BMO Commercial Property Trust Limited

2021 ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

BMO®

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Contents

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Front Cover Photo: Markham Vale, Derbyshire

Company Overview

Objective

The investment objective of BMO Commercial Property Trust Limited ('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 UK commercial property portfolio.

The Company

The Company is an Authorised Closed-Ended Guernsey incorporated investment company. Its shares have a premium listing on the Official List of the UK Listing Authority and are traded on the Main Market of the London Stock Exchange. Stock Code : BCPT.

The Consolidated Financial Statements of the Company consolidates the results of its subsidiary undertakings, which collectively are referred to throughout this document as 'the Group', details of which are contained in note 1(b) and note 20 to the Consolidated Financial Statements.

At 31 December 2021 Group total assets less current liabilities were £1,329 million and Group shareholders' funds were £1,018 million.

Investment Policy

The Company's investment policy is contained on page 10.

Management

The Board has appointed BMO Investment Business Limited (referred to throughout this document as 'the Investment Managers') as the Company's investment managers and BMO REP Asset Management plc (referred to throughout this document as 'BMO REP' or 'the Property Managers') as the Company's property managers. The Investment Managers and BMO REP are both part of the BMO Asset Management (Holdings) plc ('BMO') group and, collectively, are referred to in this document as 'the Managers'.

Further details of the management arrangements are provided in note 3 to the consolidated financial statements.

With effect from 8 November 2021, the business of BMO GAM in Europe, the Middle East and Africa was acquired by Ameriprise Inc. and is to be merged with that of Colombia Threadneedle Investments. There has been no change to the terms of the Company's investment management agreement or to the corporate entity that acts as the Company's Investment Managers and Property Managers. In due course, that entity will be required to remove the BMO prefix and will therefore change its name.

Capital Structure

The Company's equity capital structure consists of ordinary shares ('Ordinary Shares'). Subject to the solvency test provided for in The Companies (Guernsey) Law, 2008, being satisfied, ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets after repayment of its borrowings and creditors.

Guernsey Regulatory Status

The Company is an Authorised Closed-Ended Investment Scheme domiciled in Guernsey and on 9 June 2009, was granted an authorisation declaration by the Guernsey Financial Services Commission in accordance with Section 8 of The Protection of Investors (Bailiwick of Guernsey) Law, 2020, and rule 6.2 of the Authorised Closed-Ended Investment Schemes Rules 2021.

Alternative Performance Measures ('APM')

The Company uses a number of alternative performance measures to report its business performance and financial position. Further information is provided on pages 81 and 82.

How to Invest

The Investment Managers operate a number of investment plans which facilitate investment in the shares of the Company. Details are contained on page 88. You may also invest through a stockbroker.

Visit our website at: **bmocommercialproperty.com**

aic
The Association of Investment Companies

Registered in Guernsey with company registration number 50402
Legal Entity Identifier : 213800A2B1H4ULF3K397

Headlines

37.8%*

Share price total return

15.5%*

Portfolio total return

122.2%*

Dividend cover on a cash basis. Accounting dividend cover was 94.6%

Property Sales

£199.5m

Completed £199.5 million of property disposals as part of the strategy to adjust sector weightings.

Property Purchases

£66m

Completed £66 million of property acquisitions as part of the strategy to adjust sector weightings.

Industrial and logistics sector

30.6%

In accordance with the Company's strategy, the portfolio's weighting to the industrial and logistics sector has increased to 30.6 per cent as at 31 December 2021 compared to 19.1 per cent at start of the calendar year.

Rent collection since the onset of the pandemic to December 2021

94.4%

Rent collection currently received since the onset of the pandemic in March 2020 to December 2021 is 94.4 per cent.

* See Alternative Performance Measures on pages 81 and 82.

4.1%*

Yield on year-end share price

7.1%

dividend increase

Share Buybacks

2.2
pence

As at 31 December the Company had 46,260,278 shares held in treasury (5.8 per cent of ordinary shares in issue), acquired at an average discount to Net Asset Value of 22.3 per cent. Accretive to Net Asset Value by 2.2 pence per ordinary share.

Void rate

2.0%

As at 31 December 2021, the void rate was 2.0 per cent, excluding property being developed or refurbished, which compares to a rate of 2.9 per cent at the start of the calendar year.

Carbon Emissions

4.6%

Reduction in absolute carbon emissions of 4.6 per cent since 2019, the baseline year for the Company's net zero carbon pathway.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Performance Summary

	Year ended 31 December 2021	Year ended 31 December 2020
Total Returns for the year*		
Net asset value per share	18.9%	(8.1)%
Ordinary Share price	37.8%	(28.3)%
Portfolio	15.5%	(4.8)%
MSCI UK Quarterly Property Index	16.3%	(2.0)%
FTSE All-Share Index	18.3%	(9.8)%

	Year ended 31 December 2021	Year ended 31 December 2020	% change
Capital Values			
Total assets less current liabilities (£'000)	1,328,577	1,249,861	6.3%
Net asset value per share	135.1p	117.5p	15.0%
EPRA Net Tangible Assets per share**	135.1p	117.6p	14.9%
Ordinary Share price	105.0p	80.0p	31.3%
FTSE All-Share Index	4,208.02	3,673.63	14.5%
Ordinary share price discount to net asset value per share*	(22.3)%	(31.9)%	
Net Gearing*	14.4%	22.6%	

	Year ended 31 December 2021	Year ended 31 December 2020
Earnings and Dividends		
Earnings per Ordinary Share	19.8p	(10.5)p
EPRA Earnings per Ordinary Share**	4.4p	4.6p
Dividends per Ordinary Share	4.25p	2.85p
Dividend yield*	4.1%	3.6%

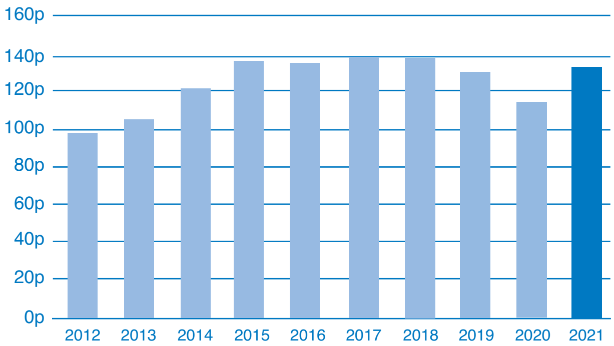
	Year ended 31 December 2021	Year ended 31 December 2020
Ongoing Charges		
As a percentage of average net assets*	1.31%	1.13%
As a percentage of average net assets (excluding direct property expenses)*	0.90%	0.85%

* See Alternative Performance Measures on pages 81 and 82.

** See EPRA Performance Measures on pages 83 to 85.

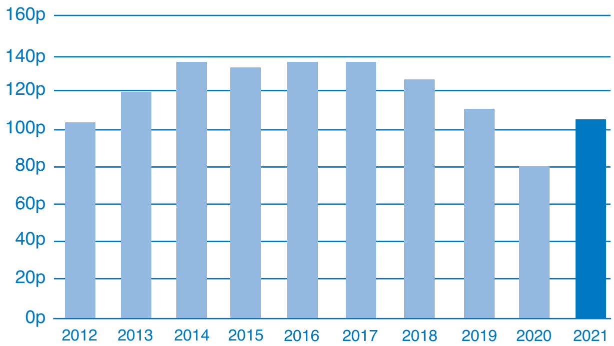
Since launch in 2005 BMO Commercial Property Trust Limited has turned a £1,000 investment, with dividends reinvested*, into £2,512[1].

Net asset value per share at 31 December of 135.1 pence (15% increase from 2020)



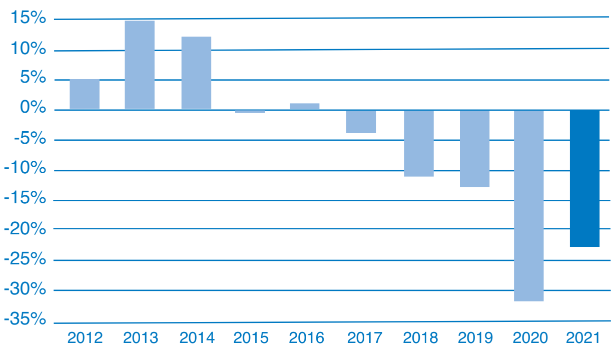
Source: BMO Investment Business

Ordinary share price per share at 31 December of 105.0 pence (31.3% increase from 2020)



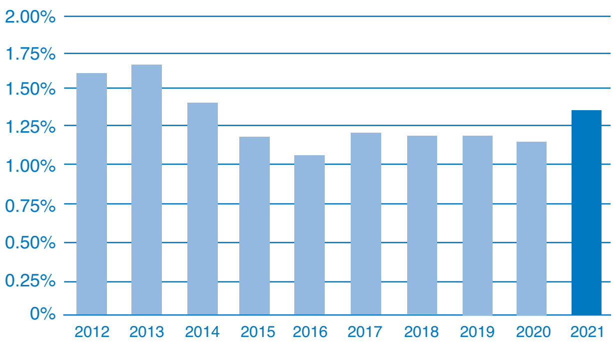
Source: BMO Investment Business

Share price discount to net asset value at 31 December of -22.3% *



Source: BMO Investment Business

On-going charges 1.31% (including direct property expenses) *



Source: BMO Investment Business

Year's Highs/Lows	Highs 2021	Lows 2021
Net asset value per share	135.1p	117.5p
Ordinary Share price	105.8p	69.9p
(Discount)*	(18.6)%	(40.8)%

* See Alternative Performance Measures on pages 81 and 82.

Sources: BMO Investment Business, MSCI Inc and Refinitiv Eikon.

[1] based on year-end share price.

Chairman's Statement

The Company has had a strong 2021 and we firmly believe that the portfolio, underpinned by strong core assets, is well positioned for the future.

Paul Marcuse, Chairman

We entered 2022 on a much brighter note with regard to the UK Commercial Property market. At the end of last year, we saw the Government produce its 'Plan B' in England with some lighter touch restrictions implemented, but this was short lived, and restrictions have now been fully relaxed as the severity of the Omicron variant saw lower levels of hospitalisations, boosted by the scale of the vaccination programme and so the economic impact should hopefully be more modest.

Very sadly we now face the added economic and geopolitical uncertainties arising from the war in Ukraine and the humanitarian disaster that is unfolding.

There was more activity in the capital markets, providing support to our strategic ambitions of repositioning our portfolio weightings. This included three significant sales at prices all comfortably ahead of valuation at the start of 2021 and raising gross sale proceeds of £199.5 million. At the end of the year, we made two acquisitions in the logistics sector totalling £66 million, with further investment committed over the coming months. Importantly, these properties also have strong environmental characteristics. As a result of both this activity and the strong capital growth experienced in the sector, our weightings to the industrial sector increased from 19.1 per cent at the start of the year to 30.6 per cent at year end and the portfolio now has a more balanced profile.

During 2021 we continued to progress the active asset management of the portfolio with some notable successes during the year especially in the industrial and logistics sector where we completed the renewal of the Company's two largest lease expiries for the year. We also managed to reduce our void rate from the previous low of 2020 of 2.9 per cent to a new historical low of 2.0 per cent.

Property Market

The last six months have reaffirmed the resilience of the real estate sector in the face of multifaceted challenges. The all-property total return continued to improve significantly with momentum in the fourth quarter 2021 rolling over from the third quarter, with an all-property total return of 16.3 per cent (MSCI quarterly) in the twelve months to December 2021. Performance has been heavily influenced by the industrial sector with a total return of 36.5 per cent in the twelve months to December as structural changes continue to impact and more consumption moved online. Improvements have been noted in the retail sector, more so in retail warehousing and local convenience, and there is perhaps some more clarity emerging on the manner in which, and how frequently, offices will be used, allowing occupiers and investors once again to look for opportunities in this sector.

However, future property trends should be viewed against the economic backdrop of potential tax and interest rate increases, rising energy bills, price increases and upward pressure on inflation which will squeeze household incomes and will likely drag on consumer spending. However, the labour market remains strong with unemployment around 3.8 per cent according to latest ONS data.

Performance for the Year

The share price as at 31 December was 105.0p, a total return of 37.8 per cent for the year. The movement in the share price has been welcome, although the shares were still trading at a discount of 22.3 per cent to the year end Net Asset Value (NAV) per share of 135.1p (compared to a 31.9 per cent discount as at 31 December 2020). There has been further positive movement in the share price since the year end and, despite continued market volatility, at the time of writing it was 116.2p, a discount of 14.0 per cent. The NAV total return for the year was 18.9 per cent. The total return for the portfolio was 15.5 per cent, compared with a total return of 16.3 per cent from the MSCI UK Quarterly Property Index (MSCI) and our capital return was 9.9 per cent, compared with 11.5 per cent for the Index.

