio.

The Investment Manager's ESG approach groups material sustainability indicators into four main categories:

(i) Environment & Climate,

(ii) Demographics;

(iii) Governance & Engagement; and

(iv) Technology & Infrastructure.

The Investment Manager has identified 21 different ESG 'indicators' that sit beneath these four main categories. These 21 ESG indicators are considered by the Investment Manager to be the most material ESG topics applicable to real estate, and the risks and opportunities associated with each indicator are assessed as part of the Company's investment decisions.

This approach allows the identification and promotion (where relevant) of material ESG risks and opportunities relevant to a fund's investment strategy, sector and geography. These guide the Company's prioritisation and integration of ESG factors at the fund and asset level, whilst providing a structure for engagement with, and reporting to stakeholders.

Centrum 260,
Burton on Trent

UKCM ESG Priorities and Commitments

The Company has previously outlined a number of key priorities, which are derived from the Investment Manager's 21 material ESG indicators that are considered as part of the investment process.

The Company's priorities fall under four broad themes which form the basis for our actions at portfolio level. The four themes are:

- Carbon reduction and energy efficiency
- Resilience and physical climate risk
- Land and water contamination
- Value to society

As mentioned above, climate change represents one of the most material ESG risks and opportunities to the Company.

With regard to transition climate risks (net-zero), the Company announced its pathway to achieving Net Zero Carbon in its annual report on 2021, following a baseline net-zero analysis completed earlier in 2021.

The Company's commitments are as follows:

- **2030:** achieve Net Zero Carbon across all portfolio landlord emissions (Scope 1 & 2)
- **2040:** achieve Net Zero Carbon across all portfolio emissions (Scope 1, 2 & 3).

The following provides an overview of definitions of the different emissions scopes:

- **Scope 1 and 2:** Cover emissions that directly result from the landlord's activities where there is operational control, either through the purchase or consumption of energy or refrigerant losses.
- **Scope 3:** Emissions are those that occur in our supply chains and downstream leased assets (tenant spaces) over which we have a degree of influence but limited control.

While there are no standard industry definitions of net-zero carbon for real estate, the Company has been working to build-out its own definitions, which are detailed in the table on page 29.

The Company's strategy for achieving Net Zero Carbon is fully detailed under the heading, Transition Climate Risks, on page 36.

For a full overview of the Company's wider ESG commitments, the table below provides an update on progress against these commitments and ongoing activities:

Theme	Commitment	Current Status	Next steps
Carbon reduction and energy efficiency	Net Zero Carbon	Carbon baseline established which supported the announcement of the Company's Net-Zero Carbon targets of 2030 for landlord emissions and 2040 for all portfolio emissions. The Company has since completed annual net-zero pathway analysis in 2022 and 2023 to review progress against the baseline, and the findings of this analysis are included in page 30 of this report.	Continue to fully embed Net Zero Carbon across asset management, acquisition and development/refurbishment processes. Complete a net-zero carbon audit prioritisation process to flag high risk assets for net-zero audits and CAPEX modelling, to identify costed interventions to integrate into asset management plans.
	Improve tenant energy data coverage	50% coverage of high-quality data coverage in 2022 (used for the purposes of net-zero carbon analysis and reporting in 2023).	Seek to increase data coverage year-on-year through tenant engagement, and engagement with third parties involved in the automation of data collection, including via the use of hardware (smart metering) and software (central UK energy database). In addition, we will continue to include green lease clauses into new leases issued by the Company, to encourage ESG collaboration and landlord-tenant sharing of ESG data.
	Maximise solar PV capacity	Numerous feasibility studies and surveys completed and key target assets identified. Renewables included within refurbishments and development projects where feasible.	Deliver on Company projects and continue dialogue with tenants for occupied buildings.
	EPC legislation – plan for minimum B rating by 2030	Detailed portfolio review has been completed and every asset has a plotted course to compliance. We have also identified assets which will fall below minimum levels but do not require interventions as they are likely to be redeveloped at lease expiry.	Make asset-level interventions at appropriate lease events.
Resilience and physical climate risk	Undertake scenario analysis to better understand future risk	Asset-level physical climate risk assessment (which modelled a worst-case climate scenario) completed in 2023, which did not identify any significant risks.	Continue to assess physical climate risk upon acquisition, and participate in future rounds of the Investment Manager's climate scenario screening analysis.
Land and water contamination	Maintain low contamination risk	The environmental status of properties continues to be reviewed as part of acquisition, using a new robust, standardised scope developed by the Investment Manager in 2022. Due diligence and records are maintained on current portfolio.	Continue to review environmental information as part of acquisition due diligence using Investment Manager's latest scope and process.
Value to society	Continue to implement the Investment Managers approach to ESG to identify key social related risks and opportunities	Proprietary ESG questionnaire outputs for 5 assets (across varying sectors) in the portfolio have been included in a "Value to Society" model, and outputs delivered in 2022 annual report. The Investment Manager has taken learnings from this process to better understand how its asset management activities contribute to social value.	The Company will continue to use the Investment Manager's material ESG indicators as part of its investment process, and continue to manage key social-related risks and opportunities; We believe there is more merit in a holistic approach to social value, seeking to positively influence the communities where we invest as opposed to focusing on attributing to the portfolio an economic value to society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Continued

ESG Principle 1: Transparency, Integrity and Reporting

Taskforce for Climate-related Financial Disclosures (TCFD)

TCFD was established to provide a standardised way to disclose and assess climate-related risks and opportunities. The Company has provided an overview of how we align with all 11 TCFD recommendations in the table on pages 34 to 40. In addition, we have provided some core TCFD carbon metrics on page 125.

EPRA Sustainability Best Practice Recommendations Guidelines

We have adopted the 2017 EPRA Sustainability Best Practice Recommendations Guidelines (sBPR) to inform the scope of indicators we report against and reported against all EPRA sBPR indicators that are material to the Company. We also report additional data not required by the EPRA sBPR where we believe it to be relevant, for example like-for-like greenhouse gas emissions. In 2023, we received a EPRA Gold Rating, and improved on our rating received in 2022.

A full outline of the scope of reporting and materiality review in relation to EPRA sBPR indicators is included on pages 119 to 127. Note that this year, the performance data reported as part of the EPRA sBPR disclosures has been externally assured by an external third-party in accordance with the International Standard on Assurance Engagements (UK) 3000 (ISAE3000). The limited assurance statement can be viewed on the Company's website *ukcpreit.com*

Streamlined, Energy and Carbon Reporting (SECR)

The reporting against the EPRA sBPR indicators included on pages 119 to 127 also includes disclosures required under Streamlined Energy and Carbon Reporting (SECR) Regulation.

Operational Sustainability Performance Summary

Processes are in place to ensure operational sustainability performance is monitored and actions are implemented to drive continual improvement. We have reported against material EPRA sBPR indicators, which are included on pages 119 to 127.

The sustainability data in the report includes that which the Company has direct operational control over (for example landlord procured utilities and associated GHG emissions) and covers the entire calendar year of 2023 in full, which is compared against that of 2022 on both an absolute and like-for like basis. The variation between absolute and like-for-like consumption/ GHGs is due to the Company's acquisitions and disposals during 2022 and 2023.

Note that the data reported on pages 119 to 127 relates to a different time period (2022) to the data reported under 'Company Net-Zero Strategy' which is based on 2022 data due to a time-lag associated with the time taken to complete Scope 3 data collection for net-zero analysis.

Like-for-like landlord-obtained electricity consumption, which excludes the impact of purchases, sales and developments increased year on-year across the Company's assets by 16% from 2022 to 2023, driven primarily by an increase in consumption at office assets in 2023 (following increased numbers returning to the office following Covid-19 lockdown measures). An increase in consumption at the Company's offices in 2023 was offset by lower landlord consumption across industrial business parks, leisure, retail warehouse and hotel assets.

Like-for-like landlord gas consumption decreased by 8%, primarily driven by reduced consumption at offices and retail high street assets. On a like-for like basis, Scope 1 emissions decreased by 8% year on year, while Scope 2 emissions increased by 36%, driven by increased electricity consumption in office assets, along with a 7% increase in the carbon intensity of the UK's energy grid in 2023.

On an absolute basis, landlord obtained electricity consumption increased by 11%, year-on-year. Landlord obtained gas consumption decreased by 30%, driven mainly by reduced gas consumption at office and retail high street assets. This resulted in an absolute emissions reduction of 30% for Scope 1 emissions, and a 19% increase in Scope 2 emissions.

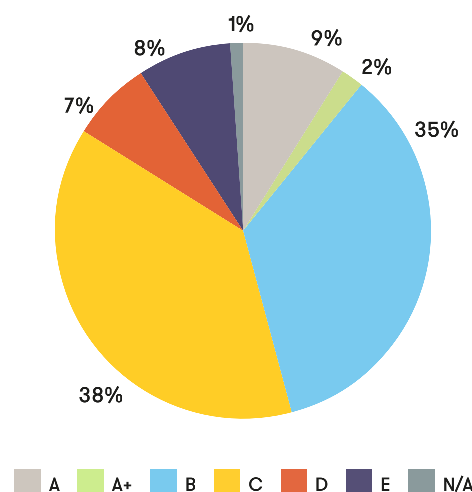
Full details of performance against material EPRA sBPR indicators are included in on pages 119 to 127.

EPC Legislation

Each property receives an Energy Property Certificate (EPC) ranging from A to G. Draft legislation applying to England and Wales indicates that by 2027 all properties must have an EPC of class A, B, or C and A or B by 2030. Currently 86% of the Company's total portfolio by ERV (84% in England, the Company does not own property in Wales) attracts an A, B, or C rating and, whilst a good figure today, it is one which we and the Board keep under constant review to ensure we are on track to complying with the expected legislation.

The percentage of portfolio ERV in England with an EPC of A-C is anticipated to grow through ongoing refurbishment projects as well as the completion of the Company's developments, such as the Leeds Hotel (due to complete 2024), which is being built to a high energy and carbon efficient standard.

EPC Ratings by ERV in England



Gilmore Place, Edinburgh

2023 GRESB Assessment

The Company has submitted data to GRESB (the Global Real Estate Sustainability Benchmark) since 2014. It is the leading global sustainability benchmark for real estate vehicles.

In its 2023 assessment (which utilises 2022 data) the Company was rated third in its peer group (out of 6 UK, diversified, listed real estate companies), achieving a score of 75 and a three-star rating (maintaining the score it achieved in the previous year).

The Company also made use of GRESB's customisable peer group functionality (made available in 2023), to review performance against a more specific list of industry peers in a general UK listed peer group. The Company was placed 5th out of 9 in this customised peer group.

Health & Safety Policy

Alongside these environmental principles the Company has a health & safety policy which demonstrates commitment to providing safe and secure buildings that promote a healthy working environment and a customer experience that supports a healthy lifestyle.

The Company, through the Investment Manager and Managing Agent, manages and controls health & safety risks as systematically as any other critical business activity using technologically advanced systems and environmentally protective materials and equipment.

By achieving a high standard of health & safety performance, the Company aims to earn the confidence and trust of tenants, customers, employees, shareholders and society at large.

Bribery & Ethical Policy

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

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.

ESG Principle 2: Capability and Collaboration

Company Approach

The Company follows the Investment Manager's approach to building ESG capability and cross-team collaboration in delivering ESG. The Investment Manager invests significant time and resource into integrating ESG into its processes and supply chain, along with building the capability of its investment teams through structured training and engagement. The Investment Manager's approach centres around the following:

Training Investment Teams on ESG:

- Education: the on-desk real estate ESG team and central investments sustainability team provide comprehensive training sessions for investment teams. These sessions cover the fundamentals of ESG, including its impact on company performance, methodologies for ESG integration, and relevant regulatory measures.
- Case Studies: Real-world case studies can illustrate successful ESG integration. Investment teams learn from practical examples, understanding how ESG factors influence investment decisions.
- Industry Trends: Regular updates are delivered on ESG trends, emerging issues, and best practices keep investment teams informed.

ESG Integration at All Levels:

- Leadership Sponsorship: the investment manager achieves this through the nomination of a an 'ESG Representative' (who is part of the portfolio management team), to actively champion and progress with ESG initiatives. Leadership sponsorship ensures commitment and alignment across the organization, particularly between central ESG functions and the investment teams.
- Inclusion in Performance Targets: ESG goals are embedded in investment teams' performance targets. Metrics related to ESG performance contribute to overall evaluations.
- Cross-Functional Collaboration: ESG integration involves collaboration across departments. Investment teams work closely with compliance, risk, and ESG teams to align strategies. The on-desk real estate ESG team also host a bi-monthly ESG Strategy Working Group, and feed into, and receive input from, other abrdn investments-level working groups, including the Sustainable Investing Strategy Group, led by the abrdn Head of Sustainable Investing.
- Engaging with suppliers, including Property Management Teams: Investment managers collaborate closely with property management teams responsible for ESG implementation at the asset level. Regular dialogue ensures alignment with ESG goals, address operational challenges, and track progress. Property managers play a crucial role in executing sustainable practices, energy efficiency, waste reduction, and tenant engagement.

ESG Principle 3: Investment Process and Asset Management

Company Net-Zero Strategy

Net Zero Carbon – Energy Efficiency and Decarbonisation

In 2021, COP26 served to reinforce the need for the rapid decarbonisation of the global economy. Conversely, the outcomes of COP27 in November 2022 centred more around the important issues of climate justice and climate adaptation, rather than carbon reduction. Despite the emphasized importance of a 1.5 degrees limit on global warming and the phase-out of fossil fuels at COP28 in 2023, we remain on track for a 2.4* degrees increase in global temperatures.

The real estate sector has made some progress to date but the pace must accelerate from here to mitigate the worst effects of climate change. The Company is also acutely aware of the increasing link between climate issues and investment performance, and the impact that inaction at the asset-level could have on valuations, returns and investment activity.

The Company has an active approach to managing carbon emissions across the portfolio and has been implementing energy efficiency improvements and targeting renewable energy projects for several years. In 2021 we undertook work to establish the operational carbon footprint baseline of the portfolio (using a baseline year of 2019) and model our pathway to Net Zero. We have since completed two annual updates of the net-zero pathway for the portfolio (in 2022 using 2021 data, and in 2023 using 2022 data), to review our progress towards our Company net-zero targets.

This process involved benchmarking the performance of each asset, modelling our future operational carbon footprint and identifying the types of measures necessary to fully decarbonise the portfolio, based on the latest available data (which in the case of this analysis, was data for the 2022 calendar year).

* *www.abrdn.com/en-gb/institutional/insights-and-research/cop28-what-should-investors-look-out-for*

Our Net Zero Principles

Although the goal may seem clear, definitions and standards on Net Zero and the policy mix to support it remain immature. In this context we have established several key principles that underpin our strategy to ensure it has integrity, robustness and delivers value:

Practical:

- Asset-level action: focusing on energy efficiency and renewables is our priority to ensure compliance with energy performance regulations. Our analysis shows that meeting proposed future Energy Performance Certificate standards is a sensible stepping stone towards Net Zero. This improves the quality of assets for occupiers and reduces exposure to regulatory and market risk.

Timing:

- We aim to align improvements with existing plant replacement cycles and planned refurbishment activities wherever possible. This ensures functional equipment is not replaced well ahead of its end-of-life unless necessary which in turn reduces cost and embodied carbon.

Realistic:

- Targets: long-term targets must be stretching but deliverable and complemented by near-term targets and actions.
- Policy support: to fully decarbonise before 2050 the wider real estate sector requires a supportive policy mix to incentivise action and level the playing field.

Collaborative:

- Occupiers: we recognise that Net Zero will not be achieved in isolation. We will work closely with occupiers on this journey, many of whom have their own decarbonisation strategies covering their leased space. Many of the Company's top 10 tenants have made their own Net Zero commitments already and our interests are aligned on this issue.
- Suppliers: we will work with the Company's suppliers including property managers and consultants in order that everyone is clear on their role in achieving Net Zero.

Measurable:

- Clear key performance indicators at the asset and portfolio level.

While there are no standard industry definitions of net-zero carbon for real estate, the Company has been working to build-out its own definitions, which are detailed in the table below.

Net-Zero Carbon by 2030: Scope 1 and 2 emissions	**Net-Zero Carbon by 2040:** Scope 1, 2 and 3 emissions
For properties where the Company procures energy for the 'whole building' (2 properties): Target: seek to align assets with Carbon Risk Real Estate Monitor ("CREEM") 1.5C 2030 pathway, and ensure that energy is procured from high quality renewable sources.	**For all properties:** Target: seek to align all assets with CRREM 1.5C 2040 pathway, and consider offsetting residual carbon.
For properties where the Company procures energy for the interior common parts (5 properties): Target: Reduce energy consumption and carbon intensity as far as possible, and ensure energy is procured from high quality renewable sources.	
For properties where the Company procures energy for external common parts (8 properties): Target: reduce energy consumption as far as possible and procure energy from high quality renewable sources.	

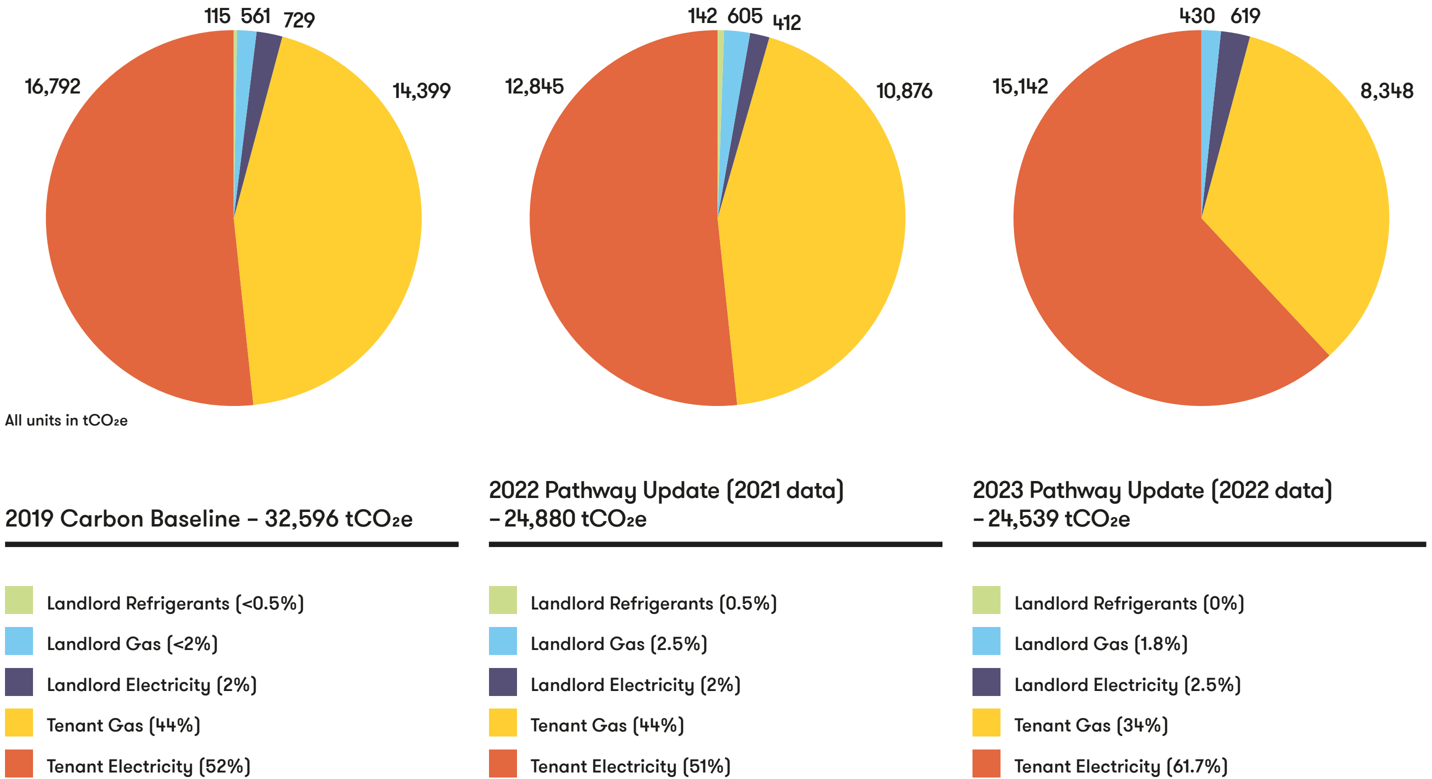
Carbon Baseline and Net-Zero Pathway Annual Update

In last year's annual report, we disclosed the progress made against our operational carbon footprint baseline of 2019, using data from the 2021 calendar year. We used 2019 as a baseline for our work as it was unaffected by changes in occupancy due to Covid-19. In 2023, we completed another annual update of our net-zero pathway, the results of the analysis are disclosed over-leaf. Note that the analysis completed in 2023 uses data for the calendar year of 2022, due to this being the latest data available at the time of the analysis. ESG data for 2023 is included in this report in the EPRA tables on pages 119 to 127, but is not considered below as part of the net-zero analysis.

Carbon Footprint

The 2019 carbon baseline is shown in the pie chart on page 30, alongside the latest annual carbon footprints calculated during net-zero pathway analysis completed in 2022 (using 2021 data) and 2023 (using 2022 data). The 2019 pie chart shows a total operational carbon footprint of 32,596 tonnes of carbon dioxide equivalent (tCO_2e).

	Near-term (to 2030)	**Long-term** (2030–2050)
Targets	Achieve net zero emissions for Scope 1 and 2 by 2030. Managing carbon intensity across all scopes in line with the long-term target.	Net zero across all emission scopes by 2040.
Context	The 2030 targets are a sensible stepping stone towards long-term decarbonisation. In the near term our activities are focused on occupier engagement and compliance with energy performance regulations which will mean significant investment in energy efficiency, heat decarbonisation and renewable energy. We anticipate our actions to decarbonise heat before 2030 will mean the company has very low Scope 1 emissions at this date.	Buildings in the UK will have to fully decarbonise by 2050 through energy efficiency and the decarbonisation of heat and electricity. We will aim to reach our long term target through these measures with as little use of offsets as possible. We believe that setting our long term-target for 2040 is ambitious yet pragmatic. This date also aligns with that chosen by several of our largest occupiers. We will keep our long term target under review as policy measures and market drivers become clearer in the coming years.
Near-term delivery actions	**Standing portfolio:** Increase coverage of tenant energy data through improved engagement, lease agreements and smart metering. Build improved understanding of tenant decarbonisation strategies and extent of tenant renewable energy procurement. Implement low-carbon refurbishments to ensure regulatory compliance focussing on energy efficiency and heat decarbonisation and start to quantify embodied carbon. Continue to implement solar PV projects and establish power purchase agreements with occupiers. **Acquisitions and Developments:** Benchmark assets pre-acquisition, understand costs and build decarbonisation into asset management plan from the start of ownership. Direct development and development fundings to be designed to whole life net zero principles.	
Measurement indicators	% data coverage Absolute portfolio emissions (tCO_2e) Energy and emissions intensity (kwh/m^2, year; kg CO_2e/m^2/year)	Installed solar capacity (MWp) Embodied carbon of development projects

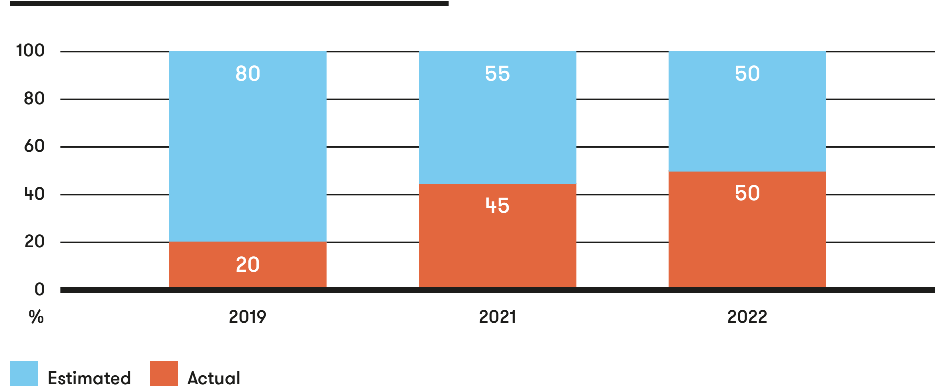


Of this 2019 carbon baseline, approximately 4% is associated with Scope 1 and 2 emissions that are in direct control of the Company, and the remaining 96% are Scope 3 emissions from tenant procured energy. This is consistent with 2022, where the total operational carbon footprint was 24,539 tCO_2e, of which 96% is again associated with Scope 3 emissions from tenant procured energy.

It should also be noted that for 2019, we had actual energy consumption data for 20% of the portfolio by floor area, with representative industry standard benchmarks used to estimate the rest. In 2021, we increased our actual energy consumption data coverage to 45%, which contributes to a more accurate representation of the Company's carbon emissions, and forecasts for the future.

In 2022, we increased our energy consumption data coverage further to 50% by floor area, reflecting further progress with data collection. It should be noted that this floor area data coverage translates to a 55% data coverage when taken as a percentage of total consumption. The bar chart below provides an overview of how data coverage has improved between 2019 and 2022.

Energy Data Coverage by Floor Area (%)



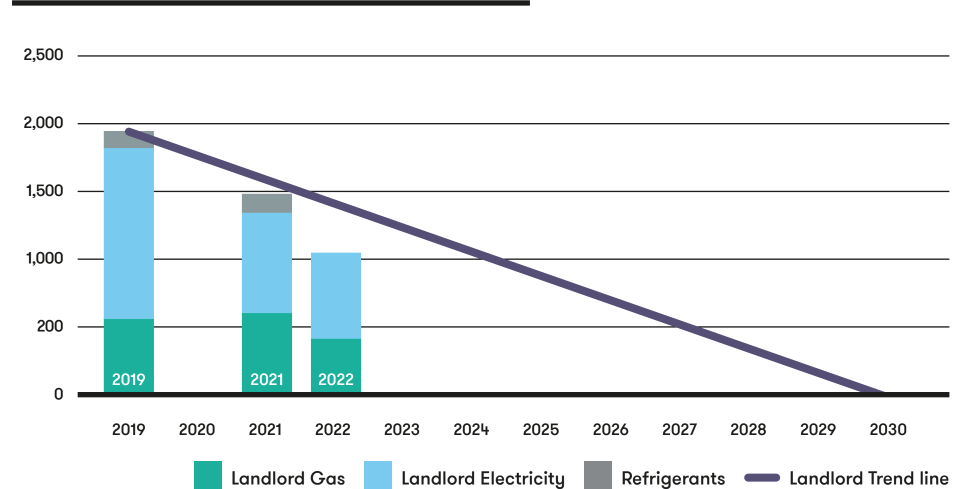
In 2019, the energy intensity at the portfolio level was 290kWh/m² and the operational emissions intensity was 63 $kgCO_2e/m^2$ across Scopes 1, 2 and 3. In comparison, the latest net-zero analysis using 2022 data yielded a 2022 portfolio level energy intensity of 224kWh/m², and an operational emissions intensity of 42 $kgCO_2e/m^2$ across Scopes 1, 2 and 3. This represents a 23% improvement in energy intensity of the portfolio, and a 33% improvement in emissions intensity. These will be key metrics as we progress with our delivery strategy.

Overall, the Company remains on track in terms of progress towards its net-zero targets of 2030 and 2040 respectively. We will continue to monitor our progress against our net-zero pathway annually, and work to deliver on the actions outlined in our delivery strategy above, supported by the Investment Manager's investment process, which ensures that net-zero thinking is integrated into all investment decisions.

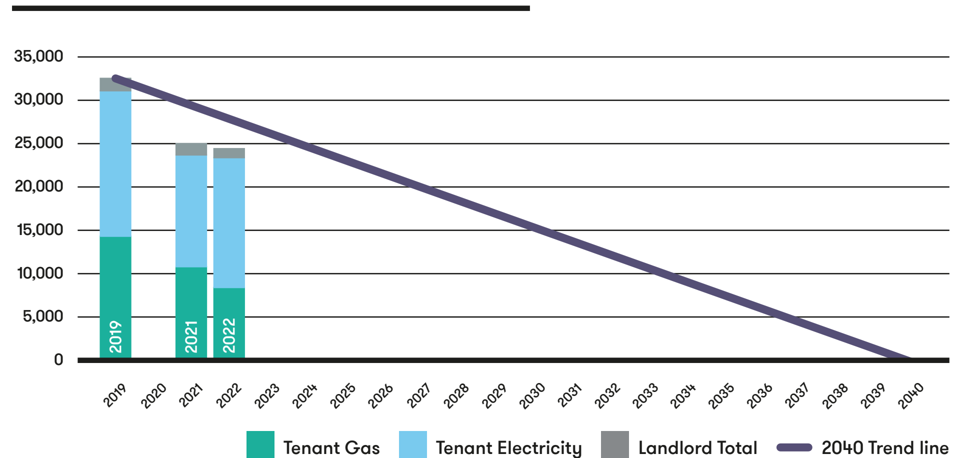
Net-Zero Carbon – Next Steps

The Company has made positive progress against its 2019 baseline, by increasing its data coverage while reducing overall emissions. Going forward, the Company will use the outputs of the latest net-zero analysis completed in 2023 (using 2022 data) to prioritise its assets for further detailed energy and carbon assessment, to build a robust understanding of total CAPEX required to deliver against its net-zero targets. Such analysis will allow net-zero carbon interventions to be programmed into existing asset management plans.

Scope 1 and 2 Total Landlord Carbon Footprint



Total Portfolio Carbon Footprint



Physical Climate Risk

Company Approach to Physical Climate Risks

Physical climate risks are those that relate to an asset's vulnerability to factors such as increasing temperatures and extreme weather events as a result of climate change. Exposure to physical risks may result in, for example, direct damage to assets, rising insurance costs or supply chain disruption.

We must also consider the costs of adaptation (i.e. the infrastructure required to protect from physical damage).

Following our Company commitment to undertake scenario analysis to better understand the resilience of UKCM assets and the extent to which they are exposed to physical climate risk, the Company has engaged in 3 rounds of analysis to evaluate the acute and chronic physical risks associated with the buildings owned by the Company; the latest of which was completed in early 2023.

The results of this assessment include (but are not limited to) an overview of how asset value at risk may change over time, as a result of chronic and acute physical risks.

Results of Analysis

In the first two rounds of analysis (concluded in 2021 and 2022 respectively), the Company's assets were modelled under a "worst-case" climate change scenario (an increase of around 4 degrees Celsius, above pre-industrial levels) to identify any relevant physical risks. In the third-round of analysis, the Company's assets were compared against the following scenarios under a 2022 and 2025 scenario, then at 5-year intervals out to 2080:

- Current policies: this is a worst-case climate scenario broadly consistent with a future global temperature increase of around 4°C above pre-industrial levels, assuming that 'current policies' around climate mitigation do not tighten;
- Probability-weighted: this is the most-likely scenario, which assumes a global temperature increase of 2.3°C above pre-industrial levels; and,
- Paris-weighted: this is consistent with the targeted scenario of the Paris Agreement, which seeks to keep global temperature increases well below 2°C, with efforts to be made to limit such increases to 1.5°C.

The round of analysis which was concluded in 2023 identified a very low portfolio-level physical climate value impact of less than –1% by 2050 (under a worst-case scenario), and yielded the following other key takeaways:

- Acute physical climate risks: the analysis did not identify any significant value impacts (>5%) at any asset screened against the key acute weather risks of coastal flooding, river flooding, tropical cyclone, windstorm, wildfire, surface water flooding.
- Chronic physical climate risks: the analysis identified that heating costs will decrease out to 2050, while cooling costs will increase over the same period; the net effect of such costs translating to a negligible effect on total value impact by 2050.

It should be noted that data quality and methodologies in the physical climate risk space are continually evolving, and the Company continues to work with an external third-party data provider to analyse such risks, and their materiality. Importantly, no significant risks to the Company's assets have been identified at this stage. In the event significant risks are identified by any subsequent physical climate risk analysis, the Company will take appropriate action to limit its exposure to such risks.

Next Steps

Physical climate risk assessment remains a fundamental part of the Investment Manager's investment process, and is considered in detail during acquisition, asset-management and development/refurbishment.

More information on the Investment Manager's approach to physical climate risks can be found in the document 'Our Blueprint for Addressing Climate Change' – available on *abrdn.com*

Wider Company ESG Action – Societal Value

Company approach to measuring societal value

The Company seeks to have a practical positive impact on the local communities where it invests. In 2023, the Company completed a social value analysis on a varied sub-set of its underlying assets, to better understand their contribution to social value. While the outputs provided the Company with a good understanding of the assets' value to society (which remains a focus for the Company), it has also served to reinforce the need to focus on delivering our Company ESG priorities (see ESG Priorities and Commitments on Page 25), including carbon reduction and energy efficiency, physical climate risk and land/water contamination, alongside wider initiatives on biodiversity. Continuing to deliver on such elements will help us to minimise any negative impacts to society that are inherent in real estate investment such as carbon emissions and increased air pollution. In addition, by continuing to implement our investment process and approach to ESG integration, we can continue to capitalise on opportunities to enhance social sustainability at every opportunity.

The Company continues to use the Investment Manager's material ESG indicators as part of its investment process and continues to manage key social-related risks and opportunities. While the Company considers that there is currently limited value in conducting further specific value to society calculations, it will remain focussed on a holistic ESG approach seeking to positively impact the communities where we invest.

Practical Examples of Positive Societal Impact

On Trafford Retail Park, Manchester, an ESG focussed initiative was completed with the resurfacing and remodelling of the customer car park. An additional access lane was introduced to assist vehicle access and egress from the extremely popular, heavily used retail park. A more sustainable construction method was used involving the shredding, rather than landfilling, of 1,700 tyres. These were incorporated in the resurfacing material, reducing the bitumen component, and in turn reducing the use of fossil fuels. Recycled plastic drinks bottles were also used in the manufacture of the replaced slot drains that serve the property.

The Company's student housing development provides an excellent opportunity to positively contribute to society and the welfare of its student residents is paramount. UKCM has retained leading student housing operator Homes For Students to manage Hill View Place, its newly developed 226-room property in Exeter. In its opening year the asset has welcomed 140 students from 25 countries. Ensuring the students feel safe, comfortable and engaged at the property is a key focus for UKCM and Homes For Students.

A total of 60 student events were organised throughout the year to help foster community spirit within the property, ranging from 'meet and greet' events, quizzes, movie nights, baking competitions and cultural celebrations including Chinese New Year festivities. There are also several environmentally focused initiatives at the property covering recycling, energy efficiency and raising environmental awareness.

Hyatt Hotel, Leeds
Computer generated image

Wider Company ESG Action – Biodiversity

The Company is committed to exploring opportunities to increase biodiversity within its property portfolio and the Investment Manager has sought to implement practical steps to generate a positive impact.

The approach to understanding the Company's impact on biodiversity from its real estate investments is based on two phases in the property asset's lifecycle:

1. **The Construction Phase** – For construction/development sites, there are two ways to consider the impact on biodiversity. The first is to focus directly on the existing site and target biodiversity net gain. The second is to actively engage with the supply chains of the materials used to construct the buildings to reduce the impact on biodiversity upstream.

2. **The Use Phase** – For buildings already standing, where we have management control and can be directly involved on site, the Company can optimise the site for biodiversity as much as possible (e.g. native species planting alongside installation of bird and bat boxes). Where our occupiers have control, we can engage and work together to improve the building's environmental surroundings.

We have initiated a programme of best practice with our managing agents to ensure each asset is assessed with a view to optimising landscaping regimes to support greater biodiversity.

Taskforce for Climate-Related Financial Disclosures (TCFD)

TCFD was established to provide a standardised way to disclose and assess climate-related risks and opportunities. Recommendations are structured around four key topics: Governance, Strategy, Risk Management and Metrics & Targets.

The Company is committed to implementing the recommendations of the TCFD to provide investors with information on climate risks and opportunities that are relevant to the business.

TCFD covers risks and opportunities associated with two overarching categories of climate risk; transition and physical:

- Transition risks are those that relate to an asset, portfolio or company's ability to decarbonise. An entity can be exposed to risks as a result of carbon pricing, regulation, technological change and shifts in demand related to the transition.
- Physical risks are those that relate to an asset's vulnerability to factors such as increasing temperatures and extreme weather events as a result of climate change. Exposure to physical risks may result in, for example, direct damage to assets, rising insurance costs or supply chain disruption.

There is still significant uncertainty and methodological immaturity in assessing climate risks and opportunities and there is not yet a widely-recognised net zero carbon standard.

Nonetheless, we have progressed already with work to model the implications of decarbonising the portfolio in line with a 1.5°C scenario (using the 'Carbon Risk Real Estate Monitor' (CRREM) as a real-estate specific framework to measure against) and undertaken analysis to understand potential future physical climate risks.

The table below provides a brief overview of our Company approach to all 11 TCFD recommendations. The below disclosure outlines how the Company complies with all 11 recommendations. We expect that our reporting against TCFD recommendations will continue to evolve over time as industry methodologies improve and our own work develops further. In addition to the qualitative disclosure below, pages 125 to 127 provide core TCFD metrics on carbon emissions and value at risk from physical climate risks.

Dolphin Industrial Estate, Sunbury-on-Thames

TCFD Recommendation	Company Approach	Further Information
Governance		
Board oversight of climate-related risks and opportunities	The Board recognises its responsibility to assess the Company's Principal risks and emerging risks; of which some have been identified to relate to climate change. The Board consider climate-related risks and opportunities alongside all other Company risks. The Board has appointed a Risk Committee, which meets quarterly (and comprises all members of the Board) to ensure that proper consideration of risk is undertaken in all aspects of the Company's business on a regular basis. The Risk Committee uses a detailed Risk Matrix to prioritise individual risks, allocating scores of 1-5 to each risk based on likelihood and impact severity. The Risk Committee, with the help of the Investment Manager's resources, works closely with the Audit Committee and Management Engagement Committee to examine the effectiveness of climate risk management systems and internal control systems. All applicable climate risks and mitigating measures are reviewed by the Risk Committee at least quarterly, and any significant changes to the Risk Matrix are presented to the Board. The Company has identified its most material potential risks, one of which relates to its investment and asset management activity, and how ill-judged property investment decisions could expose the Company to risk, including those associated with climate change. The Board, alongside the Investment Manager, consider climate related risks and opportunities relating to transitional and physical climate risk, as an integral part of the Investment and Asset Management Process. This includes review of such climate related risks and opportunities during acquisition ESG due diligence (at the pre-bid and exclusivity phase), and during annual Company strategic planning, which is the process by which risks and opportunities against various ESG indicators (including climate indicators) are identified across the portfolio, and strategic goals are set.	Risk Management section on pages 44 to 53.
Management's role in assessing and managing climate-related risks and opportunities	The Investment Manager's ESG approach groups material sustainability indicators into four main categories: (i) Environment & Climate, (ii) Demographics; (iii) Governance & Engagement; and (iv) Technology & Infrastructure. This approach allows the identification and promotion (where relevant) of material ESG risks and opportunities relevant to a fund's investment strategy, sector and geography. These guide the prioritisation and integration of ESG factors at the fund and asset level, whilst providing a structure for engagement with, and reporting to stakeholders. Of these ESG factors, climate change represents one of the most material ESG risks and opportunities that the Company's real estate portfolio considers as part of its investment process. The Investment Manager's 'Blueprint for addressing climate change', which details its approach to climate risk,is available on *abrdn.com* At an operational level, the Investment Manager is responsible for integrating consideration of climate risks and opportunities into the investment and asset management process. The Company adopts the Investment Manager's approach to integrating ESG in the investment process, and climate related risks and opportunities are considered the most material ESG topic relating to the Company. As such, climate risk and opportunities are considered throughout the investment process, including during acquisitions, asset/property management, refurbishment/development and fund strategic planning. A range of governance mechanisms exist which are used to ensure that (a) the Investment Manager's approach and house-view on climate risk approaches is cascaded down from the senior leadership team to the real estate and Company level; and (b) to ensure the climate related factors are considered during investment decisions. These governance bodies include (but are not limited to): ▲ **abrdn Investments-level Climate Change Strategy Group:** this is led by abrdn's Head of Sustainability Insights and Climate Strategy, attended by the Real Estate Head of ESG. This group meets quarterly and is the decision-making forum for climate related risks and opportunities in the investments vector, and ensures compliance with TCFD reporting obligations. ▲ **Investment Strategy Committee (ISC):** this committee is the decision-making and approval body for the Company's annual strategic plan, which includes several sections on ESG risks/opportunities (including relating to climate risks), and strategic goals. This committee is also the approval body for ESG/climate-related changes to the investment process, developed in the 'ESG Strategy Working Group'. ▲ **Investment Committee (IC):** this is the approval body for acquisitions, fundings and large development proposals, during which a climate related risks and opportunities are considered. ▲ **ESG Strategy Working Group:** this group is led by Head of Real Estate ESG, and is used to develop new processes and procedures with respect to ESG (including climate related processes and procedures), to ensure that the Investment Manager stays in line with best practice and emergent legislation. The Investment Manager reports a number of KPIs to the Board on a quarterly and annual basis, including climate related indicators including energy data coverage and portfolio carbon emissions.	The Company's approach is set out in the Environmental, Social & Governance (ESG) section on pages 24 to 33.

TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES
Continued

TCFD Recommendation	Company Approach	Further Information
Strategy		
Climate-related risks and opportunities the organisation has identified over the short, medium, and long term	As part of our investment and asset management process we consider climate-related risks and opportunities over a range of timescales and scenarios, also taking into account the type and geographical location of our assets. A summary of our initial assessment over the short, medium and long term is as follows. The time horizons used below are considered to be appropriate umbrellas under which to identify climate risks and opportunities and are informed by the timescales against which we expect the impacts of transitional/policy related and physical climate risks to be felt, based on our understanding of local regulation, and the outputs of climate scenario analysis completed on our portfolio to-date. **Short-term (0-5 years):** **Transition:** *Policy and Legal:* in the short term we anticipate regulations affecting the energy performance and emissions of buildings to continue to tighten to align more closely with Government targets for economy-wide decarbonisation. Whilst this will provide clarity of direction to the sector, the risk is likely to take the form of increased development and refurbishment costs, which could start to affect valuations. **Transition:** *Market and Reputational:* the above trends will also create opportunities to benefit from shifting occupier and investor demand for low-carbon, future-fit assets. **Physical:** *Acute:* we anticipate that the frequency and severity of acute/extreme weather events will continue to increase, even in the short-term. **Medium-term (5-15 years):** **Transition:** *Policy and Legal:* the aforementioned policy and legal related trends will continue and we expect regulations and market sentiment to further drive energy efficiency and decarbonisation towards alignment with science-based decarbonisation pathways (such as CRREM), representing the same risks as outlined above (increased costs). **Transition:** *Market and Reputational:* as with the short-term risks, we anticipate that addressing policy and legal related risks will create market and reputational opportunities arising from shifting investor demand. **Transition:** *Technology:* We anticipate significant technological change in this period particularly in relation to heat pump solutions which will improve the technical and financial feasibility of decarbonising heat in buildings. In addition, grid decarbonisation will continue to contribute to the required carbon emissions reductions from the built environment sector. **Long-term (15+ years):** **Physical:** *Acute and Chronic:* over the long term (15+ years), in terms of risk we are likely to see climate-related extreme/acute weather events increase in frequency and severity which may impact built environment assets depending on their location and characteristics. In addition, we are also likely to see how the impact of chronic physical climate risks, such as the influence that changing weather will have on heating and cooling costs, along with energy consumption. This is an example where increased cooling costs associated with heat stress could also have a negative impact on the asset's alignment with net-zero carbon benchmarks, due to the increased energy consumed. However, there will remain opportunities to enhance the resilience of our assets through resilience planning/interventions, creating market and reputational opportunities.	An overview of the Company's approach to addressing physical climate risks is on pages 31 to 32.
The impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where material	The Board recognises that climate change will affect the built environment, both through decarbonisation and increased physical risks. The trends summarised above are therefore expected to affect the Company's strategy and operations in the coming years. **Transition Climate Risks:** In recognition of the importance of decarbonisation, and in order to support the Company's alignment with tightening policy around carbon reduction, the Company has set a net-zero carbon target of 2030 for all portfolio landlord Scope 1 and 2 emissions, and 2040 for all portfolio emissions scopes. The Company also established a baseline operational carbon footprint of 2019, against which progress has been measured in 2021 and 2022 (progress in 2020 was excluded due to Covid-19 influence). Operational energy consumption data is used to support the calculation of the portfolio's operational carbon footprint, with industry-accepted benchmarks used to estimate the remainder. For the latest analysis, 50% of the data (by portfolio floor area) used in the carbon footprint was 'actual' data, with the remainder estimated. **On an absolute carbon emissions basis:** the portfolio achieved a 46% reduction in total Scope 1 and 2 emissions between 2019 and 2022, and a 25% reduction for all operational emissions scopes during the same period. Such analysis has also improved coverage of actual carbon data from 20% (by floor area) in 2019, compared with 50% (by floor area) in 2022. **On an emissions intensity basis:** in 2019, the energy intensity at the portfolio level was 290kWh/m² and the operational emissions intensity was 63 $kgCO_2e/m^2$ across Scopes 1, 2 and 3. In comparison, the latest net-zero analysis using 2022 data yielded a 2022 portfolio level energy intensity of 224kWh/m², and an operational emissions intensity of 42 $kgCO_2e/m^2$ across Scopes 1, 2 and 3. This represents a 23% improvement in energy intensity of the portfolio, and a 33% improvement in emissions intensity.	The EPC profile of the Company's properties is set out on page 26. The Company's approach to net-zero is set out on page 25.

TCFD Recommendation	Company Approach	Further Information
Strategy continued		
	Such analysis has supported the identification of opportunities to reduce the carbon intensity of poor performing assets. The Company uses the Carbon Risk Real Estate Monitor (CRREM) tool to analyse the net-zero performance of its assets. CRREM is a real estate specific net-zero assessment framework, widely used across the real estate industry, and recommended under the Institutional Investors Group on Climate Change (IIGCC) (under which the Investment Manager is a member) net-zero investment framework implementation guide. The Company will use such analysis, to support the prioritisation of assets to take forward for more detailed net-zero carbon audits. While the Company is already including decarbonisation-related capital expenditure (CAPEX) figures into its asset cash flow calculations, such detailed audits will support the refinement of these CAPEX figures and support our asset managers in programming in net-zero interventions into wider asset management plans. Alongside our net zero carbon planning described above, an assessment of the EPC ratings of the Company's assets against anticipated Minimum Energy Efficiency Standards legislation has been completed, to determine whether assets are likely to be caught by such minimum standards. As at December 2023, 45% of the portfolio ERV in the EPC A+/A/B bracket, and 86% was in the EPC A+ to C bracket. This represents the resilience of the portfolio to current and future known energy regulation in the UK, which is currently anticipated to be minimum EPC C by 2027, and EPC B by 2030 (for all leases). With regard to the 14% of portfolio ERV that does not currently meet the anticipated 2027 and 2030 minimum standards, we use EPC recommendation reports to better understand the interventions required to meet minimum energy standards, and while exact costs to achieve these standards has not yet been fully established, the Company manages this risk by integrating the Investment Manager's house-level net-zero carbon costs into asset forecast cashflows, to ensure that the estimated cost of decarbonisation is reflected in investment return calculations. **Physical Climate Risks:** The Company continues to participate in physical climate risk scenario analysis (using a third-party data provider) to understand future risks and opportunities based on asset type/nature and geographical location of its assets. The analysis uses climate data relating to various hazards (e.g. cyclones, windstorm, wildfire, inland/coastal flood) along with company exposure data (e.g. asset type, location, insurance costs, replacement value, floor area and market value). This data is modelled out under varying time horizons (out to 2080) under different climate scenarios). The outputs of the analysis support the understanding of future cost and value impact relating to the portfolio. The round of analysis which was concluded in 2023 identified a very low portfolio-level physical climate value impact of less than –1% of gross asset value by 2050 (under a worst-case scenario), and yielded the following other key takeaways: ▲ **Acute physical climate risks:** the analysis did not identify any significant value impacts (>5%) at any asset screened against the key acute weather risks of coastal flooding, river flooding, tropical cyclone, windstorm, wildfire, surface water flooding, right from the short-term (<5 years) out to 2050. ▲ **Chronic physical climate risks:** the analysis identified that heating costs will decrease out to 2050, while cooling costs will increase over the same period; the net effect of such costs translating to a negligible effect on total value impact by 2050. It should be noted that data quality and methodologies in the physical climate risk space are continually evolving, and the Company continues to work with an external third-party data provider to analyse such risks, and their materiality. Importantly, no significant risks to the Company's assets have been identified at this stage. In the event significant risks are identified by any subsequent physical climate risk analysis, the Company will take appropriate action to limit its exposure to such risks, including integrating the cost of resilience planning into asset cash flows.	
The resilience of the organization's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario	A full outline of how we have considered the climate related risks and opportunities under chosen future scenarios has been outlined above. The Company has set out its long term aim to be a net zero Company by 2040 with an interim target for portfolio landlord emissions within our direct control (Scope 1 and 2 emissions) by 2030. We are tracking progress against our long-term aim at the Fund level and asset level, using key KPIs including EPC ratings vs ERV, carbon data coverage, total energy/carbon emissions and energy/carbon intensity metrics. Against current and future known energy regulation in England and Wales, the portfolio is well-positioned with 45% of the portfolio ERV in the EPC A+/A/B bracket, and 86% was in the EPC A+ to C bracket. This represents the resilience of the portfolio to current and future known energy regulation in the UK, which is currently anticipated to be minimum EPC C by 2027, and EPC B by 2030 (for all leases). The Company is working to put a plan in place to achieve all minimum energy efficiency standards set by the UK Government. With regard to resilience against science-based decarbonisation pathways, the Company's work to establish a net zero pathway is informed by industry benchmarks including the Carbon Risk Real Estate Monitor (CRREM) 1.5°C Paris-aligned emissions trajectories. Going forward, the Company will use such analysis to compare its assets against 1.5°C science-based decarbonisation pathways (CRREM), to support the prioritisation of assets to take forward for more detailed net-zero carbon audits. While the Company is already including decarbonisation-related capital expenditure (CAPEX) figures into its asset cash flow calculations, such detailed audits will support the refinement of these CAPEX figures, and support our asset managers in programming in net-zero interventions into wider asset management plans.	Our delivery strategy is set out on page 28.

TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES
Continued

TCFD Recommendation	Company Approach	Further Information
Strategy continued		
	We consider that the portfolio and Company strategy is well-positioned to decarbonise in line with this trajectory assuming national energy and climate policy is also supportive of this goal. The Investment Manager will continue to engage with industry bodies such as the Better Building Partnership to standardise net zero definitions across the industry. We recognise that we cannot act in isolation and that achieving this level of decarbonisation will require supportive climate policy and the cooperation of our occupiers and suppliers. Our recent work on understanding value at risk as a result of physical climate risk has highlighted the importance of considering changes in wind speeds and flood risk over time as well as the implications of rising temperatures on cooling loads. Our initial assessment of these results is that, in general, under the a worst-case climate scenario, physical climate risks do not become material to the Company's portfolio until after 2050, and that most potential cost is associated with additional cooling demand due to rising temperatures. We consider that our existing portfolio and Company strategy is resilient to physical climate risks in the short to medium term. We will however keep this under regular review as methodologies for physical risk assessment improve.	
Risk Management		
The Company's processes for identifying and assessing climate-related risks	Climate-related risks and opportunities are considered and assessed by the Company Risk Committee. The Company has identified its most material potential risks, one of which relates to its investment and asset management activity, and how ill-judged property investment decisions could expose the Company to risk, including those associated with climate change. The Company employs the Investment Manager's approach to addressing climate risks and opportunities as part of the investment process. This includes assessment of transition and physical climate risks during acquisition due diligence, asset management, refurbishment/development and portfolio-level strategic planning. The Company considers transition climate risks via net-zero carbon analysis, to determine the extent to which the portfolio aligns with the defined net-zero targets, and to define indicative high-level CAPEX figures to decarbonise the portfolio in line with a net-zero pathway. The Company also uses a third-party data provider to assess value at risk (amongst other indicators) associated with several climate hazards, over multiple time horizons and climate scenarios.	Risk Management section on pages 44 to 53, which includes information on environmental risk mitigation. Company approach to integration/assessment of ESG factors, including climate risks, is available on pages 24 to 31.
The Company's processes for managing climate-related risks	The Company follows the Investment Manager's approach to managing climate related risk. We have embedded our approach to such risks into our investment process for acquisitions, refurbishments/developments and standing investments. This approach is outlined below. **On acquisition:** **Transition risks:** Our ESG due diligence process involves the assessment of transition risks at both the pre-bid and post-bid stage, with the aim of reducing a Fund's exposure to transitional climate risks going forward. At the pre-bid stage, we use all available information about the asset, its context and regulatory backdrop, alongside our in-house decarbonisation guidance and ESG priorities of the Fund, to form a view of anticipated decarbonisation costs over the next 10-year period. Where appropriate, such decarbonisation CAPEX is captured as part of the pre-bid screen and meeting; which subsequently feeds into the IC paper for review. When detailed DD is completed during exclusivity, the assumptions around decarbonisation for compliance and net-zero alignment (using a 1.5°C CRREM pathway) are refined by an external consultant. This allows the Fund to better understand the costs that it may be responsible for in the future for decarbonisation. Such findings are included in our pre-signing checklist prior to deal completion. **Physical risks:** As part of any pre-bid ESG screen/meeting, we use a mapping tool made available to us by a physical climate risk data provider to screen assets (based on their geographical location) against up to 8 different physical climate risks across different time horizons (current, 2030, 2050, 2100) under different climate scenarios including Low (RCP2.6), Intermediate (RCP4.5) and High (RCP8.5) scenarios. This tool is used alongside available online mapping provided by environmental regulators/authorities in the given country (where/if available). Such risks are considered at pre-bid stage in a "go/no-go" context. During exclusivity, as a minimum, flood risk will be assessed in more detail by an external third-party, alongside any other physical climate risks identified during the pre-bid screen. **On development/refurbishment:** abrdn has established a set of ESG guidelines and standards (which include a focus on climate related aspects) that apply to all new construction, major renovations and forward funded developments. These standards ensure new developments are future fit and resilient to future transition and physical climate risks. This sets out the standards that are used as a benchmark during the design and appraisal of development schemes and outlines the process to be followed by our internal and external teams when undertaking major development work. This covers, for example, requirements for EPC ratings, CRREM alignment and physical climate resilience.	An overview of the findings of the latest net-zero and physical climate risk analysis is provide above on pages 29 to 31.

<table>
<tr><th>TCFD Recommendation</th><th>Company Approach</th><th>Further Information</th></tr>
<tr><td colspan="3">Risk Management continued</td></tr>
<tr><td></td><td>Approval for major development must be sought through the Investment Committee in the same way as for asset acquisitions. The process can also be flexible to account for any separate Investment Committee processes outlined by client requirements. For smaller refurbishment activity an ESG checklist is available to teams to support the identification of ESG opportunities (which include climate related risks and opportunities) that contribute to fund goals that can be included in project specification. Approval for landlord refurbishment works is through a Capital Expenditure Approval Form (CEAF) which requires description of ESG measures incorporate in the works. Overall, the approach to development seeks to deliver high quality assets that meet the needs of tenants and ultimately support investment returns.

On standing investments:

The Company completes an annual ESG risk and performance dashboard as part of their strategic plan which flags priority assets for action against both transition risks (looking at levels of energy data collection, carbon performance against net-zero pathways where data available and energy performance ratings) and physical risks (looking at modelled acute weather risks out to 2050 as a result of climate change). The Company's strategic plan is approved via the Investment Manager's Investment Strategy Committee (ISC). All assets have an ESG and climate related component integrated into their asset management plan. These are set to enable the assets to contribute to the fund level strategic ESG ambition/goals set in the annual strategic plan. An example of this would be installing solar panels onto the roof of a property; enabling the fund to sell the generated electricity to the tenant and in turn generating additional income from the asset.

In addition to the annual ESG risk and performance dashboard, The Company completes an annual carbon footprinting exercise to review progress against its 2019 baseline, and to review asset level performance against CRREM 1.5°C benchmarks, to help determines next steps and priorities for the fund with regards to priority assets for focus and specific initiatives to roll out with more detailed analysis.

The Company also undertakes analysis with an external consultant to assess the assets within the fund against various hazards which are expected to impact real estate due to climate change under multiple different scenarios, including a worst-case scenario (RCP8.5).</td><td></td></tr>
<tr><td>The Company's processes for identifying, assessing and managing climate-related risks into the organisation's overall risk management</td><td>The Company's overall risk management process is underpinned by the Investment Manager's investment process described above. Climate related risks and opportunities are assessed at all stages of the investment process, which are in turn supported by robust governance bodies including the Investment Committee (IC) and Investment Strategy Committee (ISC).

In addition, as detailed in section "Board oversight of climate-related risks and opportunities", the Board has appointed a Risk Committee, which meets quarterly, to ensure that proper consideration of risk (of which one identified risk relates to climate change) is undertaken in all aspects of the Company's business on a regular basis.</td><td></td></tr>
<tr><td colspan="3">Metrics and Targets</td></tr>
<tr><td>The metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process</td><td>We disclose our greenhouse gas emissions (alongside other related ESG performance metrics on energy and water consumption, waste generation and disposal routes) in line with EPRA Sustainability Best Practices Recommendations. In addition, we also disclose the following carbon and climate metrics in line with TCFD requirements:
- Scope 1, 2 and 3 emissions (tCO_2e)
- Scope 1, 2 and 3 emissions data coverage (%)
- Year-on-year change in carbon emissions (%)
- Portfolio carbon intensity by floor area (tCO_2e/m^2)
- Weighted Average Carbon Intensity (WACI) (tCO_2e/m^2 weighted by value)
- Economic Emissions Intensity (tCO_2e/Gross Asset Value)
- Climate Value at Risk (%), further details available on page 37 under physical climate risk

As part of our decarbonisation strategy we also track progress against our baseline carbon footprint from 2019. Information on year-on-year performance is included in the net-zero pathway section above (on pages 29 to 31) and in the EPRA disclosures on pages 119 to 127.

At present, the Company does not have sufficient reliable data to report a specific percentage of total assets that have associated climate related "risks" vs "opportunities". However, based on the findings of net-zero carbon and climate scenario analysis completed to-date, along with the current status of the portfolio against the UK Government's Minimum Energy Efficiency Standards (MEES), there are not considered to be any significant climate risks in the portfolio. The Company accounts for the cost of decarbonising its assets in line with regulation and recognised industry pathways (e.g. CRREM), by factoring in such cost into our cash flows (and deploying capital where necessary).</td><td>The EPRA disclosures included on pages 119 to 127 include the relevant climate-related performance data, including GHG emissions.

Further information on our net-zero pathway are included above in pages 29 to 31.</td></tr>
</table>

TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES
Continued

TCFD Recommendation	Company Approach	Further Information
Metrics and Targets continued		
	The Company does not apply a specific carbon price (e.g. £ per tonne of carbon), rather we assess our assets to understand what the interventions to decarbonise our assets may cost, and where necessary use the Investment Manager's house-level decarbonisation cost guidance. In addition, it should be noted that ESG goals (which include climate relate goals) are included in investment teams' performance targets. The metrics from the 2023 calendar year included in the EPRA disclosures will in part be used to inform future progress updates relating to the Company's net-zero pathway (alongside any additional Scope 3 data collected for the 2023 calendar year throughout the first half of 2024). This net-zero pathway analysis supports the analysis of assets against CRREM 1.5°C net-zero pathways, to better understand risk, and likely decarbonisation related CAPEX to include in cash flow calculations. In addition, the metrics outlined above also support with investment decision making at all touch-points of the investment process. As part of the Investment Manager's ESG policy and approach, ESG goals (including those related to climate aspects) are embedded in investment teams' performance targets. Metrics related to ESG performance contribute to overall evaluations.	
Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	We disclose our emissions in line with EPRA Sustainability Best Practices Recommendations (see page 124). This covers Scope 1 and 2 emissions associated with landlord-procured energy as well as Scope 3 emissions from energy sub-metered to occupiers. Scope 3 emissions are considered material to the Company, especially given that they contributed to around 96% of the Company's total operational carbon footprint in 2022. Our revised 2019 baseline emissions including tenant consumption (actual and estimated) is presented on page 30. We have used 2019 data as a baseline for our measurements as this is prior to any disruption to measurement caused by the Covid-19 pandemic.	Data on emissions is set out on pages 119 to 123.
The targets used by the organisation to manage climate-related risks and opportunities and performance against targets	An outline of the Company's climate related targets are outlined above in section "The impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where material". We have set out our long-term aim to be a net zero Company by 2040 with an interim target for portfolio landlord emissions within our direct control by 2030. While the Company has not yet established specific targets around other climate related elements (for example percentage of EPC ratings by ERV), the Company continually looks to improve the portfolio's performance through implementation of the Investment Manager's investment process and will look to set specific targets in the future where appropriate. Note that the Company also looks to maintain or improve its GRESB score year-on-year.	Our delivery strategy is set out on page 28.

St Georges Retail Park, Leicester

Investment Strategy

The Group's investment strategy, and purpose, is set out in its investment objective and policy below. It should be considered in conjunction with the Chair's Statement, the Investment Manager Review and Environmental, Social and Governance (ESG) report which all give a more in-depth review of performance and future strategy.

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. Biographical details of the Directors, all of whom are non-executive, can be found on pages 60 to 61 and indicate their range of property, investment, commercial, professional, financial and governance experience. The Company has no executive Directors or employees.

Objective

The Group'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 Policy

The Company focuses on identifying and acquiring income-producing assets and looks to identify assets that benefit from wider infrastructure improvements delivered by others where possible.

The Company also recognises that the experience of tenants is paramount and hence the Investment Manager works closely with tenants to understand their needs through regular communication and visits to properties. Where required, and in consultation with tenants, the Company refurbishes and manages the owned assets to improve the tenants' experience with the aim being to generate greater tenant retention and hence lower voids, higher rental values and stronger returns.

In addition, members of the Board visit properties and where appropriate engage with tenants directly which enables the Board to have an enhanced understanding of each property and the tenants' requirements. Further details of how the Company engages with all its stakeholders is set out in the Stakeholder Engagement section of the Annual Report, which sets out how the Company has complied with Section 172 of the UK Companies Act 2006, on pages 55 to 57.

On 18 April 2019, shareholders voted in favour of an amendment to the investment policy to provide the Investment Manager with the flexibility to invest across a wider spectrum of commercial property assets such as healthcare, car parks and the commercially-managed private rental sector. The Group's investment policy as approved on 18 April 2019 is as follows:

"Investment risks to the Group are managed by investing in a diversified portfolio of freehold and long leasehold UK commercial properties. The Group invests in income producing assets across the commercial property sectors including industrial, offices, retail and other alternative commercial property sector assets.

The Group has not set any maximum geographic exposures within the UK nor any maximum weighting limits in any of 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."

Although not part of the Company's formal investment policy, the Board intends to limit the Company's investment into alternative sectors to 35 per cent of the gross assets of the Group at the time of acquisition.

The Company's current gearing policy, as approved by shareholders, is 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. 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".

The Group's performance in meeting its objective is measured against key performance indicators as set out on pages 42 to 43. 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 Chair's Statement and the Investment Manager Review.

Gatwick Gate, Crawley

Key Performance Indicators

The Company's benchmark is the MSCI UK Balanced Portfolios Quarterly Index. This benchmark incorporates all monthly and quarterly valued property funds and the Board believes this is the most appropriate measure to compare against the performance of a quarterly valued property investment company with a diversified portfolio. The Board uses a number of performance measures to assess the Company's success in meeting its objectives.

Given the structure of the Company and the Company's knowledge of its underlying shareholder base, it is believed the measures below are the most appropriate for shareholders to determine the performance of the Company. Commentary can be found in the Chair's Statement, Investment Manager Review and Environmental, Social & Governance Report. The main key performance indicators (KPI's) are as follows:

TOTAL RETURNS	1 year % return (p.a.)	3 year % return (p.a.)	5 year % return (p.a.)	Why we use this indicator
Net Asset Value Total Return	3.0	0.8	0.4	We use NAV and share price total returns to measure the performance of the Investment Manager in terms of growth of the Company taking account of dividends paid to shareholders.
Share Price Total Return	13.1	2.2	–1.0	

PORTFOLIO PERFORMANCE	1 year % return (p.a.)	3 year % return (p.a.)	5 year % return (p.a.)	Why we use this indicator
UKCM Direct Portfolio Total Return	3.9	3.0	2.3	We use portfolio performance because it shows the success of the portfolio strategy without the impact of gearing and corporate costs.
MSCI Benchmark Total Return	–1.9	1.2	0.9	
UKCM Direct Portfolio Income Return	4.8	4.2	4.1	
MSCI Benchmark Income Return	4.8	4.4	4.4	
UKCM Direct Portfolio Capital Growth	–0.9	–1.1	–1.8	
MSCI Benchmark Capital Growth	–6.4	–3.0	–3.5	

Alternative Performance Measures and EPRA Performance on pages 114 to 118 for further details.

	31 December 2023	31 December 2022	31 December 2021	Why we use this indicator
SHARE PRICE PREMIUM (DISCOUNT) TO NAV				
Discount to net asset values (%)	–21.2	–26.7	–26.8	This is the difference between the share price and the NAV per share. It can be an indicator of the imbalance between market supply and demand for the shares and their level of attraction to investors.
GEARING				
Group gearing (%)	17.2	20.0	13.5	This is a measure of financial risk. Gearing can magnify investment gains when values are rising but conversely can exaggerate investment losses when values are declining.
EARNINGS, EXPENSES AND DIVIDENDS				
Adjusted EPRA earnings per share (Pence)	3.35	3.15	2.65	We use EPRA earnings per share because it measures the operating profit generated by the business from the core property rental business which underpins dividends.
Dividend paid per ordinary share (Pence)	3.4	3.25	2.923	We use dividend paid because it reflects the Company's ability to deliver a sustainable income stream from its portfolio.
Dividend cover (%)	99	97	91	We use dividend cover because it indicates the Company's capacity to pay dividends from the rental business attributable to shareholders.
Ongoing charges excluding direct property costs (%)	0.9	0.8	0.8	We use ongoing charges because it shows how efficiently the business is being run, and the extent to which ecomomies of scale are being achieved.
Vacancy rate (%)	4.0	2.0	2.1	We use vacancy rate because the Company's aim is to minimise vacancy of the properties to help underpin dividends.
NON-FINANCIAL				
EPC rating A–C (%)	86	75	66	Energy Performance Certificates (EPCs) indicate how energy efficient a building could be by assigning a rating from 'A' (very efficient) to 'G' (very inefficient).
Carbon emissions (Scope 1 & 2) (tonnes CO_2e)	727	762	1,243	This indicates the absolute amount of greenhouse gas emissions associated with the landlord's operational activities across the portfolio.
Global Real Estate Sustainability Benchmark – GRESB (score – max 100)	75	75	73	This benchmark is the leading global sustainability benchmark for real estate vehicles. It is used by investors to understand and measure the performance against the most important ESG metrics.

Margaret Littlejohns
Chair of Risk Committee

Risk Management

In accordance with the UK Corporate Governance Code and FRC Guidance, the Board has established procedures to identify and manage risk, to oversee the internal control framework and to determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.