The following table provides an analysis of the movement in the NAV per share for the year:

	Pence per share
NAV as at 31 December 2020	117.5
Unrealised increase in valuation of property portfolio	10.9
Realised gain on sale of properties	4.3
Share buybacks	2.2
Movement in fair value of interest rate swap	0.1
Other net revenue	4.3
Dividends paid	(4.2)
NAV as at 31 December 2021	**135.1**

The industrial and logistics sector was the standout in terms of performance recording a total return of 39.8 per cent over the year, reflecting capital growth of 34.0 per cent. Asset management in this sector was very active and we completed all the initiatives earmarked in this report last year. These included the lease renewals with DHL at G Park in Liverpool, and Kimberly Clark at Chorley and the assignment of Mothercare's lease to Ceva Logistics at Daventry. Hurricane 47 at Speke, Liverpool was let to Kukoon Rugs and this has given us the confidence to commit to the development of an adjoining unit of 52,000 sq ft. The portfolio is however, still underweight to South East industrials which had a negative impact on relative performance against MSCI.

Our retail warehouses produced a total return of 28.2 per cent over the year, principally driven by the investment that was committed to our two large retail parks where we completed a number of capital projects and saw some new store openings. There was also yield compression due to the large amount of capital seeking to invest into the sector. Of particular note was the construction of a Marks and Spencer store unit at Solihull, which opened in June 2021. The redeveloped 35,000 sq.ft. store was combined with the adjacent M&S Food Hall and we have seen visitor numbers to the park substantially increase on the back of this activity. There are two vacant units on the park, both of which are under offer. At Newbury we completed the amalgamation of two units totalling 20,000 sq ft which enabled our new tenant Home Bargains to open successfully in October.

Our Office portfolio produced a total return of 9.4 per cent for the year, largely driven by the price achieved on the sale of Cassini House. There continued to be activity in leasing vacant space, and it is pleasing to report that properties located in Curzon Street, London and Camberley, both of which had been substantially refurbished, are now fully let.

St Christopher's Place faced another challenging year with a capital value fall of 4.2 per cent, albeit this is a significant improvement compared to the 17 per cent fall in 2020. The largest valuation impact was once again attributable to the two Oxford Street properties where rents continue to be rebased and yields moved out. It will take time for Oxford Street to recover from the effects of the pandemic but landlords along the street are now appraising significant investment into development and repositioning opportunities. Encouragingly we saw footfall recover in quarter four to 2019 levels and the return of employees to the office. An increase in international travel and the long-awaited opening of the Elizabeth Line later this year should also benefit St Christopher's Place. We saw a number of new openings of which 'Isola by San Carlo' should be transformational for the Barrett Street Piazza.

We maintain our conviction in the prospects for the portfolio. Our Managers remain focused on both growing income further and improving capital values through numerous asset management initiatives which are further detailed in the Managers' Report. Positive progress has been made on recycling capital and repositioning the portfolio. The pace of further repositioning remains under active review, and the Managers will continue to follow a strategy of having a balanced sector exposure, subject to market opportunities, and evaluating any decision to sell assets against the investment case for accretive reinvestment or using sales proceeds to buy-back the Company's shares.

Sales

Consistent with the strategy to recycle capital and adjust sector weightings, the Company sold the retail warehouse located in East Kilbride, Scotland in May 2021 for a total consideration of £19 million, reflecting an increase of 9.2 per cent over the external valuation as at 31 December 2020. The property was let to B&Q Limited for one of its large format stores on a lease due to expire in November 2029.

In September 2021, the Company sold an office, Cassini House, located in St. James', London. The property is a prime multi-let freehold office building and represented the second largest holding in the portfolio. This was sold for a total consideration of £145.5 million, reflecting a substantial increase of 19 per cent over the year-end valuation as at 31 December 2020. The disposal represented the culmination of a long-term business plan which involved a complete refurbishment, introduction of new tenants and re-gearing of leases.

The Company also sold its holding at Dane Street, Rochdale for a total consideration of £35 million, an increase of 12 per cent over the year-end valuation at 31 December 2020. The asset is a purpose-built supermarket with a 12-pump filling station and an adjacent retail warehouse. The supermarket is let to Asda Stores Limited and the disposal followed the successful re-gearing of the Asda lease and extension of the term expiry date out to December 2038.

Acquisitions

Following the above sales, the Company has looked to increase its exposure to prime, modern industrial and logistics assets in established locations.

The Company acquired Orion One and Two, Markham Vale, Derbyshire for a price of £44.5 million reflecting an initial yield of 3.7 per cent. The two newly built units were completed in April 2021 and are located within Derbyshire's 200-acre flagship redevelopment scheme adjoining junction 29A of the M1 Motorway. The units have been constructed to institutional standards and benefit from strong environmental characteristics having achieved an EPC rating of A and BREEAM rating of very good.

The Company also acquired Unit 4, Quintus Business Park, Burton-Upon-Trent which is structured as a forward funding to develop a new logistics warehouse of 171,550 sq ft. The purchase price of £21.5 million equated to an initial yield of 4.84 per cent with the property being pre-let. The Company has acquired the land and met certain development costs incurred to date amounting to £5.6 million of the purchase price. The development has achieved planning consent and is expected to complete in July 2022. The unit is targeting strong environmental characteristics with an A rated EPC and a BREEAM excellent rating.

Capital Expenditure

During lockdown the Company delayed uncommitted capital expenditure. In the light of the improving markets and outlook, the Company is now reviewing a number of opportunities in the existing portfolio where there is a clear opportunity to generate value. At this stage we have committed to two larger projects although further projects are being considered.

At Estuary Business Park, Speke, Liverpool the Company has committed to the speculative development of a 52,000 sq ft mid-box logistics unit on land already owned and adjoining an existing ownership. The total construction cost is expected to be in the region of £4.8 million with an income return on cost forecast to be c.6.50 per cent when let. In Colchester, the Company has secured planning consent to demolish an obsolete warehouse unit at the Cowdray Centre and the re-development of c.35,000 sq ft to form a new multi-unit trade counter park. This development will also be undertaken speculatively and will incur expenditure of c.£5.7 million. It is expected a start on site will commence soon and early marketing has identified encouraging tenant demand.

Rent Collection

It has been a difficult time for many of the Company's tenants as they have navigated their businesses through lockdowns and challenging trading conditions. The Company has a diverse tenant base across the portfolio and the Managers have continued to engage with many of our tenants, assessing and responding to requests for support on a case-by-case basis. We believe that this support has helped, with many now experiencing near normal trading conditions.

Against this background, rent collection statistics are close to pre-pandemic levels and the resolution of historical rent arrears continues to progress. Collection for the year is at 95.5 per cent to date and the last quarter of the year is at 98.4 per cent. The overall collection rate since the impact of Covid-19 came into full force in March 2020 is currently at 94.4 per cent.

Dividends

The Company paid twelve interim dividends totalling 4.25 pence per share during the year. There were ten monthly dividends of 0.35 pence per share, followed by an increase in November 2021 to 0.375 pence per share. Monthly dividends have remained at this rate, however, greater certainty over rent collections has given the Board more confidence to raise the level of dividend and with effect from May 2022, the monthly rate will be increased to 0.4 pence per share, an increase of 6.7 per cent.

Share Buybacks

The Company launched a share buy-back programme in June 2021, using some of the proceeds from the property sales, and purchased 46.3 million shares by the year end at an average discount of 22.3 per cent and a cost of £45.2 million. This has enhanced the NAV by 2.2 pence per share during the year and has provided additional liquidity in the Company's shares. Consideration will continue to be given to further buybacks if the Board believes that this course of action continues to be in the best interests of shareholders.

Cash and Borrowings

Following the significant sales programme, the Company had £138.1 million of cash reserves at the year end. The Group's borrowings comprise a £260 million term loan with Legal & General Pensions Limited, maturing on 31 December 2024. The Company also has a £50 million term loan and an undrawn £50 million revolving credit facility with Barclays. The Barclays facilities were extended by a year and are due to expire on 31 July 2023, with the option of a further one-year extension. As at 31 December 2021, the Company's net gearing was 14.4 per cent.

Environmental, Social and Governance (ESG)

The ESG landscape continues to evolve at an extraordinary pace with notable movement towards more stringent disclosure and reporting requirements and expectations. There is the hardening of regulatory obligations and sharpening of standards to encourage and facilitate delivery against global ambitions. Perhaps most significant was the introduction of the UK's new sustainable investment framework which aims to align the country's financial mechanisms with its net zero carbon commitment. The Company recently published its Net Zero Carbon Pathway with a target date of 2040 or sooner.

Reflecting on the past year, the Company is pleased to have retained a leading position and be the only three star rated property investment fund amongst its peer group in the influential Global Real Estate Sustainability Benchmark survey. The ten percent improvement in year-on-year score demonstrates the attention which the Board and its Managers have been devoting to this critical area both from a strategic perspective and in delivering impact on the ground.

ESG remains an important consideration in the Company's forward strategy and the Board remains fully committed and engaged with its Managers in supporting the right approaches and methodologies to enable continued advancement. The Board has taken the decision to establish an Environmental, Social and Governance (ESG) Committee since the year end which will be chaired by Linda Wilding and will ensure continued oversight and governance in this vital area. The Board is pleased to provide a summary of progress later in this Annual Report, whilst a deeper review will be shared in the 2021 ESG Report, available on the Company's website.

Board Composition

Martin Moore retired as Chairman of the Company at the last AGM on 17 June 2021, having served on the Board for just over 10 years. Martin's contribution was substantial, and I would like to thank him for his dedication and commitment throughout.

I took over as Chairman following Martin's retirement and look forward to the exciting challenge that lies ahead. Hugh Scott-Barrett who joined the Board on 4 January 2021 has replaced me as Senior Independent Director.

The Managers

Matthew Howard, the Company's Deputy Fund Manager, has recently accepted a Lead Fund Manager role on another fund managed by our Managers and will be stepping down as our Deputy Fund Manager on appointment to his new role in July this year. The Board has received a commitment from the Managers that an appropriate replacement will be appointed in a timely manner and will work closely with Richard Kirby, our Lead Fund Manager, to ensure an orderly handover of Matthew's responsibilities. Matthew will continue to work with Richard and the wider team of investment professionals on the management of the Company's assets while the Board works with the Managers to identify Matthew's replacement. The Board wish Matthew well in his new role.

I reported at the half year stage that the Bank of Montreal had announced its intention to sell its asset management business covering Europe, the Middle East and Africa to Ameriprise Financial Inc., the parent company of Columbia Threadneedle Investments. The sale transaction was completed on 8 November 2021. The Board's request for continuity of service from the Managers is being prioritised in the smooth integration of the businesses. Your Board has welcomed the Managers commitment on this but recognises that any move of this nature will inevitably create a degree of risk. It is therefore closely monitoring the integration of the two businesses as it progresses.

Company Name Change

Further to the ownership changes of the Managers, it is no longer appropriate that the Company has BMO in its name. After much consideration, the Board has agreed that the Company name be changed to Balanced Commercial Property Trust, a name which we believe reflects the strategic direction of the Company. This change will take effect in the near future, to coincide with the wider re-branding exercise being conducted by the Managers.

Investment Policy

The Board, together with the Company's Managers, has recently undertaken a review of the Company's investment policy in the light of the strategic direction that the Company has been moving over the last year. As highlighted above, the Company has raised its exposure to industrials, increasing to 30.6 per cent at year end and whilst the current investment policy allows investment in this sector of up to 40 per cent, the Board is of the view that the maximum sector weighting limits in the current investment policy have become unduly restrictive. We are therefore proposing that all sector weighting limits are removed from the Company's investment policy in order to ensure flexibility in managing the existing portfolio and to facilitate appropriate decision making in the future. The full text of the proposed new investment policy is set out on pages 76 and 77.

Annual General Meeting

The AGM will be held at the offices of BMO Global Asset Management, Exchange House, Primrose Street, London, EC2A 2NY on 27 May 2022 at 2pm. Despite the removal of Covid-19 related restrictions, there is still uncertainty as to what the future will hold and the Company may, in accordance with its Articles of Incorporation, impose entry restrictions on certain persons wishing to attend the AGM or may be required to adjourn the AGM. Other restrictions may be imposed as the Chairman of the meeting may specify in order to ensure the safety of those attending the AGM.

Outlook

After a turbulent two years, we are now more resilient and better equipped to deal with new Covid variants as they emerge. We therefore entered 2022 with a renewed sense of optimism. However, Russia's invasion of Ukraine and the geopolitical risk and the economic uncertainty surrounding this event places a new shadow over the outlook. Notwithstanding this, the Company has had a strong 2021 and we firmly believe that the portfolio, underpinned by strong core assets, is well positioned for the future.

Undoubtedly the structural changes fast forwarded by the health crisis will continue and technology will be a key disruptor to the real estate industry. Sustainability and the wider ESG agenda are a central theme and remain a priority this year with occupiers and investors, across all sectors, focusing on greener buildings which are increasingly important in investor strategy and asset allocation.

Offices will see a new focus as pent-up demand unfolds buoyed by healthy job growth, but there is a clear focus on high quality buildings and the emergence of a two-tier market. Momentum in the industrial sector continues unabated but the demand and supply imbalance needs to be addressed and there is no quick fix. The embryonic signs of recovery in the retail sector are evident as footfall improves and retail and leisure spend strengthen the occupier market, with retail warehousing leading the way. Residential continues its metamorphosis into a mainstream sector with the breadth of opportunity offering long-term defensive income.

The Company has made good progress with its strategy to re-balance the portfolio and has addressed being significantly underweight to industrials. That said, there is still more to do and further recycling of capital will be a theme of the next twelve to eighteen months. There is significant unlocked value within the portfolio and embarking on further noteworthy capital initiatives over the near to medium term remains a key part of the Company's strategy.

Paul Marcuse
Chairman
14 April 2022

Forward-looking statements

This document may contain forward-looking statements with respect to the financial condition, results of operations and business of the Company. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward-looking statements. The forward-looking statements are based on the Directors' current view and on information known to them at the date of this document. Nothing should be construed as a profit forecast.

Business Model and Strategy

The Company carries on business as a closed-ended property investment company. Its shares are traded on the Main Market of the London Stock Exchange.

Board

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, gearing, corporate governance procedures and risk management. As set out in the Directors' Responsibilities on page 44, the Board is also responsible for the preparation of the Annual Report and Consolidated Financial Statements for each financial year. Biographical details of the Directors, all of whom are independent non-executive Directors, can be found on page 33. The Company has no executive Directors or employees.

The Board has contractually delegated the management of the investment portfolio and other services to the Managers. A summary of the terms of the management agreement is contained in note 3 to the consolidated financial statements.

Investment Strategy

Purpose

The Company's purpose is to provide investors with market access to a diversified UK commercial property portfolio, providing a convenient and cost-effective investment choice in meeting their longer-term investment needs.

Objective

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

Investment Policy

The Company's policy is to hold a diversified portfolio of freehold and long leasehold (over 60 years remaining at the time of acquisition) UK commercial properties. It invests principally in three commercial property sectors: office, retail and industrial. It also has an exposure to the alternative sector, including leisure, residential property and student housing.

The Company invests in properties which the Board, on the advice of the Managers, believes will generate a combination of long-term growth in income and capital for shareholders. Investment decisions are based on an analysis of, amongst other things, sector and geographic prospects, tenant covenant strength, lease length, initial and equivalent yields, ESG risk and opportunity factors and the potential for alternative uses and/or development or redevelopment of the property.

Investment risks are spread by investing across different geographical areas and sectors and by letting properties to lower risk tenants. The Company has not set any maximum geographic exposures, but the maximum weightings in the principal property sectors at any time (stated as a percentage of total assets) are: office: 50 per cent; retail: 65 per cent; and industrial: 40 per cent. No single property may exceed 15 per cent of total assets and the five largest properties (excluding indirect property funds) may not exceed 40 per cent of total assets (in each case at the time of acquisition). Short leasehold properties (with less than 60 years remaining) may not exceed 10 per cent of total assets at the time of acquisition.

The Company is permitted to invest up to 15 per cent, at the time of acquisition, of its total assets in indirect property funds (including listed property companies) which invest principally in UK property, but these investments may not exceed 20 per cent of total assets at any subsequent date. The Company is permitted to invest cash, held by it for working capital purposes and awaiting investment, in cash deposits, gilts and money market funds.

The Company uses gearing throughout the Group to enhance returns over the long-term which are subject to covenant tests set out in note 13 on pages 66 and 67. Gearing, represented by borrowings as a percentage of total assets, may not exceed 50 per cent. However, the Board's present intention is that borrowings of the Group will be limited to a maximum of 35 per cent of total assets at the time of borrowing.

As highlighted in the Chairman's Statement, the Company is proposing that the investment policy is amended and details of the proposed changes are included on pages 76 and 77. Shareholders are being asked to vote in favour of this change at the upcoming AGM.

Investment of Assets

At each quarterly Board meeting, the Board receives a detailed presentation from the Managers which includes a review of investment performance, recent portfolio activity and a market outlook. It also considers compliance with the investment policy and other investment restrictions during the reporting period. An analysis of how the portfolio was invested as at 31 December 2021 is contained within the Managers' Review on pages 18 to 24 and a portfolio listing is provided on page 25.

The Group's borrowings are described in note 13 to the consolidated financial statements.

Environmental, Social and Governance (ESG)

The importance of environmental and social factors, together with the management of those factors through corporate governance and property management, continues to strengthen within the UK commercial property market. The Company, supported by its Property Managers, has continued to make progress in developing its approach to integrating ESG factors into strategy, as evidenced in our annual ESG Report.

Attention to ESG matters continues to be an important determinant of the confidence which existing and prospective shareholders place in the Company to provide them with attractive and appropriate risk-adjusted returns. We remain mindful of feedback shareholders provide on our approach to ESG matters and we continue to engage with them regularly.

We recognise that certain environmental and social attributes of the assets held by the Company can be material to financial performance across the diversified portfolio. This applies in terms of optimising net operating income today and supporting income and capital growth in the longer-term. Our strategy therefore focuses particularly on:

Sears Retail Park, Solihull

- Ensuring that properties perform efficiently, support flexible and productive occupancy, and contribute positively to the health and wellbeing of the people that work, shop or live in them is an increasingly important attribute which influences their appeal to the occupier market and thus their ability to retain occupiers and support rental growth.
- Ensuring that properties are fit-for-purpose and resilient in the context of climate change, a dynamic regulatory environment, and the rapid advancement of technology, helping to mitigate their rate of depreciation and reduce their exposure to various forms of risk.
- Ensuring that properties make a positive contribution to the local communities in which they are situated, can help to improve patronage, support wider economic performance and enhance the skills and employment prospects of local people, in turn making the local market a more attractive investment location.

Continuation Vote

As set out in the Articles of Incorporation, the Directors shall put an ordinary resolution to shareholders to approve the continuation of the Company, in its then form, at a General Meeting to be held in 2024.

Discount Control

The policy regarding share buybacks was set out in a Circular issued to shareholders ahead of the General Meeting in November 2014. This detailed the Company's continued commitment to the application of share buybacks to limit any discount to the NAV per share at which the Company's shares may trade. A discount of 5 per cent or more remains a level at which the Board will review share buyback implementation.

The review will take into account the current and the likely prospective level of discount to the value of your Company's high quality but, by their nature, illiquid assets, which are independently valued every quarter. It will also consider other factors that the Board believes might promote the achievement of the Company's long-standing, stated objectives.

These factors include other property investment opportunities, whether direct or indirect, which may be standing at greater levels of discount to underlying value than the Company's own shares; the impact on net asset value accretion and improvement in dividend cover from share buybacks; and the levels of liquidity, gearing and loan to value within the Company.

The Company launched a share buyback programme in June 2021, using some of the proceeds from property sales and purchased 46.2 million shares by the year end at an average discount of 22.3 per cent and a cost of £45.2 million. This has enhanced the NAV by 2.2 pence per share during the year and has provided additional liquidity in the Company's shares. The level of the share price discount has narrowed since the year end and as a result the level of buybacks has dropped; however, consideration will continue to be given to buybacks if the Board believes that this course of action is in the best interests of shareholders.

Shareholder Value

The Board and the Managers recognise the importance of both marketing and share buybacks in increasing demand for the Company's shares. Share buybacks can help reduce the volatility of any discount of the share price to the net asset value per share and enhance the net asset value per share for continuing shareholders. In terms of marketing, the Managers offer a range of private investor savings schemes, details of which can be found on page 88. In addition, meetings are held regularly with current and prospective shareholders and stockbroking analysts covering the investment company sector. Communication of quarterly portfolio information is made through the Company's website.

Promoting Success

The Board's continued focus on promoting the long-term success of the Company in response to stakeholders needs and aspirations is now formalised in the Company's reporting in accordance with section 172(1) of the Companies Act 2006 (the "Act"). Although S172 applies directly to UK domiciled companies, the intention of the UK Corporate Governance Code is that matters set out in this section are reported on by all listed companies. This will include the likely consequences of their Board's decisions in the longer term and how they have taken wider stakeholders' needs into account.

As an investment company, with no employees, the Company's principal working relationships are with the Managers, other professional service providers (corporate broker, registrar, Company Secretary, auditor, depositary, tax and legal advisers) and lenders. Our main working relationship is with the Managers who we hold to account in managing shareholder assets. With recognition of the need for sustainability as a fundamental element in achieving longer term success, we continued to work very closely with the Managers throughout the year in further developing the investment strategy and underlying ESG policies. This is not simply for the purpose of achieving the Company's investment objective but to do so in an effective, responsible and sustainable way in the interests of shareholders, future investors, tenants and society at large. The Company has borrowings and is in regular communication with its two lenders to ensure that they have a strong working relationship. Compliance with the borrowing restrictions are monitored on an ongoing basis and the refinancing of debt is looked at on a timely basis.

The Managers work closely with our tenants, ensuring that strong relationships are in place and communication lines are as open as possible. This has been demonstrated more than ever over the last two years as the best solutions have been sought between the Company and those tenants who have suffered from financial difficulties during the pandemic. The Company carried out an occupier satisfaction survey during the year and this is covered in more detail on page 31.

The significant portfolio activities undertaken by the Managers can be found in the Managers' Review on pages 18 to 24.

The Board places great importance on communication with shareholders. The Annual General Meeting is held in London and provides a key forum for the Board and Managers to present to shareholders on performance, along with future plans and prospects for the Company. The Chairman and Senior Independent Director continue to be available to meet with shareholders as appropriate and the Managers meets regularly with shareholders and their respective representatives; reporting back their views to the Board. Shareholders may also communicate with the Board at any time by writing to them at the Company's registered office or to the Company broker. These communication opportunities help inform the Board when considering how best to promote the success of the Company for the benefit of all shareholders over the long-term.

We have included on pages 26 to 29 additional information on our approach towards Environmental, Social and Governance ('ESG'). Directors engage on this with the Managers and the Company's specialist ESG adviser, Hillbreak Limited to establish an approach that is bespoke to the Company, business model and portfolio. This has evolved in recent years and has involved the determination of a suite of ESG pillars, commitments and targets that are bespoke to the Company and its portfolio of property assets. The Company continues to make significant progress in this area.

As long-term investors we always look to the future and to the role and success of the Company in that context. We will continue to work towards the optimal delivery of the Company's investment proposition and to promote the success of the Company for the benefit of all shareholders, stakeholders and the community at large. The Company aims to provide a clear investment choice with access to a balanced, high quality and sustainable portfolio.

Newbury Retail Park

Key Performance Indicators

The Board assesses its performance in meeting the Company's objective against the following key measures. Commentary can be found in the Chairman's Statement, Manager's Review and Environmental, Social and Governance Report.

Performance total return*	1 Year %	3 Years %	5 Years %	10 Years %	
BMO Commercial Property Trust ordinary share price	37.8	(3.6)	(4.2)	65.2	This measures the Company's share price and NAV total return, which assumes dividends paid by the Company have been reinvested, relative to the Market benchmark.
BMO Commercial Property Trust net asset value ('NAV')	18.9	6.9	20.1	110.0	
BMO Commercial Property Trust portfolio	15.5	9.8	24.3	116.1	
MSCI UK Quarterly Property Index	16.3	15.5	35.2	113.3	
FTSE All-Share Index	18.3	27.2	30.2	110.7	

Income return* (Compound annual growth rate)	1 Year %	3 Years %	5 Years %	10 Years %	
BMO Commercial Property Trust portfolio income return	5.2	14.9	24.9	59.1	The income derived from a property during the period as a percentage of the property value, taking account of direct property expenditure.
MSCI UK Quarterly Property Index	4.3	13.9	24.5	60.9	

Share price premium (discount) to NAV per share*

As at:	31 Dec 2021 %	31 Dec 2020 %	31 Dec 2019 %	31 Dec 2018 %	31 Dec 2017 %	
(Discount) / Premium	(22.3)	(31.9)	(11.7)	(10.9)	(3.8)	This is the difference between the share price and the NAV per share. It can be an indicator of the attractiveness for shares to be bought back or, in the event of a premium to NAV per share, issued.

Expenses

Year to:	31 Dec 2021 %	31 Dec 2020 %	31 Dec 2019 %	31 Dec 2018 %	31 Dec 2017 %	
Ongoing charges*	1.31	1.13	1.19	1.18	1.20	This data shows whether the Company is being run economically. It measures the running costs as a percentage of the average net assets.
Ongoing charges excluding direct property expenses	0.90	0.85	0.83	0.83	0.82	This data shows whether the Company is being run economically. It measures the running costs excluding direct property expenses as a percentage of the average net assets.

Environmental performance

	2021	2020	2019	2018	2017	
Carbon emissions (Scope 1 & 2) (tonnes CO_2e)	2,035	1,780	2,133	2,516	2,839	This indicates the absolute amount of greenhouse gas emissions associated with the landlord's operational activities across the portolio. The 2020 emissions are influenced by coronavirus restrictions.
Proportion of demises with EPC ratings of A or B (%)	16	12	12	10	5	This provides an indication of the level of exposure to higher theoretical energy efficiency attributes of the property assets.