The Board recognises its responsibility to carry out a robust assessment of the Company's principal risks and emerging risks. Principal risks are defined as those that could result in events or circumstances that might threaten the Company's business model, future performance, solvency or liquidity and reputation. Emerging risks are those that have not yet occurred but are at an early stage of development or are current risks that are expected to increase in significance and become more fundamental in the future.

Risk Committee

The Board has appointed a Risk Committee to ensure that proper consideration of risk is undertaken in all aspects of the Company's business on a regular basis. The Risk Committee meets quarterly and comprises all members of the Board and is chaired by Margaret Littlejohns.

Its duties include the assessment of the Company's risk appetite and the regular review of principal and emerging risks, seeking assurance that these risks are appropriately rated and that effective mitigating controls are in place, where possible.

Risks are identified and weighted according to their potential impact on the Company and to their likelihood of occurrence. The impact is evaluated in terms of the effect on the Company's business, finances and reputation, the three of which are usually interlinked. Each identified risk is assessed twice: first as a "gross risk" before taking into consideration any mitigating controls and secondly as a residual or "net risk" after reviewing the safeguards in place to manage and reduce either the severity of its impact or the probability of its event.

The Risk Committee uses a detailed Risk Matrix to prioritise the individual risks, allocating scores of 1 to 5 to each risk for both the likelihood of its occurrence (ranging from very unlikely to almost certain) and the severity of its impact (ranging from minimal to highly significant). The combined scores for both the gross risks and net risks are then colour coded, applying a traffic light system of green, amber and red to emphasise those posing the greatest threats to the Company. Those with the highest gross rating in terms of impact are highlighted as top risks within the matrix and are defined here as principal risks.

The Risk Committee, with the help of the Investment Manager's extensive research resources and market intelligence, surveys the full risk landscape of the Company in order to identify increasing and emerging risks to which the Company may be exposed in the future. In particular, the Risk Committee questions which parts of the Company's business may be vulnerable to disruption, including but not limited to the business models of its key tenants and its outsourced third-party suppliers. The Risk Committee not only reviews the existing portfolio of investments but also ensures that risk is considered in the case of each property acquisition and disposal.

The Risk Committee works closely with the Audit Committee and Management Engagement Committee to examine the effectiveness of the risk management systems and internal control systems upon which the Company relies to reduce risk. This monitoring covers all material controls, including financial, operational and compliance controls. All risks and mitigating measures are reviewed by the Risk Committee at least quarterly, and any significant changes to the Risk Matrix are presented to the Board.

Principal Risks

The Company's assets consist of direct investments in UK commercial property. Its risks are therefore principally related to the commercial property market in general and also to each specific property in the portfolio. Risks to the Company fall broadly under the following six categories:

Strategy — Risk: A

Management may fail to execute a clear corporate strategy successfully and the strategic objectives and performance of the fund, both absolute and relative, may become unattractive or irrelevant to its investors.

Investment & Asset Management — Risk: B C

Ill-judged property investment decisions and associated redevelopment and refurbishment may lead to health and safety dangers and environmental issues, including climate change resilience, and ultimately to poor investment returns.

Financial — Risk: D E F G

Macro-economic changes (e.g. levels of GDP, employment, inflation and interest rate movements), political changes (e.g. new legislation and regulation), structural changes (e.g. disruptive technology, demographics) or global events (e.g. pandemics, wars, terrorist attacks, oil price disruption) can all impact the commercial property market, both its capital value and income generation, its liquidity and access to finance and the underlying businesses of its tenants. This risk encompasses real estate market risk, interest rate risk, liquidity risk and credit risk, all of which are covered in more detail in note 18 to the accounts.

Operations — Risk: H I

Poor service and inadequate control processes at the Company's outsourced suppliers may lead to disruption, error and fraud, and increasingly, cyberattacks. The Company's key service providers are the Investment Manager, the Company Secretary, the Property Agent, the Valuer and the Registrar and are assessed at least annually through the Management Engagement Committee, or more often during times of stress.

Regulation — Risk: J

Failure to comply with applicable regulation and legislation could lead to financial penalties and withdrawal of necessary permissions by governing authorities. Changes to existing regulations could also result in suboptimal performance of the Company.

Stakeholder Risks — Risk: K

Failure to communicate effectively and consistently with the Company's key stakeholders, in particular shareholders and tenants, could prevent the Company from understanding and responding to their needs and concerns.

The principal risks, including their impact and the actions taken by the Company to mitigate them, are provided on pages 46 to 53.

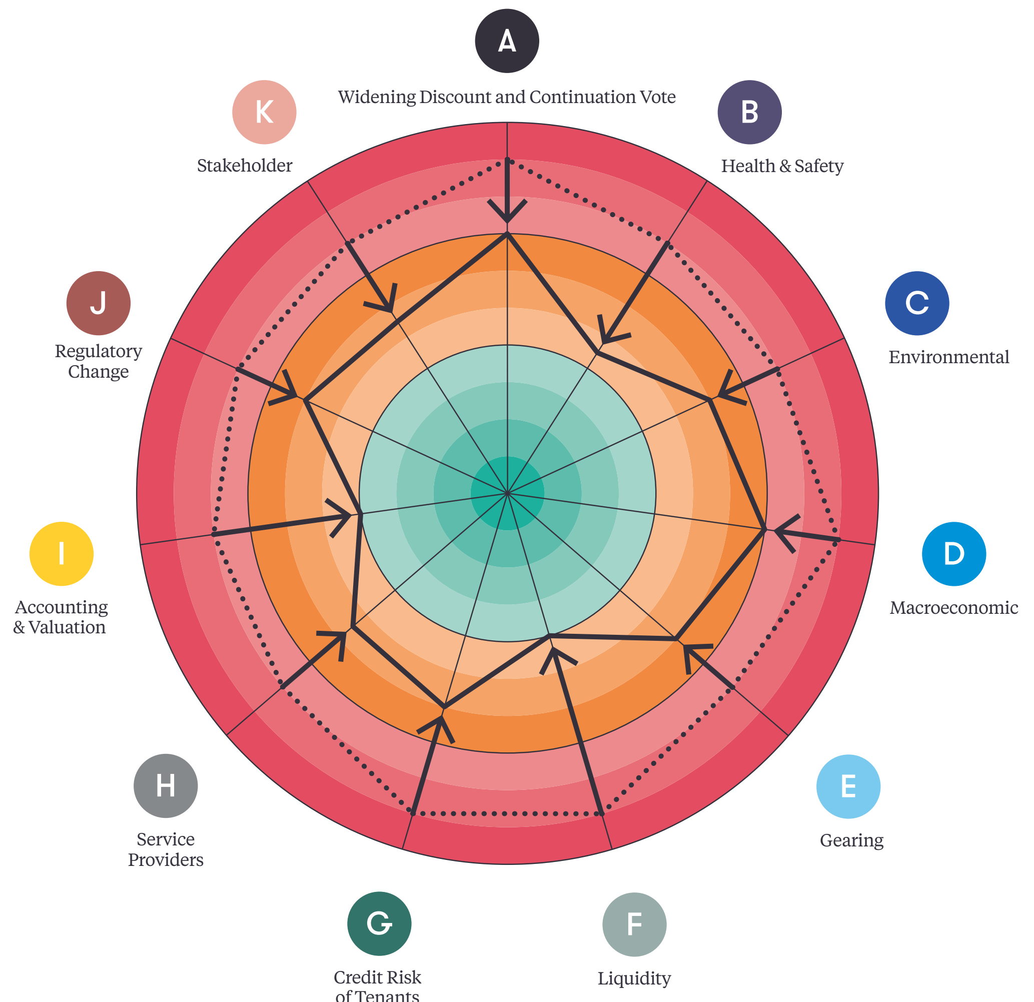
Principal Risks

(green)	Green	Low Risk
(amber)	Amber	Medium Risk
(red)	Red	High Risk

• • • • • Gross Risks

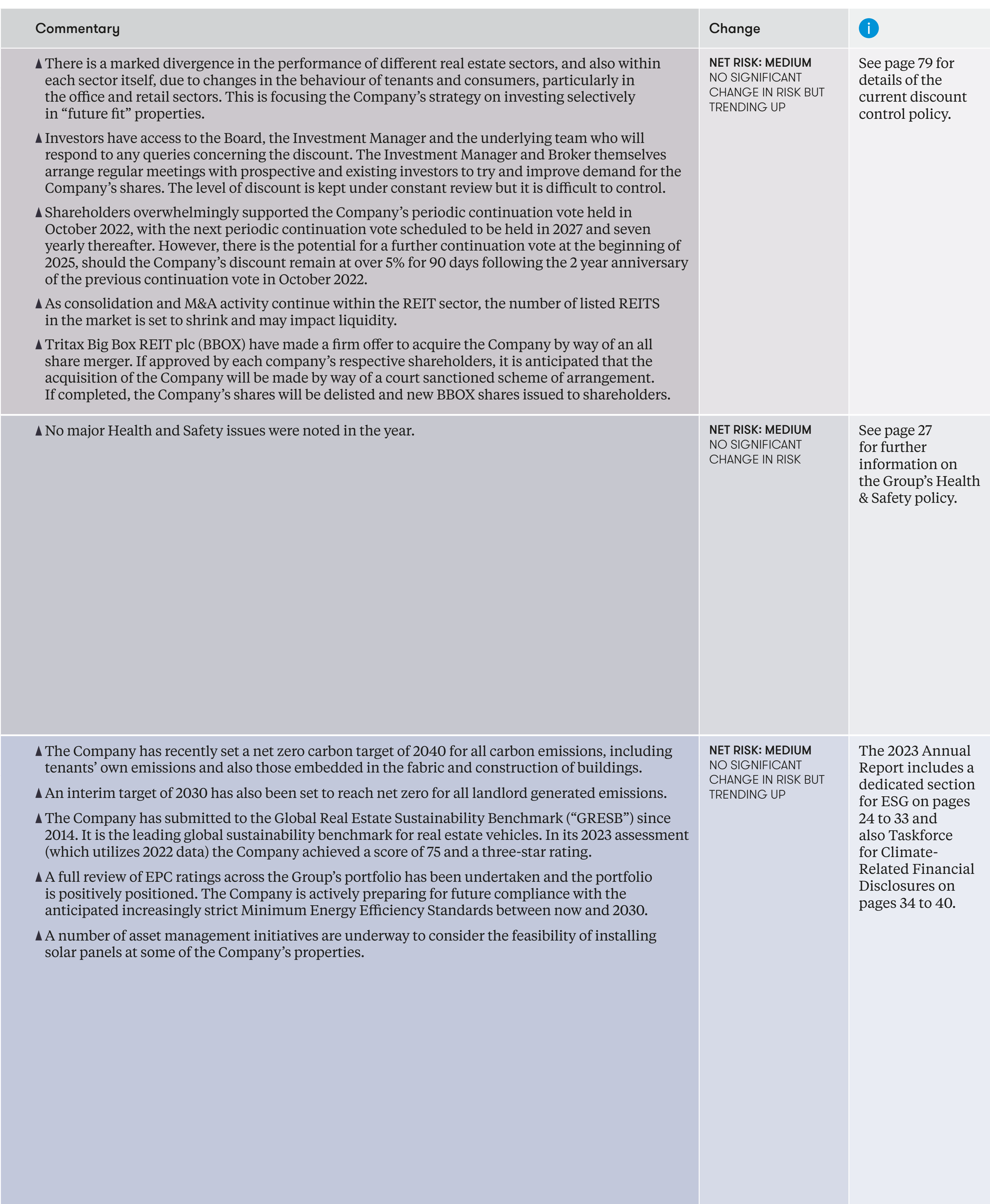
——— Net Risk through mitigating controls

A	Strategic Risks
B, C	Investment & Asset Management Risks
D, E, F, G	Financial Risks
H, I	Operational Risks
J	Regulatory Risks
K	Stakeholder Risks



RISK MANAGEMENT
Continued

	Risks & Impact	Mitigation
A Strategic Risks: Widening Discount and Continuation Vote	The Company's strategic objectives and performance, both absolute and relative, could become unattractive to investors leading to a widening of the share price's discount to Net Asset Value per share, and potentially a continuation vote. An inappropriate investment strategy could lead to an erosion of shareholder value. This could include poor decisions on purchases and sales, sector allocation, tenant selection, levels of borrowing or inadequate consideration of ESG etc.	▲ The Company's strategy and objectives are regularly reviewed by the Board to ensure they remain appropriate, effective and sustainable. ▲ The Board receives regular presentations from research analysts on both the general economy but also the property market in particular to identify structural shifts and threats, so the Board can adapt the Company's strategy if necessary. ▲ The NAV and share price are constantly monitored and regular analyses of the Company's performance are reviewed by the Board and compared with the Company's benchmark and its peer group. ▲ Financial and cash flow projections are prepared by the Investment Manager and reviewed at least quarterly by the Board. ▲ Regular contact is maintained with shareholders and the Company's broker.
B Investment and Asset Management Risks: Health & Safety	The Company could fail to identify, mitigate or manage major Health & Safety issues potentially leading to injury, loss of life, litigation and the ensuing financial & reputational damage.	▲ Health & Safety checks are included as a key part of due diligence for any new property acquisition. ▲ For existing multi-tenancy properties, the Group's Property Agent (Jones Lang LaSalle) is responsible for managing and monitoring Health & Safety matters of each building. ▲ The Investment Manager monitors on an ongoing basis all identified Health & Safety issues with strict deadlines for resolution by the Property Agent. ▲ The Investment Manager also engages S2 Partnership Limited who provide an independent Health & Safety review and fire risk assessment of all multi-let properties on an annual basis. ▲ The Risk Committee reviews the Company's Health & Safety performance quarterly. ▲ At the Student Accommodation in Exeter, a bespoke management service is provided by Homes for Students (H4S). They are responsible for the health and safety of the residents and the management of risks within the building. S2 Partnership Limited oversee H4S on an annual basis. The Investment Manager also reviews the management of risks on a quarterly basis.
C Investment and Asset Management Risks: Environmental	Properties could be negatively impacted by an extreme environmental event (e.g. flooding) or the Company's own asset management activities could create environmental damage. Climate change could accelerate more quickly than anticipated, leading to legislative changes. Failure by the Company to achieve existing or future environmental targets could adversely affect the Company's reputation, resulting in penalties and increased costs and ultimately in a reduction in the value of assets that are less energy efficient. The Company may have difficulty attracting tenants whose own strategies for sustainability will place increasing demands on landlords. Access to capital could be restricted: investors might avoid shareholdings in companies that do not meet their environmental expectations and banks could limit funding only to borrowers who fulfil pre-set environmental criteria.	▲ The Company considers its impact on the environment and its local communities in all its activities and works in partnership with its key stakeholder groups – investors, occupiers, suppliers and communities – to ensure that all parties share responsibility to achieve a more sustainable property performance. ▲ In-depth research is undertaken on each property at acquisition with a detailed environmental survey. ▲ The Investment Manager employs its own proprietary research framework, which assesses 4 major forces: Environment & Climate, Governance & Engagement, Demographics & Technology and Infrastructure. ▲ Experienced advisers on environmental, social and governance matters are also consulted both internally at the Investment Manager and externally where required. ▲ The Investment Manager has adopted a thorough environmental policy which is applied to all properties within the portfolio. ▲ An EPC rating strategy has been set to ensure future compliance with Minimum Energy Efficiency Standards (MEES).



Commentary	Change	
▲ There is a marked divergence in the performance of different real estate sectors, and also within each sector itself, due to changes in the behaviour of tenants and consumers, particularly in the office and retail sectors. This is focusing the Company's strategy on investing selectively in "future fit" properties. ▲ Investors have access to the Board, the Investment Manager and the underlying team who will respond to any queries concerning the discount. The Investment Manager and Broker themselves arrange regular meetings with prospective and existing investors to try and improve demand for the Company's shares. The level of discount is kept under constant review but it is difficult to control. ▲ Shareholders overwhelmingly supported the Company's periodic continuation vote held in October 2022, with the next periodic continuation vote scheduled to be held in 2027 and seven yearly thereafter. However, there is the potential for a further continuation vote at the beginning of 2025, should the Company's discount remain at over 5% for 90 days following the 2 year anniversary of the previous continuation vote in October 2022. ▲ As consolidation and M&A activity continue within the REIT sector, the number of listed REITS in the market is set to shrink and may impact liquidity. ▲ Tritax Big Box REIT plc (BBOX) have made a firm offer to acquire the Company by way of an all share merger. If approved by each company's respective shareholders, it is anticipated that the acquisition of the Company will be made by way of a court sanctioned scheme of arrangement. If completed, the Company's shares will be delisted and new BBOX shares issued to shareholders.	**NET RISK: MEDIUM** NO SIGNIFICANT CHANGE IN RISK BUT TRENDING UP	See page 79 for details of the current discount control policy.
▲ No major Health and Safety issues were noted in the year.	**NET RISK: MEDIUM** NO SIGNIFICANT CHANGE IN RISK	See page 27 for further information on the Group's Health & Safety policy.
▲ The Company has recently set a net zero carbon target of 2040 for all carbon emissions, including tenants' own emissions and also those embedded in the fabric and construction of buildings. ▲ An interim target of 2030 has also been set to reach net zero for all landlord generated emissions. ▲ The Company has submitted to the Global Real Estate Sustainability Benchmark ("GRESB") since 2014. It is the leading global sustainability benchmark for real estate vehicles. In its 2023 assessment (which utilizes 2022 data) the Company achieved a score of 75 and a three-star rating. ▲ A full review of EPC ratings across the Group's portfolio has been undertaken and the portfolio is positively positioned. The Company is actively preparing for future compliance with the anticipated increasingly strict Minimum Energy Efficiency Standards between now and 2030. ▲ A number of asset management initiatives are underway to consider the feasibility of installing solar panels at some of the Company's properties.	**NET RISK: MEDIUM** NO SIGNIFICANT CHANGE IN RISK BUT TRENDING UP	The 2023 Annual Report includes a dedicated section for ESG on pages 24 to 33 and also Taskforce for Climate-Related Financial Disclosures on pages 34 to 40.

RISK MANAGEMENT
Continued

	Risks & Impact	Mitigation
D Financial Risks: Macroeconomic	The property market is cyclical and very sensitive to changes in the economic environment. Macroeconomic changes (e.g. levels of GDP, employment, inflation, interest rate movements), political changes (e.g. Brexit, new legislation), structural changes (e.g. new technology, demographics) or global events (pandemics, wars, terrorist attacks, oil price disruption) could negatively impact commercial property values and the underlying businesses of tenants (market risk and credit risk). This may be reflected in a decline in the share price, Net Asset Value per share and earnings per share of the Company. Falls in the value of investments could also result in breaches of loan covenants and solvency issues.	▲ The abrdn Research team takes into account macroeconomic conditions when collating property forecasts. This research is fed into the Investment Manager's decisions on purchases and sales and sector allocations. ▲ The portfolio is UK based and diversified across a number of different sectors and regions of the UK and also has a wide and diverse tenant base to reduce any risk concentration where possible. ▲ There is a wide range of lease expiry dates within the portfolio in order to minimise concentrated re-letting risk. ▲ The Board intends that borrowing of the Group at the time of draw down will not exceed 25% of the total assets of the Group. ▲ The Company has limited exposure to speculative development and is generally only undertaken on a forward funded and pre-let basis. ▲ Rigorous portfolio reviews are undertaken by the Investment Manager and presented to the Board on a regular basis. ▲ Annual asset plans are developed for each property, ensuring that inherent value can be realised through active asset management. ▲ Individual investment decisions are subject to robust risk versus return evaluation and approval. Each potential investment is scrutinised and rigorously assessed, taking into account location, legal title, local market dynamics, physical and environmental conditions and the quality and soundness of the projected income stream. The Board approves every material acquisition and disposal. ▲ Every building has comprehensive insurance to cover both the property itself and injury to associated third parties.
E Financial Risks: Gearing	An inappropriate level of gearing, magnifying investment losses in a declining market, could result in breaches of loan covenants and threaten the Company's liquidity and solvency. An inability to secure adequate borrowing with appropriate tenor and competitive rates could also negatively impact the Company.	▲ The Board intends that borrowing of the Group at the time of draw down will not exceed 25% of the total assets of the Group. ▲ This low gearing limit means that the Company should, barring exceptional circumstances, have adequate resources to service and repay its debt. ▲ The Company's diversified, prime UK commercial property portfolio, underpinned by its strong tenant base, should provide sufficient value and income in a challenging market to meet the Company's future liabilities. ▲ The Company's relatively modest level of gearing has attracted competitive terms and interest rates from lenders for the Company's loan facilities. ▲ The Investment Manager has relationships with multiple funders and wide access to different sources of funding on both a fixed and variable basis. ▲ Financial modelling is undertaken and stress tested annually as part of Company's viability assessment, whenever new debt facilities are being considered and whenever unusual events occur. ▲ Loan covenants are continually monitored and reported to the Board at least quarterly and also reviewed as part of the disposal process of any secured property.
F Financial Risks: Liquidity	The Company may be unable to dispose of property assets in order to meet its financial commitments or obtain funds when required for asset acquisition or payment of expenses or dividends. Investments in property are generally illiquid, in that they may be difficult to sell quickly and may have to be sold at a discount to the recorded valuation. The Company's shares could become illiquid due to lack of investor demand, market events or regulatory intervention and the Company's shareholders may be unable to sell their shares due to lack of liquidity in the market.	▲ The Company has a diversified portfolio of good quality, marketable properties. ▲ After allowing for capital commitments on ongoing developments, the Company has significant capital resources at year end of £91 million due to the undrawn £112.5 million of its revolving credit facility. The closed ended structure of the Company ensures that it is not a forced seller of assets. ▲ The Company is listed on the London Stock Exchange and a component of the FTSE 250 Index made up of the largest 350 companies in the UK by market capitalisation. ▲ Financial commitments are limited by the Company's relatively low level of gearing. ▲ Liquidity risk is managed on an ongoing basis by the Investment Manager and reviewed at least quarterly by the Board. ▲ Cash is placed in liquid deposits and accounts with a high credit rating.

Commentary	Change	
▲ The UK economy fell into a recession in second half of 2023, with GDP declining and productivity growth continuing to disappoint. Inflation has fallen during the year from its high levels at the beginning of 2023 as energy prices have eased. Inflation has, however, still been stickier than generally anticipated and interest rates have remained higher for longer. ▲ There is still uncertainty over the timing of interest rate cuts and recent voting on the Bank of England's Monetary Policy Committee suggests that members are divided in their views on the timeline for monetary easing. ▲ Falling consumer demand, inflationary pressures and labour shortages all remain risks in 2024. In addition, there is heightened uncertainty in the financial markets, as both UK and US elections take place towards the end of the year. These conditions could prove challenging for real estate until pressures begin to ease and the economy starts to pick up again.	**NET RISK: MEDIUM** NO SIGNIFICANT CHANGE IN RISK BUT TRENDING UP	See further details on risk in note 18 to the accounts.
▲ Market yield expansion following bank interest rate hikes and macro-economic uncertainty, increased the risk in general of potential loan covenant breaches and refinancing risk within the property sector, but particularly for those property companies with short-term debt. Even with existing debt levels unchanged, gearing has increased within the sector as a result of falls in capital values of the underlying properties. ▲ At year end the Group had two fully drawn fixed rate facilities totalling £200 million with different expiry dates (April 2027 & February 2031). The Group had also drawn down £37.5 million of its £150 million revolving credit facility, which is on a floating rate basis, and provides flexibility to make timely acquisitions when opportunities arise. Together, the drawn down facilities had a weighted maturity profile of 4.7 years, and an overall blended interest of 3.56% per annum. ▲ At year end, gearing was 17%, relatively low for its peer group. ▲ During the year, the Group's bank covenants have been regularly monitored and stress tested under different capital and income scenarios. There is considerable headroom before any loan covenants would be breached. ▲ Over £330 million of property remains unencumbered, providing additional cushion if needed.	**NET RISK: MEDIUM** NO SIGNIFICANT CHANGE IN RISK BUT TRENDING DOWN	See further details on risk in note 18 to the accounts.
▲ 2023 has been a challenging year for real estate due to persistent inflation and a 15-year high in interest rates, both of which negatively impacted economic growth. This led to reduced volumes of commercial real estate investment. Yet while 2024 will likely start the same way, inflation and base rates are likely to reduce as the year progresses. ▲ Having a closed-ended structure, the Company is better able to withstand market movements as it is not subject to investor redemptions and forced property disposals. ▲ All financial commitments were comfortably met during the year. ▲ £1.37 million value of shares on average were traded daily in 2023 highlighting the ongoing liquidity of the Company's shares. ▲ Shareholders are able to sell their shares in a highly regulated and liquid secondary market.	**NET RISK: LOW** NO SIGNIFICANT CHANGE IN RISK	See further details on risk in note 18 to the accounts.

RISK MANAGEMENT
Continued

	Risks & Impact	Mitigation
G Financial Risks: Credit Risk of Tenants	Income might be adversely affected by macroeconomic factors. Financial difficulties could cause tenants to default on their rents and could lead to vacant properties. This might result in falling dividend cover for the Company and potential dividend cuts.	▲Dividend cover is forecast and considered at each Board meeting. ▲The property portfolio has a balanced mix of tenants and reflects diversity across business sectors, limiting reliance on a single tenant or industry. ▲The Group has 193 tenants, with the top 10 tenants representing 33.4% of the Company's contracted rental income, and no single tenant accounting for more than 6%. ▲Rigorous due diligence is undertaken on all prospective tenants and their financial performance continues to be monitored during their lease. ▲Rent collection from tenants is closely monitored so that early warning signs can be detected. ▲Contingency plans are put in place where tenants with financial difficulties have been identified. ▲Board/Director approval is necessary for any material lettings.
H Operational Risks: Service Providers	Poor performance and/or inadequate procedures at key service providers i.e. Investment Manager, Company Secretary, Property Agent, Registrar, could lead to errors, fraud and non-compliance with their contractual agreements and/or with relevant legislation. Failings in their data management processes and disaster recovery and business continuity plans, including cyber security safeguards, could lead to financial loss and business disruption for the Company.	▲The Company has a strong control culture that is also reflected in its partnerships with suppliers. ▲All investment decisions are subject to a formal approval process with specified authority limits. ▲All third party service providers are carefully selected for their expertise, reputation and financial standing. Service level agreements are negotiated with all material suppliers and regularly monitored to ensure that pre-agreed standards are met. ▲Suppliers' business continuity and disaster recovery plans, including safeguards against cyber-crime, are also regularly examined. ▲The Management Engagement Committee ("MEC") formally reviews all key service providers once a year and whenever necessary during times of stress. ▲Assurance reports on internal controls (ISAE 3402 reports) for the Investment Manager, Registrar and the Property Agent are received and reviewed annually.
I Operational Risks: Accounting & Valuation	Accounting records and financial statements could be incorrect or incomplete or fail to comply with current accounting standards. In particular property valuations, income and expenses could be calculated and recorded inaccurately. Limited transactions in the property market could hinder price discovery and could result in out of date valuations.	▲All properties within the portfolio are independently valued by CBRE Limited on a quarterly basis and their half year and year-end valuations recorded in the Company's accounts. This is a rigorous assessment process to which the Investment Manager also contributes information. ▲CBRE, the independent valuer, is required to carry out a physical inspection of each property at least annually. ▲The Property Valuation Committee and Investment Manager reviews thoroughly each quarter this independent valuation process. ▲Accounting control and reconciliation processes are in place at the Investment Manager. These are subject to regular independent assessment for their suitability and operating effectiveness by an external auditor and reported to the Board within an annual ISAE 3402 assurance report on internal controls. ▲Financial statements are subject to a year end audit by Deloitte LLP. The valuations of investment properties are a key audit matter for Deloitte LLP.
J Regulatory Risks: Regulatory Change	The Company could fail to comply with existing legislation or adapt to new or future regulation. In particular, the Company could fail to comply with REIT legislation and ultimately lose its REIT status, thereby incurring substantial tax penalties and reducing the amounts available for distribution to shareholders. Other key relevant legislation and regulations also include the FCA's Listing Rules, Guernsey Company Law and Guernsey Registry requirements. Increased regulation and legislation concerning the environment is likely as the climate continues to change. This could lead to increased compliance costs for the Company and a revaluation of its less energy efficient assets if they become less attractive to investors and tenants.	▲The Board receives regular updates on relevant regulatory changes from its professional advisors. ▲The highest corporate governance standards are required from all key service providers and their reputation and performance are reviewed at least annually by the Management Engagement Committee. ▲The Company has appointed experienced external tax advisors to advise on tax compliance matters. ▲Processes have been put in place to ensure ongoing compliance with REIT rules following the Company's conversion to a REIT on 1 July 2018. ▲The Board reviews quarterly a REIT dashboard confirming compliance with REIT regulations. ▲The Company engages specialist consultants to advise on environmental matters as part of acquisition due diligence and when considering significant redevelopment work. Consultants are also engaged to monitor environmental credentials throughout the ownership of each property.

Commentary	Change	ⓘ
▲ For the four key rent invoicing dates for quarterly payment in advance in 2023 (March, June, Sept, Dec 2023) 99% of rent had been collected by the end of February 2024. ▲ The Company has a bad debt provision of £3.1 million for ultimate non-payment of rent by some tenants but still continues its concerted efforts to recover outstanding amounts due. ▲ There are concerns over some tenants' underlying covenant strength and we are therefore closely monitoring their levels of trade.	**NET RISK: MEDIUM** NO SIGNIFICANT CHANGE IN RISK	See further details on risk in note 18 to the accounts.
▲ Key service providers put their business continuity plans into practice quickly during the pandemic and adapted successfully to working remotely from their business premises and many have now adopted more permanently a hybrid model of home and office working. ▲ Key service providers are on heightened alert of cyber attacks following Russia's invasion of Ukraine and are monitoring intelligence updates of potential threats and strengthening their cyber security defences if needed. ▲ Section 172 statement in the accounts (pages 55 to 57) provides details on the Company's collegial approach to stakeholders. No material issues noted from the reviews of service providers in the year. ▲ Key service providers have not changed during 2023.	**NET RISK: MEDIUM** NO SIGNIFICANT CHANGE IN RISK	See further details on pages 55 to 57.
▲ The Property Agent (JLL) took over responsibility for the collection of rent and service charges in 2020. This process is operating smoothly and a high level of communication and collaboration between both parties has continued during 2023.	**NET RISK: LOW** NO SIGNIFICANT CHANGE IN RISK	See further details on valuations in note 1(f) on page 95 and note 10 to the accounts on pages 101 to 103.
▲ The Property Income Distributions (PIDs) announced for 2023 are in compliance with REIT rules. ▲ A full review of EPC ratings across the Group's portfolio has been undertaken and the portfolio is positively positioned. The Company is actively preparing for future compliance with the anticipated increasingly strict Minimum Energy Efficiency Standards between now and 2030.	**NET RISK: MEDIUM** NO SIGNIFICANT CHANGE IN RISK	—

	Risks & Impact	Mitigation
K Stakeholder Risks	A concentrated shareholder register with a dominant shareholder could exert influence, restrict the strategic options available to the Company, limit the liquidity of Company's shares and impact the level of discount of share price to NAV. A communication breakdown with key stakeholders, particularly shareholders and tenants, could prevent the Company from understanding and responding to their needs and concerns. When required to fulfil certain reporting requirements, the Company could fail to communicate with regulatory authorities about its major shareholders. As a result the Company could potentially suffer financial penalties and reputational damage.	▲ Efforts are made to maintain good working relationships with both shareholders and tenants providing they are responsive to engagement. ▲ The Investment Manager regularly meets with shareholders and periodically, the Chair of the Board also meets key shareholders that wish to engage with the Company. ▲ Quarterly Board reports include detailed shareholder analysis, written and verbal reports from the Company's Corporate Broker, and feedback from shareholder and analyst meetings where appropriate. ▲ The Investment Manager works closely with tenants to understand better their needs and to remodel and refurbish buildings to fit their evolving requirements. This helps to reduce the risk of vacant properties. ▲ The Company receives professional advice on its reporting obligations regarding major shareholders to ensure that it complies with regulations.

Emerging Risks

Emerging risks have been identified by the Risk Committee through a process of evaluating relatively new risks that have emerged and increased materially in the year, and subsequently, or through market intelligence are expected to grow significantly and impact the Company. Any such emerging risks are likely to cause disruption to the business model. If ignored, they could impact the Company's financial performance and prospects. Alternatively, if recognised, they could provide opportunities for transformation.

Economic and Geopolitical

2024 is a year in which more than half the global population will experience local elections and there will be greater focus on the democratic process in some 70 countries. The outcome of some elections, particularly the United States, may have far reaching implications on the geo-political world order. If former President, Donald Trump, wins the US election, there is the risk that America may pursue a more isolationist and protectionist policy which may result in less military support (e.g. Ukraine), less diplomatic intervention in other conflicts such as the Middle East and more trade tariffs. Greater escalation of events could result and financial markets are likely to be volatile.

Conflict between countries is rising. Following Hamas' attack on Israel and Israel's military response in Gaza, it is uncertain yet if other countries will be drawn into the violence.

The war waging between Ukraine and Russia since February 2022 has reached a stalemate, but with no settlement in sight.

Rapid inflationary pressures caused by supply side shortages generated initially by the Russia's invasion of Ukraine have now subsided but inflation may continue to remain above acceptable levels and so there is an expectation that interest rates will stay "higher for longer" than originally anticipated. The impact on consumers and businesses remains to be seen, even if recessions are avoided, and increasing default rates on loans could put strain on the banking system.

Tensions are also increasing in the relationship between the United States and China which could lead to greater protectionism and a decline in global trade. In particular, the future of Taiwan is disputed and as one of the largest producers and exporters of microchips in the world could cause considerable disruption if its independence was threatened. Many Western companies are continuing to build supply chains closer to home and reduce their dependency on Asia, particularly China.