Social performance

	2021	2020	2019	2018	2017	
Health & Safety	0	0	0	0	0	Number of notifiable incidents or statutory health and safety breaches in the managed portfolio.

*See Alternate Performance Measures on pages 81 and 82.

Source: BMO Investment Business, MSCI Inc and Refinitiv Eikon

Principal Risks and Future Prospects

Each year the Board carries out a comprehensive, robust assessment of the principal risks and uncertainties that could threaten the Company's success. The consequences for its business model, liquidity, future prospects and viability form an integral part of this assessment.

As stated within the Report of the Audit and Risk Committee on pages 40 and 41, the Board applies the principles detailed in the internal control guidance issued by the Financial Reporting Council and has established an ongoing process designed to meet the particular needs of the Company in managing the risks and uncertainties to which it is exposed.

Covid-19 is still with us and its impact continues to be monitored. The effects have been extensive with significant disruption to all sectors worldwide. This has had an ongoing effect on many of our principal risks during the year and the Board met regularly with the Managers to assess these risks and how they could be managed. More detail is included in the Chairman's Statement on pages 6 to 9 and the Manager's Report on pages 18 to 24. The level of rent collection and its impact on cash flow was seen as a key concern, however, collection rates since the start of the pandemic are at 94.4 per cent which is well in excess of what was originally anticipated.

Risks faced by the Company include market, geopolitical, investment and strategic, regulatory, environmental, taxation, management and control, operational and financial risks. The principal risks and uncertainties faced by the Company are set out in the table on page 16 and in note 17, which provides detailed explanations of the risks associated with the Company's financial instruments.

The Board seeks to mitigate and manage these risks and uncertainties through continual review, policy-setting and enforcement of contractual obligations, as well as a review by the Audit and Risk Committee of the Internal Control reports prepared in accordance with AAF(01/06).

To mitigate investment and strategic risks the Board regularly monitors the investment environment and the management of the Company's property portfolio. The Managers seek to mitigate the portfolio risks through active asset management initiatives and carrying out due diligence work on potential tenants before entering into any new lease agreements. All of the properties in the portfolio are insured.

As well as considering current risks quarterly, the Board and the Investment Managers carry out a separate assessment of emerging risks when reviewing strategy and evaluate how these could be managed or mitigated. However, the Board considers that the line between current and emerging risks is often blurred and many of the emerging risks identified are already being managed to some degree where their effects are beginning to impact.

The principal emerging risks identified are outlined below:

- Economic and geopolitical uncertainties leading to inflation and Interest rate increases. This has been compounded by the military invasion of Ukraine by Russia which is clearly a humanitarian tragedy and will also have widespread economic consequences. The Managers initial conclusions are that global markets will remain volatile. From a macro-economic perspective, higher medium-term oil, gas and food prices alongside financial market disruption and sanctions on Russia are likely to lead to an increase in already elevated inflationary pressures, which will in turn weaken the outlook for economic growth. There is also the risk of further interest rate increases. A period of prolonged instability, with impacts for Europe in particular, is now clearly a potential outcome. The situation is uncertain, and changing rapidly, and this may affect real estate valuations across the Company.
- The ESG agenda is a very prominent one and will continue to grow in its importance to shareholders, future investors and our customers. As discussed in our ESG report on pages 26 to 29, we have already made significant strides in this area and we will continue to do so. The increasing market attention being paid to climate risk, to net zero carbon ambition and to social impact have been notable features of the evolving agenda over the last year, and those need to be considered more explicitly in property investment and management activity than has been the case previously. Failure to respond to the evolving regulatory requirements and public expectations could have a negative effect on property valuations and would be reputationally damaging.
- There is the potential for structural change in the office market brought on by Covid-19. Appetite for offices is finding its equilibrium with a clear focus on higher quality space in central locations, as companies look to welcome employees back to a more structured hybrid model of operation where strong ESG and wellbeing credentials will be essential. This will be at the expense of lower quality stock and the emergence of a two-tier market is likely, rebasing both capital values and rents. There is uncertainty how this will play out and it continues to be monitored.
- The impact of technology increasingly means that working practices and the needs of society change very quickly which is an opportunity as well as a risk, and it is important that we continue to keep abreast of what is happening in this space. This has been compounded over the last two years as the reliance on technology, particularly with regards to home working has increased.

The principal risks encountered during the year, how they are mitigated and actions taken to address these are set out in the table below.

Principal Risks	Mitigation	Actions taken in the year
Portfolio Performance Unfavourable markets, poor stock selection, inappropriate asset allocation and underperformance against benchmark and/or peer group. This risk may be exacerbated by gearing levels. Economic backdrop of inflationary pressures and increasing interest rates (heightened by the Ukraine crisis). **Unchanged in the year under review**	The underlying investment strategy, performance, gearing and income forecasts are reviewed with the Investment Managers at each Board Meeting. The Company's portfolio is well diversified and of a high quality. Gearing is kept at modest levels and is monitored by the Board. The Managers provides regular information on the expected level of rental income that will be generated from underlying properties. The portfolio is well diversified by geography and sector and the exposure to individual tenants is monitored and managed to ensure there is no over exposure.	The Board reviews the Manager's performance at quarterly Board meetings against key performance indicators as set out on page 14 and the ongoing strategy is reviewed and agreed. Performance has been positive during 2021. The Company has had an increased level of activity and commenced its strategy to rebalance the portfolio through a sales and acquisition programme. Industrial allocation has increased to 30.6 per cent (2020 – 19.1 per cent). Despite the improved performance, Russia's invasion of Ukraine and continuing economic and market uncertainty indicates that the level of this risk is unchanged.
Discount to NAV The share price is trading at a discount to NAV. This widened significantly at the onset of the Covid-19 outbreak but has subsequently narrowed. This imbalance, combined with the recent share price volatility can diminish the attractiveness of the Company to investors. Improved shareholder communication is key in this environment, ensuring that shareholders have access to information on how the Company is being run in order to make informed decisions which will help to mitigate widespread selling of the Company's shares. **Decreased in the year under review**	The discount is reported to and reviewed by the Board at least quarterly. Share buybacks as a means of narrowing the discount or as an attractive investment for the Company are considered and weighed up against the risks. The position is monitored by the Managers and Broker on a daily basis and any material changes are investigated and communicated to the Board more regularly.	Investors have access to the Managers and the underlying team who will respond to any queries they have on the discount. The level of discount is kept under constant review and the Company introduced a share buyback scheme in June 2021 to try and help manage this. The discount has narrowed significantly in recent months and therefore the risk has been categorised as reduced. This continues to be closely monitored given the volatile share price following the start of the Ukraine crisis.
Service providers and systems security Covid-19 and the implementation of working from home and increased sophistication of cyber threats have heightened risks of loss through errors, fraud or control failures at service providers or loss of data through business continuity failure. The recent change in ownership of the Managers may cause additional work pressures and risks as the two businesses seek to integrate, which may have an impact on services to the Group. **Unchanged in the year under review**	The ancillary functions of administration, accounting and marketing services are all carried out by the Managers. The performance of the Managers is kept under continual review, including the impact following change of ownership. Any security issues are reported to the Board on a timely basis. The Management Engagement Committee reviews the performance of third-party service providers on an annual basis and the Managers keeps service levels under constant review.	The Audit Committee and the Board have regularly reviewed the Company's risk management framework with the assistance of the Managers. Each key service provider provides a Report on Internal Controls where available (AAF 01/06 or similar). This will include the controls relevant to cyber risk where appropriate. This report is reviewed by the relevant parties and submitted to the Board on an annual basis. The Board is in regular contact with the Board of the Managers to mitigate any problems which may arise following the recent change of ownership. The Managers has maintained regular contact with its key outsourced service providers throughout the Covid-19 pandemic and received assurances regarding the continuity of their operations. Vigilance remains heightened with this risk categorised as unchanged.
ESG Not recognising and acting upon any future environmental, social and governance risks which exist within the portfolio. Failure to do so creates the risk that the portfolio no longer remains attractive to tenants and will not maintain its value. There is increasing regulation and public interest relating to ESG issues and failure to be proactive could cause serious reputational damage. **Unchanged in the year under review**	The Managers has a dedicated team that works on this area and has allocated resources over recent years into building a comprehensive ESG plan and gathering accurate data. The Managers also works with external consulting firms who specialise in this area to scrutinise and validate these plans. The Managers liaises with tenants wherever possible to obtain data and to carry out any necessary enhancements.	Continued progress is highlighted in the ESG section of this report on pages 26 to 29. Regular reporting to the Board on progress with implementing initiatives. Appointed a director responsible for ESG oversight and who meets with the Managers monthly to discuss progress and formulate future agendas. The Board have taken the decision to establish an ESG Committee since the year end which will ensure continued oversight and governance in this vital area. A policy on the Company's net zero carbon pathway has been published on the Company website. The Managers regularly look to engage with tenants on ESG issues.

Viability Assessment and Statement

The Board conducted this review over a five year time horizon, a period thought to be appropriate for a Group investing in commercial property with a long-term investment outlook. The Group has its primary borrowings secured for a further three years, a continuation vote in 2024 and a property portfolio with an average unexpired lease length of 5.2 years. Based on current market evidence and on recent conversations that have been held with existing lenders to real estate investment companies, it is believed that it will be possible to satisfactorily refinance the principal loan in 2024. The assessment has been undertaken, taking into account the principal risks and uncertainties faced by the Group, as identified on pages 15 to 16; which could threaten its objective, strategy, future performance, liquidity and solvency.

The major risks identified as relevant to the viability assessment were those relating to a downturn in the UK commercial property market and its resultant effect on the valuation of the investment property portfolio, the level of rental income being received and the effect that this would have on cash resources and financial covenants. A stress test was conducted over the five year period to April 2027, on very prudent assumptions. The modelling used a foreseeable severe but plausible scenario which took into account the illiquid nature of the Group's property portfolio, significant future falls in the investment property values, the continuation of the long-term borrowing facility and substantial falls in property income receipts.

The viability assessment modelling used the following assumptions:-

- 44 per cent capital falls in the next two years (based on the largest UK commercial property market downturn experienced in recent history) followed by zero growth for next three years;
- tenant defaults of 15 per cent for the first year, followed by 9 per cent for the following year before returning to normal levels;
- tenant lease breaks to be taken at the earliest opportunity, followed by a substantial void period.

Even under this extreme model the Group remains viable with loan covenant tests passed and the current dividend rate maintained.

In the ordinary course of business, the Board reviews a detailed financial model on a quarterly basis, incorporating forecast returns for the portfolio, projected out for five years. This model uses realistic assumptions and factors in any potential capital commitments.

The Group continues to monitor the potential impact of the Covid-19 virus on cash flows. Rental collection since the outbreak has been in excess of levels originally anticipated, with rents collected from March 2020 to March 2022 averaging 94.4 per cent.

The Group's £260 million long-term debt with L&G does not need to be refinanced until December 2024. We calculate that the market value of the properties secured under this loan would have to drop by 34 per cent before breaching the Loan to Value ('LTV') test on the facility. The loan interest cover test would only be breached by a fall in rental income of 70 per cent. We are comfortable that these covenants will continue to be met.

The Group's Barclays £50 million loan facility is due to expire in July 2023 with an option to extend by a further year on receiving Barclays consent. We calculate that the market value of the properties secured under this loan would have to drop by 68 per cent before breaching the LTV test on the facility. The loan interest cover test would only be breached by a fall in rental income of 82 per cent. We are comfortable that these covenants will continue to be met.

The Group has a further £93.4 million of properties which are not secured against any lender which could be transferred to L&G or Barclays to support covenant tests if required.

Based on this assessment, and in the context of the Group's business model, strategy and operational arrangements set out above, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five year period to April 2027. For this reason, the Board also considers it appropriate to continue adopting the going concern basis in preparing the Annual Report and Consolidated Financial Statements as disclosed in the Directors' Report on page 36.

Liverpool, Hurricane 47, Estuary Business Park

Managers' Review

Richard Kirby, Fund Manager joined the predecessor to BMO REP Asset Management plc ('BMO REP') in 1990. He has been a fund manager since 1995 and has experience of managing commercial property portfolios across all sectors for open-ended, closed-ended and life fund clients. He sits on both the Executive Committee, ESG Committee and Investment Committee of BMO REP. He is a Chartered Surveyor and a member of the Investment Property Forum, the British Council of Offices and Retail Property Community ("Revo").

Matthew Howard, Deputy Fund Manager joined BMO REP in July 2017. He is fund manager of the Royal Sun Alliance Shareholders Real Estate Fund which is managed by BMO REP while also supporting Richard Kirby on the management of the Company. He sits on the Investment Committee of BMO REP, is a Chartered Surveyor, a member of the Investment Property Forum and also holds a Certificate in Investment Management. Matthew will be stepping down as Deputy Fund Manager later this year to assume a Lead Fund Manager role on another fund managed by BMO REP.