The current economic and geopolitical environment is unpredictable, and changing rapidly, and this may affect real estate valuations within the Company's portfolio.

Climate

Climate change is happening now and its rate of change and impact on the environment will depend on the planet's success in controlling global emissions. The average surface temperature in the UK has risen by 1.2°C since pre-industrial times, and further warming is predicted. More extreme weather events are also expected in future which could cause serious damage to infrastructure and property. The extent of climate change and the necessary regulation to control it are uncertain and will continue to be monitored. A "greenlash" against climate policies is beginning to emerge, and may become more evident if the Republicans win the US elections in 2024. This could derail progress against global climate targets.

Commentary	Change	i
▲ Communication has continued with stakeholders where possible, but not all shareholders have chosen to engage directly with the Board. ▲ The Company's largest shareholder, Phoenix Group, with approx 43% shareholding chose not to support a proposed merger with Picton Property Income Ltd in November 2023 which had the support of the Board. ▲ The Company's two largest shareholders, Phoenix Group and Investec, together holding about 57% of the Company's shares in issue have provided support for the current proposed merger with Tritax Big Box REIT plc. ▲ Investment Managers have continued to visit properties when possible to engage with tenants. ▲ The Board of Directors visit properties, as part of a rolling programme to visit all properties over a four-year period. ▲ Section 172 report highlights the collaborative nature of interaction between the Company and its key stakeholders.	**NET RISK: MEDIUM** INCREASED RISK	See further details on pages 55 to 57.

Changing behavioural patterns

The pandemic introduced or accelerated some structural changes to the ways we live, work and consume and reformed our expectations of our environment and society. Some of these patterns of behaviour have persisted. The ongoing trend towards hybrid working has continued to limit the use of offices and sharpened the focus on the sustainability, health, well-being and social impact of offices.

The continuing attraction of online shopping and decline in physical retailing have created challenging conditions for traditional retailers and their landlords. It is still uncertain how the role of offices and retail will develop and they both continue to be assessed in order to protect the portfolio but also to identify new investment opportunities.

Technology & Artificial Intelligence

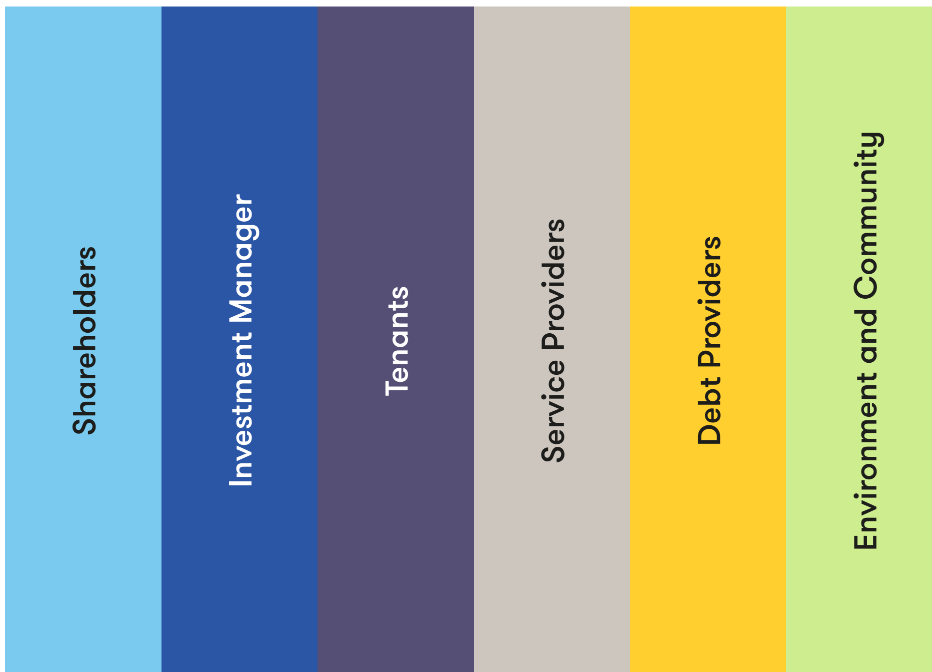
Technology is rapidly changing the habits of businesses and consumers which in turn is impacting occupiers' future requirements for property and leading to greater disparity in the performance of different property sectors and also within each sector itself. Advances in technology have enabled many of the behavioural changes in the use of real estate: for example, the increased use of video conferencing by businesses has facilitated a more permanent shift to home working and could also redefine the need for office space in the future.

Robotics and automation are also altering the specifications for industrial buildings and greater use of data and advanced analytics is driving the need for data storage and data centres. Technology is also increasingly contributing to improvements in the sustainability of properties. If landlords fail to embrace technology, they may face the risk of "stranded" assets in the future.

Artificial intelligence is being adopted rapidly by businesses and jobs may change significantly as AI replaces the need for particular human activities. This will impact business models and may reduce workforce numbers, but also could generate new roles. This potentially transforming aspect of AI, in turn, will affect business' requirements for space.

Cyber attacks are increasing in occurrence and target businesses' data, IT systems and even their physical infrastructure as buildings have become more reliant on smart technology for their daily operation. In addition, the rapid evolution of AI is potentially introducing risks that have not yet been identified or quantified.

Central Square,
Newcastle upon Tyne



THE COMPANY

Board's Obligations under Section 172 of the UK Companies Act

This section explains how the Directors have promoted the success of the Company for the benefit of its members as a whole during the financial year to 31 December 2023, taking into account the likely long-term consequences of decisions, the need to foster relationships with all stakeholders and the impact of the Company's operations on the environment.

The Role of the REIT Board

The Company is a REIT which is governed by an independent Board of Non-executive Directors.

The Board considers the Company's main stakeholders to be Shareholders, the Investment Manager, Tenants, Service Providers, Debt Providers and the Environment and Community.

The Board recognises the importance of acting fairly between stakeholders and fosters a culture where all of the Company's stakeholders are treated fairly and with respect. The Board considers Stakeholder Engagement as one of the Company's principal risks with the mitigating actions are set out on page 54.

The Board is responsible for taking all decisions relating to the Group's investment objective and policy, dividend policy, gearing, corporate governance and strategy.

The Board delegates management functions to the Investment Manager and, either directly or through the Investment Manager, the Company employs key suppliers to provide services in relation to property management, health & safety, valuation, legal and tax requirements, auditing, depositary obligations and share registration, amongst others. The Board regularly reviews the performance of the Investment Manager, and its other service providers, to ensure they manage the Company and its stakeholders effectively and that their continued appointment is, over the long-term, in the best interests of the shareholders as a whole.

The Board seeks to maintain a constructive working relationship with its stakeholders and prides itself on its transparent and collegiate culture. The Board operates in a manner which is supportive, yet challenging, of the Investment Manager and its other service providers, with the goal of overseeing the Company's activities on behalf of all stakeholders.

As set out in the Corporate Governance Report, the Board reviews its performance annually to ensure it is meeting its obligations to stakeholders. The evaluation helps the Board to determine whether they have sufficiently discharged their duties and responsibilities over the course of the financial year. Engagement with key stakeholders is considered formally as part of the annual evaluation process.

OUR STAKEHOLDERS' INTERESTS

Based on interactions with stakeholders, we consider the following interests to be particularly salient:

Shareholders

- Attractive and sustainable level of income, earnings and dividends
- Potential for capital and income growth
- Diversification of portfolio
- Execution of investment objective
- Responsible capital allocation and dividend policy
- Value for money – low ongoing charges
- Liquidity in the Company's shares

Investment Manager

- Productive working relationship with the Board
- Clear and sustainable investment objective and policy
- Collaboration with all stakeholders

Tenants

- Positive working relationship with the Board and the Investment Manager
- Sustainable buildings — remodelled and refurbished to meet their requirements
- A focus on the community, health & safety and the environment

Service Providers

- Productive working relationship with the Company
- Strong internal controls
- Collaboration

Debt Providers

- Responsible portfolio management
- Compliance with loan covenants

Environment and Community

- Sustainable investment policy
- Community engagement and socio-economic benefit
- A focus on consumption, emissions and resource efficiency

STAKEHOLDER ENGAGEMENT

Continued

Cineworld, Glasgow

The Board considers its stakeholders at every Board meeting and receives feedback on the Investment Manager's interactions with the Company's Shareholders, tenants and service providers. The Board also engages directly with its stakeholders.

Shareholders

The Board's primary focus is to promote the long-term success of the Company for the benefit of its shareholders as a whole. The Board oversees the delivery of the investment objective, policy and strategy, and welcomes shareholders' views on the Company and its performance. The Board welcomes all shareholders' views and aims to act fairly between all shareholders.

The Investment Manager and Company's Broker regularly meet with shareholders, and prospective shareholders, to discuss Company initiatives and seek feedback, which is then shared with the Board. The Investment Manager provides regular updates to shareholders and the market through the Annual Report, Interim Report, Quarterly Net Asset Value announcements and Company Factsheets.

The Chair meets with key shareholders at least annually, and other Directors are available to meet shareholders as required. This allows the Board to hear feedback directly from shareholders. Shareholders are also invited to vote on the continuation of the Company at regular intervals and the Board encourages shareholders to participate in this vote. The last continuation vote took place on 25 October 2022, with 98.9% of votes cast in favour of continuation.

The Company's Annual General Meeting (AGM) and the annual and interim results presentations provide a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Investment Manager of the Company. The Board encourages as many shareholders as possible to attend the Company's AGM to engage directly with the Board.

The Board encourages all shareholders to lodge their proxy votes in advance of the AGM.

Investment Manager

The Chair's Statement and Investment Manager's Review on pages 8 to 21 detail the key investment decisions taken during the year and subsequently. The Investment Manager has continued to manage the Company's assets in accordance with the mandate approved by shareholders and overseen by the Board. The Company regularly reviews its performance against its investment strategy by reference to its rolling five-year business plan to ensure it remains fit for purpose. The Board undertakes a strategy meeting, at least annually, to consider whether its strategy is fit for purpose and to ensure the Company is positioned well for the future delivery of its objective for its stakeholders. The Board receives presentations from the Investment Manager at every Board meeting to help it to exercise effective oversight of the Investment Manager and the Company's Strategy. The Board formally reviews the performance of the Investment Manager at least annually.

Approval of Strategic Report

As set out above, the Board considers the long-term consequences of its decisions on its stakeholders to ensure the long-term sustainability of the Company.

The Strategic Report of the Company comprises the following Financial Review Performance Summary, Chair's Statement, Investment Manager Review, Environmental, Social & Governance (ESG), Taskforce for Climate-Related Financial Disclosures, Key Performance Indicators, Risk Management, Stakeholder Engagement, Property Portfolio and Strategic Overview.

The Strategic Report was approved by the Board on 19 April 2024.

Peter Pereira Gray
Director

Tenants

Board members regularly visit properties and, where appropriate, engage with tenants directly to enhance their understanding of each property and the tenants' requirements.

The day-to-day management of the portfolio and tenant interaction is delegated to the Investment Manager. The Investment Manager takes a proactive approach to its relationship with tenants, working closely alongside them to understand their needs through regular communication, visits to properties and collaboration on projects. The Investment Manager reports on its engagement with tenants at every Board meeting.

Service Providers

The Board seeks to maintain constructive relationships with the Company's suppliers either directly or through the Investment Manager with regular communications and meetings. On behalf of the Company's Shareholders, the Management Engagement Committee conducts annual reviews of the Company's Service Providers and their respective fees to ensure they are performing in line with Board expectations and provide value for money.

The Investment Manager is responsible for the prompt settlement of supplier invoices and the Investment Manager have a dedicated Accounts Payable team and monitor the payment statistics of the property agent, Jones Lang LaSalle, throughout the year.

Debt Providers

The Company maintains a positive working relationship with its debt providers, Barclays Bank plc and Barings Real Estate Advisers, and provides regular updates on business activity and compliance with its loan covenants. The Company has an overall flexible debt profile to allow it to move quickly to take advantage of any attractive opportunities that may occur in the present uncertain economic environment.

Environment and Community

The Board and the Investment Manager are committed to investing in a responsible manner. There are a number of geopolitical, technological, social and demographic trends underway in the developed world that can, and do, influence real estate investments – many of these changes fall under the umbrella of the Environment and Community, or ESG, considerations. As a result, the Investment Manager fully integrates ESG factors into its investment decision-making and governance process.

The Board has adopted the Investment Manager's ESG Policy and associated operational procedures and is committed to environmental management in all phases of the investment process. The Company aims to invest responsibly, to achieve environmental and social benefits alongside returns. By integrating ESG factors into the investment process, the Company aims to maximise the performance of the assets and minimise exposure to risk. Please see our disclosures in the ESG section on pages 24 to 33 and within the Taskforce for Climate-Related Financial Disclosures on pages 34 to 40 and the EPRA Financial and Sustainability Reporting starting on page 119, for more information on the Company's approach to ESG, including examples of Community Engagement during 2023.

FROM THE CHAIR

"Good governance is central to making good decisions and both the independent Directors and the Investment Manager have worked hard to ensure that we consider all our stakeholders."

Peter Pereira Gray
Chair

Dear Shareholder

As Chair, I am pleased to present the governance report for our financial year ended 31 December 2023. This report seeks to explain the Company's core governance-related procedures and actions which have taken place during the year.

Statement of Compliance

The Board has considered the Principles and Provisions of the AIC Code on Corporate Governance 2019 (the "AIC Code"). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional provisions on issues that are of specific relevance to the Company. The UK Code is available on the Financial Reporting Council's (the "FRC") website: *frc.org.uk*. The AIC Code is available on the AIC website (*www.theaic.co.uk*). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

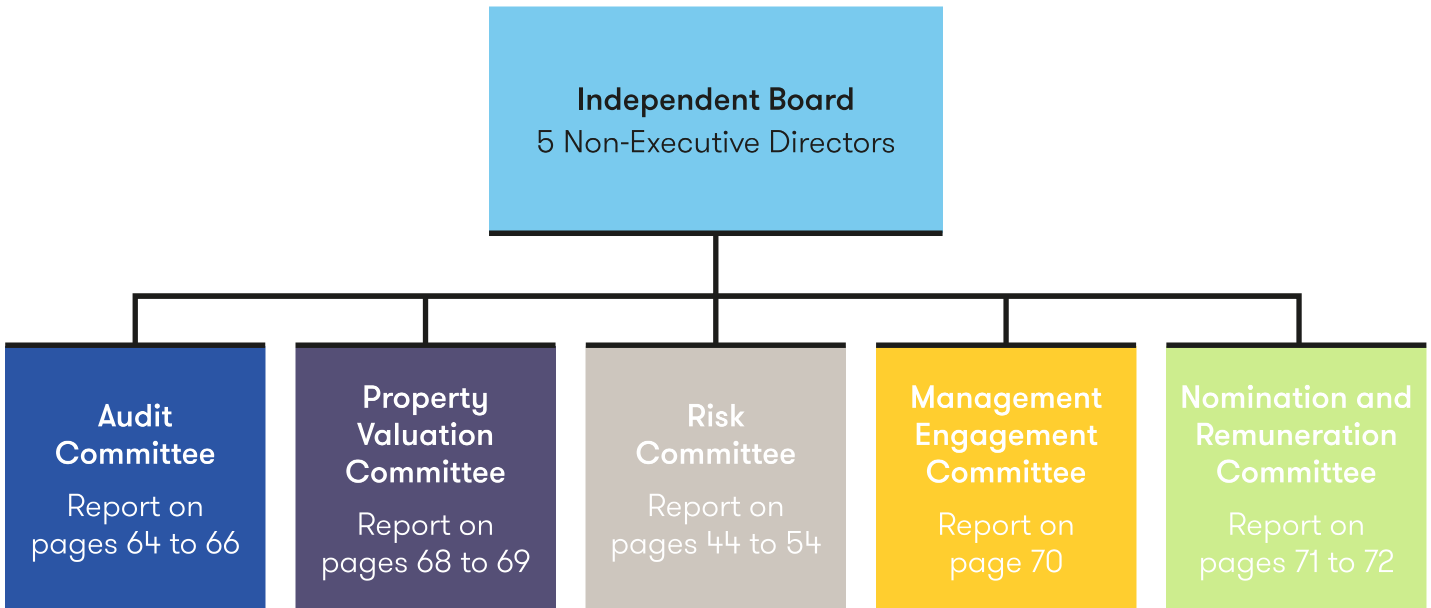
The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the FRC and the Guernsey Financial Services Commission provides more relevant information to shareholders.

The Company has complied with all recommendations of the AIC Code, and also the relevant provisions of the UK Code except as set out below:

- Interaction with the workforce *(provisions 2, 5 and 6)*;
- The role and responsibility of the Chief Executive *(provisions 9 and 14)*;
- Previous experience of the Chair of a Remuneration Committee *(provision 32)*; and
- Executive Directors' remuneration *(provisions 33 and 36 to 40)*.

The Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no Executive Directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

The Board Structure



Matters Reserved for the Board

The Board sets the Company's objectives and ensures that its obligations to its shareholders are met. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues.

These matters include:

- the maintenance of clear investment objectives and risk management policies;
- the monitoring of the business activities of the Company ranging from analysis of investment performance through to review of quarterly management accounts;
- monitoring requirements such as approval of the Half-Yearly Report and Annual Report and financial statements and approval and recommendation of any dividends;
- setting the range of gearing in which the Manager may operate;
- major changes relating to the Company's structure including share buy-backs and share issuance;
- Board appointments and removals and the related terms;
- authorisation of Directors' conflicts or possible conflicts of interest;
- terms of reference and membership of Board Committees;
- appointment and removal of the Manager and the terms and conditions of the Management Agreement relating thereto; and
- London Stock Exchange/Financial Conduct Authority – responsibility for approval of all circulars, listing particulars and other releases concerning matters decided by the Board.

Full and timely information is provided to the Board to enable it to function effectively and to allow the Directors to discharge their responsibilities.

At least once a year, the Board also holds a meeting specifically to review the Group's strategy.

Individual Directors are entitled to have access to independent professional advice at the Group's expense where they deem it necessary to discharge their responsibilities as Directors. The Group maintains appropriate Directors and Officers liability insurance.

The Directors have access to the company secretarial and administration services of the Company Secretary, Northern Trust International Administration Services (Guernsey) Limited, through its appointed representatives. The Company Secretary is responsible to the Board for:

- ensuring that Board procedures are complied with;
- under the direction of the Chair, ensuring good information flows to the Board and its Committees; and
- liaising, through the Chair, on all corporate governance matters.

BOARD OF DIRECTORS

Peter Pereira Gray, Chair of the Board, is a resident of the UK. Mr. Pereira Gray has wide ranging experience of global institutional investment markets having served of the Investment Committee of the Wellcome Trust from February 2001 to his recent retirement from executive duties in September 2022. His last position at Wellcome was as Chief Executive and co-leader of the Investment Division, overseeing a $50 billion global unconstrained total return investment portfolio. Previously he was a Director of Property Fund Management with Prudential Portfolio Managers Ltd, and before that, an adviser with Drivers Jonas, Chartered Surveyors.

Mr. Pereira Gray was Co-Chair of the Institutional Investors Roundtable, (a global gathering of asset owners and long-term institutional investors) between November 2018 and June 2021. Mr Pereira Gray is Chair of Urban & Civic plc., the UK's leading master-planner and strategic land development company, and of Premier Marinas Holdings Ltd., the UK's leading operator of Marinas and Boatyards on the South Coast.

He is a fellow of the Royal Institution of Chartered Surveyors and the Royal Society of Arts and was the independent lead for the RICS Review of Investment Property Valuations published in January 2022. Mr Pereira Gray was appointed to the Board on 3 April 2023.

Other public company directorships: None

Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Peter Pereira Gray and has concluded that he continues to chair the Company effectively, fostering a collaborative spirit between the Board and Investment Manager while ensuring that meetings remain focused on the key areas of stakeholder relevance.

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

Other public company directorships: None

Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Michael Ayre and has concluded that he has chaired the Audit Committee effectively during the year.

Fionnuala Hogan, Chair of the Management Engagement Committee and Nomination and Remuneration Committee, is a resident of the UK. Ms Hogan's wide-ranging background encompasses over 25 years' experience of investment, corporate advisory, entrepreneurship and financing across sustainability, real estate, innovation and the creative industries. Ms Hogan's most recent senior role was as Head of early-stage venture investing at Goldacre Ventures, an early-stage VC, where she built a platform of 25 growth investments in sustainability, smart cities and buildings, as well as creating RElab, an award-winning ecosystem of entrepreneurs, corporates and investors focused on scaling innovation in the built world. Previous senior roles which span larger corporates and growth companies include at Kleinwort Benson, KPMG, enba plc and Hypo Real Estate, where she spent 10 years, including as Joint Head of Global Restructuring.

Ms Hogan is a strategic advisor to Groundbreak Ventures and was previously a member of the Growth Advisory Board for IMI plc. She is a Trustee of Brixton House Theatre and East London Dance, having previously served as a Governor of the Southbank Centre and a Trustee of Tomorrow's Warriors. Ms Hogan was appointed to the Board on 5 August 2021.

Other public company directorships: None

Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Fionnuala Hogan and has concluded that she provides significant investment insight to the Board and knowledge of the real estate sector.

MANAGEMENT TEAM

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

Will Fulton

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

Other public company directorships: Foresight VCT plc

Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Margaret Littlejohns and has concluded that she has chaired the Risk Committee effectively and continues to provide significant risk management insight to Board discussions as well as investment trust expertise.

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

Other public company directorships: None

Contribution: The Board, through the Nomination and Remuneration Committee, has reviewed the contribution of Chris Fry and has concluded that he continues to provide significant property and investment insight to the Board as well as effectively chairing the Property Valuation Committee.

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

Diversity	Number	%
Male	3	60%
Female	2	40%

Jamie Horton has a BA in History from the University of Strathclyde and graduated from the University of Aberdeen in 2008 with an MSc in Property. He began his career at JLL in Glasgow working in the Capital Markets and Office Agency departments before being appointed an Associate Director with DTZ in the Capital Markets team advising clients on purchases, sales and developments. Mr Horton joined abrdn in 2014 to work as a Portfolio Manager on UKCM, managing a mixed portfolio of assets throughout the UK, as well as undertaking acquisitions and disposals on behalf of the company. In 2018, Mr Horton was seconded to the abrdn Paris office to act as Deputy Fund Manager on the European Property Growth Fund, a €900m pan-European mandate. On returning to the UK in 2019, Mr Horton was appointed Deputy Fund Manager on the Nottinghamshire County Council Pension Fund and latterly HIFML, a UK open-ended balanced Fund, whilst offering support on a further pan-European mandate, the German Heritage With Profits Fund.

Jamie Horton

Peter Taylor

Peter Taylor, Finance Manager, returned to abrdn in 2022. Throughout his 23-year career, he has held a variety of real estate accounting positions gaining experience in open-ended and close-ended products. Prior to joining abrdn, he was accountant to Balance Commercial Property Trust Limited (FTSE 250 company) and Investment Secretarial Executive to CT Property Growth & Income Feeder Fund for 7 years, companies managed by Columbia Threadneedle Investments.

His real estate career started with Standard Life Investments (now abrdn) working as an accountant on global real estate products gaining multi-disciplinary experience spanning debt facility management, consolidated financial reporting, supplier management and client reporting. Mr Taylor also gained further close-ended experience on Standard Life Investments Property Income Trust Limited (now abrdn Property Income Trust Limited) for 4 years.

Chair and Senior Independent Director

The Chair is responsible for providing effective leadership to the Board, demonstrating objective judgement and promoting a culture of openness and debate. The Chair facilitates the effective contribution, and encourages active engagement by each Director. In conjunction with the Company Secretary, the Chair ensures that Directors receive accurate, timely and clear information to assist them with effective decision-making.

The Chair leads the evaluation of the Board and individual Directors, and acts upon the results of the evaluation process by recognising strengths and addressing any weaknesses. The Chair also engages with major shareholders and ensures that all Directors understand shareholder views.

The Senior Independent Director acts as a sounding board for the Chair and acts as an intermediary for other Directors, when necessary. Working alongside the Chair of the Nomination and Remuneration Committee, the Senior Independent Director leads the annual appraisal of the Chairman's performance and supports the orderly succession process for the Chair. The Senior Independent Director is also available to shareholders to discuss any concerns they may have.

Management of Conflicts of Interest, Anti-Bribery Policy and Tax Evasion Policy

The Board has a procedure in place to deal with a situation where a Director has a conflict of interest. As part of this process, the Directors prepare a list of other positions held and all other conflict situations that may need authorising either in relation to the Director concerned or their connected persons. The Board considers each Director's situation and decides whether to approve any conflict, taking into consideration what is in the best interests of the Group and whether the Director's ability to act in accordance with his or her wider duties is affected.

Each Director is required to notify the Company Secretary of any potential or actual conflict situations which require authorising by the Board. Any authorisations given by the Board are reviewed at each Board meeting.

The Board takes a zero-tolerance approach to bribery and has adopted appropriate procedures designed to prevent bribery. abrdn also takes a zero-tolerance approach and has its own detailed policy and procedures in place to prevent bribery and corruption.

It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to facilitation of tax evasion, whether under UK law or under the law of any foreign country. abrdn also takes a zero-tolerance approach to tax evasion and has its own detailed policy which may be found on its website.

Internal Controls

The Board, through the work of the Audit Committee and the Risk Committee, 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 in the Financial Reporting Council publication 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

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 Risk Committee 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.

Further detail on the Group's risk management processes is detailed on pages 44 to 54. In addition, consideration of ISAE 3402 and similar reports issued by the Investment Manager, and other service providers where applicable, are considered. The Board also receives updates from both the Risk and Compliance and Internal Audit departments of the Investment Manager on areas that specifically affect the Company.

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 up to the date of approval of this Report. 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 Company Secretary in respect of compliance matters and duties performed on behalf of the Company including conflicts of interest.

The Company's AIFM is abrdn Fund Managers Limited and its Depositary is Citibank UK Limited. The Depositary's responsibilities include cash monitoring, safekeeping of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements.

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

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

An internal audit function specific to the Company is therefore considered unnecessary.

Table of Attendance

The table below sets out the Directors' attendance at each scheduled quarterly Board and Committee meetings.

	Board of Directors		Audit Committee		Property Valuation Committee		Management Engagement Committee		Remuneration & Nomination Committee		Risk Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Peter Pereira Gray (A,B)	3	3	1	1	3	3	2	2	1	1	3	3
Ken McCullagh (A,C)	2	2	—	—	2	2	—	—	2	2	2	2
Michael Ayre	4	4	4	4	4	4	2	2	2	2	4	4
Chris Fry	4	4	4	4	4	4	2	2	2	2	4	4
Fionnuala Hogan	4	4	4	4	4	4	2	2	2	2	4	4
Margaret Littlejohns	4	4	4	4	4	4	2	2	2	2	4	4

A The Chair of the Board is not a member of the Audit Committee but may attend meetings at the invitation of the Audit Committee Chairman.
B Appointed as a Director on 3 April 2023.
C Retired as a Director on 31 July 2023.

Michael Ayre
Chair of Audit Committee

Composition

During the year the Audit Committee comprised all the Directors except the chair of the Board. Peter Pereira Gray is not a member of the Audit Committee, but, as Chair of the Company, he has a standing invitation to attend meetings and typically attends each Audit Committee as an observer. The Audit Committee is chaired by Michael Ayre who is a fellow of the Association of Chartered Certified Accountants and is also a member of the Chartered Institute of Taxation. The Audit Committee met four times during the financial year. The members of the Audit Committee are each independent and free from any relationship that would interfere with their impartial judgement in carrying out the Audit Committee's responsibilities, as set out in terms of reference which are available on the Company's website.

Responsibilities

The terms of reference of the Audit Committee are reviewed and re-assessed for their adequacy on an annual basis. In accordance with those terms of reference, the Audit Committee:

- Reviews and monitors the internal control systems and risk management systems including review of non-financial risks and the Manager's policy on information security on which the Company is reliant. The Directors' statement on the Company's internal controls and risk management is set out in the Directors' Report;
- Considers whether there is a need for the Company to have its own internal audit function;
- Monitors the integrity of the half-yearly and annual financial statements of the Company by reviewing, and challenging where necessary, the actions and judgements of the Investment Manager;
- Reviews, and reports to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, interim reports, announcements and related formal statements;
- Reviews the content of the Annual Report and financial statements and makes recommendations to the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- Meets with the auditor to review the proposed audit programme of work and the findings of the auditor. The Directors also use this as an opportunity to assess the effectiveness of the audit process;
- Meets in private with the auditor, without any representatives of the Investment Manager being present;
- Develops and implements a policy on the engagement of the auditor to supply non-audit services. There were no non-audit fees (2022: £Nil) paid to the auditor during the year under review;

- Reviews a statement from the Investment Manager detailing the arrangements in place within abrdn whereby staff may, in confidence, escalate concerns about possible improprieties in matters of financial reporting or other matters;
- Makes recommendations in relation to the appointment of the auditor and to approve the remuneration and terms of engagement of the auditor; and
- Monitors and reviews the auditor's independence, objectivity, effectiveness, resources and qualification.

The Audit Committee is also the channel through which the auditor reports to the Board of Directors. It meets at least three times a year and addresses all of the requirements placed on audit committees by the AIC Code. The Audit Committee considers any matters which the auditor wishes to communicate to the Audit Committee and, through them, to the Board of Directors. This provides a forum for the external auditor to give their views about significant qualitative aspects of the Company's accounting practices and to draw to the attention of the Audit Committee of any significant differences 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. The auditor attends at least two Audit Committee Meetings per year and meets with the Audit Committee Members in private too. At the conclusion of the audit, Deloitte LLP did not highlight any issues to the Audit Committee which would cause it to qualify its audit report, nor did it highlight any fundamental internal control weaknesses. Deloitte LLP issued an unqualified audit report which is included on pages 82 to 89.

Audit Committee Evaluation

The activities of the Audit Committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements as noted as page 71. A full evaluation was undertaken on the effectiveness, roles and responsibilities of the Audit Committee in accordance with the Financial Reporting Council's current guidance.

The evaluation found that the Audit Committee functioned well with the right balance of membership and skills.

Auditor Assessment, Independence, and Appointment

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 Investment Manager;
- Suitably qualified personnel involved in the audit; and
- 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 were considered through a formal evaluation template completed by the Audit Committee and the Investment Manager.

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.

Details of the amounts paid to Deloitte LLP during the year for audit fees is set out in note 5 to the accounts. The Company has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

The selection criteria for appointing an external auditor is based on quality, including independence, challenge and technical competence. This will include a review of audit quality indicators published by the firms and / or the FRC. Tendering process will include challenger audit firms. The tendering process will be led by the Audit Committee.

Following a tender process in 2015, Deloitte LLP was first appointed as the Company's independent auditor by shareholders at the AGM held on 15 June 2016 for the audit for year ended 31 December 2016. The next audit tender of the Company is due to be completed by March 2026 in compliance with the EU regulations and FRC Guidance on audit tenders for the audit for year ended 31 December 2026.

AUDIT COMMITTEE REPORT
Continued

In accordance with present professional guidelines, the Senior Statutory Auditor requires to be rotated after a period of five years. Siobhan Durcan has been appointed as audit engagement partner and the 2023 audit is her third year.

The Audit Committee notes the increase in fees charged by Deloitte LLP during the year, a trend that is being seen across the industry. The Committee will continue to monitor the progression of the fees charged to ensure they are in line with the peer group and represent value for money. In relation to non-audit fees, these amounted in aggregate to £Nil (2022: £Nil) for the year ended 31 December 2023. 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 Audit Committee.

Recommendation to the Board

Following its review of the Annual Report & Accounts for the year ended 31 December 2023, the Audit Committee has advised the Board that it considers that the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders and other users to assess the Company's position and performance, business model and strategy.

The Audit Committee is able to give this advice on the basis that it has carefully scrutinised the Annual Report & Accounts document, which is prepared by the Investment Manager and subsequently subject to external audit, specifically focusing on the significant issues detailed in this Report. In its consideration of the document, the members of the Audit Committee put themselves in the position of a shareholder and considered 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 Audit Committee has 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 Audit Committee has been at pains to have these expressed in clear language so as to make them as understandable as possible.

Michael Ayre
Chair of the Audit Committee
19 April 2024

Significant matters considered by the Audit Committee in relation to 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(f) to the accounts. The process adopted in the valuation of the portfolio and the valuations themselves are considered by the Property Valuation Committee, representatives of which met the external valuer, along with the Investment Manager, as part of the year end valuation process. The Chair of the Property Valuation Committee reported to the Audit Committee in March 2024 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; and
- Comparable evidence relating to the valuation of the properties.

Particular focus was given to the underlying yields applied to a number of the properties and whether they appropriately reflected the comparable evidence, letting activity and the property market as a whole.

Following this meeting and subsequent discussions with the Investment Manager, a value of £1,251,050,000 was agreed as the valuation of the property portfolio as at 31 December 2023. The Audit Committee considered the report by the Chair of the Property Valuation Committee along with a summary of the valuation and its key movements by the Investment Manager and agreed that this valuation was appropriate for the financial statements and that a robust process of analysis had been followed.

In terms of existence of the properties, the Audit Committee noted the procedures that the Investment Manager has in place to ensure correct approval and title to all properties held, which include any property investment 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, as part of the external audit, the Audit 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.

As part of the auditors planned procedures, it performed an analysis on the valuation of every property in the portfolio. Where a property is identified as a property of audit interest as per the criteria below, the property valuation was tested in detail by Deloitte Real Assets Advisory (DRAA) specialists, part of Deloitte LLP.

- Consider material tenants in the sectors that have either gone or planning to go into administration (identified by online research);
- Properties with tenants in a high risk sector;
- Properties where the fair value has fluctuated significantly since the prior year or remained stable against expectation;
- Properties where movements in yields over the year compared against an assessed average movement over the year taken from independent sources is greater than a determined threshold;
- Identify properties where large value tenants are in arrears; and
- New acquisitions of properties made during the year.