Property Managers

BMO Real Estate Partners ('BMO REP') are BMO Global Asset Management's direct real estate specialists and a key part of BMO Global Asset Management's Alternatives offering. Managing over £6bn of direct real estate assets across the UK and Europe through diversified and specialist strategies. BMO REP's focus is to create and manage successful property investment portfolios for our clients and properties that work for our occupiers. Our approach is underpinned by our commitments to:

- Be the real estate firm that grows the good creating sustainable and productive properties
- Embrace the challenges of the changing environment and promote long-term investment horizons
- Respect the stewardship we have of the built environment

The organisation employs 140 staff and the team structure provides for fund management, sector specialist, ESG specialist, asset management teams and research. The senior managers within these teams have on average 18 years of industry experience. As well as undertaking fund and asset management services, BMO REP has the capability, where appropriate, to provide day to day property management, complemented by a project management team and full accounting and service charge teams.

Property headlines over the year

- The Company's portfolio produced a total return 15.5* per cent versus the MSCI UK Quarterly Property Index ('MSCI') return of 16.3 per cent.
- Completed £199.5 million of property disposals and £66 million of property acquisitions as part of the strategy to adjust sector weightings.
- Rent collection currently received since the onset of the pandemic in March 2020 to December 2021 is 94.4 per cent.
- As at 31 December 2021, the void rate was 2.0 per cent which compares to a rate of 2.9 per cent at the start of the calendar year.
- Asset management initiatives across the portfolio driving strong occupancy and value.
- Committed to achieving net zero carbon emissions by 2040 or sooner.

* See Alternative Performance Measures on pages 81 and 82.

Property Market Review

The performance of the UK real estate market in 2021 has been impressive, particularly given the challenges faced in dealing with Covid-19. The all-property total return on the MSCI UK Quarterly Property Index ('MSCI') in the year to 31 December 2021 was 16.3 per cent as the positive momentum seen in the first half of the year gathered pace and rolled over into the last six months. It is the best annual performance recorded for over six years. The fourth quarter total return was 6.2 per cent, a performance not bettered since the end of 2009.

There are of course sector nuances playing out behind the scenes and industrials was the driving force, with the final quarter producing the largest ever quarterly total return performance of 12.4 per cent and a staggering annual total return performance of 36.5 per cent, a level not seen since 1988. The year was record breaking, with leasing activity in the logistics and industrial sector at the highest level ever reported pushing the national vacancy rate to the lowest ever seen. The strength of the occupational market and current imbalance in supply and demand is driving positive rental growth, which is now underpinning the positive investor sentiment towards the sector at unprecedented levels.

Key Benchmark Metrics – All-Property

	2021 %	2020 %
Total Returns	16.3	(2.0)
Income Return	4.3	4.5
Capital Return	11.5	(6.2)
Open Market Rental Value Growth	1.8	(3.1)
Initial Yield	4.1	4.7
Equivalent Yield	5.1	5.8

Source: MSCI Inc

Despite the ongoing shift to buying online leaving its indelible mark and driving structural changes, retail was, perhaps surprisingly, the second-best performing sector, posting total returns of 10.0 per cent. There is more stability on high streets and some liquidity coming back to the shopping centre capital markets, however, the 22.0 per cent total return recorded by retail warehouses made it the standout retail segment. Lifestyle changes brought on by Covid-19 and the shift to hybrid working favours the local, accessible, outdoor space and free parking that retail warehouses offer. Grocery anchors along with essential and convenience retail will structurally support the sector which has proven resilient over the course of the pandemic in terms of both value and footfall.

Appetite for offices is finding its equilibrium with a clear focus on higher quality space in central locations, as companies look to welcome employees back to a more structured hybrid model of operation where strong ESG and wellbeing credentials will be essential. This will be at the expense of lower quality stock and the emergence of a two-tier market is likely, rebasing both capital values and rents. Occupational requirements are increasing, and leasing activity is beginning to pick-up. This has been supported by job growth, the challenge of retaining and attracting talent, along with pent-up demand as corporates reactivate shelved office accommodation plans.

As the vaccine roll out increased and the outlook improved the second half of 2021 saw investment activity shift into a higher gear with £30.7 billion flowing into UK real estate. This was a 12 per cent increase on the first half of the year and brought the annual traded in the year to £58.3 billion. The share of industrial transactions has risen dramatically year-on-year as investors continue to capitalise on the acceleration of the shift to online and realignment of supply chains. Retail has seen a notable rise in interest since the depth of the pandemic, and offices meanwhile are seeing a renewed level of appetite supported by more clarity on how hybrid working will evolve and the future role of the office. There is a clear preference for those sectors that are underpinned by their ability to offer long-term, defensive income plays such as industrial, residential and supermarkets and those offering some hedge to inflation.

Valuation and Portfolio

The total return from the portfolio was 15.5 per cent compared with the MSCI return of 16.3 per cent. Capital growth from the portfolio was 9.9 per cent compared with the MSCI return of 11.5 per cent. In 2021 the dispersion of returns by sector as measured in the quarterly benchmark was the greatest recorded since its inception.

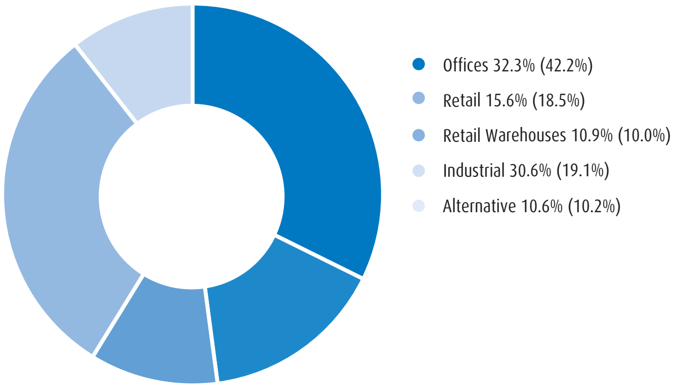
It is unsurprising that the Company's industrial and logistics properties experienced the strongest capital growth due to a combination of further yield compression and the accretive asset management initiatives detailed below.

The Company's two retail parks also had a strong year as some significant asset management initiatives completed and sentiment to the retail warehouse sector improved. The Company's largest asset at St Christopher's Place Estate experienced another challenging year with the two Oxford Street properties seeing yields move out further as the rents continue to be rebased.

The most significant contribution from the office portfolio came from the sale of Cassini House at a price well in excess of the previous valuation. There were some valuation falls in the South East and regionally on those properties with shorter lease terms.

Sector Analysis

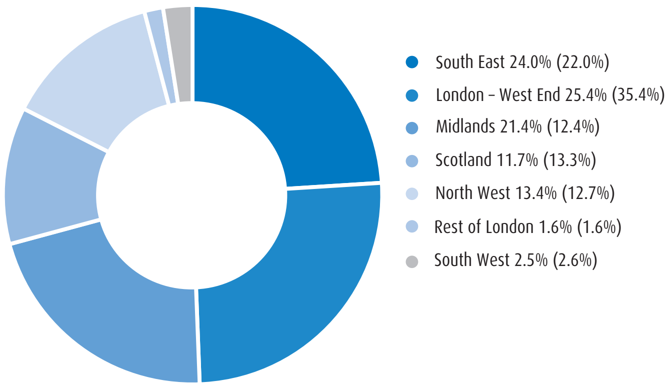
as at 31 December 2021, % of total property portfolio (figures as at 31 December 2020 in brackets)



Source: BMO REP Asset Management plc

Geographical Analysis

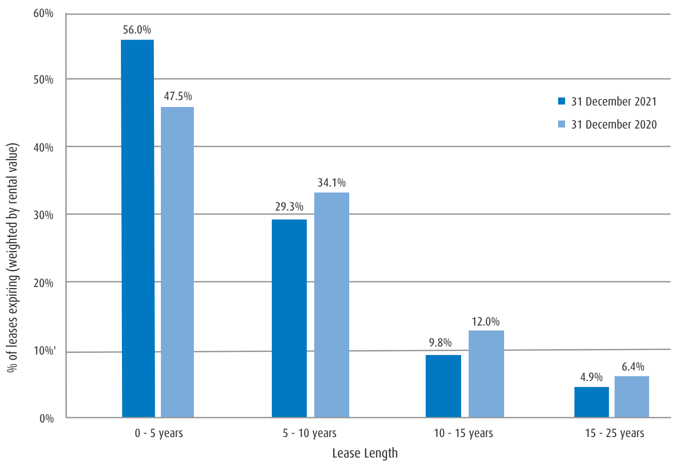
as at 31 December 2021, % of total property portfolio (figures as at 31 December 2020 in brackets)



Source: BMO REP Asset Management plc

Lease Expiry Profile

At 31 December 2021 the weighted average lease length for the portfolio, assuming all break options are exercised, was 5.2 years (2020: 6.0 years)



Source: BMO REP Asset Management plc

The largest occupiers, based as a percentage of contracted rent, as at 31 December 2021, are summarised as follows:

Income Concentration	
Company Name	**% of Total Income**
Apache North Sea Limited	4.8
CNNOC Petroleum Europe Limited	4.7
Canon (Europe) Limited	4.7
Marks and Spencer plc	3.7
Virgin Atlantic Limited	3.6
JP Morgan Chase Bank Limited	3.6
University of Winchester	3.5
Transocean Drilling UK Limited	3.4
Nestle Purina UK Commercial Operators Limited	3.4
CEVA Logistics Limited	3.2
Total	**38.6**

Source: BMO REP Asset Management plc

Income Analysis and Voids

We started the year with a void rate of 2.9 per cent and following leasing activity, many of which is detailed in this report, this has reduced to 2.0 per cent, excluding property being developed or refurbished. As previously reported, there is still an expectation that voids will increase as the full economic impact of Covid-19 and the war in Ukraine takes its toll and there are a number of lease events due in 2022 where we understand the tenant will not renew. These will provide additional asset management opportunities to refurbish space and add value.

The war in Ukraine has heightened the risk of exposure to Russia and sanctions within the Company's tenant base. The Managers Anti Money Laundering team have a process in place to mitigate against this type of risk and undertake a screening process of the Company's tenancy schedule against a sanctions list every month. No positive sanctions matches have been identified between the Company's tenant base and any individuals or entities listed on the sanctions lists in scope for screening.

Since the Government removed Covid-19 restrictions in the summer, we have seen tenants more motivated to seek to resolve their financial situations by reaching agreements combined with a return to 'more normal' rent collection patterns across the Company's portfolio.

Rent collection was 95.5 per cent for the year with further receipts expected and we have now collected 94.4 per cent of the rent demanded since the impact of Covid-19 came into full force.

At the 31 December 2021 the weighted average lease length for the portfolio, assuming all break options are exercised, was 5.2 years (2020: 6.0 years).

Industrial and Logistics

During the year we successfully completed a number of excellent, value accretive asset management opportunities within this segment of the portfolio. This activity combined with the momentum of yield compression led to some significant total return numbers.

Initiatives of note included the completion of the lease re-gear with Kimberly-Clark at their 368,000 sq. ft. logistics facility at Revolution Park, Chorley. This lease was due to expire in June 2021, and the re-gear saw the tenant sign a new 12-year lease (with a break option at the end of the 7th year), and fixed annual uplifts of 2 per cent. This combined with further yield compression saw the valuation increase by 44.3 per cent over the year. At G Park, Liverpool we completed a reversionary lease with DHL Supply Chain Limited on their 360,000 sq. ft. distribution warehouse. A new 10-year lease was agreed from March 2021 with a tenant break at the end of the fifth year and the new rent reflected an uplift in excess of 10 per cent on the previous rent. This property has seen a valuation uplift over the year of 39.2 per cent. These were the two largest lease expires in the Company's portfolio that were due in 2021 and it is reassuring that both of the existing tenants renewed their leases and the early settlement de-risked the portfolio to these events.

We also negotiated the settlement of the rent review at a 270,000 sq ft facility in Hams Hall, Birmingham, which is Nestlés Purina pet food distribution hub. The review resulted in a 29.3 per cent increase in the passing rent, which gave rise to an immediate valuation increase of 11.0 per cent. The Company also owns two other properties at Hams Hall and the new rental level negotiated had a positive impact on the valuation of these units.

In February 2021, a new letting of Hurricane 47, Estuary Business Park, Liverpool contracted to an online rug retailer. Kukoon Rugs entered into a 15-year lease (tenant break at 10 years) at a rent of £290,000 per annum and were granted 9 months' rent free.

In March 2021 Mothercare assigned their lease on the distribution warehouse at DIRFT, Daventry to Ceva Logistics, who are one of the largest third-party logistics operators in Europe. The Company has therefore entered into a direct contractual relationship with a tenant that has a superior credit rating and this had a significant impact on value.