The auditor did not highlight any issues with the Audit Committee on the property valuations as at 31 December 2023.

Going Concern Basis of Accounting

Given the material uncertainty in relation to going concern surrounding the proposed merger of the Company with Tritax Big Box REIT plc, as set out in more detail in the Chair's Statement on page 11, the Audit Committee gave particular consideration to the appropriateness of the going concern basis of preparation of the financial statements.

The Board's statement on going concern is included on pages 77 to 78.

Maldron Hotel,
Newcastle

PROPERTY VALUATION COMMITTEE REPORT

Chris Fry
Chair of the Property Valuation Committee

Composition

The Property Valuation Committee comprises all the Directors and is chaired by Chris Fry. It met four times during the financial year.

Responsibilities

The terms of reference of the Property Valuation Committee are reviewed and re-assessed for their adequacy on an annual basis. In accordance with those terms of reference, the Property Valuation Committee:

- Shall review the quarterly property valuation report produced by the Valuer before its submission to the Board, focussing in particular on:
  - Significant adjustments for the previous property valuation report;
  - Reviewing the individual valuations of each property;
  - Reviewing applicable standards and guidelines including those issued by the Royal Institute of Chartered Surveyors and the FCA's Listing Rules; and
  - Reviewing the findings and any recommendations or statements made by the Valuer.
- Shall be responsible for the appointment and retendering of the Valuer.

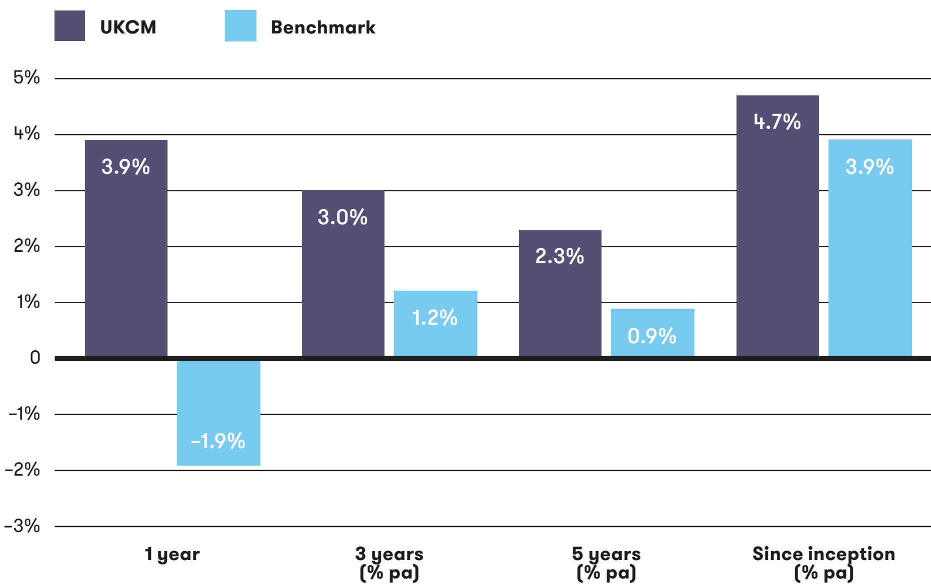
The terms of reference are available of the Company's website (*www.ukcpreit.com*), or upon request from the Company Secretary.

Activity

The Chair prepares a report to the Committee that ties in with the quarterly NAV announcement and members of the Committee meet with the independent valuer to the Company and representatives of the Investment Manager at least twice a year and report back to the Board on the process for arriving at independent valuations and on any issues that arise in relation to this process.

The Committee also reviews various indicators of the ongoing performance of the commercial property market such as yield sheets and reviewing the performance of the property portfolio against the MSCI benchmark and other comparable companies. In addition, a process has been put in place to ensure all the property assets will have been visited by a Committee member over a four year period.

	Total Return 2023 (%)		Income Return 2023 (%)		Capital Growth 2023 (%)	
	UKCM	Benchmark	UKCM	Benchmark	UKCM	Benchmark
Industrials	8.9	3.7	3.9	4.4	4.9	−0.7
Offices	−10.4	−11.1	6.6	4.1	−16.0	−14.6
Retail	3.7	−0.3	6.2	5.9	−2.3	−5.9
Alternatives	−2.6	−0.9	6.1	5.1	−8.3	−5.7
Total Portfolio	**3.9**	**-1.9**	**4.8**	**4.8**	**-0.9**	**-6.4**



Source: MSCI UK Balanced Portfolios Quarterly Property Index

External Valuer

CBRE Limited are appointed as the external valuer of the Company and they carry out a valuation of the Company's property assets each quarter, the results of which are incorporated in the quarterly net asset value statements and interim and annual financial statements.

The Committee reviewed the performance of the valuer, rating its understanding of the Company's aims and strategy, market awareness, quality of staff, cost effectiveness, reporting and compliance. The Committee continues to be satisfied with the service provided by the valuer.

The Committee is mindful of the Royal Institution of Chartered Surveyors mandatory rotation cycles for regulated purpose valuations which comes into effect on 1 May 2024 and the Committee will consider re-tendering during 2024.

MANAGEMENT ENGAGEMENT COMMITTEE REPORT

Fionnuala Hogan,
Chair of the Management Engagement Committee
and Nomination and Remuneration Committee

Composition

The Management Engagement Committee comprises all the Directors and is chaired by Fionnuala Hogan. It met two times during the financial year.

Responsibilities

The terms of reference of the Management Engagement Committee are reviewed and re-assessed for their adequacy on an annual basis. In accordance with those terms of reference, the Management Engagement Committee:

- Reviews the performance of the Investment Manager and the Company's compliance with the Investment Management Agreement on an annual basis and recommends any action to be taken by the Company under such terms;
- Considers the statement to be made in the Annual Report of the Company regarding the continued appointment of the Investment Manager, as required by the FCA's Listing Rules, and make a recommendation to the Board on such statement;
- Considers the continuing ability of the Board to act independently of the Investment Manager, or any other substantial shareholder, and their associates for so long as they have or their associates have a substantial shareholding in the Company; and
- Reviews the performance of the Company's other professional service providers annually with the exception of the Company's Auditors and Property Valuers as these will be reviewed by the relevant Committees.

The terms of reference are available of the Company's website (*www.ukcpreit.com*), or upon request from the Company Secretary.

Activity

Investment Management Agreement

- The Company appointed Ignis Fund Managers Limited up until 29 December 2015 when it was replaced by abrdn Fund Managers Limited (the "Investment Manager") following the takeover of Ignis Asset Management by abrdn plc. The Company appointed abrdn Fund Managers Limited as its Alternative Investment Fund Manager with effect from 29 December 2015.

Under the terms of the Investment Management Agreement between the Investment Manager and the Company (the "Management Agreement"), from 1 April 2022 the Investment Manager is entitled to an annual fee equal to 0.525% of total assets (as defined in the Management Agreement) up to £1.75 billion, excluding any cash held over £50 million and 0.475% for total assets above £1.75 billion, excluding any cash held over £50 million.

The Management Engagement Committee reviews the performance of, and contractual arrangements with, the Investment Manager on an annual basis.

The Board has considered the appropriateness of the continuing appointment of the Investment Manager in view of the performance of the Investment Manager, the fees payable to the Investment Manager and the notice period under the Management Agreement.

The Board has also considered the quality of other services provided to the Company by the Investment Manager, which include administrative, compliance and promotional activities.

Following this review, the Board has concluded that the appointment of the Investment Manager on the terms agreed continues to be in the best interests of shareholders as a whole.

As set out in more detail in the scheme documents published by the Company on 9 April 2024, available through the Company's website, it is proposed that the Company combines with Tritax Big Box REIT plc. If the combination is completed, the Management Agreement between the Company and the Investment Manager will be terminated.

Other Service Providers

- The Management Engagement Committee has conducted reviews of the Company's other key service providers, rating each provider on its understanding of the Group's aims and strategy, market awareness, quality of staff, cost effectiveness, reporting and regulatory compliance. The evaluations are shared and discussed with the individual suppliers and an overall rating is applied to the service of the provider in the year. Where appropriate, the Investment Manager has provided input. There were no changes to any of the Company's key service providers during the year. However, since the end of the year, following a review of the corporate broking function, the Company has announced the appointment of Deutsche Numis as its corporate broker, in place of JPMorgan Cazenove.

The Management Engagement Committee conducted its first performance review of Homes for Students, the operator of student accommodation at Exeter. The conclusion of the evaluation rated Homes for Student as strong and the Committee was impressed by the strength of site team at the asset.

Composition

The Nomination & Remuneration Committee comprises all the Directors and is chaired by Fionnuala Hogan. The Committee believes that, given the size of the Board, it is appropriate for all Directors to serve as members of the Committee. It met two times during the financial year.

Responsibilities

The terms of reference of the Nomination & Remuneration Committee are reviewed and re-assessed for their adequacy on an annual basis. In accordance with those terms of reference, the Nomination & Remuneration Committee:

- determines the remuneration policy, taking into account all factors which the Committee deems necessary including relevant legal and regulatory requirements and the provisions and recommendations of the AIC Code of Corporate Governance;
- determines the remuneration of the Chair (the Board itself determines the remuneration of non-executive directors). No Director is involved in any decisions as to his or her own remuneration;
- shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company but within any budgetary restraints imposed by the Board;
- shall regularly review the structure, size and composition (including the skills, knowledge experience, independence and diversity) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
- shall give full consideration to succession planning for Directors, taking into account the challenges and opportunities facing the Company, and what skills and expertise are needed on the Board in the future;
- shall be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;

The terms of reference are available of the Company's website (*www.ukcpreit.com*), or upon request from the Company Secretary.

Performance of the Board

The Nomination and Remuneration Committee, at the request of the Board, undertook an annual evaluation of the Chair of the Board, individual Directors and the performance of Committees and the Board as a whole with respect to the year ended 31 December 2023. The aim of the review was to assess the effectiveness of the Board and Committees and to identify actions which would improve these. The review involved the completion by each Director of questionnaires following an agreed framework.

The questionnaires covered a number of topics including Board Composition and Expertise, Board Dynamics, Management and Focus of Meetings, Board Support, Board Committees, Investment Strategy and Performance, External Relations, Risk Management, Succession Planning and Priorities for Change.

The results of the evaluation were considered by the Board with the evaluation concluding that the overall Board is operating effectively. The evaluation highlighted the diversity of the Board in terms of gender and skills, and the open and collaborative culture on the Board. All Directors are comfortable to contribute and to challenge appropriately, while recognising and respecting each others attributes and contributions. The Board assessed that it had in place the appropriate balance of skills, experience, length of service and knowledge of the Company, while also recognising the advantages of diversity. No major weaknesses were identified.

In accordance with the AIC Code, the Board's intention is that the annual evaluation is externally facilitated at least every three years with the next such review expected to be conducted for the year ending 31 December 2025.

NOMINATION & REMUNERATION COMMITTEE REPORT
Continued

Board Diversity

The Board recognises the importance of having a range of skilled, experienced individuals with the right knowledge represented on the Board in order to allow it to fulfil its obligations. The Board also recognises the benefits and is supportive of, and will give due regard to, the principle of diversity in its recruitment of new Board members. The Board will not display any bias for age, gender, race, sexual orientation, socioeconomic background, religion, ethnic or national origins or disability in considering the appointment of Directors. The Board will continue to ensure that all appointments are made on the basis of merit against the specification prepared for each appointment.

In doing so, the Board will seek to meet the targets set out in the FCA's Listing Rules which are set out below. The Board has resolved that the Company's year end date is the most appropriate date for disclosure purposes.

The information included below in relation to the gender and ethnic background of the Board has been obtained following confirmation from the individual Directors.

As shown in the table below, the Company has not as yet met the target set out in LR 9.8.6R (9)(a)(iii) in relation to the ethnic background of the Board. It is the Board's intention that achieving this target will be a priority during the Board's next succession appointments.

Tenure Policy and Re-Election of Directors at the Annual General Meeting

The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board. The Board also takes the view that independence is not compromised by length of tenure on the Board. However, in accordance with corporate governance best practice and the need for regular refreshment and diversity on the Board, the Board does not expect any of the Company's Directors, including the Chairman, to serve on the Board longer than the AGM following their ninth anniversary of appointment as a Director, except in exceptional circumstances.

The appointment date of each of the Directors is set out in the table below.

Director	Appointment date
Peter Pereira Gray	3 April 2023
Michael Ayre	24 February 2016
Margaret Littlejohns	1 January 2018
Chris Fry	1 January 2020
Fionnuala Hogan	5 August 2021

Pursuant to the Articles of Incorporation of the Company, one third, or the number nearest to but not exceeding one third, of the Directors are required to retire and stand for re-election at the Annual General Meeting each year, provided that each Director shall retire and stand for election at the Annual General Meeting immediately following their appointment then at intervals of no more than three years. However, in accordance with the recommendations of the AIC Code, the Board has agreed that all Directors will retire annually and, if eligible, will seek re-election.

The Board has reviewed the skills and experience of each Director, as described in their individual biographies on pages 60 to 61 and believes that each contributes to the long-term sustainable success of the Company.

Board Gender as at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board	Number in executive management	Percentage of executive management
Men	3	60%	2 [B]	n/a	n/a
Women	2	40% [A]	1 [C D]	n/a	n/a

A meets target of 40% as set out in LR 9.8.6R (9)(a)(i).
B the positions of Chair of the Board and Audit Committee Chair are held by men.
C the position the Senior Independent Director is held by a woman.
D meets target of 1 as set out in LR 9.8.6R (9)(a)(ii).

Board Ethnic Background as at 31 December 2023[A]

	Number of Board members	Percentage of the Board	Number of senior positions on the Board	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	5	100%	3	n/a	n/a

A does not meet the target of 1 as set out in LR 9.8.6R (9)(a)(iii).

The Nomination & Remuneration Committee, has prepared this Directors' Remuneration Report which consists of two parts:

- a Remuneration Policy, which is subject to a shareholder vote every three years – most recently voted upon at the AGM on 16 June 2022 where the proxy votes on the relevant resolution were: For – 1,029,897,131 votes (99.96%); Discretionary – 10,150 votes (0.01%); Against – 176,223 votes (0.02%); and Withheld votes – 14,497 votes (0.01%). The Remuneration Policy will next be put to a shareholder vote at the AGM in 2025; and
- an annual Implementation Report, which is subject to an advisory vote by shareholders.

Where disclosures have been audited, they are indicated as such. The independent auditor's opinion is included on pages 82 to 89.

The fact that the Remuneration Policy is subject to a shareholder vote at least every three years 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 the Directors of the Company, which takes into consideration corporate governance principles. No shareholder views were sought in setting the Remuneration Policy although any comments received from shareholders are considered on an ongoing basis.

The Directors are non-executive and it is the Board's policy that the remuneration of Directors be reviewed annually, although such review may not necessarily result in any change. The annual review should ensure remuneration reflects Directors' duties and responsibilities, expected time commitment, the level of skills and experience required and the need for Directors to maintain on an ongoing basis an appropriate level of knowledge of regulatory and compliance requirements in an industry environment of increasing complexity. Remuneration should be fair and comparable to that of similar real estate investment companies. The level of fees should also be sufficient to attract and retain the high calibre of Directors needed to oversee the Group properly and to reflect its specific circumstances.

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 re-election annually thereafter.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment (currently £46,750). Additional fees are paid to Committee Chairs.
- No incentive or introductory fees will be paid to encourage a directorship.
- 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 and losses, together with certain expenses and liabilities, which may be incurred in the discharge of duties as Directors of the Company.

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

Limit on Directors' Fees

The Company's Articles of Incorporation limit to £400,000 the aggregate annual fees payable to Directors. The limit can be amended by shareholder resolution from time to time and was last increased at the Annual General Meeting in 2019.

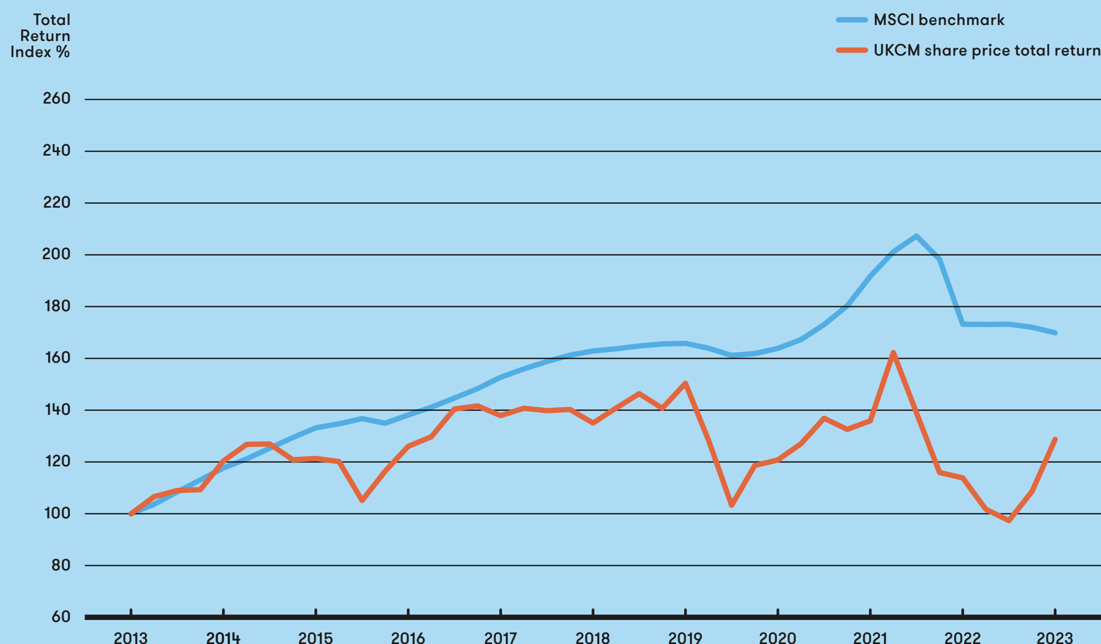
Implementation Report

The level of fees as at 31 December 2023 and 31 December 2022 are set out in the table below. There are no further fees to disclose as the Company has no employees, Chief Executive or Executive Directors.

	31 December 2023 £	31 December 2022 £
Chair	73,500	70,000
Chair of Audit Committee	55,150	52,500
Chair of Risk Committee	48,300	46,000
Chair of Management Engagement Committee[1]	48,300	46,000
Chair of Property Valuation Committee	48,300	46,000
Director	46,750	44,500

1 Fee covers responsibilities as Chair of Management Engagement Committee and Chair of Nomination and Remuneration Committee

Directors' fees were last revised on 1 July 2023.



Company Performance

The graph above compares the share price total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total return on the Company's MSCI benchmark for the ten year period ended 31 December 2023 (rebased to 100 at 31 December 2013).

Statement of Proxy Voting at Annual General Meeting

At the Company's latest Annual General Meeting, held on 21 June 2023, shareholders approved the Directors' Remuneration Report (other than the Directors' Remuneration Policy) in respect of the year ended 31 December 2022 and the proxy votes received on the relevant resolution were: For – 1,014,063,556 (99.86%); Discretionary – 111,929 (0.01%); Against – 1,280,986 (0.13%); and Withheld votes – 21,094 (0.00%).

Fees Payable (audited)

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.

	2023 £	2022 £	% change in directors fees
Peter Pereira Gray[1]	45,507	n/a	n/a
Ken McCullagh[2]	41,242	70,000	n/a
Michael Ayre	53,825	52,500	2.5
Chris Fry	47,150	46,000	2.5
Margaret Littlejohns	47,150	46,000	2.5
Fionnuala Hogan	47,150	46,000	2.5
Directors National Insurance and expenses	20,979	2,232	—
Total	303,003	262,732	—

1 Appointed as a Director on 3 April 2023
2 Retired as a Director on 31 July 2023

Fees are pro-rated where a change or appointment takes place during a financial year.

The following table shows the actual expenditure during the year in relation to Directors' remuneration and shareholder distributions.

	Year to 31 December 2023 £	Year to 31 December 2022 £
Aggregate Directors' Remuneration	303,003	262,732
Aggregate Shareholder Distributions	44,180,024	67,179,624

Annual Percentage Change in Directors' Remuneration

The table below sets out the annual percentage change in Directors' fees for the past five years.

Director	2023 %	2022 %	2021* %	2020* %	2019 %
Peter Pereira Gray[A]	n/a	n/a	n/a	n/a	n/a
Michael Ayre[B]	2.5	0.0	17.6	(12.5)	18.6
Chris Fry[C]	2.5	0.0	17.6	(23.3)	n/a
Margaret Littlejohns	2.5	0.0	17.6	(23.3)	20.0
Fionnuala Hogan[D]	2.5	0.0	n/a	n/a	n/a

A Appointed as a Director on 3 April 2023
B Appointed as Audit Chair on 1 January 2020
C Appointed as a Director on 1 January 2020
D Appointed as a Director on 5 August 2021
*From 1 April 2020 to 31 December 2020, the Board of Directors agreed to reduce their Directors fees by 20% as the economic impact of Covid-19 was experienced by stakeholders and tenants

Directors' Interests in the Company (audited)

The declared Directors' interests in the ordinary shares in the Company, each of which is beneficial unless otherwise stated, is as follows:

On 12 March 2024, Peter Pereira Gray acquired 1,099 shares as part of a dividend reinvestment plan, taking his total to 154,845 shares.

On 21 March 2024, Fionnuala Hogan announced that she purchased 5,187 shares as part of a dividend reinvestment plan over a two year period, taking her total to 69,221 shares. There have been no other changes to the interests listed below.

Director	31 December 2023	31 December 2022
Michael Ayre	192,000	142,000
Chris Fry[A]	106,445	81,664
Margaret Littlejohns	60,000	40,000
Fionnuala Hogan	64,034	26,207
Peter Pereira Gray[B]	152,535	—

A Includes an indirect interest over 6,445 shares held through a pension fund over which Chris Fry has discretion
B Appointed 3 April 2023

Fionnuala Hogan
Director
19 April 2024

DIRECTORS' REPORT

The Directors of UK Commercial Property REIT Limited (the "Company") present the Annual Report and Audited Consolidated Financial Statements for the year ended 31 December 2023.

Principal Activity and Status

The Company was incorporated on 24 August 2006 in Guernsey under registration number 45387. The Company is a closed ended investment company registered under the provisions of The Companies (Guernsey) Law, 2008 (as amended). The principal activity and status of the Company's subsidiaries is set out in note 11 on page 104. The Company migrated tax residence to the UK and elected to be treated as a UK REIT with effect from 1 July 2018.

Listing Requirements

The Company's ordinary shares are admitted to trading on the Main Market of the London Stock Exchange and to listing on the Official List of the FCA.

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.

Information contained elsewhere in the Annual Report

Information that is part of this Directors' Report can be found elsewhere in the Annual Report and is incorporated into this report by reference, as indicated in the relevant section.

Information	Location in Annual Report
Directors	Pages 60 to 61
Strategy (including purpose and objective)	Page 41
Promoting the success of the Company ("S172 Statement")	Pages 55 to 57
Directors' interest in shares	Page 75
Financial instruments	Note 18 on page 108
Corporate Governance Statement	Pages 58 to 63
Taskforce for Climate-related Financial Disclosures ("TCFD")	Pages 34 to 40

Results and Dividends

The Group generated an IFRS profit of £31.7 million (2022: loss of £222.3 million) in the year equating to an earnings per share loss of 2.44p (2022: loss 17.11p). The Company had cash at the year end of £22.1 million (2022: £30.9 million). The Group paid out dividends totalling £44.2 million (2022: £67.2 million) in the year.

The Company has paid interim dividends in the year ended 31 December 2023 as follows:

	Payment date	Rate per share (p)
Fourth interim for prior period	February 2023	0.85
First interim	May 2023	0.85
Second interim	August 2023	0.85
Third interim	November 2023	0.85
Total		3.40

On 7 February 2024 the Company declared a fourth interim dividend of 0.85p per ordinary share in respect of the quarter ended 31 December 2023 with an ex-dividend date of 15 February 2024, which was paid on 29 February 2024.

Share Capital, Voting Rights and Issue of Shares

The issued share capital at 31 December 2023 consisted of 1,299,412,465 ordinary shares of 25p each. At 18 April 2024 the issued share capital was unchanged. Each ordinary share of the Company carries one vote at general meetings of the Company.

All ordinary shares rank equally for dividends and distributions and carry one vote each. There are no restrictions concerning the transfer of ordinary shares in the Company, no special rights with regard to control attached to the ordinary shares, no agreements between holders of ordinary shares regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid.

As required by the FCA's Listing Rules, the Directors will only issue shares at prices which are not less than the net asset value of the ordinary shares unless such shares are first offered on a pre-emptive basis to existing shareholders or otherwise with the approval of shareholders.

Substantial Interests in Share Capital

At 31 December 2023 the following fund managers had notified the Company of a holding of 3% or more of the Company's issued share capital pursuant to the FCA's Disclosure, Guidance and Transparency Rules.

Holdings (%)*	31 December 2023	31 March 2024
Phoenix Group	43.4	43.4
Investec	14.3	13.7
BlackRock	4.7	4.7
Vanguard	3.0	3.1
Threadneedle	—	3.6
Brooks MacDonald	—	3.1

*Based on 1,299,412,465 Ordinary Shares in issue as at 31 December 2023 and 31 March 2024

Phoenix Group is the largest specialist consolidator of heritage life assurance funds in Europe. On launch the Company was managed by Ignis Investment Services Limited ("Ignis"), a subsidiary of Phoenix Group. The Company's initial property portfolio was purchased from the Phoenix Group in exchange for shares in the Company, resulting in the Phoenix Group holding approximately 71 per cent of the issued share capital of the Company through its subsidiaries. The Phoenix Group shareholding is held via a number of with profits funds which are closed to new investment and hence are in run-off over the medium to long term. Since launch the Phoenix Group has therefore been reducing its shareholding in the Company. On 24 February 2016 the Phoenix Group notified the Company that, following the sale by the Phoenix Group of interests in the Company, the Phoenix Concert Group's holding in the Company had fallen below 50 per cent.

The holding is managed on an arms-length basis and by a separate team within abrdn to the team who manage the Company. There is also an agreement between the Company and Phoenix Life Limited and Phoenix Life Assurance Limited which provides that both Phoenix entities and their associates will not take any action which would be detrimental to the general body of shareholders.

As at 31 March 2024, the Company had not been notified of any changes to the information above.

The Takeover Code

In previous years, following the sale of abrdn's insurance business to the Phoenix Group, in order to undertake share buybacks, a waiver from the Takeover Panel was required as the Investment Manager was deemed to be part of the Phoenix concert party under Rule 27 of the Takeover Code.

On 22 July 2020, the Phoenix Group completed the acquisition of the ReAsssure Group.

The increased size of the Phoenix Group resulted in the Investment Manager of UKCM no longer being part of the Phoenix concert party and hence no waiver is now required to be sought from the takeover panel should the Company wish to undertake share buybacks.

Relations with Shareholders

As set out in the Stakeholder Engagement section, the Board welcomes correspondence from shareholders, addressed to the Company's registered office or by email to *commercial.property@abrdn.com*

To promote a clear understanding of the Group, its objectives and financial results, the Board aims to ensure that information relating to the Group is disclosed in a timely manner and once published, quarterly factsheets, the interim report and annual report are available on the Company's website which can be found at: *www.ukcpreit.com*

The Chairman and the Investment Manager continue to offer individual meetings to the largest institutional and private client manager shareholders and they report back to the Board on these meetings.

External Agencies

The Board has contractually delegated certain services, including the following, to external firms:

- The function of Alternative Investment Fund Manager, including management of the investment portfolio (delegated to abrdn Fund Managers Limited);
- Company secretarial and administration services (delegated to Northern Trust International Fund Administration Services (Guernsey) Limited); and
- Shareholder registration services (Computershare Investor Services (Guernsey) Limited)

These contracts were entered into after full and proper consideration by the Directors of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the Group. These contracts are reviewed regularly by the Management Engagement Committee.

Key members of staff from the Investment Manager and Company Secretary attend Board meetings to brief the Directors on issues pertinent to the services provided.

Directors' Insurance and Indemnities

The Group maintains insurance in respect of Directors' & Officers' liabilities in relation their acts on behalf of the Group.

The Company's Articles of Incorporation provide, subject to the provisions of Guernsey law, for the Group to indemnify Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their position as Directors in which judgement is given in their favour or they are acquitted.

Depositary

The Company's Depositary is Citibank UK Limited in accordance with the AIFM Directive.

Going Concern

The Group's strategy and business model, together with the factors likely to affect its future development, performance and position, including principal risks and uncertainties, are set out in the Strategic Report.

The Directors have reviewed detailed cash flow, income and expense projections in order to assess the Group's ability to pay its operational expenses, bank interest and dividends for the foreseeable future. The Directors have examined significant areas of possible financial risk including cash and cash requirements and the debt covenants, in particular those relating to LTV and interest cover.

As set out in more detail in the scheme document published by the Company on 9 April 2024, available through the Company's website, it is proposed that the Company combines with Tritax Big Box REIT plc ("Big Box"). The combination, if approved by each company's shareholders, will be structured as an all-share offer by Big Box for the Company under the Code on Takeovers and Mergers and would be implemented by way of a scheme of arrangement in accordance with the Companies (Guernsey) Law, 2008 (the "Scheme"). The outcome of the general meetings (currently scheduled for 2 May 2024) to make the Scheme effective represents a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of business. If the combination is not approved by either company's shareholders, the Company will continue to operate in the normal course of business whilst continuing to assess its strategic options.

Notwithstanding this material uncertainty, the Directors have reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due and therefore the Board has concluded that it remains appropriate to continue to prepare the financial statements on a going concern basis. In reaching this conclusion, the Board has come to the view that, as the Scheme is contingent on shareholder approval and the Company is considered solvent in all other regards, and thus going concern remains the most appropriate basis for preparation. In reaching this conclusion, the Board has also given due consideration to the risks associated with the Scheme.

Viability Statement

As set out in more detail in the scheme document published by the Company on 9 April 2024, available through the Company's website, it is proposed that the Company combines with Tritax Big Box REIT plc ("Big Box"). The combination, if approved by each company's shareholders, will be structured as an all-share offer by Big Box for the Company under the Code on Takeovers and Mergers and would be implemented by way of a scheme of arrangement in accordance with the Companies (Guernsey) Law, 2008 (the "Scheme"). The outcome of the general meetings (currently scheduled for 2 May 2024) to make the Scheme effective represents a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

Notwithstanding this material uncertainty, for the purposes of this viability statement, the Board has decided that five-year time horizon is an appropriate period over which to report.

The Board also considers viability over the longer term, in particular to key points outside this time frame, such as the due dates for the repayment of long-term debt. In addition, the Board considers viability in relation to continuation votes. A periodic continuation vote held in October 2022 was passed with the next one scheduled for 2027 and seven yearly thereafter. In addition, under the discount control policy of the Company, a continuation vote may be required if the Company's shares trade at a discount of over 5% for a continuous period of 90 dealing days or more, beginning after the date of the second anniversary of the Company's most recent continuation vote.

The second anniversary of the most recent continuation vote is 25 October 2024. Further details on this are set out on page 79 of the Report of the Directors. This specific risk is assessed in light of the Company's most recent continuation vote which was passed with 98.9% of shareholders voting for continuation based on a 77.4% turnout. In addition, feedback from shareholders in the last 12 months has not given rise to any concerns over future continuation votes should they arise.

The Board has considered the nature of the Group's assets and liabilities and associated cash flows both in a normal environment and also in relation to the current environment as impacted by the emerging geopolitical and economic risks.

The Board has also carried out a robust assessment of the principal risks faced by the Group, as detailed on pages 44 to 54. The main risks which the Board considers will affect the business model, future performance, solvency, and liquidity, are macroeconomic and geopolitical uncertainties leading to a fall in the capital value of the Company's property portfolio, tenant failure leading to a fall in dividend cover and ongoing discounts leading to a continuation vote. The Board takes any potential risks to the ongoing success of the Group, and its ability to perform very seriously and works hard to ensure that risks are consistent with the Group's risk appetite at all times. In assessing the Group's viability, the Board has carried out thorough reviews of the following:

- Detailed NAV, cash resources and income forecasts, prepared by the Company's Investment Manager, for a five year period under both normal and stressed conditions;
- The Group's ability to pay its operational expenses, bank interest, tax and dividends over a five year period under both normal and stressed conditions;
- Future debt repayment dates and debt covenants, in particular those in relation to LTV and interest cover under both normal and stressed conditions;
- Demand for the Company's shares and levels of premium or discount at which the shares trade to NAV;
- Views of shareholders;
- The valuation and liquidity of the Group's property portfolio, the Investment Manager's portfolio strategy for the future and the market outlook and;
- The potential for a further continuation vote in 2025 should the Company's discount remain at over 5% for 90 business days following the second anniversary of the previous continuation vote (25 October 2022).

The assessment for stressed conditions used a foreseeable severe but plausible scenario which modelled using the following assumptions:

- 47 per cent capital fall in the next two years (based on the largest UK commercial property downturn experienced in 2007–2008) followed by zero growth for the next three years;
- Tenant defaults of 20 per cent for the first year, then 15, 10, 5 per cent for the second to fourth years respectively before returning to normal levels;
- Transfer of £217 million of unencumbered properties to lenders to support loan covenants with continued passing of loan tests (£330 million currently available); and
- Current dividend is maintained although in an uncovered dividend position.

Even under this extreme model the Group remains viable.

Despite the uncertainty from macroeconomics and geopolitical environment for the UK, the Board has a reasonable expectation, based on the information at the time of writing, that the Group will be able to continue in operation and meet its liabilities as they fall due over the next five years to March 2029. This assessment is based on the results of the reviews mentioned above and also the support of shareholders for the Company's continuation.

Criminal Finance Act

The Directors are fully committed to complying with all legislation and appropriate guidelines designed to prevent tax evasion and the facilitation of tax evasion in the jurisdictions in which the Group, its service providers and business partners operate.

Modern Slavery Act 2015

As an investment vehicle the Company does not provide goods or services in the normal course of business and does not have customers or employees. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015. The Investment Manager, however, does provide goods and services and is required to make a statement under Modern Slavery Act 2015 which is available on the Investment Manager website at *abrdn.com*

Disclosure of Information to Auditor

In the case of Directors at the time when the Annual Report and Consolidated Financial Statements were approved, the following applies:

- so far as each Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- they have taken all the steps that they could reasonably be expected to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Discount Control Policy

The discount control policy of the Company provides that in the event that the share price discount to prevailing published NAV (as last calculated, adjusted downwards for the amount of any dividend declared by the Company upon the shares going ex-dividend) is more than five per cent for 90 dealing days or more, following the second anniversary of the Company's most recent continuation vote, the Directors will convene an Extraordinary General Meeting ("EGM") to be held within three months to consider an ordinary resolution for the continuation of the Company. If this continuation resolution is not passed, the Directors will convene a further EGM to be held within six months of the first EGM 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. The last continuation vote was held on 25 October 2022.

Statement Regarding the Annual Report and Accounts

Following a detailed review of the Annual Report and Accounts by the Audit Committee, full details of which can be found in the Audit Committee Report, the Board consider that when taken as a whole, it is fair, balanced and understandable and provides the transparency necessary for shareholders to assess the Company's position and performance, business model and strategy.

Approved by the Board on 19 April 2024.

Peter Pereira Gray
Director

DIRECTORS' RESPONSIBILITY STATEMENT

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

In preparing those Group Consolidated 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;
- Make judgement and estimates that are reasonable and prudent;
- 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 as adopted by the European Union 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 as adopted by the European Union, subject to any material departures disclosed and explained in the Group Consolidated Financial Statements; and
- Prepare the Group Consolidated Financial Statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Group Consolidated Financial Statements.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain, the Group's transactions and disclose with reasonable accuracy at any time, the financial position of the Group and enable them to ensure that the Group Consolidated Financial Statements comply with The Companies (Guernsey) Law 2008.

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

The maintenance and integrity of the Company's website is the responsibility of the Directors through its Investment Manager; the work carried out by the auditors does not involve considerations of these matters and, accordingly, the auditors accept no responsibility for any change that may have occurred to the Consolidated Financial Statements since they were initially presented on the website. Legislation in Guernsey governing the preparation and dissemination of the consolidated financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in respect of the Consolidated Annual Report under the Disclosure and Transparency Rules

The Directors each confirm to the best of their knowledge that:

- The Group Consolidated Financial Statements, prepared in accordance with the IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and comply with The Companies (Guernsey) Law 2008; and;
- The management report, which is incorporated into the Strategic Report, Directors' Report and Investment Manager's Review, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that they face.

Statement under the UK Corporate Governance Code

The Directors each confirm to the best of their knowledge and belief that the Annual Report and Consolidated Financial Statements taken as a whole are fair, balanced and understandable and provide the information necessary to assess the Group's position and performance, business model and strategy.

On behalf of the Board

Peter Pereira Gray
Director
19 April 2024

Central Square, Newcastle upon Tyne

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK COMMERCIAL PROPERTY REIT LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. OPINION

In our opinion the financial statements of UK Commercial Property REIT Limited (the 'parent company') and its subsidiaries (the 'Group'):
give a true and fair view of the state of the Group's affairs as at 31 December 2023 and of its profit for the year then ended;
have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:
the consolidated statement of comprehensive income;
the consolidated balance sheet;
the consolidated statement of changes in equity;
the consolidated cash flow statement; and
the related notes 1 to 21.

The financial reporting framework that has been applied in the preparation is applicable law and IFRSs as adopted by the European Union and as issued by the IASB.

2. BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1 in the financial statements, which indicates the Company's intention to combine with Tritax Big Box REIT plc ("Big Box") following terms being agreed relating to a possible all share merger. If approved by the shareholders of both companies, the combination will be structured as an all-share offer by Big Box for the Company under the Code on Takeovers and Mergers. The implementation of the combination will be carried out through a scheme of arrangement in accordance with the Companies (Guernsey) Law, 2008.

As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Evaluated director's assessment of going concern and the assumptions, including income, expenditure, and cash forecasts, used in their 12 month and other forecast models;
- Evaluated the maturity of Group debt and the effect of repayment dates on the going concern assumption and the longer-term viability of the Group;
- Performed fair value and income sensitivity analysis, which we compared to the Group stress testing results;
- Assessed compliance with banking covenants as at the balance sheet date;
- Assessed the impact of the possible all-share merger on the Group's ability to continue as a going concern; and
- Assessed the financial statements disclosures and assessed whether the going concern assessment is appropriately disclosed.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to:

- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting; and
- the directors' identification in the financial statements of the material uncertainty related to the Group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK COMMERCIAL PROPERTY REIT LIMITED

Continued

4. SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: ▲ Going concern (see material uncertainty related to going concern section); and ▲ Key judgements in the valuation of investment property. Within this report, key audit matters are identified as follows: ! Newly identified ↑ Increased level of risk ⟷ Similar level of risk ↓ Decreased level of risk
Materiality	The materiality that we used for the Group financial statements in the current year was £10.23million which was determined on the basis of 1% of net asset value.
Scoping	All audit work for the Group was performed directly by the Group engagement team. All of the Group's subsidiaries are registered as Guernsey companies and are subject to full scope audits.
Significant changes in our approach	There were no significant changes in our approach in the current year, except for the removal of the recoverability of rental income receivable as a key audit matter. This was removed as the impact of COVID-19 on the Group had significantly reduced during the period under audit.

5. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the material uncertainty related to going concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

5.1 Key judgements in the valuation of investment property

Key audit matter description	How the scope of our audit responded to the key audit matter	Key observations
Valuation of investment properties is the key driver of the Group's net asset value. Valuations are inherently complex and require significant judgement and estimation around the key inputs and assumptions. The main judgements are around equivalent yields and estimated market rent and thus this was the focus of our key audit matter. Valuation of the investment property is the most judgmental area of the financial statements and therefore the most susceptible to fraudulent manipulation. Given the level of judgement involved, we have determined that there was a potential for fraud through possible manipulation of this balance. Directors' valuation is based on the external valuation provided by CBRE Limited, chartered surveyors. The valuation of the investment property portfolio at 31 December 2023 amounted to £1,224m (2022: £1,276m). Refer to notes 1(b) and 1(h) of accounting policies on pages 94 to 95 and note 10 on page 101 of the notes to the financial statements. Also refer to the audit committee report on pages 64 to 67.	We performed the following: ▲ Obtained an understanding of and tested relevant controls in relation to the valuation process; ▲ Evaluated the competence, capability and objectivity of the external valuer in order to obtain an understanding of the work of that expert; ▲ With the involvement of our real estate advisory specialists we challenged the external valuer on their valuation process and assumptions, performance of the portfolio, significant assumptions and critical judgement areas, by benchmarking the valuation assumptions, in particular the equivalent yields and estimated market rates, to relevant market evidence including specific property transactions and other external data; ▲ Assessed the integrity of information provided to the external valuer, including testing on a sample basis back to underlying lease agreements; and ▲ Assessed the financial statements disclosures and whether the significant judgements and estimations are appropriately disclosed.	Based on the work performed, we concluded that the key judgments used in the valuation of the investment property are appropriate.

6. OUR APPLICATION OF MATERIALITY

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced.

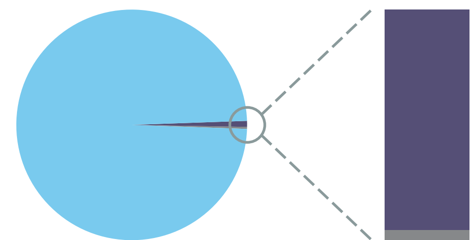
We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group Materiality	£10.23 million (2022: £9.18 million)
Basis for determining materiality	1% of the net asset value, in line with prior year.
Rationale for the benchmark applied	Net assets is the key balance considered by the users of the financial statements which is consistent with the market approach for such entities. Net assets were selected as investors are seeking capital appreciation in addition to dividend streams and the net asset value per share is an important indicator of performance to investors.

In addition to net assets, we consider EPRA Adjusted Profit After Tax as a critical performance measure for the Group and a measure which is widely used within the Real Estate industry.

We applied a lower-level materiality of £2.00m (2022: £2.01m), which equates to 5% (2022: 5%) of that measure for testing all balances impacting that measure, including trade receivables and trade payables.



Net Assets £1,023 million

Group materiality £10.23 million

Audit Committee reporting threshold £0.511 million

6.2 Performance Materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2023 audit (2022: 70%). In determining performance materiality, we considered the following factors:

A. The impact of macroeconomic uncertainty on the Group's operations and across the wider real estate sector as a whole.

B. The fact that we have not identified significant changes in the business structure;

C. The quality of the control environment and our ability to rely on controls; and

D. Our experience from previous audits has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3 Error Reporting Threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.511m (2022: £0.455m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK COMMERCIAL PROPERTY REIT LIMITED

Continued

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1 Scoping

The Group consists of UK Commercial Property REIT Limited and its subsidiaries, which are all registered in Guernsey. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including internal controls, and assessing the risks of material misstatement at the Group level. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.

The audit is performed centrally, as the books and records for each entity within the Group are maintained at head office. All the Group's subsidiaries that are registered as Guernsey companies are subject to full scope audits. Our audit work on the components was executed at levels of materiality applicable to each individual component which were lower than Group materiality and ranged from £5m to £8m. We also tested the consolidation process to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

7.2 Our Consideration of the Control Environment

The Board of Directors delegates management functions to Abrdn Fund Managers Limited as Investment Manager. As part of our risk assessment, we assessed the control environment in place at the Investment Manager, and obtained an understanding of the relevant controls, such as those related to the financial reporting cycle, and those in relation to our key audit matter. We also tested relevant controls in relation to the valuation of investment property and were able to apply a control reliance approach on the key business processes surrounding investment property valuations.

As part of our audit procedures we obtained an understanding of the relevant controls in operation at the service organisation of the Investment Manager, including an assurance report on controls at Service Organisations. We further obtained a bridging letter from the Investment Manager detailing that there have not been any material changes to the internal control environment. There were no other balances where we planned to rely on controls, other than the balances noted above.

7.3 Our Consideration of Climate-Related Risks

As part of our risk assessment, we have considered the potential impact of climate change on the Group's business and its financial statements. We have obtained an understanding of the process for identifying climate-related risks, the processes, and controls in place, as well as the determination of any mitigating actions.

The Group continues to develop its assessment of the potential impact of environmental, social and governance ("ESG") related risks, including climate change. As outlined in the ESG disclosures on pages 24 to 33 and strategic overview on page 41 the Group considers climate change to be a principal risk within the business, with particular impact on their investment properties. As part of our assessment of our key audit matter, we considered whether there was a heightened element of climate risk in relation to the key judgements in the valuation of investment properties.

We read the Strategic Report to consider whether the climate related disclosures are materially consistent with the financial statements and our knowledge obtained in the audit.

The Directors have assessed that there is currently no material impact arising from climate change on the valuation of investment property. This is disclosed in Note 10 to the financial statements.

We have assessed whether the risks identified by the entity are consistent with our understanding of the Group's business and we evaluated the appropriateness of disclosures included in the financial statements in this regard. The Directors have adopted the Task Force for Climate Related Disclosures and therefore with the involvement of our ESG assurance specialists we assessed the disclosures in the strategic overview, ESG and TCFD section on page 24 to 40.

8. OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at:

www.frc.org.uk/auditorsresponsibilities

This description forms part of our auditor's report.

11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and Assessing Potential Risks Related to Irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, real estate advisory specialists and ESG assurance specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: key judgements in the valuation of investment property. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies (Guernsey) Law, 2008, the Listing Rules and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. This included compliance with the REIT regime rules.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK COMMERCIAL PROPERTY REIT LIMITED

Continued

11.2. Audit response to risks identified

As a result of performing the above, we identified key judgements in the valuation of investment property as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with the Guernsey Financial Services Commission; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. OPINION ON OTHER MATTER PRESCRIBED BY OUR ENGAGEMENT LETTER

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the UK Companies Act 2006 as if that Act had applied to the company.

13. CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 77 to 78;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 77 to 78;
- the directors' statement on fair, balanced and understandable set out on pages 44 to 54;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 79;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 62 to 63; and
- the section describing the work of the audit committee set out on page 66.

14. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

14.1. Adequacy of explanations received and accounting records

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

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

We have nothing to report in this regard.

15. OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 16 August 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 8 years, covering the years ending 31 December 2016 to 31 December 2023.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. USE OF OUR REPORT

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/or those matters we have expressly agreed to report to them on in our engagement letter 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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R.

This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

Siobhan Durcan
Senior Statutory Auditor

For and on behalf of Deloitte LLP,
Recognised Auditor,
St Peter Port, Guernsey

19 April 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
INCOME			
Rental income	2	66,602	66,930
Service charge income	3	6,229	6,451
Loss on investment properties	10	(8,451)	(263,090)
Loss on liquidation of subsidiaries		—	(117)
Total income/(expense)		**64,380**	**(189,826)**
EXPENDITURE			
Investment management fee	4	(6,738)	(8,617)
Direct property expenses	5	(6,911)	(6,266)
Service charge expenses	5	(6,229)	(6,451)
Other expenses	5	(2,832)	(2,299)
Total expenditure		**(22,710)**	**(23,633)**
Operating profit/(loss) before finance costs		**41,670**	**(213,459)**
FINANCE COSTS			
Finance costs	6	(11,189)	(9,181)
Interest income		1,227	311
Net finance costs		(9,962)	(8,870)
Operating profit/(loss) after finance costs		**31,708**	**(222,329)**
Net profit/(loss) from ordinary activities before taxation		31,708	(222,329)
Taxation on profit on ordinary activities	7	—	—
Net profit/(loss) for the year		**31,708**	**(222,329)**
Total comprehensive (income/deficit) for the year		**31,708**	**(222,329)**
Basic and diluted earnings per share (pence)	9	**2.44**	**(17.11)**
Adjusted EPRA earnings per share (pence)	9	**3.35**	**3.15**

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. Additional EPRA performance measures are on pages 115 to 118.

The accompanying notes are an integral part of this statement.

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

	Notes	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
NON-CURRENT ASSETS			
Investment properties	10	1,179,527	1,275,610
		1,179,527	**1,275,610**
CURRENT ASSETS			
Investment properties held for sale	10	44,068	—
Trade and other receivables	12	42,125	52,648
Cash and cash equivalents		22,115	30,861
		108,308	83,509
Total assets		**1,287,835**	**1,359,119**
CURRENT LIABILITIES			
Trade and other payables	13	(28,256)	(31,714)
		(28,256)	**(31,714)**
NON-CURRENT LIABILITIES			
Bank loans	14	(236,332)	(291,686)
Total liabilities		**(264,588)**	**(323,400)**
Net assets		**1,023,247**	**1,035,719**
REPRESENTED BY			
Share capital	15	539,872	539,872
Special distributable reserve		538,451	542,472
Capital reserve		(55,076)	(46,625)
Revenue reserve		—	—
Equity shareholders' funds		**1,023,247**	**1,035,719**
Net asset value per share (pence)	16	**78.7**	**79.7**

The accounts on pages 90 to 113 were approved and authorised for issue by the Board of Directors on 19 April 2024 and signed on its behalf by:

Peter Pereira Gray
Director

The accompanying notes are an integral part of this statement.
Company Registration Number: 45387

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Equity Shareholders' Funds £'000
At 1 January 2023		539,872	542,472	(46,625)	—	1,035,719
Total comprehensive income		—	—	—	31,708	31,708
Dividends paid	8	—	—	—	(44,180)	(44,180)
Transfer in respect of loss on investment property	10	—	—	(8,451)	8,451	—
Transfer from special distributable reserve		—	(4,021)	—	4,021	—
As 31 December 2023		**539,872**	538,451	**(55,076)**	**—**	**1,023,247**

For the year ended 31 December 2022

	Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Equity Shareholders' Funds £'000
At 1 January 2022		539,872	568,891	216,465	—	1,325,228
Total comprehensive deficit		—	—	—	(222,329)	(222,329)
Dividends paid	8	—	—	—	(67,180)	(67,180)
Transfer in respect of loss on investment property	10	—	—	(263,090)	263,090	—
Transfer from special distributable reserve		—	(26,419)	—	26,419	—
As 31 December 2022		**539,872**	**542,472**	**(46,625)**	**—**	**1,035,719**

The accompanying notes are an integral part of this statement.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit/(loss) for the year before taxation		31,708	(222,329)
Adjustments for:		—	—
Loss on investment properties	10	8,451	263,090
Loss on liquidation of subsidiaries		—	116
Movement in lease incentives	10	(4,451)	(2,360)
Movement in provision for bad debts	12	1,876	256
Decrease in operating trade and other receivables		13,098	219
(Decrease)/increase in operating trade and other payables		(3,458)	4,016
Net finance costs		9,962	8,870
Net cash inflow from operating activities		**57,186**	**51,878**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment properties	10	(225)	(8,304)
Sale of investment properties		73,664	25,609
Capital expenditure	10	(29,707)	(48,517)
Net cash inflow/(outflow) from investing activities		**43,732**	**(31,212)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Facility fee charges from bank financing		(828)	(727)
Dividends paid	8	(44,180)	(67,180)
Bank loan repaid	14	(68,000)	(10,000)
Bank loan drawdown	14	12,500	53,000
Bank loan interest paid		(9,609)	(7,166)
Loan facility set up costs		(774)	(164)
Interest income		1,227	311
Net cash outflow from financing activities		**(109,664)**	**(31,926)**
Net decrease in cash and cash equivalents		**(8,746)**	**(11,260)**
Opening cash and cash equivalents		**30,861**	**42,121**
Closing cash and cash equivalents		**22,115**	**30,861**
REPRESENTED BY			
Cash at bank		16,066	21,321
Money market funds		6,049	9,540
		22,115	**30,861**

The accompanying notes are an integral part of this statement.

1. ACCOUNTING POLICIES

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

Basis of Accounting

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards issued 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 Companies (Guernsey) Law 2008 and the Listing Rules of the FCA. The audited Consolidated Financial Statements of the Group have been prepared under the historical cost convention as modified by the measurement of investment property. The consolidated financial statements are presented in pound sterling.

The Directors have considered the basis of preparation of the accounts, as set out in more detail in the scheme document published by the Company on 9 April 2024, available through the Company's website, it is proposed that the Company combines with Tritax Big Box REIT plc ("Big Box"). The combination, if approved by each company's shareholders, will be structured as an all-share offer by Big Box for the Company under the Code on Takeovers and Mergers and would be implemented by way of a scheme of arrangement in accordance with the Companies (Guernsey) Law, 2008 (the "Scheme"). The outcome of the general meetings to make the Scheme effective represents a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of business. If the combination is not approved by either company's shareholders, the Company will continue to operate in the normal course of business whilst continuing to assess its strategic options.

Notwithstanding this material uncertainty, the Directors have reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due and therefore the Board has concluded that it remains appropriate to continue to prepare the financial statements on a going concern basis. In reaching this conclusion, the Board has come to the view that, as the Scheme is contingent on shareholder approval and the Company is considered solvent in all other regards, there is no irrevocable path to liquidation and thus going concern remains the most appropriate basis for preparation. In reaching this conclusion, the Board has also given due consideration to the risks associated with the Scheme.

Changes in accounting policy and disclosure.

The following amendments to existing standards and interpretations were effective for the year, but were deemed not applicable to the Group:

- Amendments to IFRS 17 Insurance Contracts, Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction, and Amendments to IAS 12 Income Taxes – International tax Reform.

The following amendments to existing standards and interpretations were effective for the year and have been adopted by the Company:

- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

- Amendments to IAS 8 – Definition of Accounting Estimates.

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

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 judgements, 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. In applying the Group's accounting policies, there were no critical accounting judgements.

Key estimation uncertainties

Fair value of investment properties: Investment property is stated at fair value as at the balance sheet date as set out in note 1(f) and note 10 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 and unobservable inputs such as capitalisation rates. 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 and described further in note 10.

Summary of material accounting policies

As described above, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practical Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The Directors have reviewed the accounting policies and are satisfied that the information previously disclosed as part of their 'significant' accounting policies fulfils the definitions of 'materiality' under the amended standards – as such there has been no change to the summary of accounting policies below in the current year.

(a) Basis of Consolidation

The consolidated accounts comprise the accounts of the Company and its subsidiaries drawn up to 31 December each year. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The Jersey Property Unit Trusts ("JPUTS") are all controlled via voting rights and hence those entities are consolidated.

(b) 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 Company and its subsidiaries operate ("the functional currency") which is pounds sterling. The financial statements are also presented in Pounds Sterling. All figures in the financial statements are rounded to the nearest thousand unless otherwise stated.

(c) Revenue Recognition

Rental income is included in the Consolidated Statement of Comprehensive Income on an accruals basis.

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

IFRS15 requires the Group to determine whether it is a principal or an agent when goods or services are transferred to a customer. An entity is a principal if the entity controls the promised good or service before the entity transfers the goods or services to a customer.

An entity is an agent if the entity's performance obligation is to arrange for the provision of goods and services by another party. Any leases entered into between the Group and a tenant require the Group to provide ancillary services to the tenant such as maintenance works etc, therefore these service charge obligations belong to the Group. However, to meet this obligation the Group appoints a managing agent, Jones Lang Lasalle Inc "JLL" and directs it to fulfil the obligation on its behalf. The contract between the Group and the managing agent creates both a right to services and the ability to direct those services. This is a clear indication that the Group operates as a principal and the managing agent operates as an agent. Therefore it is necessary to recognise the gross service charge revenue and expenditure billed to tenants as opposed to recognising the net amount.

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

(d) 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 Consolidated Statement of Comprehensive Income.

(e) Taxation

Current 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 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 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 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.

(f) 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 Consolidated Statement of Comprehensive Income and transferred to the Capital Reserve. Fair value is based on the external valuation provided by CBRE Limited, chartered surveyors, at the Balance Sheet date. The assessed fair 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 when the significant risks and rewards of ownership of the properties have transferred between a willing buyer and a willing seller.

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

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

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

(g) Operating Lease Contracts

The Group has entered into commercial property leases on its investment property portfolio.

The Group leases its investment property under commercial property leases which are held as operating leases therefore retains all the significant risks and rewards of ownership.

(h) Share Issue Expenses

Incremental external costs directly attributable to the issue of shares are netted off against the amount credited to the share capital reserves.

(i) 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. The Directors are of the opinion that the four property sectors analysed throughout the financial statements constitute this single segment, and are not separate operating segments as defined by IFRS 8 Operating Segments.

(j) 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.

(k) Trade and Other Receivables

Trade receivables are recognised initially at their transaction price unless they contain a significant financing component, when they are recognised at fair value. Trade receivables are subsequently measured at amortised cost using the effective interest method.

Other receivables are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full. The Group writes off trade receivables when there is no reasonable expectation of recovery.

A provision for impairment of trade receivables is established where the Investment Manager has indicated concerns over the recoverability of arrears based upon their individual assessment of all outstanding balances which incorporates forward looking information. Given this detailed approach, a collective assessment methodology applying a provision matrix to determine expected credit losses is not used. The amount of the provision is recognised in the Consolidated Balance Sheet and any changes in provision recognised in the Statement of Comprehensive Income.

(l) 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.

(m) Reserves

Share Capital

This represents the proceeds from issuing ordinary shares.

Special Distributable Reserve

The special reserve is a distributable reserve to be used for all purposes permitted under Guernsey law, including the buyback of shares and the payment of dividends. Dividends can be paid from all of the below listed reserves.

Capital Reserve

The following are accounted for in this reserve:

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

Revenue Reserve

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

(n) Interest-bearing Borrowings

All loans are initially measured at fair value net of arrangement costs associated with the borrowings. After initial recognition, all interest-bearing loans are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement. Arrangement costs are recognised within finance costs in the Consolidated Statement of Comprehensive Income.

(o) New and Revised IFRS Accounting Standards in Issue but not yet Effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective. The Group will consider these amendments in due course to see if they will have any impact on the Group.

- Amendments to IAS 1 Presentation of Financial Statements — Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 Presentation of Financial Statements — Non-current Liabilities with Covenants

The amendments change the requirements in IAS 1.

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures — Supplier Finance Arrangements

The amendments add a disclosure objective stating that an entity is required to disclose information about its supplier finance arrangements as part of its exposure to concentration of liquidity risk.

- Amendments to IFRS 16 — Lease Liability in a Sale and Leaseback

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

2. RENTAL INCOME

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Rental income	69,465	64,515
Rent incentives	(2,863)	2,415
	66,602	66,930

3. SERVICE CHARGE INCOME

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Service charge income	6,229	6,451

Service charges on rented properties are detailed in note 5.

Service charge expenses, are recharged to tenants.

The service charge paid by the Group in respect of void units was £0.6 million (2022: £0.7 million) and is included within note 5 Direct Property Expenses.

4. INVESTMENT MANAGEMENT FEES

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Investment management fee	6,738	8,617

The Group's Investment Manager is Abrdn Fund Managers Limited.

The Investment Manager received an annual fee from the Group at a rate of 0.525 per cent (2022: 0.525 per cent, from 1 April 2022, 0.6 per cent prior to 1 April 2022) on total assets (as defined in the Investment Management Agreement) up to £1.75 billion, excluding any cash held over £50 million. The fee rate for total assets over £1.75 billion, adjusted for the £50 million cash tier, will be payable at 0.475 per cent.

In 2023, the Company paid the Investment Manager £396,000 (2022: £396,000) for marketing services which is included in other expenses.

The Investment Management agreement is terminable by either of the parties to it on 12 months' notice.

5. EXPENSES

DIRECT PROPERTY EXPENSES	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Direct property expenses of let rental units	5,431	4,220
Expenditure incurred relating to operating units	618	475
Direct property expenses of vacant units	647	675
Bad debts recognised during the year, net	215	896
	6,911	**6,266**
Service charge expenses	**6,229**	**6,451**

OTHER EXPENSES	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Professional fees	1,082	705
Abortive transaction costs	459	380
Valuation fees*	145	152
Directors' fees and expenses**	303	263
Marketing fees	396	396
Administration and company secretarial fees	172	161
Regulatory fees	95	92
Auditor's remuneration for:		
Statutory audit	180	150
Non audit services	—	—
	2,832	**2,299**

* *Valuation fees are charged at the agreed basis being, 0.0022% of valuation plus a cash flow fee per property of £75 per quarter. Fees are billed quarterly consistent with the valuation cycle. The independent valuation agreement is effective from November 2016, initially for 5 years, moving to a quarterly rolling basis.

** Composition and analysis of the Director fees is provided within the Directors Renumeration report on page 74.

6. FINANCE COSTS

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Interest on principal loan amount	9,351	7,922
Facility fees	918	735
Amortisation of loan set up fees	920	524
	11,189	**9,181**

7. TAXATION

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX	**31,708**	**(222,329)**
UK Corporation tax at a rate of 23.5 per cent (2022: 19%)	7,451	(42,243)
Effect of:		
Capital losses on Investment properties not taxable	1,986	49,987
Income not taxable, including interest receivable	(288)	(59)
UK REIT exemption on net income	(9,149)	(7,685)
Total tax charge	—	—

The Group migrated tax residence to the UK and elected to be treated as a UK REIT with effect from 1 July 2018. As a UK REIT, the income profits of the Group's UK property rental business are exempt from corporation tax as are any gains it makes from the disposal of its properties, provided they are not held for trading or sold within three years of completion of development. The Group is otherwise subject to UK corporation tax at the prevailing rate. From 1 April 2023, the rate of UK Corporation Tax has increased to 25%.

As the principal company of the REIT, the Company is required to distribute at least 90% of the income profits of the Group's UK property rental business. There are a number of other conditions that also are required to be met by the Company and the Group to maintain REIT tax status. These conditions were met in the period and the Board intends to conduct the Group's affairs such that these conditions continue to be met for the foreseeable future. Accordingly, deferred tax is no longer recognised on temporary differences relating to the property rental business or income tax losses previously built up.

The Company and its subsidiaries are exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. No charge to Guernsey taxation will arise on capital gains.

8. DIVIDENDS AND PROPERTY INCOME DISTRIBUTIONS (PID) GROSS OF INCOME TAX

DIVIDENDS ON ORDINARY SHARES	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Interim dividends paid per ordinary share:		
2022 Fourth interim: PID of 0.680p per share, Non-PID of 0.170p per share paid 28 February 2023 (2021 Fourth interim: PID of 0.466p per share, Non-PID of 0.284p per share)	11,045	9,746
2023 First interim: PID of 0.850p paid 31 May 2023 (2022 First interim: PID of 0.800p per share)	11,045	10,395
2023 Second interim: PID of 0.500p per share, Non-PID of 0.350p per share paid 31 August 2023 (2022 Second interim: PID of 0.850p per share)	11,045	11,045
2022 Special dividend: 1.92p per share paid 31 August 2022	—	24,949
2023 Third interim: PID of 0.600p per share, Non-PID of 0.250p per share paid 30 November 2023 (2022 Third interim: PID of 0.500p per share, Non-PID of 0.350p per share)	11,045	11,045
	44,180	**67,180**

A fourth interim, PID of 0.85p was paid on 29 February 2024 to shareholders on the register on 15 February 2024. Although this payment relates to the year ended 31 December 2023, under International Financial Reporting Standards it will be accounted for in the year ending 31 December 2024.

9. BASIC AND DILUTED EARNINGS PER SHARE

	Year ended 31 December 2023	Year ended 31 December 2022
Weighted average number of shares	1,299,412,465	1,299,412,465
Net profit / (loss) (£)	31,708,000	(222,329,000)
Basic and diluted Earnings per share (pence)	2.44	(17.11)
Adjusted EPRA earnings per share (pence)*	**3.35**	**3.15**

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

Earnings per share are based on the net profit of the year divided by the weighted average number of Ordinary Shares in issue during the period.

*A breakdown of the calculation is detailed in the table A. EPRA Earnings on page 115.

10. INVESTMENT PROPERTIES

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
FREEHOLD AND LEASEHOLD PROPERTIES		
Opening valuation	1,275,610	1,508,368
Purchase at cost	(923)	6,934
Capital expenditure	29,387	48,517
Loss on revaluation to market value	(3,776)	(264,295)
Disposals at prior year valuation	(72,252)	(21,554)
Lease incentive movement	(4,451)	(2,360)
Total fair value at 31 December	1,223,595	1,275,610
Less: reclassified as held for sale	(44,068)	—
Fair value as at 31 December	**1,179,527**	**1,275,610**

(LOSSES)/GAINS ON INVESTMENT PROPERTIES AT FAIR VALUE COMPRISE	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Loss on revaluation to market value	(3,776)	(264,295)
Lease incentive movement	(4,451)	(2,360)
(Loss)/gain on disposal	(224)	3,565
	(8,451)	**(263,090)**

GAIN/(LOSS) ON INVESTMENT PROPERTIES SOLD	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Original cost of investment properties	(25,864)	(22,972)
Sale proceeds less sales costs	72,027	25,119
Gain on investment properties sold	46,163	2,147
Recognised in previous periods	46,387	(1,418)
Recognised in current period	(224)	3,565
	46,163	**2,147**

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.

All the Group's investment properties were valued as at 31 December 2023 by RICS Registered Valuers working for CBRE Limited ('CBRE'), commercial real estate advisors, acting in the capacity of a valuation adviser to the AIFM. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors ('RICS').

CBRE completed the valuation of Group investment properties as at 31 December 2023 on the basis of fair value in accordance with the requirements of the Royal Institution of Chartered Surveyors (RICS) 'RICS Valuation — Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the 'Red Book'). For most practical purposes there would be no difference between Fair Value (as defined in IFRS 13) and Market Value. The Property Valuer, in valuing the portfolio, is acting as an 'External Valuer', as defined in the Red Book, exercising independence and objectivity. The fair value of these investment properties amounted to £1,251,050,000 (2022: £1,308,025,000).

There is no material impact arising from climate change on the valuation of investment properties.

The difference between the fair value and the value per the consolidated balance sheet at 31 December 2023 consists, in the main, to accrued income relating to the pre-payment for rent-free periods recognised over the life of the lease totalling £28,090,000 (2022: £32,541,000) which is separately recorded in the accounts as a current asset. In addition a balance of £636,000 (2022: £126,000) has been offset against the lease incentive representing the reduction in the lease incentive provided for as part of the provision for bad debts giving a net lease incentive balance of £27,455,000 (2022: £32,415,000).

As at 31 December 2023, three properties are held for sale. Two sales have been completed, see note 21 for further details. The third sale is expected to complete in April 2024.

The Group has entered into leases on its property portfolio as lessor (See note 20 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.

The property portfolio's fair value as at 31 December 2023 has been prepared adopting the following assumptions:

- That, where let, the Estimated Net Annual Rent (after void and rent free period assumptions) for each property, or part of a property, reflects the terms of the leases as 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 Property Valuer considers would be obtainable on an open market letting as at the date of valuation.
- The Property Valuer has assumed that, where let, all rent reviews are to be assessed by reference to the estimated rental value calculated in accordance with the terms of the lease. 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 Property 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 Property Valuer assumes an initial yield in the region of 2.85 to 11.15 per cent, based on market evidence. For the majority of properties, the Property Valuer assumes a reversionary yield in the region of 4.22 to 18.87 per cent.
- The Property Valuer takes account of deleterious materials included in the construction of the investment properties in arriving at its estimate of Fair Value when the Investment Manager advises of the presence of such materials.