During lockdown the Company delayed uncommitted capital expenditure. In light of an improving market outlook a number of opportunities in the existing portfolio have been reviewed and the Company is progressing two larger industrial and logistics projects. At Estuary Business Park, Speke, Liverpool the Company has committed to the speculative development of a 52,000 sq. ft. mid-box logistics unit on land already owned and adjoining an existing ownership. The total construction cost is expected to be in the region of £4.8 million with an income return on cost forecast to be c.6.5 per cent when let. Construction works commenced in February 2022.

At the Cowdray Centre, Colchester we had previously secured planning consent to demolish an obsolete warehouse unit and for the re-development of c.35,000 sq. ft. to form a new multi-unit trade counter park. We are now committing to a speculative start and this development will incur expenditure of c.£5.7million. It is expected a start on site will commence once a revised planning consent has been secured. Our initial marketing has identified encouraging tenant demand.

Retail and Retail Warehouses

Newbury Retail Park (retail warehouse)

In February contracts were exchanged with TJ Morris, trading as Home Bargains, to take 20,000 sq. ft. formerly occupied by New Look and Next on a new 20-year lease (no breaks) at a rent of £17.50 per sq. ft. We completed the construction works to combine the two units on programme and Home Bargains opened the new store in October. This new store is an added attraction to the Park and is definitely supporting a recovery in visitor numbers. The car park management system recorded average daily visits of circa 4,500 people in Q4 2021 with in excess of 6,000 visits on the 20 December. These visitor numbers exceed pre Covid-19 levels. The letting to Home Bargains is a further move towards our strategy of curating the park to convenience-based retailing which is expected to be more sustainable in out-of-town locations.

Other asset management initiatives remain in advanced negotiations or conditional on achieving new planning consents, and where this is the case, supporting planning applications have been submitted to facilitate these.

Solihull Retail Park (retail warehouse)

The construction of the new Marks & Spencer store unit and the refurbishment of the shopfront of the Food Hall completed in January 2021 on programme and to budget. M&S opened this new flagship store in June 2021 and report that the new concept is trading extremely well. The store has attracted an increased footfall to the Park and the car park is operating to near full capacity. The new lease is at a rent of £1.373 million per annum.

We have secured planning consent for a change of use for the vacant former Multi York unit and it is now under offer to a Gym operator which will bring a new use onto the Park. Argos vacated their unit on lease expiry and this unit is now under offer to a national retailer.

St. Christopher's Place ('Estate') (retail/office/alternatives)

The year commenced in a challenging way; London entered Tier 4 restrictions on 20 December 2020, swiftly followed by the implementation of a third national lockdown in early January 2021. After the roadmap out of lockdown was announced, restrictions were initially eased in April, with the opening of non-essential retail and hospitality venues for outside dining. However, restrictions were not fully lifted on restaurants and bars until mid-July.

The lockdown limitations on trade and the work from home requirements, resulted in suppressed footfall on the Estate across the year, which reflected on average 60 per cent of 2019 levels although notably, this is ahead of the wider West End visitor numbers which reported 47 per cent compared to 2019 levels.

In the latter half of the year, footfall levels steadily improved and Quarter 3 reached 66 per cent of the same period in 2019 whilst Quarter 4 was on par, hitting 99 per cent of 2019 visitor numbers. This final quarter is especially encouraging given the drop in visitor levels in the final weeks of the year, due to the emergence of the Omicron variant which halted many visits to Central London whether by office workers, shoppers, or for social gatherings.

The start to 2022 has been encouraging with the return of office workers, albeit a hybrid 'home/office' working model appears to be prevalent, and the arrival of some international visitors. Footfall has grown week on week, every week since the start of the year (except during the unusual red weather warnings and the early March tube strikes), which bodes well for a stronger year ahead.

Leasing Activity

- 'Aldo' reopened at 372 Oxford Street; an Aldo Franchisee has taken a new lease of the site, following the surrender of the former Aldo lease, after the company appointed Administrators in 2020.
- 'Emma Hyacinth' have opened their new, larger shop at 2-3 St Christopher's Place.
- 14a St Christopher's Place: Completed a new letting to 'Festok'.
- Secured a new letting to 'Platform' at 28-32 St Christopher's Place.
- Various pop-up lettings completed throughout the year including, successful activations over the festive period with 'Fedor Sneaks' and 'Aldi Champagne Bar'.
- Completed a new 15-year lease to 'Cote' new co, following the surrender of the former Cote lease, after the appointment of Administrators in 2020.
- 'Isola by San Carlo' opened their flagship restaurant in the former Carluccios site on the Barrett Street piazza. This is a signature letting for the Estate.
- 'Crome' has taken a new 15-year lease of the former T Burrows site, for a new French toast café concept.
- 'Papa-dum' and 'Sidechick' (by Patty and Bun) opened new restaurants on James Street, adding to the diverse food and beverage offer on the Estate.
- Six new office leases completed in the period, with a further 2 new lettings under offer. Several suites are under refurbishment, prior to marketing.
- Across all sectors, various lease renewals and re-gears have been secured and several new lettings and lease negotiations are in hand.

Broadway Wimbledon (retail)

Having experienced a significant fall in valuation during 2020 the valuation stabilised during the year and was only down 0.6 per cent at year end. All units are now open and trading and rent repayment plans which had been put in place to assist a number of the tenants are being honoured.

We have re-engaged with Merton Council to discuss this holding in connection with Merton's ambitions for the Wimbledon Town Centre Masterplan. As previously stated this could provide the Company with a valuable redevelopment opportunity.

Offices

At Watchmoor Park, Camberley we built upon the back of the successful letting to Muller and let the remaining vacant 12,500 sq. ft. to Siemens Healthcare at a rent of £23 per sq ft for a term of 10 years with a tenant break after 5 years. This building was fully refurbished to a high standard and this last letting culminates in the successful completion of the asset's business plan.

At Alhambra House in Glasgow the lease extension with JP Morgan until 30 June 2023 was completed. The office building extends to c100,000 sq. ft. and for the period of the lease extension the annualised rent will be £2.5 million, an uplift of £0.5 million on the passing rent. The attention for this year is now centred upon working up plans to extend and refurbish this property and to secure a planning consent to allow the proposed works.

At 17A Curzon Street, London the leasing programme of the available refurbished floor completed with a letting of the 2nd floor to MA Family Office Ltd at a rent of £130,350 per annum on a 5-year lease term and a tenant break after the third year. In February 2022 the final letting of the 1st floor contracted with 65 Equity Partners at a rent of £87.50per sq. ft. and another 5 year term and tenant break after 3 years. This property is now fully let.

At 82 King Street, Manchester, two rent reviews and one lease renewal completed with a further three rent reviews and one lease renewal currently in negotiation.

Bristol, One Cathedral Square

The Alternatives property sector

Alternatives relate to the purpose-built student accommodation in Winchester, residential properties at St. Christopher's Place and the leisure units at Wimbledon Broadway. Winchester continues to benefit from a long lease and annual RPI linked rent reviews. The University have continued to pay their rent in full and on time. The occupation levels of the short-term residential units at St Christopher's Place has continued to improve and are ahead of budget. The longer let units are fully let with no availability and we are now experiencing a recovery in rental levels on these units. The leisure operators at Wimbledon are now able to trade and are honouring their rent re-payment plans.

Sales and Capital Receipts

Consistent with the strategy to recycle capital and adjust sector weightings, the Company completed three property disposals during 2021 raising gross sale proceeds of £199.5 million and realising gains net of sales costs of £34.4 million against last year's closing valuations.

In May the Company announced the sale of a solus retail warehouse located in East Kilbride, Scotland for a total consideration of £19 million, reflecting an increase of 9.2 per cent over the external valuation at 31 December 2020. The property is let to B&Q Limited for one of its large format stores on a lease due to expire in November 2029.

The second sale was Cassini House, St James Street, London SW1, a prime multi-let freehold office building and the second largest holding in the portfolio. The sale price of £145.5 million represented a net initial yield of 3.2 per cent and reflected an increase of 18.5 per cent over the valuation as at 31 December 2020. The disposal represented the culmination of a long-term business plan which involved a complete refurbishment, introduction of new tenants and re-gearing of leases and a sale into an extremely strong and competitive Central London investment market.

Also in September the Company sold its holding at Dane Street, Rochdale for a total consideration of £35 million, an increase of 12 per cent over the year-end valuation at 31 December 2020. The asset is a purpose-built supermarket with a 12-pump filling station and an adjacent retail warehouse. The supermarket is let to Asda Stores Limited and the disposal follows the successful re-gearing of the Asda lease and extension of the term expiry date out to December 2038.

A capital receipt of £2.4 million was received from the long leaseholder of a number of residential units at St Christopher's Place as a result of the completion of a statutory lease enfranchisement process to extend the leases. This covered 24 flats located in Greengarden House subject to leases which were due to expire in 2077 at nil rent. Under a statutory process the leases have been extended for a further 90 years until 2167.

Acquisitions

The Company completed two acquisitions in December 2021 totalling £66 million. The first acquisition, a standing investment, is Orion One and Two, Markham Vale, Derbyshire for a price of £44.5 million reflecting an initial yield of 3.7% and a low capital value of £148 per sq. ft. The two newly built units were completed in April 2021 and are located within Derbyshire's 200-acre flagship redevelopment scheme adjoining junction 29A of the M1 Motorway. Orion One extends to 224,424 sq. ft. and is let to The National Lighting Company Limited on a lease term expiring in August 2031 at a rent of £1.3 million per annum with a rent review at the 5th year, linked to RPI and collared and capped at 1.50 – 3.50 per cent per annum. Orion Two comprises a smaller unit of 75,958 sq. ft. and is let to Smurfit Kappa UK Ltd on a lease expiring October 2031 (tenant break October 2026) at a commencing rent of £0.5 million per annum, subject to a rent review in the fifth year. Both units have rent free periods in place, all of which expire during 2022. The units have been constructed to institutional standards and benefit from strong environmental characteristics having achieved an EPC rating of A and BREEAM rating of very good.

The second acquisition is Unit 4, Quintus Business Park, Burton-Upon-Trent which is structured as a forward funding to develop a new logistics warehouse of 171,550 sq. ft. The property has been pre-let to Werner UK Sales & Distribution Limited on a lease term upon completion of 15 years (tenant break after 10 years) at a rent of £1.1 million per annum, with 5 yearly rent reviews linked to RPI and collared and capped at 2.00 - 4.00 per cent per annum. The purchase price is £21.5 million which equates to an initial yield of 4.84 per cent. The Company has acquired the land and met certain development costs incurred to date which amounts to £5.6 million of the purchase price. The development has achieved planning consent and is expected to complete in June 2022. The unit will have strong environmental characteristics with an A rated EPC and a BREEAM Excellent rating being targeted.

Outlook

The combined weight of capital and strength of appetite for real estate positions us well for a positive 2022. Yields are trending downwards following the outward shift seen at the onset of the health crisis. Annual trading volumes are expected to be in the region of 10 per cent higher than seen in 2021, supported by relatively healthy occupational drivers including demand and supply fundamentals, lower unemployment figures and positive hiring intentions by companies. There is also likely to be increasing convergence between the main sectors as capital values start to rise in some parts of the retail market and the rate of growth slows in the industrial sector.

But there are headwinds, and they should not be ignored. The war in Ukraine, political tensions, soaring energy costs and rising prices as well as the mismatch between jobs and vacancies creating wage pressure in some sectors and this is likely to dominate headlines during the year. Investors and occupiers have gallantly navigated the challenges beset by the health pandemic and the structural changes fast forwarded by the health crisis will continue.

Capturing the impact of long-term trends and industry disruptors remains at the forefront of our thinking, feeding decisions on where and how to allocate capital with some real estate allocations having come into very sharp focus over the past 18 – 24 months.

Environmental, social and governance will remain front and centre for both occupiers and investors across all sectors of the market and will apply pressure on real estate firms to deliver more on the ESG agenda. It will be an increasingly important factor in our due diligence as well as acquisition and disposal strategies. It brings quality into a clear focus, but more than that, interest in alternatives will continue to grow as investors seek out opportunities not just to achieve returns, but equally, if not more important, to create and preserve, fulfilling ESG aspirations.

As highlighted above, there have been some notable successes during 2021 and the Company is well placed to build on these going forward. Our retail warehouse properties performed strongly and the investment we have made in bringing more grocery and convenience operators onto Solihull and Newbury Retail Parks should lay the foundations for these parks to successfully trade post Covid-19. Although the situation at St Christopher's Place improved over the year it was still very challenging. As the return to the office picks up, visitor numbers to Central London increase and the Elizabeth Line opens in the summer of 2022 it is hoped the recovery will gain momentum.

The Company has made good progress with its strategy to re-balance the portfolio following the completion of £199.5 million of targeted sales and the two acquisitions made at the end of last year. This has taken the weighting to the industrial sector from 19.1 per cent at the start of the year to 30.6 per cent by year end. Although the industrial and logistics sector have experienced significant yield compression, rental growth is forecast to outperform other sectors and as such the Manger is still actively sourcing opportunities in the sector. We are also seeking to increase the exposure to certain 'alternatives' and subject to availability and pricing retail warehouses. We have a robust investment process and are actively sourcing appropriate investments to further reposition the portfolio in the coming months.