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

The following disclosure is provided in relation to the adoption of IFRS 13 Fair Value Measurement. All properties are deemed Level 3 for the purposes of fair value measurement and the current use of each property is considered the highest and best use. There have been no transfers from Level 3 in the year. 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 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 void or rent free 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.

Fair Value by sector as at 31 December 2023

Sector	Fair Value at 31 December 2023 (£m)	Valuation techniques	Unobservable inputs	Range (weighted average)
Industrial	739.8	Yield methodology	Annual rent per sq ft Initial Yield	£5 – £13 (£8) 2.9% – 7.3% (4.8%)
Office	143.6	Yield methodology	Annual rent per sq ft Initial Yield	£7 – £54 (£23) 4.6% – 11.2% (9.3%)
Retail	176.1	Yield methodology	Annual rent per sq ft Initial Yield	£12 – £30 (£19) 5.4% – 7.2% (6.2%)
Alternatives	191.6	Yield methodology	Annual rent per sq ft Initial Yield	£0 – £19 (£15) 4.0% – 10.0% (4.7%)

Fair Value by sector as at 31 December 2022

Sector	Fair Value at 31 December 2022 (£m)	Valuation techniques	Unobservable inputs	Range (weighted average)
Industrial	773.4	Yield methodology	Annual rent per sq ft Initial Yield	£5 – £15 (£7) 4.9% – 7.7% (5.6%)
Office	171.2	Yield methodology	Annual rent per sq ft Initial Yield	£7 – £53 (£23) 4.0% – 8.5% (6.6%)
Retail	180.3	Yield methodology	Annual rent per sq ft Initial Yield	£12 – £30 (£19) 4.8% – 6.5% (5.8%)
Alternatives	183.1	Yield methodology	Annual rent per sq ft Initial Yield	£0 – £19 (£16) 6.3% – 10.5% (4.7%)

Sensitivity Analysis

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment property, which could be caused by a number of factors. The movement of 50 basis points is based on past observed data.

As at 31 December 2023

Sector	Assumption	Movement	Effect on valuation
Industrial	Initial Yield	+50 basis points –50 basis points	Decrease £62.4 million Increase £74.3 million
Office	Initial Yield	+50 basis points –50 basis points	Decrease £11.0 million Increase £12.7 million
Retail	Initial Yield	+50 basis points –50 basis points	Decrease £13.4 million Increase £15.7 million
Alternatives	Initial Yield	+50 basis points –50 basis points	Decrease £11.7 million Increase £13.7 million

As at 31 December 2022

Sector	Assumption	Movement	Effect on valuation
Industrial	Initial Yield	+50 basis points –50 basis points	Decrease £67.2 million Increase £80.4 million
Office	Initial Yield	+50 basis points –50 basis points	Decrease £14.3 million Increase £16.8 million
Retail	Initial Yield	+50 basis points –50 basis points	Decrease £14.1 million Increase £18.8 million
Alternatives	Initial Yield	+50 basis points –50 basis points	Decrease £12.7 million Increase £14.7 million

This represents the Group's best estimate of a reasonable possible shift in initial yield, having regard to historical volatility of the value.

There is no further estimation uncertainty that requires disclosure, that is not already captured via the sensitivities in the most significant assumptions noted in the tables above.

Investment Property Valuation Process

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

These reports are based on both:

- Information provided by the Investment Manager such as current rents, terms and conditions of lease agreements, service charges and capital expenditure. This information is derived from the Investment Manager's financial and property management systems and is subject to the Investment Manager's 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 Manager. This includes a review of fair value movements over the period.

11. SUBSIDIARY UNDERTAKINGS

The Company owns 100 per cent of the issued share capital of UK Commercial Property Estates Holdings Limited (UKCPEHL), a company incorporated in Guernsey whose principal business is to hold and manage investment properties for rental income. UKCPEHL Limited owns 100 per cent of the issued share capital of UK Commercial Property Estates Limited, a company incorporated in Guernsey whose principal business is to hold and manage investment properties for rental income and, 100% of the issued share capital of Duke Distribution Centres Sarl and Duke Offices & Developments Sarl, both companies are dormant and incorporated in Luxembourg.

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

In addition, the Group controls three JPUTS namely Junction 27 Retail Unit Trust, St George's Leicester Unit Trust, and Rotunda Kingston Property Unit Trust. The principal business of the Unit Trusts is that of investment in property.

12. TRADE AND OTHER RECEIVABLES

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Rental debtors	12,623	20,605
Rental deposits	3,312	3,000
Provision for bad debts	(3,195)	(5,071)
Lease incentives	28,090	32,541
Other debtors and prepayments	1,295	1,573
	42,125	**52,648**

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Provision for bad debts as at 1 January	5,071	5,327
Bad debts recognised during the year	215	896
Bad debts written off during the year as uncollectable	(2,091)	(1,152)
Provision for bad debts as at 31 December	**3,195**	**5,071**

The ageing of these receivables is as follows:	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Less than 6 months	681	697
Between 6 and 12 months	663	578
Over 12 months	1,851	3,796
	3,195	**5,071**

All other debtors are due within one year. No other debts past due are impaired in either year.

13. TRADE AND OTHER PAYABLES

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Deferred rental income	15,270	14,223
Investment Manager fee payable	1,657	3,819
Rental deposits	3,312	3,000
Bank loan interest	2,234	2,402
Transaction costs	324	798
VAT payable	3,348	3,622
Other payables	2,111	3,850
	28,256	**31,714**

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

14. BANK LOANS

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Total facilities available	350,000	380,000
Drawn down:		
Barclays facility	37,500	93,000
Barings facility	200,000	200,000
Set up costs incurred	(7,566)	(6,792)
Accumulated amortisation of set up costs	6,398	5,478
Total due	**236,332**	**291,686**

Analysis of movement in net debt	Cash and cash equivalents £'000	Interest-bearing loans £'000	2023 net debt £'000	Cash and cash equivalents £'000	Interest-bearing loans £'000	2022 net debt £'000
Opening balance	30,861	(291,686)	(260,825)	42,121	(248,326)	(206,205)
Cash movement	(8,746)	56,274	47,528	(11,260)	(42,836)	(54,096)
Amortisation of arrangement costs	—	(920)	(920)	—	(524)	(524)
Closing balance	**22,115**	**(236,332)**	**(214,217)**	**30,861**	**(291,686)**	**(260,825)**

(i) Barclays Facility £150 million

The Group had a £180 million revolving credit facility ("RCF"), maturing in February 2024, with Barclays Bank plc. The RCF was increased to £180 million on 19 August 2022, initially the facility was granted at a margin of 1.70 per cent above LIBOR, however as part of the interest rate reform guidelines this facility has transitioned to a risk-free rate (RFR), (SONIA) interest basis.

On 10 January 2023 UKCPEHL extended the facility with Barclays for a period of three years, the facility is now due to expire in January 2026. The new facility has a slightly increased margin of 1.90 per cent (2022: 1.70 per cent). On 19 December 2023 the facility was decreased to £150m. The RCF is cancellable at any time. As at 31 December 2023 UKCPEHL had drawn down £37.5 million from the facility (2022: £93 million).

The RCF has a non-utilisation fee of 0.76 per cent per annum (2022: 0.68 per cent per annum) charged on the proportion of the RCF not utilised on a pro-rata basis. As at 31 December 2023, £112.5 million (2022: £87 million) of the facility was unutilised. The RCF is secured on the property portfolio held by UKCPEHL. Under bank covenants related to the RCF, UKCPEHL 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 175 per cent and projected over the course of the proceeding 12 months is not less than 175 per cent.

UKCPEHL met all covenant tests during the year for the RCF.

(ii) Barings Facility £200 million

The Group has a £100 million facility , maturing in April 2027, with Barings Real Estate Advisers, a member of the MassMutual Financial Services Group. The loan was taken out by UKCPFHL. As at 31 December 2023, the facility was fully drawn (31 December 2022: Fully drawn). The bank loan is secured on the portfolio of seven properties held within UKCPFHL. Under bank covenants related to the loan UKCPFHL is to ensure that at all times:

- The loan to value percentage does not exceed 75 per cent.
- Interest cover at the relevant payment date and also projected over the course of the proceeding 12 months is not less than 200 per cent.

UKCPFHL met all covenant tests during the year for this facility.

Interest is payable by UKCPFHL at a fixed rate equal to the aggregate of the equivalent 12 year gilt yield, fixed at the time of drawdown and a margin. This resulted in a fixed rate of interest payable of 3.03 per cent per annum. There are no interest rate swaps in place relating to this facility.

The Group took out a second £100 million facility in 20 February 2019, maturing in February 2031, with Barings Real Estate Advisers. The loan was taken out by UKCPFHL. As at 31 December 2023, the facility was fully drawn (31 December 2022: Fully drawn). The bank loan is secured on the portfolio of seven properties held within UKCPFHL. This facility has the same covenant tests as the 2027 facility outlined above. UKCPFHL met all covenant tests during the year for this facility.

Interest is payable by UKCPFHL at a fixed rate equal to the aggregate of the equivalent 12 year gilt yield, fixed at the time of drawdown and a margin. This resulted in a fixed rate of interest payable of 2.72 per cent per annum. There are no interest rate swaps in place relating to this facility.

In the event that the Barings facilities were repaid in advance of their maturity date, the Company would incur an early repayment charge. Although the Company has no intention of doing so, as at 31 December 2023, the charge would be £2,000,000 (2022: £2,000,000).

15. SHARE CAPITAL ACCOUNTS

SHARE CAPITAL	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Opening balance	539,872	539,872
Share capital as at 31 December	539,872	539,872

Number of shares in issue and fully paid at the year end being 1,299,412,465 (2022: 1,299,412,465) of 25p each.

Ordinary shareholders participate in all general meetings of the Company on the basis of one vote for each share held. The Articles of Incorporation of the Company allow for an unlimited number of shares to be issued, subject to restrictions placed by AGM resolutions. There are no restrictions on the shares in issue. There are currently no Treasury shares in issue.

16. NET ASSET VALUE PER SHARE

	Year ended 31 December 2023	Year ended 31 December 2022
Ordinary Shares	1,299,412,465	1,299,412,465
Net assets attributable at the year end (£'000)	1,023,247	1,035,719
NAV per share (pence)	**78.7**	**79.7**
EPRA Net Tangible Assets per share[1]	78.7	79.7

[1] A breakdown of the calculation is detailed in the table B. EPRA Net Tangible Assets on page 116.

17. 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.

abrdn Fund Managers Limited, as the Investment Manager of the Group, received fees for their services as investment managers. Further details are provided in note 4. The total management fee charged to the Statement of Comprehensive Income during the year was £6,738,000 (2022: £8,617,000) of which £1,657,000 (2022: £3,819,000) remained payable at the year end. The Investment Manager also received £396,000 (£396,000 inc VAT) for marketing services incurred during the year of which £nil (2022: £nil) remained payable at the year end.

The Directors of the Company are deemed as key management personnel and received fees for their services. Further details are provided in the Directors' Remuneration Report (unaudited) on pages 73 to 75. Total fees for the year were £303,003 (2022: £262,732) none of which remained payable at the year end (2022: nil).

The Group invests in the abrdn Liquidity Fund which is managed by abrdn. As at 31 December 2023 the Group had invested £6.0 million in the Liquidity Fund (2022: £9.5 million). No additional fees are payable to abrdn as a result of this investment.

18. 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 Value Hierarchy

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

Explanation of the Fair Value Hierarchy:

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

31 December 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Investment properties	—	—	1,251,050	1,251,050

31 December 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Investment properties	—	—	1,308,025	1,308,025

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

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

31 December 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Bank loans	—	237,500	—	237,500

31 December 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Bank loans	—	293,000	—	293,000

The lowest level of input is the gilt yields (Note 14(ii)) applicable to each borrowing as at the balance sheet date which is a directly observable input within a model.

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

The fair value of investment properties is calculated using unobservable inputs as described in note 10.

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

There have been no transfers between levels in the year for items held at fair value.

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 given the inflationary environment. 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 overleaf). To reduce this risk, the Group reviews the financial status of all prospective tenants and decides on the appropriate level of security required via rental deposits or guarantees;
- The exposure of the fair values of the portfolio to market and occupier fundamentals such as tenants' financial position.

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 2023	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Cash and cash equivalents	22,115	—	—	22,115
Rent receivable and provision for bad debts	9,428	—	—	9,428
Other debtors	1,295	—	—	1,295
	32,838	**—**	**—**	**32,838**

Financial Assets 2022	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Cash and cash equivalents	30,861	—	—	30,861
Rent receivable and provision for bad debts	15,534	—	—	15,534
Other debtors	1,573	—	—	1,573
	47,968	**—**	**—**	**47,968**

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 and provides for rent due by tenants that are assessed to be unlikely to pay through the process set out on page 57.

The Company has a diversified tenant portfolio. The maximum credit risk from the rent receivables of the Group at 31 December 2023 is £12,623,000 (2022: £20,605,000). The Group holds rental deposits of £3,312,000 (2022: £3,000,000) as potential collateral against tenant arrears/defaults. All tenant deposits are in line with market practice. There is no residual credit risk associated with the financial assets of the Group. Other than those included in the provision for bad debts, no financial assets past due are impaired. The provision for bad debts is adjusted, on a tenant by tenant basis, to reflect the evolving risk position. During the year this provision decreased by £1.9 million to £3.2 million (2022: decreased to £5.1 million).

All of the cash is placed with financial institutions with a credit rating of A-1 or above. £6.0 million (2022: £9.5 million) of the year end cash balance is held in the abrdn Liquidity Fund, which is a money market fund and has a A-1 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 facilities.

Fair value of trade and other receivables and payables are materially equivalent to their amortised cost.

Liquidity Risk

Liquidity risk arises from the Group's management of working capital, the finance charges, principal repayments on its borrowings and its development commitments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due, as the majority of the Group's assets are property investments and are therefore not readily realisable as properties are not traded in an organised public market.

The Group's objective is to ensure it has sufficient available funds for its operations and to fund its capital expenditure. This is achieved by continuous monitoring of forecast and actual cash flows by the Board and Investment Manager, ensuring it has appropriate levels of cash and available drawings to meet liabilities as they fall due.

As at 31 December 2023 the cash balance was £22,115,000 (2022: £30,861,000).

Financial Liabilities 2023	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Bank loans	2,131	4,332	266,797	273,260
Other creditors	28,256	—	—	28,256
	30,387	**4,332**	**266,797**	**301,516**

Financial Liabilities 2022	3 months or less £'000	More than 3 months but less than one year £'000	More than one year £'000	Total £'000
Bank loans	2,505	4,332	328,047	334,884
Other creditors	31,714	—	—	31,714
	34,219	**4,332**	**328,047**	**366,598**

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.

When the Group retains cash balances, they are ordinarily held on interest-bearing accounts. The benchmark which determines the interest income received on interest-bearing cash balances is the bank base rate of the Bank of England which was 5.25 per cent as at 31 December 2023 (2022: 3.5 per cent).

An increase of 1 per cent in interest rates as at the reporting date would have increased the reported profit by £0.22 million (2022: increased the reported profit by £0.30 million). A decrease of 1 per cent would have reduced the reported profit £0.22 million (2022: decreased the reported profit by £0.30 million). The effect on equity is nil (excluding the impact of a change in retained earnings as a result of a change in net profit).

Interest rate risk arises on the interest payable on the RCF only, as the interest payable on the other facilities are at fixed rates. At 31 December 2023, the draw down on the RCF was £37.5 million (2022: £93m) so an increase of 1% on the year-end SONIA rate would have a £0.37 million decrease on the reported profit (2022: £0.93 million). A decrease of 1% on the year-end SONIA rate would have a £0.37 million increase on the reported profit (2022: £0.93 million). Assumptions are based on the RCF drawdown remaining at £37.5 million for the full year (2022: £93 million), based on the exposure to interest rates at the reporting date, and all other variables being constant.

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

Foreign Currency Risk

There was no foreign currency risk as at 31 December 2023 or 31 December 2022 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's capital is managed in accordance with its 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 investing four commercial property sectors: office, retail, industrial and alternatives. 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 2023.

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Carrying amount of interest-bearing loans and borrowings	236,332	291,686
External valuation of completed investment property and assets held for sale (excluding lease incentive adjustment)	1,251,050	1,308,025
Loan to value ratio	18.9%	22.3%

The Group's capital balances are set out on page 92 and are regarded as the Group's equity and net debt.

19. CAPITAL COMMITMENTS

The Group had contracted capital commitments as at 31 December 2023 of £24.9 million.

The Company committed to forward fund a student residential development in Exeter. This development is now complete and in retention phase.

The land acquired for the development of an industrial unit in Leamington Spa. This development is now completed and in retention phase.

During the prior year the Company acquired land located at Sovereign Square, Leeds, with the purpose to forward fund the development of a Hyatt Hotel. Total commitment is expected to be £62.7m, with £24.9m of that commitment outstanding at the year end. Completion is targeted during 2024.

20. LEASE ANALYSIS

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):

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Within one year	63,784	71,373
Between one and two years	60,605	67,990
Between two and three years	54,582	61,523
Between three and four years	46,439	54,581
Between four and five years	40,905	46,519
Over five years	236,278	308,269
Total	**502,593**	**610,254**

The largest single tenant at the year end accounted for 5.2 per cent (2022: 5.8 per cent) of the annualised rental income at 31 December 2023. The unoccupied property expressed as a percentage of annualised total rental value was 4.0 per cent (2022: 2.0 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 the 'UKCM Portfolio in Numbers' pages 22.

21. EVENTS AFTER THE BALANCE SHEET DATE

On 31 January 2024 the Company sold Craven House, London, for a headline sale price of £22m. On 28 February 2024 the Company sold 2 Rivergate, Temple Quay, Bristol for a headline sale price of £14.5m.

A fourth interim, PID of 0.85p was paid on 29 February 2024 to shareholders on the register on 15 February 2024. Although this payment relates to the year ended 31 December 2023, under International Financial Reporting Standards it will be accounted for in the year ending 31 December 2024.

On 21 March 2024, the Company announced they had reached agreement on the terms of a recommended all-share combination with Tritax Big Box REIT plc ("BBOX") pursuant to which BBOX will acquire the entire issued and to be issued ordinary share capital of the Company (the "Combination").

The Combination is conditional on, among other things, the approval of the Company's shareholders at a Court Meeting and a General Meeting to be held on 2 May 2024.

For full details of the Combination, please refer to the scheme document published by the Company on 9 April 2024, available through the Company's website at *ukcpreit.com/en-gb/merger*

ALTERNATIVE PERFORMANCE MEASURES

Unaudited

The Company uses the following Alternative Performance Measures (APMs). APM do not have a standard meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities.

Further descriptions can be found in the Glossary on pages 132 to 133.

DIVIDEND COVER	2023 £'000	2022 £'000
Earnings per IFRS Income statement	31,708	(222,329)
Adjustments to calculate Dividend Cover, exclude:		
Net changes in value of investment properties	8,451	263,090
Early close-out of debt	508	—
Cineworld rent smoothing adjustment	2,909	—
Profit for Dividend Cover	43,576	40,761
Dividends paid in year	44,180	67,180
Dividend Cover	99%	61%
Dividend Cover (excluding special dividend)	99%	97%

GEARING	2023 £'000	2022 £'000
Gross borrowings	237,500	293,000
Less cash	(22,115)	(30,861)
	215,385	262,139
Portfolio valuation	1,251,050	1,308,025
Gearing	17.2%	20.0%

TOTAL RETURN	Net asset value	Share price
NAV/Share price per share at 31 December 2022 (pence)	79.7	58.4
NAV/Share price per share at 31 December 2023 (pence)	78.7	62.0
Change in the year	(1.3)%	6.2%
Impact of dividend reinvestment	4.3%	6.9%
Total return for the year	3.0%	13.1%

ONGOING CHARGES INCLUDING DIRECT PROPERY EXPENSES	2023 £'000	2022 £'000
Investment management fee	6,738	8,617
Direct property expenses	6,911	6,266
Other expenses	2,832	2,299
Less non-recurring costs – Bad debts recognised in the year, net	(215)	(896)
Less non-recurring costs – Abortive transaction costs	(459)	(380)
Less non-recurring costs – Direct costs on operating assets	(618)	(475)
Total	15,189	15,431
Average net assets	1,041,686	1,318,399
Ongoing charges	1.5%	1.2%

ONGOING CHARGES EXCLUDING DIRECT PROPERY EXPENSES	2023 £'000	2022 £'000
Investment management fee	6,738	8,617
Other expenses	2,832	2,299
Less non-recurring costs – Abortive transaction costs	(459)	(380)
Total	9,111	10,536
Average net assets	1,041,686	1,318,399
Ongoing charges	0.9%	0.8%

EPRA PERFORMANCE MEASURES
Unaudited

The European Public Real Estate Association (EPRA) is the industry body representing listed companies in the real estate sector. EPRA publishes Best Practice Recommendations (BPR) to establish consistent reporting by European property companies. Further information on the EPRA BPR can be found at *epra.com*

EPRA performance measures: Summary Table

	Notes	31 December 2023 Total	31 December 2022 Total
Company adjusted EPRA earnings £'000	A	43,576	40,761
Company adjusted EPRA earnings per share (pence per share)	A	3.35	3.15
EPRA Net Tangible Assets ("NTA") £'000	B	1,023,247	1,035,719
EPRA NTA per share (pence per share)	B	78.7	79.7
EPRA Net Reinstatement Value ("NRV") £'000	C	1,106,132	1,121,955
EPRA NRV per share (pence per share)	C	85.1	86.3
EPRA Net Disposable Value ("NDV") £'000	D	1,020,079	1,032,405
EPRA NDV per share (pence per share)	D	78.5	79.5
EPRA Net Initial Yield	E	4.8%	4.8%
EPRA topped-up Net Initial Yield	E	5.1%	5.1%
EPRA Cost Ratios – including direct vacancy costs	F	23.0%	26.1%
EPRA Cost Ratios – excluding direct vacancy costs	F	22.1%	25.0%
EPRA LTV	I	17.1%	20.2%
EPRA Vacancy Rate		4.0%	2.0%

A. EPRA Earnings	31 December 2023 £'000	31 December 2022 £'000
Earnings per IFRS income statement	31,708	(222,329)
Adjustments to calculate EPRA Earnings, exclude:		
Net changes in value of investment properties	8,227	266,655
Loss/(Gain) on disposal of Investment properties	224	(3,565)
Early close-out of debt costs	508	—
EPRA Earnings	40,667	40,761
Weighted average number of shares (000's)	1,299,412	1,299,412
EPRA Earnings per share (pence per share)	3.13	3.15
Company specific adjustments		
Reversal of Cineworld lease step rent amortisation	2,909	—
Company adjusted EPRA Earnings	43,576	40,761
Weighted average number of shares (000's)	1,299,412	1,299,412
EPRA Earnings per share (pence per share)	3.35	3.15

EPRA PERFORMANCE MEASURES
Unaudited — continued

B. EPRA Net Tangible Assets	31 December 2023 £'000	31 December 2022 £'000
IFRS NAV	1,023,247	1,035,719
Fair value of financial instrument (assets)/liabilities	—	—
EPRA NTA	1,023,247	1,035,719
Shares in issue (000's)	1,299,412	1,299,412
EPRA NTA per share (pence per share)	78.7	79.7

C. EPRA Net Reinstatement Value	31 December 2023 £'000	31 December 2022 £'000
IFRS NAV	1,023,247	1,035,719
Real Estate Transfer Tax and other acquisition costs	82,885	86,236
EPRA NRV	1,106,132	1,121,955
Shares in issue (000's)	1,299,412	1,299,412
EPRA NRV per share (pence per share)	85.1	86.3

D. EPRA Net Disposal Value	31 December 2023 £'000	31 December 2022 £'000
IFRS NAV	1,023,247	1,035,719
Fair value of debt	(3,168)	(3,314)
EPRA NDV	1,020,079	1,032,405
Shares in issue (000's)	1,299,412	1,299,412
EPRA NDV per share (pence per share)	78.5	79.5

E. EPRA Net Initial Yield and 'topped up' NIY Disclosure Completed Property Portfolio	31 December 2023 £'000	31 December 2022 £'000
Investment property — wholly owned	1,218,900	1,268,175
Allowance for estimated purchasers' costs	82,885	86,236
Gross up completed property valuation	1,301,785	1,354,411
Annualised cash passing rental income	68,422	69,353
Property outgoings	(6,078)	(4,895)
Annualised net rents	62,344	64,458
Add: notional rent expiration of rent free periods or other lease incentives	4,463	4,505
Topped-up net annualised rent	66,807	68,963
EPRA NIY	4.8%	4.8%
EPRA "topped-up" NIY	5.1%	5.1%

F. EPRA Cost Ratios	31 December 2023 £'000	31 December 2022 £'000
Total expenditure line per IFRS income statement less service charge expenses	16,481	17,182
Expenditure incurred relating to operating units	(618)	(475)
EPRA Costs (including direct vacancy costs)	15,863	16,707
Direct vacancy costs	(647)	(675)
EPRA Costs (excluding direct vacancy costs)	15,216	16,032
Gross Rental income less ground rent costs	68,847	64,040
EPRA Cost Ratio (including direct vacancy costs)	23.0%	26.1%
EPRA Cost Ratio (excluding direct vacancy costs)	22.1%	25.0%

No operating costs or overheads were capitalised in 2023 (2022: nil).

G. Like-for-like Rental Growth Reporting	Rental growth £'000 2023	Portfolio value by sector £'000 2023	Rental growth £'000 2022	Portfolio value by sector £'000 2022
Sector:				
Industrial	2,692	739,800	9,947	773,450
Offices	353	143,600	479	171,200
Retail	987	176,100	40	180,325
Alternatives	(642)	191,550	3,075	183,050
Total portfolio value	3,391	1,251,050	13,540	1,308,025

Rental growth figures have been computed based on the movement in estimated rental values from prior to current year-end.

All properties held within the portfolio are located within the UK.

EPRA PERFORMANCE MEASURES
Unaudited — continued

H. Property-related CapEx	31 December 2023 £'000	31 December 2022 £'000
Acquisitions	225	6,934
Development	28,218	47,332
Investment properties:		
Incremental lettable space	—	—
No incremental lettable space	872	1,221
Tenant incentives	(890)	(911)
Other material non-allocated types of expenditure	—	—
Total capital expenditure incurred	28,425	54,576

I. LTV	31 December 2023 £'000	31 December 2022 £'000
Borrowings from Financial Institutions	237,500	293,000
Exclude Cash and cash equivalents	(22,115)	(30,861)
Net Debt (a)	215,385	262,139
Investment properties at fair value	1,191,445	1,235,760
Properties under development	32,150	39,850
Net Receivables	35,984	20,934
Total Property Value (b)	1,259,579	1,296,544
LTV (a/b)	17.1%	20.2%

Sustainability Performance

This section details the Company's sustainability performance using the EPRA Sustainability Best Practice Recommendations Guidelines (sBPR). It also meets the requirements for Streamlined Energy and Carbon Reporting (SECR) under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. In addition, carbon metrics in line with the Taskforce for Climate-Related Financial Disclosures (TCFD) are included in this section.

Explanatory Notes on Methodology

Reporting Period

Sustainability data in this report covers the calendar years of 2022 and 2023.

Organisational Boundary and Data Coverage

For the purposes of sustainability reporting, we have included single-let assets within the organisational boundary even though operational control is limited and we have limited coverage of consumption data from tenant-managed utility supplies. It was judged that these should be included to enable the reporting of landlord consumption associated with any void units at these assets. The coverage numbers in the tables below therefore appear low due to the inclusion of all of the Company's assets in the totals. Where there is no data coverage for a sector (for example, water consumption for Industrial distribution warehouses where there was no landlord consumption during the period), the sector is excluded from the table but the number of assets in the sector is included in the total possible coverage number.

The like-for-like portfolio is determined on the basis of assets that were held for two full reporting years and were not subject to major refurbishment or development during that time.

The data in the below sBPR disclosures has not been estimated, due to the excellent coverage of data from landlord procured utilities. All data disclosed in the tables below is 'actual' data (primarily from utility invoices).

Note that the Company does not employ any staff and does not have its own premises; these corporate aspects fall within the scope of the Investment Manager.

Emissions Calculation

Emissions are calculated in line with the GHG Protocol using UK Government location-based conversion factors. Scope 1 emissions include emissions from gas consumption and f-gas (refrigerant) losses where applicable. Scope 2 emissions are those from landlord consumption of purchased electricity. Scope 3 emissions are those from electricity sub-metered to tenants and from the transmission and distribution of electricity. We collect data from tenants where they purchase their own energy but this exercise is undertaken later in the year to align with GRESB reporting. As such, tenant-procured energy is not included in this section.

Normalisation

Net lettable area (NLA) is used as the denominator for all intensities reported in this section. This is the most appropriate choice for the Company's portfolio as it is the most widely available metric. It enables year-on-year comparisons within the portfolio to be made.

Renewable Energy

Several industrial assets in the portfolio have solar PV installed which is demised to the tenant. There is currently no landlord self-generated renewable electricity across the portfolio although we are at the feasibility with a number of large landlord-led schemes.

In the reporting period, all landlord-procured electricity was from 100% renewable sources. Gas consumed was not from renewable sources.

Auditing and Assurance

Our utilities data which feeds into our sustainability reporting is validated by our Utilities Bureau Consultant. The ESG data (including energy, GHGs, water and waste data) in this disclosure has also been subject to limited assurance by an external third-party consultant, in accordance with the International Standard on Assurance Engagements (UK) 3000 (ISAE3000).

Materiality

We have undertaken a review of materiality against each of the EPRA sBPR indicators. The table below indicates the outcome of the review.

Code	Performance Measures	Review Outcome
ENVIRONMENTAL		
Elec-Abs	Total electricity consumption	Material
Elec-LfL	Like-for-like total electricity consumption	Material
DH&C-Abs	Total district heating & cooling consumption	Not material – none of the Company's assets are connected to district energy supplies
DH&C-LfL	Like-for-like total district heating & cooling consumption	
Fuels-Abs	Total fuel consumption	Material
Fuels-LfL	Like-for-like total fuel consumption	Material
Energy-Int	Building energy intensity	Material
GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions	Material
GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	Material
GHG-Int	Greenhouse gas (GHG) emissions intensity from	Material
Water-Abs	building energy consumption	Material
Water-LfL	Total water consumption	Material
Water-Int	Like-for-like total water consumption	Material
Waste-Abs	Building water intensity	Material
Waste-LfL	Total weight of waste by disposal route	Material
Cert-Tot	Like-for-like total weight of waste by disposal route	Material
SOCIAL		
Diversity-Emp	Employee gender diversity	Not material – the Company does not have any employees
Diversity-Pay	Gender pay ratio	
Emp-Training	Employee training and development	
Emp-Dev	Employee performance appraisals	
Emp-Turnover	New hires and turnover	
H&S-Emp	Employee health and safety	
H&S-Asset	Asset health and safety assessments	Material
H&S-Comp	Asset health and safety compliance	Material
Comty-Eng	Community engagement, impact assessments and development programs	Material
GOVERNANCE		
Gov-Board	Composition of the highest governance body	Material – see main body of report (pages 58 to 63 for content related to Governance)
Gov-Selec	Process for nominating and selecting the highest governance body	
Gov-CoI	Process for managing conflicts of interest	

Like-for-like Energy Consumption

Landlord electricity consumption across like-for-like assets increased by 27% in 2023, primarily driven by increases in consumption at offices (associated with the return to office in 2023 following emergence of Covid-19 lockdown restrictions, which is also responsible for the 16% overall increase in total landlord-obtained electricity). Despite this increase, there was a 1% decrease in the overall electricity sub-metred to occupiers.

The 8% decrease in landlord-obtained gas consumption in 2023 is driven by reduced consumption of gas at office and retail high street assets; albeit offset by an increase in gas consumption at Industrial, Business Parks (primarily as result of increased void space in 2023 at Ventura Park and Gatwick Gate, resulting in a greater level of landlord gas usage).

Other notable asset-level drivers for the year-on-year data swings included:

- Emerald Park East (Industrial, Business Parks) – landlord energy consumption decreased at this asset due to the implementation of efficiency measures (e.g. LED lights), and due to the re-letting of two previously vacant units.
- Ventura Park (Industrial, Business Parks) – the increase in consumption at this asset was driven by landlord refurbishment works undertaken while units were void in 2023, resulting in higher consumption.
- Trafford Retail Park (Retail, Warehouses) – the increase in energy consumption at this asset was driven by the re-instatement of several spent external lamps, along with lighting used during contractor works (e.g. carpark resurfacing).

		Landlord Electricity (kWh)			Occupier Electricity i.e. sub-metered to occupiers (kWh)			Total landlord-obtained Electricity (kWh)			Landlord-obtained Gas (kWh)			Energy Intensity (kWh/m²)		
Indicator references		Elec-LfL			Elec-LfL			Elec-LfL			Fuels-LfL			Energy-Int		
Sector	Coverage (assets)	2022	2023	Change (%)	2022	2023	Change (%)	2022	2023	Change (%)	2022	2023	Change (%)	2022	2023	Change (%)
Industrial, Business Parks	5 of 5	168,390	95,258	−43%	278,584	290,493	4%	446,974	385,751	−14%	2,756	11,528	318%	3.2	2.8	−12%
Leisure	3 of 3	403,562	401,290	−1%	2,920	3,034	4%	406,482	404,324	−1%	No landlord obtained gas		N/A	11	11	−1%
Offices	3 of 6	1,012,758	1,556,218	54%	911,996	883,488	−3%	1,924,754	2,439,706	27%	1,434,210	1,320,763	−8%	155	173	12%
Retail, Warehouses	3 of 5	88,093	86,173	−2%	No sub-metered consumption		N/A	88,093	86,173	−2%	No landlord obtained gas		N/A	2.0	2.0	−2%
Hotels	1 of 1	29,257	24,651	−16%	No sub-metered consumption		N/A	29,257	24,651	−16%	No landlord obtained gas		N/A	2.5	2.1	−16%
Retail, High Street	1 of 1	50,625	62,318	23%	No sub-metered consumption		N/A	50,625	62,318	23%	63,030	47,877	−24%	31	30	−3%
Totals	16 of 34	1,752,684	2,225,908	27%	1,193,500	1,177,015	-1%	2,946,184	3,402,924	16%	1,499,996	1,380,168	-8%	17	18	8%

All figures in this table have been subject to limited assurance by a third-party consultant against ISAE3000.