There remains significant opportunity to generate strong returns in the Company's portfolio, not just from the capital initiatives identified above but from further capital projects that are actively being considered and will present themselves over the next two to three years.

Richard Kirby and Matthew Howard

Fund Manager

BMO REP Asset Management plc

14 April 2022

Property Portfolio
as at 31 December 2021

Property	Sector
Properties valued in excess of £200 million	
London W1, St. Christopher's Place Estate (footnotes 2 and 3)	Retail/Office/Alternative*
Properties valued between £50 million and £70 million	
Newbury, Newbury Retail Park	Retail Warehouse
Solihull, Sears Retail Park	Retail Warehouse
Chorley, Units 6 & 8 Revolution Park	Industrial
Properties valued between £40 million and £50 million	
London SW19, Wimbledon Broadway	Retail/Alternative**
Winchester, Burma Road	Alternative
Markham Vale, Orion 1 & 2	Industrial
Liverpool, Unit 1, G. Park, Portal Way	Industrial
Birmingham, Unit 8 Hams Hall Distribution Park	Industrial
Daventry, Site E4, Daventry International Rail Freight Terminal	Industrial
Properties valued between £30 million and £40 million	
Crawley, The Leonardo Building, Manor Royal	Office
Manchester, 82 King Street	Office
Aberdeen, Unit 1 Prime Four Business Park, Kingswells	Office
Aberdeen, Unit 2 Prime Four Business Park, Kingswells	Office
Birmingham, Unit 10a Hams Hall Distribution Park	Industrial
Properties valued between £20 million and £30 million	
Bristol, One Cathedral Square (footnote 1)	Office
Glasgow, Alhambra House, Wellington Street	Office
Aberdeen, Unit 3 Prime Four Business Park, Kingswells	Office
London SW1, 2/4 King Street	Office
London W1, 17a Curzon Street	Office
Colchester, The Cowdray Centre, Cowdray Avenue	Industrial
Southampton, Upper Northam Road, Hedge End	Industrial
Properties valued between £10 million and £20 million	
Uxbridge, 3 The Square, Stockley Park	Office
London W1, 17a Curzon Street	Office
London EC3, 7 Birchin Lane	Office
London W1, 16 Conduit Street (footnote 1)	Retail
Camberley, Watchmoor Park	Office
Liverpool, Unit 1 The Hive, Estuary Business Park (footnote 1)	Industrial
Birmingham, Unit 6a Hams Hall Distribution Park	Industrial
Camberley, Affinity Point, Glebeland Road	Industrial
Edinburgh, Nevis/Ness Houses, 11/12 Lochside Place	Office
Properties valued under £10 million	
Liverpool, Units 2 & 4, Hurricane 47, Estuary Business Park (footnote 1)	Industrial
Solihull, Oakenham Road	Retail Warehouse
Aberdeen, Unit 4 Prime Four Business Park, Kingswells	Office
Burton on Trent, Quintus at Branston Locks	Industrial

Notes:
1 Leasehold property.
2 Mixed freehold/leasehold property.
3 For the purpose of the Company's investment policy on page 10, St. Christopher's Place Estate is treated as more than one property.
* Mixed use property of retail, office and residential.
** Mixed use property of retail and leisure.

Environmental, Social and Governance (ESG)

The importance of environmental and social factors, together with the management of those factors through corporate governance, continues to strengthen within the UK commercial property market. The Board and its Managers remain fully engaged in the consideration of ESG factors and on the Company maintaining its strong commitment, recognising that proper integration of such matters into regular business practice is fundamental to preserving asset worth and enhancing shareholder value.

A summary of the Company's approach and progress against its ESG commitments is set out below, whilst our 2021 ESG Report will provide more granular detail on our activities, performance and profile of the portfolio in respect of material ESG factors.

Strategic direction

The four pillars of the Company's ESG Strategy remain consistent with previous years:

1. Leadership & effectiveness – measures through which we will demonstrate effective governance in relation to ESG criteria, a theme that is particularly pertinent to our shareholders in the context of our outsourced investment and property management arrangements.

2. Investment process - Procedures through which we integrate ESG into the investment process, ensuring that material factors are central to investment decision-making and property management so that relevant risks to income and long-term performance are addressed in a timely and efficient manner.

3. Portfolio – attendance to and optimisation of material ESG performance and risk factors across the portfolio, with a particular emphasis on resource efficiency and renewable energy, occupier wellbeing and satisfaction, managing the implications of new regulations concerning minimum energy standards for leased properties, and ensuring that our properties are not used by organisations connected to controversial weapons activities.

4. Transparency – approach to investor reporting and public disclosure on relevant ESG factors, including participation in recognised industry reporting initiatives and through alignment to applicable standards of best practice.

Further information on the Company's ESG approach can be found at **bmocommercialproperty.com**

How the Property Managers implement to its ESG

VISION	ESG Policy Statement
DIRECTION	ESG strategic priorities
DELIVERY	Operational tools and processes
MONITORING	ESG data capture and 3rd party platforms
METRICS	ESG performance and disclosure

Leadership and effectiveness

Board Composition

The Company recognises the benefits of a diverse Board membership and has exceeded the Hampton-Alexander recommendations by having 40% female representation. This position aligns with the recommendations of the FTSE Women Leaders Review and the voluntary target set for FTSE350 Boards.

Global Real Estate Sustainability Benchmark ("GRESB")

GRESB is the dominant global system for assessing Environmental, Social and Governance performance for real estate funds. The Company's ambition is to realise year-on-year improvements in score and peer group ranking. Representing its fourth consecutive year of participation, the Company submitted to the 2021 GRESB real estate survey and scored 77 denoting a 7-point (10%) improvement on the previous year. The Company maintained its three green star status and retained its top position amongst its allocated peer group of six UK diversified portfolios.

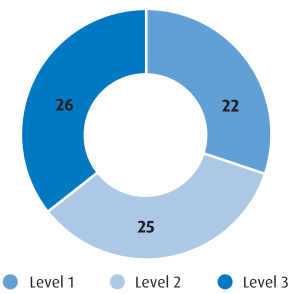
Investment process

Responsible Property Investment Framework

The Manager's Responsible Property Investment Framework provides the structure around which various property teams operate, reinforcing the concept that every individual has a contribution to make towards the successful integration of ESG matters into property investment activities. Our appraisal tool captures a range of ESG related metrics to produce a detailed assessment of risk and opportunity in relation to factors considered material to future investment performance, such as Energy Performance Certificate ratings, green building certifications, contamination and flood risk, as well as opportunities to improve ESG performance. These outputs are regularly reviewed and are fully integrated into individual annual asset business plans to ensure that improvements in ESG credentials can be fully considered. The process is similarly applied to all potential acquisitions and developments so that thoughtful consideration can be given to risks and opportunities prior to executing transactions.

Asset classification

(distribution by number of properties)



Asset classifications

- *Level 1* - where EPC rating is E and/or annual landlord energy spend is between £0 and £50,000
- *Level 2* - where EPC rating is A+ to D and there is no landlord energy spend
- *Level 3* - where EPC rating is F or G and/or annual landlord energy spend is >£50,000

The Framework also provides a basis for classifying assets according to the key ESG characteristics, principally for the purpose of establishing materiality and allocating resources and implementing routine actions accordingly. The Company maintains 100% Energy Performance Certificate ("EPC") coverage by demise and all assets have been classified according to energy performance rating and / or degree of landlord energy consumption. Through its Property Managers, the Company is currently reflecting on the need to modify its existing classification system to take account of property characteristics relative to its net zero carbon ambition.

Portfolio

Active management of the environmental impacts associated with each property asset within the portfolio is a key activity undertaken by the Company's Property Managers. Aggregated data taken from asset-level appraisals allows for close monitoring of overall performance and the setting of resource reduction strategies, objectives and targets.

Environmental impacts

The Company sets year-on-year intensity-based energy, carbon, water, and waste reduction targets for landlord procured services which it seeks to realise though active engagement with its local facilities managers and occupier cohort. The Company has previously set out longer-term targets for energy and carbon reduction in line with science-based methodologies and has produced a shareholder briefing note outlining its adoption. The Company has worked hard during the year to develop it strategy for achieving net zero carbon emissions and has committed to realising this ambition by 2040 or sooner. The Company has published its pathway document which sets out the details of its proposed approach and the metrics it intends to adopt in order to demonstrate progress. Since the last reporting year, the Company's absolute carbon emissions have increased by 14% however, this figure compares against a year impacted by coronavirus related restrictions. Moreover, the scale of increase seen in this reporting year compares favourably with the scale of decrease in the previous reporting year. This translates to a reduction in emissions of over 4% over a two year time horizon. More granular detail of performance over the last twelve months can be found in the 2021 ESG Report.

Renewable energy sources

In support of the transition towards renewable energy and energy efficient stock, the Company has looked to obtain renewable electricity supplies through Renewable Energy Guarantees of Origin (REGO) contracts for all assets where it has responsibility for procurement. During 2021, 99% of all electricity contracts under Company control were procured under such green electricity tariff. This represents a significant increase on the previous year and is due to the execution of new contracts where renewal opportunities have occurred. Opportunities for procuring carbon-neutral gas contracts were similarly exploited during the year such that during 2021, 59% of gas procured by the landlord were on these types of arrangement.

Controversial activities

Understanding shareholder concerns and sensitivities towards certain controversial activities, the Company has adopted a policy which prohibits the execution of new lease contracts with organisations connected to the production, storage, distribution or use of controversial weapons. Throughout 2021, the Company had zero exposure to such organisations. Moreover, the Company monitors tenant mix on a regular basis and exercises discretion when considering leasing to organisations involved in other controversial activities such as those associated with gambling, pornography and alcohol. The Company welcomes regular engagement with investors to understand their expectations in this regard.

Occupier satisfaction and wellbeing

The commercial real estate industry has gained new perspectives on the importance of the built environment on human health and wellbeing and its link to occupier satisfaction and productivity. In 2019, and acknowledging this shift in sentiment, the Company engaged specialist research consultancy Real Service and launched a pilot occupier engagement exercise involving a sample selection of fifteen occupiers to obtain some proxy feedback. Representing a position 3.1 points below benchmark, a Net Promoter Score (NPS) of -8.6 was achieved, this metric being an indication of the likelihood that an occupier might recommend the Company as a landlord. This set a baseline against which the Company and its Property Managers could measure progress. This year, the Company sought to expand its engagement to include all occupiers through a blend of email feedback or telephone interview. A new NPS score of -2.6 was obtained, representing a position 2.8 points ahead of benchmark, reflecting an improvement on the previous exercise. The Company intends to repeat such exercises on a two year cycle.

Transparency

CDP (formerly Climate Disclosure Project)

In line with its commitment, the Company submitted to the full tier of the Climate Change module of CDP for the third year in succession in August 2021. A rating of B to indicate taking a coordinated approach to climate change was achieved, maintaining the rating obtained in the previous year. The current rating is comparable to the average performance for the financial services sector and the regional average for Europe.

EPRA Sustainability Best Practice Recommendations

Recognising the value and importance of non-financial reporting, the Company's annual ESG Reports include disclosures which are aligned to the 3rd Edition of the EPRA Sustainability Best Practice Recommendations and which are available on the Company's website. Absolute energy and emissions, together with water and waste data, have been independently verified by Lucideon CICS Limited and the Company achieved a Gold EPRA award for the quality and transparency of its annual ESG Report for the third year in succession.

EPRA sBPR GOLD

GRESB Public Disclosure

GRESB undertake an annual assessment of the level of disclosure and transparency of public listed real estate companies. In 2021, the Company maintained its A rating, representing the highest level of transparency on environmental, social and governance issues. This compares favourably with a peer group average of B and a global average of C.

Taskforce for Climate-related Financial Disclosures (TCFD)

The Company acknowledges the recommendations of the Financial Stability Board Task Force on Climate-Related Financial Disclosures (TCFD). The Company has included TCFD Disclosures in its 2021 ESG Report, updating the road-map first produced in 2018. The Company engaged WSP Environmental to provide advice and technical expertise on the assessment and evaluation of physical climate risks and opportunities through detailed scenario modeling and analysis.

- Committed to Net Zero Carbon by 2040 or sooner
- 4.6% reduction in absolute carbon emissions from 2019 baseline
- 99% renewable electricity supplies
- 0% exposure to organisations connected to controversial weapons
- GRESB Public Disclosure Rating of A

Edinburgh, Nevis/Ness Houses

Spotlight on occupier engagement activities

Aberdeen, Prime Four: Resilient communities' programme

Over the last twelve months, the Company has explored ways in which it might support occupiers through the coronavirus pandemic beyond the obvious provision of financial support in the form of rent concessions where appropriate. Through its Property Managers, the Company engaged The Giving Department, an organisation focussed on helping clients design and deliver social impact programmes, to investigate the potential for collaboration and amplification of existing community partnerships.