Like-for-like Greenhouse Gas Emissions

Scope 1 greenhouse gas (GHG) emissions reduced by 8% in 2023, driven by reduced gas consumption at office and retail high street assets. Note that there were no F-gas leakages recorded at any of the assets in 2022 nor 2023.

Scope 2 emissions from landlord electricity consumption increased by 36%, driven primarily by increased consumption at office assets, alongside a 7% increase in the carbon intensity of the UK's energy grid between 2022 and 2023.

Scope 3 emissions from energy sub-metered to occupiers and grid transmission and distribution losses increased by 8%, again driven primarily by increases in total landlord-procured electricity (from which Scope 3 transmission and distribution GHG emissions are calculated).

		Scope 1 Emissions (tCO_2)			Scope 2 Emissions (tCO_2)			Scope 3 Emissions (tCO_2)			Emissions Intensity Scopes 1, 2 & 3 ($kgCO_2/m^2$)		
Indicator references		No relevant EPRA indicator											
Sector	Coverage (assets)	2022	2023	Change (%)	2022	2023	Change (%)	2022	2023	Change (%)	2022	2023	Change (%)
Industrial, Business Parks	5 of 5	0.5	2.1	319%	33	20	−39%	62	67	9%	0.7	0.6	−6%
Leisure	3 of 3	No Scope 1 emissions		N/A	78	83	6%	7.8	7.9	2%	2.3	2.4	6%
Offices	3 of 6	262	242	−8%	196	322	65%	210	227	8%	31	36	18%
Retail, Warehouses	3 of 5	No Scope 1 emissions		N/A	17	18	5%	1.6	1.5	−1%	0.4	0.4	4%
Hotels	1 of 1	No Scope 1 emissions		N/A	6	5	−10%	0.5	0.4	−15%	0.5	0.5	−10%
Retail, High Street	1 of 1	12	8.8	−24%	10	13	32%	0.9	1.1	25%	6.0	6.1	3%
Totals	**16 of 34**	**274**	**252**	**−8%**	**339**	**461**	**36%**	**283**	**305**	**8%**	**41**	**47**	**14%**

Note: Scope 3 also includes emissions associated with transmission and distribution losses for all landlord-procured electricity.
All figures in this table have been subject to limited assurance by a third-party consultant against ISAE3000.
See text beneath *'Like-for-like Energy Consumption'* tables for an overview of asset level drivers of year-on-year data swings.

Absolute Energy Consumption

Absolute landlord electricity consumption increased by 11%, while landlord gas consumption decreased by 30% in 2023. Absolute occupier energy consumption also decreased by 15%, driven primarily by reduced sub-metered tenant consumption at offices.

The variation from like-for-like consumption is due to the Company's acquisitions, disposals and completed developments during 2022 and 2023. In the reporting period, all landlord-procured electricity was from 100% renewable sources. Gas consumed was not from renewable sources.

Other notable asset-level drivers for the year-on-year data swings included:

- Sussex Junction, Bolney (Industrial, Distribution Warehouse) – the increase in consumption in 2023 was due to the connection of a new electricity supply at the asset in 2023.
- Cineworld (Leisure) – the increase in consumption at this asset was driven in part by the connection of a new landlord electricity supply late in 2022.

			Landlord Electricity (kWh)			Occupier Electricity i.e. sub-metered to occupiers (kWh)			Total landlord-obtained Electricity (kWh)			Landlord-obtained Gas (kWh)			Energy Intensity (kWh/m²)		
Indicator references			Elec-Abs			Elec-Abs			Elec-Abs			Fuels-Abs			Energy-Int		
Sector	Coverage 2022 (assets)	Coverage 2023 (assets)	2022	2023	Change (%)	2022	2023	Change (%)	2022	2023	Change (%)	2022	2023	Change (%)	2022	2023	Change (%)
Industrial, Business Parks	5 of 5	5 of 5	168,390	95,258	–43%	278,584	290,493	4%	446,974	385,751	–14%	2,756	11,528	318%	3.2	2.8	–12%
Industrial, Distribution Warehouses	0 of 15	1 of 15	No landlord–obtained electricity	25,264	N/A	No sub–metered consumption		54%	No landlord–obtained electricity	25,264	N/A	No landlord obtained gas		N/A	—	2.5	N/A
Leisure	3 of 3	3 of 3	403,562	401,290	–1%	2,920	3,034	4%	406,482	404,324	–1%	No landlord obtained gas		N/A	11	11	–1%
Offices	4 of 7	3 of 6	1,297,795	1,556,218	20%	1,098,839	883,488	–20%	2,396,634	2,439,706	2%	1,945,840	1,320,763	–32%	153	173	13%
Retail, Warehouses	3 of 5	3 of 5	88,093	86,173	–2%	No sub–metered consumption		N/A	88,093	86,173	–2%	No landlord obtained gas		N/A	2.0	2.0	–2%
Hotels	1 of 1	1 of 1	29,257	24,651	–16%	No sub–metered consumption		N/A	29,257	24,651	–16%	No landlord obtained gas		19%	2.5	2.1	–16%
Retail, High Street	1 of 1	1 of 1	50,625	62,318	23%	No sub–metered consumption		N/A	50,625	62,318	23%	63,030	47,877	–24%	31	30	–3%
Land	1 of 1	1 of 1	No landlord–obtained electricity	11,642	N/A	No sub–metered consumption		N/A	No landlord–obtained electricity	11,642	N/A	2,016	32,328	1,503%	0.3	7.0	2,081%
Totals	**18 of 38**	**18 of 39**	**2,037,722**	**2,262,815**	**11%**	**1,380,343**	**1,177,015**	**–15%**	**3,418,064**	**3,439,830**	**1%**	**2,013,642**	**1,412,496**	**–30%**	**20**	**18**	**–12%**

Absolute Greenhouse Gas Emissions

Absolute Scope 1 GHG emissions decreased by 30%. Total Scope 2 emissions increased by 19%, while Scope 3 emissions decreased by 7%.

			Scope 1 Emissions (tCO_2)			Scope 2 Emissions (tCO_2)			Scope 3 Emissions (tCO_2)			Emissions Intensity Scopes 1, 2 & 3 ($kgCO_2/m^2$)		
Indicator references			GHG-Dir-Abs			GHG-Indir-Abs			GHG-Indir-Abs			GHG-Int		
Sector	**Coverage 2022 (assets)**	**Coverage 2023 (assets)**	**2022**	**2023**	**Change (%)**	**2022**	**2023**	**Change (%)**	**2022**	**2023**	**Change (%)**	**2022**	**2023**	**Change (%)**
Industrial, Business Parks	5 of 5	5 of 5	0.5	2.1	319%	33	20	−39%	62	67	9%	0.7	0.6	−6%
Industrial, Distribution Warehouses	0 of 15	1 of 15	No Scope 1 emissions		N/A	No Scope 2 emissions	5.2	N/A	No Scope 3 emissions	0.5	N/A	—	0.6	N/A
Leisure	3 of 3	3 of 3	No Scope 1 emissions		N/A	78	83	6%	7.8	7.9	2%	2.3	2.4	6%
Offices	4 of 7	3 of 6	355	242	−32%	251	322	28%	257	227	−12%	30	36	20%
Retail, Warehouses	3 of 5	3 of 5	No Scope 1 emissions		N/A	17	18	5%	1.6	1.5	−1%	0.4	0.4	4%
Hotels	1 of 1	1 of 1	No Scope 1 emissions		N/A	5.7	5.1	−10%	0.5	0.4	−15%	0.5	0.5	−10%
Retail, High Street	1 of 1	1 of 1	12	8.8	−24%	10	13	32%	0.9	1.1	25%	6.0	6.1	3%
Land	1 of 1	1 of 1	0.4	5.9	1,507%	No Scope 2 emissions	2.4	N/A	No Scope 3 emissions	0.2	N/A	0.1	1.4	2,218%
Totals	**18 of 38**	**18 of 39**	**368**	**258**	**-30%**	**394**	**469**	**19%**	**330**	**305**	**-7%**	**4.0**	**3.7**	**-7%**

Note: Scope 3 also includes emissions associated with transmission and distribution losses for all landlord-procured electricity.
All figures in this table have been subject to limited assurance by a third-party consultant against ISAE3000.
See text beneath *'Absolute Energy Consumption'* tables for an overview of asset level drivers of year-on-year data swings.

ESG PERFORMANCE
Unaudited — continued

Streamlined Energy and Carbon Reporting (SECR)

For the purposes of SECR, total Scope 1 and 2 emissions are also summarised in the following table. Total Landlord Energy Consumption (kWh) used to calculate Scope 1 and 2 emissions is also outlined in the table below, and a breakdown of energy type is includes in the Absolute Energy Consumption table above.

Note that the Total Scope 1 and 2 Emissions reported below include emissions associated with refrigerant losses as well as energy consumption. Please note that data has been included back to 2019, which has been chosen as the baseline year for reporting (primarily given that it was not influenced by energy/carbon reductions associated with COVID-19 restrictions).

Percentage change has been provided on a 2023 vs 2022 basis, and 2023 vs 2019 basis. Emissions intensity has decreased over time due to the inclusion of landlord consumption associated with vacant units. It is important to include this data given it forms part of the Company's Scope 1 and 2 emissions but when included in intensity calculations it has the effect of skewing the outcome at the portfolio level.

Data Type	2019	2020	2021	2022	2023	% Change 2023 vs 2022	% Change 2022 vs 2019 (base year)
Total Scope 1/2 Emissions (tCO_2e)	1603	1336	1243	762	727	–5%	–55%
Emissions intensity ($kgCO_2e/m^2$ Net Lettable Area)	4.5	3.9	5.8	2.8	2.6	–6%	–42%
Total Landlord Energy Consumption (kWh)	**6,861,568**	**6,004,638**	**5,645,227**	**4,051,364**	**3,675,311**	**-9%**	**-46%**

Water Consumption

Water consumption at like-for-like assets increased by 3% in 2022, but reduced by 8% across the whole portfolio. Note that data coverage is lower for water than for energy as it is uncommon to have landlord meters at assets with no internal common parts or shared services.

			Absolute Water Consumption (m^3)					LfL Water Consumption (m^3)					
Indicator references			Water-Abs; Water-Int					Water-LfL; Water-Int					
Sector	Coverage 2022 (assets)	Coverage 2023 (assets)	2022 (m^3)	2022 Intensity (litres/m^2)	2023 (m^3)	2022 Intensity (litres/m^2)	Change (%)	Coverage (assets)	2021 (m^3)	2021 Intensity (litres/m^2)	2023 (m^3)	2023 Intensity (litres/m^2)	Change (%)
Industrial, Business Parks	2 of 5	4 of 5	4,049	50	2,923	24	–28%	4 of 5	4,049	33	2,923	24	–28%
Land	0 of 0	1 of 1	—	—	432	69	n/a	n/a	—	—	—	—	n/a
Offices	3 of 7	2 of 6	10,089	449	10,426	659	3%	2 of 6	8,343	528	10,426	659	25%
Leisure	2 of 3	2 of 3	500	20	334	13	–33%	2 of 3	500	20	334	13	–33%
Retail, High Street	1 of 1	1 of 1	202	54	723	195	258%	1 of 1	202	54	723	195	258%
Totals	**8 of 38**	**10 of 39**	**14,841**	**113**	**14,838**	**86**	**-0.02%**	**9 of 34**	**13,095**	**79**	**14,406**	**87**	**10%**

All figures in this table have been subject to limited assurance by a third-party consultant against ISAE3000.

Taskforce for Climate Related Financial Disclosures (TCFD)

In support of our own TCFD reporting, along our clients' own TCFD obligations, core TCFD metrics for the Fund for the 2023 and 2022 period are disclosed in the below tables. Note that the TCFD carbon metrics relating to the 2023 calendar year only include Scope 1 and 2 GHG emissions data (this is because Scope 3 data collection for the calendar year of 2023 is still in progress, and concludes at the end of June 2024).

For TCFD carbon metrics which are inclusive of Scope 3 emissions, data from the previous (2022) calendar year has also been provided (which includes estimates of Scope 3 data where these were not available).

TCFD Carbon metrics (2023 calendar year) — Scope 1 and 2 GHG Emissions only	Metric Units	Performance
Total carbon emissions (Scope 1 and 2)	$kgCO_2e$	356
Data coverage of Scope 1 and 2 emissions *(relative to the rest of the fund)*	% based on floor area	45%
Data coverage of Scope 1 and 2 *(only where scope 1 and 2 emissions are applicable)*	% based on floor area	100%
Scope 1 emissions	$kgCO_2e$	258,386
Scope 2 emissions	$kgCO_2e$	468,571
Year on year change (Scope 1 and 2 emissions)	% based on like for like	-5%
Portfolio Carbon Intensity based on Scope 1 and 2 emissions ($kgCO_2e/m^2$)	$kgCO_2e/m^2$	2.6
Weighted Average Carbon Intensity (WACI) based on Scope 1 and 2 emissions	$kgCO_2e/m^2$ weighted by value (£)	2.5
Economic Emissions Intensity based on Scope 1 and 2 emissions ($kgCO_2e$/value)	$kgCO_2e$/value (£)	0.001
Financed Emissions based on Scope 1 and 2 emissions	$kgCO_2e$* attribution factor	726,957

TCFD Carbon metrics (2022 calendar year) — Scope 1, 2 and 3 GHG Emissions	Metric Units	Performance
Total carbon emissions (Scope 1, 2 and 3)	$kgCO_2e$	24,538,603
Data coverage of Scope 1, 2 and 3 emissions *(including estimates)*	% based on floor area	100%
Data coverage of Scope 1, 2 and 3 emissions *(excluding estimates)*	% based on floor area	50%
Scope 1 emissions	$kgCO_2e$	429,648
Scope 2 emissions	$kgCO_2e$	619,085
Scope 3 emissions	$kgCO_2e$	23,489,870
Year on year change (Scope 1, 2 and 3 emissions)	% based on like for like	-1%
Portfolio Carbon Intensity based on Scope 1, 2 and 3 emissions ($kgCO_2e/m^2$)	$kgCO_2e/m^2$	42
Weighted Average Carbon Intensity (WACI) based on Scope 1, 2 and 3 emissions	$kgCO_2e/m^2$ weighted by value (£)	48
Economic Emissions Intensity based on Scope 1, 2 and 3 emissions ($kgCO_2e$/value)	$kgCO_2e$/value (£)	0.02
Financed Emissions based on Scope 1, 2 and 3 emissions	$kgCO_2e$* attribution factor	24,538,603

Absolute and like-for-like Waste Generation and Treatment

We are responsible for waste management at a number of multi-let assets. Our Waste Management Consultant undertakes regular waste audits and works closely with our Property Manager to implement interventions to improve segregation of materials and ultimately increase recycling rates.

In total across the 7 assets for which waste is managed, 257 tonnes of non-hazardous waste was generated in 2023, with 57% recovered via energy from waste, and 43% recycled. There was no waste sent to landfill. Note that like-for-like and absolute waste generation is very similar, the only difference being associated with the sale of an office asset in 2022 (Colmore Court), and the absence of waste data for 2023 for 81–85 George Street, Edinburgh (due to no waste orders taking place at the asset in 2023).

Sector	Coverage (assets)	Total Waste (tonnes)		Waste to Landfill (tonnes)		Waste Recovered (tonnes)		Waste Recycled (tonnes)	
Indicator reference	Waste-LfL								
	2023	2023	2023	2023		2023		2023	
Leisure	2 of 3	157	117	0%	0	46%	54	54%	63
Offices	3 of 6	95	119	0%	0	61%	72	39%	47
Retail, Warehouses	1 of 5	21	21	0%	0	100%	21	0%	0
Retail, High Street	1 of 1	1	0	N/A	N/A	N/A	N/A	N/A	N/A
Totals	**7 of 34**	**274**	**257**	**0%**	**0**	**57%**	**147**	**43%**	**110**

Sector	Coverage (assets)		Total Waste (tonnes)		Waste to Landfill (tonnes)		Waste Recovered (tonnes)		Waste Recycled (tonnes)	
Indicator reference	Waste-Abs									
	2022	2023	2022	2023	2023		2023		2023	
Leisure	2 of 3	2 of 3	157	117	0%	0	46%	54	54%	63
Offices	4 of 7	3 of 6	123	119	0%	0	61%	72	39%	47
Retail, Warehouses	1 of 5	1 of 5	21	21	0%	0	100%	21	0%	0
Retail, High Street	1 of 5	0 of 5	0.9	0	N/A	N/A	N/A	N/A	N/A	N/A
Totals	**8 of 38**	**6 of 39**	**302**	**257**	**0%**	**0**	**57%**	**147**	**43%**	**110**

All figures in these tables have been subject to limited assurance by a third-party consultant against ISAE3000.

Sustainability Certifications

Energy Performance Certificate (EPC) ratings for assets in England owned by the Company are shown below.

As at December 2023, there were 7 BREEAM-rated assets in the portfolio, accounting for 14% of the portfolio by gross asset value. These are detailed below:

EPC Rating	% Estimated Rental Value
A+	9.31%
A	1.95%
B	35.26%
C	37.89%
D	7.27%
E	8.02%
N/A	0.30%
Total	100.00%

Asset	Rating Details	Green Building Certification
Regents Circus	Leisure	BREEAM/New Construction | Very Good
Central Square	Office	BREEAM/New Construction | Excellent
Palletforce	Industrial, Distribution Warehouse	BREEAM/New Construction | Very Good
White Building	Office	BREEAM/New Construction | Excellent
Maldron Hotel	Hotel	BREEAM/New Construction | Very Good
Sussex Junction, Bolney	Industrial, Distribution Warehouse	BREEAM/New Construction | Very Good
Hill View Place, Glenthorne Road	Student Housing	BREEAM/New Construction | Very Good

Social Indicators

Health & Safety

Every asset in the portfolio (i.e. 100% coverage) was subject to a health and safety inspection during the reporting year, with no incidents of non-compliance with regulations identified.

Community Engagement

OLIO Food Waste

At the Rotunda in Kingston-upon-Thames, the Company has worked with OLIO to tackle food waste generated by its tenants. OLIO fostering connections among neighbours and businesses to share surplus food instead of discarding it. This aligns with Rotunda's ESG strategy, making OLIO an essential component of our sustainability initiatives. Currently, four tenants—Odeon / Costa, David Lloyd, PICNIC, and Cornerstone—are actively participating in the OLIO programme at Rotunda.

Throughout 2023 edible goods have been redistributed throughout Kingston with a total of:

1,404 items saved

909 meals saved

338,7kg of edible food donated

47 households fed

1,647kg CO_2 emissions avoided

76 equivalent number of trees planted

5,600 car miles off the road

Kingston International Film Festival (Sponsor)

UKCM proudly sponsored the Best U18 Short Film category at the 2023 Kingston International Film Festival. The Rotunda Award acknowledges and celebrates the exceptional talent of young filmmakers. In addition to exclusive prizes such as Final Draft software, the winner receives valuable mentoring to further develop their skills. This opportunity provides a platform for aspiring filmmakers to showcase their creativity and opens doors to future success.

Swindon & Wiltshire Pride Pop Up at Regents Circus

At Regent Circus in Swindon, Swindon & Wiltshire Pride utilised a vacant unit space to create their 'Pride Hub'. Through their exceptional fundraising efforts in 2023, they raised over £3,000 for the charity. Their Pride event in August, along with a sold-out after-party at Boom Battle Bar, garnered great excitement with over 350 tickets sold.

Governance Indicators

The Company has a Board comprised of five independent/Non-Executive Directors as detailed on pages 60 to 61 of this document. The average tenure of the Board members is approximately 4.2 years with the longest serving Director being Michael Ayre at eight years and the shortest being Peter Pereira Gray who was appointed on 3 April 2023.

The Directors bring a broad range of experience to their roles and all members have a keen focus on ESG-related topics and in ensuring that the Company meets its obligations. Alongside the Manager, Margaret Littlejohns, as Chair of the Risk Committee, considers the potential risk posed by environmental factors as part of her role while Chris Fry, as Chair of the Property Valuation Committee, has consideration to the impact of all ESG-related topics to the value of the property portfolio. All Directors are also members of these Committees and collectively contribute to the focus upon environmental and social matters.

SHAREHOLDER INFORMATION

Alternative Investment Fund Managers Directive ("AIFMD") and Pre-Investment Disclosure Document ("PIDD")

The Company has appointed abrdn Fund Managers Limited as its alternative investment fund manager and Citibank UK Limited as its depositary under the AIFMD.

The AIFMD requires abrdn Fund Managers Limited, as the Company's AIFM, to make available to investors certain information prior to such investors' investment in the Company. Details of the leverage and risk policies which the Company is required to have in place under the AIFMD are published in the Company's Pre-Investment Disclosure Document ("PIDD") which can be found on its website: *www.ukcpreit.co.uk*

The periodic disclosures required to be made by the AIFM under the AIFMD are set out on page 129.

Investor Warning: Be alert to share fraud and boiler room scams

abrdn has been contacted by investors informing us that they have received telephone calls and emails from people who have offered to buy their investment company shares, purporting to work for abrdn or for third party firms. abrdn has also been notified of emails claiming that certain investment companies under our management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from you is required to release the supposed payment for your shares. These callers/senders do not work for abrdn and any third party making such offers/claims has no link with abrdn.

abrdn does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information and end the call.

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

Shareholder Enquiries

For queries regarding shareholdings, lost certificates, dividend payments, registered details and related matters, shareholders holding their shares directly in the Company are advised to contact the Registrar (see details on page 130). Changes of address must be notified to the Registrar in writing.

Any general queries about the Company should be directed to the Company Secretary in writing (see Contact Addresses) or by email to: *CEF.CoSec@abrdn.com*

Closure of the abrdn Investment Trust Savings Plans (the "Plans")

In June 2023, abrdn notified investors in the abrdn Investment Trust ISA, Share Plan and Investment Plan for Children that these plans would be closing in December 2023. All investors with a holding or cash balance at that time transferred to interactive investor ("ii"). ii communicated with investors in November to set up account security to ensure that investors could continue to access their holdings via ii following the closure of the Plans.

Please contact ii for any ongoing support with your account on 0345 646 1366, or +44 113 346 2309 if you are calling from outside the UK. Lines are open 8.00am to 5.00pm Monday to Friday. Alternatively you can access the ii website at: *www.ii.co.uk/abrdn-welcome*

How to Invest in the Company

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for private investors, there are a number of online dealing platforms that offer share dealing, ISAs and other means to invest in the Company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms.

Discretionary Private Client Stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit The Personal Investment Management and Financial Advice Association at: *pimfa.co.uk*

Financial Advisers

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

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority at: *fca.org.uk/firms/financial-services-register*

Keeping You Informed

Information about the Company can be found on its website: *www.ukcpreit.co.uk*, including share price and performance data as well as London Stock Exchange announcements, current and historic Annual and Half-Yearly Reports, and the latest monthly factsheet on the Company issued by the Manager. Investors can receive updates via email by registering on the home page of the Company's website.

The Company's Ordinary share price appears under the heading 'Investment Companies' in the Financial Times.

Details are also available at: *invtrusts.co.uk*
Twitter: *@abrdnTrusts*
LinkedIn: *abrdn Investment Trusts*

Key Information Document ("KID")

The KID relating to the Company and published by the Manager can be found on the Company's website.

Retail Distribution

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

Note

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

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

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

AIFMD Disclosures (unaudited)

The Company has appointed abrdn Fund Managers Limited as its alternative investment fund manager with Citibank UK Limited, as its depositary under AIFMD. The AIFM and the Company are required to make certain disclosures available to investors in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"). Those disclosures that are required to be made pre-investment are included within a pre-investment disclosure document ("PIDD") which can be found on the Company's website *www.ukcpreit.com*

There have been no material changes to the disclosures contained within the PIDD since its last publication in June 2022.

The periodic disclosures as required under the AIFMD to investors are made below:

- Information on the investment strategy, geographic and sector investment focus and principal exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report, note 18 to the Financial Statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by ASFML.
- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the AIFM's remuneration policy is available from abrdn Fund Managers Limited on request (see contact details on page 130) and the remuneration disclosures in respect of the AIFM's reporting period for the period ended 31 December 2023 are available on the Company's website.

Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	Gross Method	Commitment Method
Maximum level of leverage	250%	250%
Actual level at 31 December 2023	124%	124%

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement. Changes to the information contained either within this Annual Report or the PIDD in relation to any special arrangements in place, the maximum level of leverage which ASFML may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

The information on pages 128 to 129 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by abrdn Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority.

CORPORATE INFORMATION

Directors (all non-executive)

Peter Pereira Gray
(Appointed 3 April 2023)
Chair *(with effect from 31 July 2023)*

Ken McCullagh
(Retired 31 July 2023)
Chair

Michael Ayre
Chair of Audit Committee

Chris Fry
Chair of Property Valuation Committee

Fionnuala Hogan
Chair of the Management Engagement Committee and Nomination and Remuneration Committee

Margaret Littlejohns
Chair of the Risk Committee and Senior Independent Director

Registered Office

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

Registered Number

45387

Administrator and Company Secretary

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

Investment Manager and Alternative Investment Fund Manager

abrdn Fund Managers Limited
280 Bishopsgate
London
EC2M 4AG

Property Valuer

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

Independent Auditors

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

Guernsey Legal Advisors

Walkers (Guernsey) LLP
Helvetia Court
St Peter Port
Guernsey
GY1 1AR

UK Legal Advisors and Sponsor

Dickson Minto W.S.
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Edinburgh
EH2 4DF

Property Legal Advisors

Maples Teesdale LLP
30 King Street
London
EC2V 8EE

Financial Advisor

Rothchild & Co
New Court
St Swithin's Lane
London
EC4N 8AL

Registrar

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

Principal Bankers and Lenders

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Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Barings

Real Estate Advisors Europe LLP
Southwest House
11a Regent Street
London
SW1Y 4LR

Corporate P.R. Advisor

FTI Consulting Limited
200 Aldersgate
Aldersgate Street
London
EC1A 4HD

Corporate Broker

Deutsche Numis
45 Gresham Street
London
EC2V 7BF

Depositary

Citibank UK Limited
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

Environmental Statement

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The Printer and the manufacturing mill are both credited with ISO14001 Environmental Management Systems standard and both are FSC® certified.

The production of this Report has been Carbon Balanced through the printer who are a certified partner of ClimateCare.

Ocado Distribution Unit,
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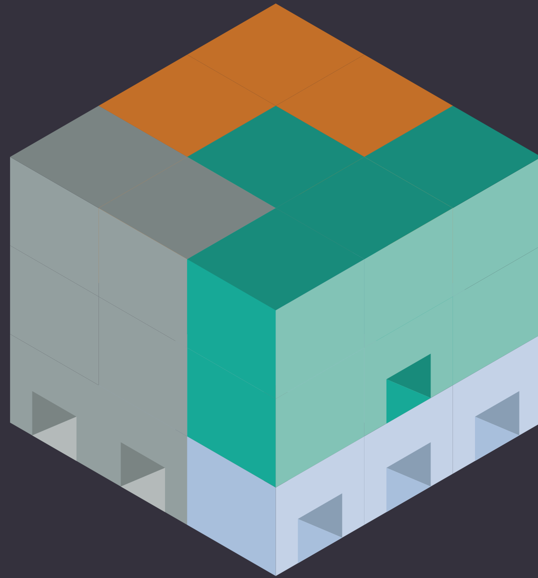
GLOSSARY

Term	Definition
AIC	Association of Investment Companies. The trade body representing closed-ended investment companies.
Annual rental income	Cash rents passing at the Balance Sheet date.
Average debt maturity	The weighted average amount of time until the maturity of the Group's debt facilities.
Break option	A break option (alternatively called a 'break clause' or 'option to determine') is a clause in a lease which provides the landlord or tenant with a right to terminate the lease before its contractual expiry date, if certain criteria are met.
Contracted rent	The contracted gross rent receivable which becomes payable after all the occupier incentives in the letting have expired.
Covenant strength	This refers to the quality of a tenant's financial status and its ability to perform the covenants in a Lease.
Dividend	A sum of money paid regularly by the company to its shareholders. The Company currently pays dividends to shareholders quarterly.
Dividend cover	The ratio of the company's net profit after tax (excluding capital items) to the dividends paid. Detailed calculation provided on page 114.
Dividend yield	Annual dividend expressed as a percentage of share price.
Earnings per share (EPS)	Profit for the period attributable to shareholders divided by the average number of shares in issue during the period.
EPRA	European Public Real Estate Association. The industry body representing listed companies in the real estate sector.
EPRA Earnings per share	Profit for the period, as defined within EPRA Best Practices Recommendation Guidelines February 2022, divided by the average number of shares in issue during the period. Detailed calculation provided on page 115.
ERV	The estimated rental value of a property, provided by the property valuers.
Fair value	Fair value is defined by IFRS 13 as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'.
Fair value movement	Fair value movement is the accounting adjustment to change the book value of an asset or liability to its market value, and subsequent changes in market value.
Financial resources	Cash balance less financial commitments plus undrawn amount of revolving credit facility.
Gearing	Calculated under AIC guidance as gross borrowing less cash divided by portfolio valuation. Detailed calculation provided on page 114.
Group	UK Commercial Property REIT and its subsidiaries.
IFRS	International Financial Reporting Standards.
Index linked	The practice of linking the review of a tenant's payments under a lease to a published index, most commonly the Retail Price Index (RPI), but also the Consumer Price Index (CPI).
MSCI	An independent organisation supplying an expansive range of regional and global indexes, research, performance modelling, data metrics and risk analytics across direct property, listed and unlisted vehicles, joint ventures, separate accounts and debt.
Lease incentive	A payment used to encourage a tenant to take on a new Lease, for example by a landlord paying a tenant a sum of money to contribute to the cost of a tenant's fit-out of a property or by allowing a rent free period.
MSCI benchmark	Benchmark which includes data relevant to all properties held by funds included in the MSCI UK Balanced Portfolios Quarterly Property Index Benchmark.
NAV	Net Asset Value is the equity attributable to shareholders calculated under IFRS.

NAV total return	The return to shareholders, expressed as a percentage of opening NAV, calculated on a per share basis by adding dividends paid in the period to the increase or decrease in NAV. Dividends are assumed to have been reinvested in the quarter they are paid, excluding transaction costs. Detailed calculation provided on page 114.
Net initial yield (NIY)	The net initial yield of a property is the initial net income at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.
Ongoing charges	A measure, expressed as a percentage of NAV, of the regular, recurring costs of running an investment company, calculated in line with AIC ongoing charge methodology.
Over-rented	Space where the passing rent is above the ERV.
Passing rent	The rent payable at a particular point in time.
Portfolio fair value	The market value of the company's property portfolio, which is based on the external valuation provided by CBRE Limited.
Portfolio total return	Combining the Portfolio Capital Return (the change in property value after taking account of property sales, purchases and capital expenditure in the period) and Portfolio Income Return (net property income after deducting direct property expenditure), assuming portfolio income is re-invested.
Portfolio yield	Passing rent as a percentage of gross property value.
Premium/Discount to NAV	The difference between the share price and NAV per share, expressed as a percentage of NAV. Premium representing a higher share price compared to NAV per share, discount the opposite.
Property Income Distribution	UK REITs are required to distribute a minimum of 90% of the income from their qualifying property rental business. This distribution is known as a Property Income Distribution ("PID"). PIDs are taxable as UK property income in the hands of tax-paying shareholders.
Rack-rented	Space where the passing rent is the same as the ERV.
REIT	A Real Estate Investment Trust (REIT) is a single company REIT or a group REIT that owns and manages property on behalf of shareholders. In the UK, a company or group of companies can apply for 'UK-REIT' status, which exempts the company from corporation tax on profits and gains from their UK qualifying property rental businesses.
Rent collection	The percentage of rents paid compared to the rents invoiced over a specified period.
Rent free	A period within a lease (usually from the lease start date on new leases) where the tenant has been granted that they do not have to pay any rent.
Rent review	A rent review is a periodic review (usually five yearly) of rent during the term of a lease. The vast majority of rent review clauses require the assessment of the open market, or rack rental value, at the review date, in accordance with specified terms, but some are geared to other factors, such as the movement in an Index.
Reversionary yield	Estimated rental value as a percentage of the gross property value.
Revolving Credit Facility ("RCF")	A bank loan facility from which funds can be withdrawn, repaid and redrawn again any number of times until the facility expires. As at date of this report UKCM had a RCF facility of £150 million.
RICS	The Royal Institution of Chartered Surveyors, the global professional body promoting and enforcing the highest international standards in the valuation, management and development of land, real estate, construction and infrastructure.
Share price	The value of each of the company's shares at a point in time as quoted on the Main Market of the London Stock Exchange.
Share price total return	The return to shareholders, expressed as a percentage of opening share price, calculated on a per share basis by adding dividends paid in the period to the increase or decrease in share price. Dividends are assumed to have been reinvested in the quarter they are paid, excluding transaction costs. Detailed calculation provided on page 114.
Void rate/vacancy rate	The quantum of rent relating to properties which are unlet and generating no rental income. Stated as a percentage of Estimated Rental Value.

UK Commercial Property REIT



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