During the year, a pilot programme centred around the twin impact areas of occupier enrichment and community support saw active engagement with the Company's tenants at Prime Four office park in Aberdeen; the key focus for occupier enrichment was the provision of funded accredited Mental Health First Aid training courses for occupier staff, whilst from a community support perspective The Giving Department identified a site partnership with local charity Cash for Kids Aberdeen.

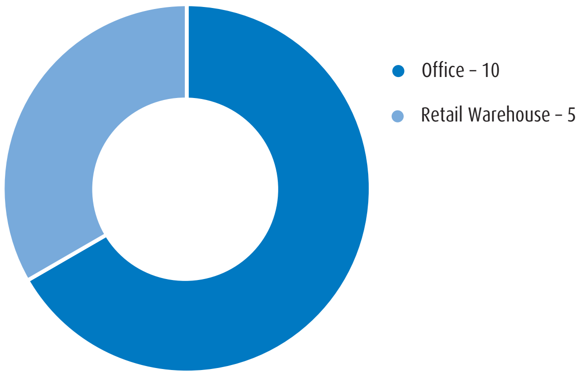
The Covid-19 pandemic presented a dual impact on the occupier enrichment programme. First, home working sharply raised the profile of mental health awareness and with it the evident need for mental health training and support amongst the workforce. Secondly, it also meant that access to personnel and social engagement around physical space was extremely challenging resulting in a lower than projected delivery of impact. Nevertheless, the occupiers at Prime Four have indicated their appreciation and the value placed on the proactive stance of the programme and look forward to the Company's support at a time when effective mental health first aid training can be delivered in person in Scotland. It is expected that many occupiers will be under financial pressure and under budget constraint for staff engagement activities, so the support offered by the Company could be very well received by the pilot cohort.

Whilst the programme stimulated wider opportunities for positive owner-occupier relationships, it also encouraged one Prime Four occupier to approach the Company with a proposal to install, under licence, a charity clothes bank within the car parking area to further support one of their charity partners. In addition to existing support provided to Cash for Kids Aberdeen by the occupier, the clothes bank is likely to provide the charity with up to £3,000 each year in additional funds. The Company approved the installation which is due to be installed in time for the next schedule recycling week.

Spotlight on occupier engagement activities

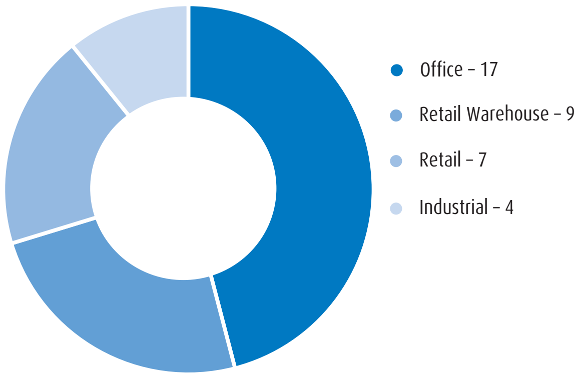
Whole portfolio: Occupier Experience Surveys

Telephone interviews undertaken by sector in 2019 pilot



Source: BMO REP Asset Management plc

Telephone interviews undertaken by sector in 2021



Source: BMO REP Asset Management plc

In 2019 the Company undertook a pilot occupier satisfaction survey with the support of customer experience consultancy, Real Service. The pilot sought to gauge feedback from occupiers located solely within directly managed assets where the Company engaged a property manager or other such agent to take responsibility for certain management activities, typically including arrangements for cleaning, security, waste removal, and other such facilities requirements.

The outcomes of the pilot were broadly positive with local manager responsiveness being a notable success, but with attention to wider communication channels being the principal area for improvement. A Net Promoter Score (NPS) of -8.6 was determined from the small sample of 15 occupiers involved and provided a baseline against which the Company and its Property Managers could measure improvement. This indicator provides a reflection of the likelihood that our occupiers might recommend the Company as a landlord and compares well against Real Service's benchmark score of -5.5 for a blended portfolio covering retail, office and industrial assets.

In 2021, driven by its ambition to understand and respond to stakeholder expectation, and in line with its intention to replicate the exercise on a three-yearly cycle, the Company expanded the pilot exercise to cover full roll-out across the portfolio. All commercial occupiers were given the opportunity to provide feedback through an email survey, and a sample of 35 occupiers across sectors provided in-depth feedback via telephone interviews. The NPS saw an encouraging improvement to -2.6, representing a position 2.8 points ahead of benchmark, the details of which are due to be relayed back to the Company and the Property Managers to determine appropriate responses and next steps.

RealService
Customer experience consultancy

Spotlight on occupier engagement activities

Winchester, Student Village, Burma Road - Occupier works

Constructed in 2013, Burma Road Student Village provides 499 student rooms immediately adjacent to the main campus buildings of the University of Winchester. The asset is let on a full repairing and insuring lease to the University of Winchester until 2038 and forms a core part of the University's student accommodation offering.

Given its modern construction and high specification, the asset already benefits from strong environmental characteristics and a B-rated Energy Performance Certificate. However, under their Carbon Management Plan, the University of Winchester has set ambitious decarbonisation targets, signalling its intent to become carbon-neutral by 2025.

The Company has worked closely with the University to facilitate the installation of solar photovoltaic panels and air source heat pumps across the Burma Road estate, which will result in the saving of over 100 tonnes of carbon per annum. Under its own funding, the University is due to carry out the installation in 2022.

Directors

Paul Marcuse

Status: Chairman and Independent non-executive Director

Date of appointment: 12 January 2017

Country of residence: UK

Experience: Paul Marcuse has over 40 years' experience in the real estate and finance sectors. He was Head of Global Real Estate at UBS Global Asset Management between 2007 and 2012. Prior to this, he was Chief Executive of AXA Real Estate Investment Managers.

Other public company directorships: None.

John Wythe FRICS

Status: Independent non-executive Director and Chairman of the Management Engagement Committee

Date of appointment: 11 September 2018

Country of residence: UK

Experience: John Wythe has over 40 years' experience in the real estate industry and was until December 2010, a Director and Head of Fund Management of Prudential Property Investment Managers Limited, now M&G Real Estate. He has been a Board member of the Church Commissioners and is currently Chairman of the Trustees of The Portman Estate and has a number of other non-executive appointments, primarily involving real estate.

Other public company directorships: None.

Trudi Clark FCA

Status: Independent non-executive Director and Chairman of the Audit and Risk Committee

Date of appointment: 4 February 2014

Country of residence: Guernsey

Experience: Trudi Clark is a former Chief Executive Officer of Schroders (C.I.) Limited and has over 30 years' experience in the financial services industry. She is a non-executive director of a number of Guernsey based funds and companies.

Other public company directorships: River and Mercantile UK Micro Cap Investment Company Limited, The Schiehallion Fund Limited, Taylor Maritime Investments Limited and NB Private Equity Partners Limited.

Hugh Scott-Barrett

Status: Independent non-executive Director and Senior Independent Director

Date of appointment: 4 January 2021

Country of residence: UK

Experience: Hugh Scott-Barrett has experience at board level for over 20 years' across real estate, asset management, and banking. He was Non-Executive Chairman at Capital & Regional plc until May 2020 and was Chief Executive of the Company prior to this from 2008-2017. He was previously a member of ABN AMRO's managing board serving as Chief Operating Officer and Chief Financial Officer and before that worked at SBC Warburg and Kleinwort Benson.

Other public company directorships: None.

Linda Wilding FCA

Status: Independent non-executive Director

Date of appointment: 3 June 2019

Country of residence: UK

Experience: Linda Wilding qualified as a chartered accountant with Ernst & Young, before working in the private equity division of Mercury Asset Management from 1989 to 2001, rising to the position of Managing Director. She has served as a non-executive director on the boards of a number of companies.

Other public company directorships: Unbound Group plc.

Martin Moore MRICS (retired 17 June 2021)

Status: Chairman and Independent non-executive Director

Date of appointment: 31 March 2011

Country of residence: UK

Experience: Martin Moore was, until June 2013, Chairman, of M&G Real Estate Ltd, the property asset management arm of Prudential plc. He has also been a board adviser to The Crown Estate and a board member of the British Property Federation.

Other public company directorships: SEGRO plc and Secure Income REIT plc.

Directors' Report

The Directors submit the Annual Report and Consolidated Financial Statement of the Company for the year ended 31 December 2021. The Directors biographies; Corporate Governance Statement; Report of the Audit and Risk Committee; and the Remuneration Report form part of this Directors' Report.

Statement Regarding Annual Report and Consolidated Financial Statements

Following a detailed review of the Annual Report and Consolidated Financial Statements by the Audit and Risk Committee, the Directors consider that taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Consolidated Financial Statements would have a reasonable level of knowledge of the investment industry in general and the investment company sector in particular.

Results and Dividends

The results for the year are set out in the attached consolidated financial statements.

The Group paid interim dividends during the year ended 31 December 2021 as follows:

Interim Dividends 2021

	Payment date	Rate per shares
Ninth interim for prior year	31 January 2021	0.35p
Tenth interim for prior year	26 February 2021	0.35p
Eleventh interim for prior year	31 March 2021	0.35p
Twelfth interim for prior year	30 April 2021	0.35p
First interim	28 May 2021	0.35p
Second interim	30 June 2021	0.35p
Third interim	30 July 2021	0.35p
Fourth interim	31 August 2021	0.35p
Fifth interim	30 September 2021	0.35p
Sixth interim	29 October 2021	0.35p
Seventh interim	30 November 2021	0.375p
Eighth interim	31 December 2021	0.375p

Three further interim dividends, each of 0.375p per share, were paid on 31 January 2022, 28 February 2022 and 31 March 2022. The twelfth interim dividend in respect of the year, of 0.375p per share, will be paid on the 29 April 2022 to shareholders on the register on 19 April 2022.

Dividend Policy

As a result of the timing of the payment of the Company's monthly dividends, the Company's shareholders are unable to approve a final dividend each year. As an alternative the Board therefore proposes to put the Company's dividend policy to shareholders for approval on an annual basis. **Resolution 3** which is an ordinary resolution, relates to the approval of the Company's dividend policy which is as follows: Dividends on the Ordinary Shares are payable as interim dividends.

Principal Activity and Status

The Company is a Guernsey-incorporated company (registered number 50402) and, during the year, carried on business as a closed-ended property investment company. The Company's shares are traded on the Main Market of the London Stock Exchange.

The principal activities of the Company's subsidiaries are that of an investment and property company.

The Group elected into the UK REIT regime on 3 June 2019.

Remuneration Report

The Directors' Remuneration Report, which can be found on page 42, provides detailed information on the remuneration arrangements for Directors of the Company, including the Directors Remuneration Policy. The Directors Remuneration Policy is approved by shareholders every three years and was last approved by shareholders at the AGM in 2020. There have been no changes to the policy since that date. Remuneration is set at a level commensurate with the skills and experience necessary for the effective stewardship of the Company and the expected contribution of the Board as a whole in continuing to achieve the investment objective. It is intended that this policy will continue for the three-year period ending at the AGM in 2023. Shareholders will be asked to approve the Remuneration Report (**Resolution 2**).

Directors

The names of the Directors who have held office during the year, along with their biographical details, are set out on page 33. The Directors currently in office will stand for re-election by Shareholders at the AGM. Following a review of their performance, the Board believes that each of the Directors standing for re-election has made a valuable and effective contribution to the Company. The skills and experience each Director brings to the Board for the long-term sustainable success of the Company are set out below. The Board recommends that Shareholders vote in favour of the re-elections of the Directors (**Resolutions 4 to 8**).

Resolution 4 relates to the re-election of John Wythe who joined the Board in September 2018 and has a wealth of experience in property investment having spent over 40 years' in the real estate and financial services industry.

Resolution 5 concerns the re-election of Trudi Clark who has served over eight years and has a strong accounting and financial background. She is a Fellow Chartered Accountant and has over 30 years' experience in the financial services industry.

Resolution 6 concerns the re-election of Paul Marcuse who has served over five years and brings in-depth expertise and experience with over 40 years' of working in the real estate and finance sectors.

Resolution 7 relates to the re-election of Linda Wilding who is a qualified Chartered Accountant and has worked in the asset management industry for many years. She has significant experience of being on Boards in both executive and non-executive capacities.

Resolution 8 relates to the re-election of Hugh Scott-Barrett who joined the Board in January 2021. Hugh brings valuable experience having worked at Board level for over twenty years across real estate, asset management, and banking.

There are no service contracts in existence between the Company and any Director but each of the Directors has been issued with and accepted the terms of a letter of appointment that sets out the main terms of his or her appointment. Amongst other things, the letter includes confirmation that the Directors have a sufficient understanding of the Company and the sector in which it operates and sufficient time available to discharge their duties effectively, taking into account their other commitments. These letters are available for inspection upon request at the Company's registered office.

Management

The Board has appointed BMO Investment Business Limited (referred to throughout this document as 'the Investment Managers') as the Company's investment managers and BMO REP Asset Management plc (referred to throughout this document as 'BMO REP' or 'the Property Managers') as the Company's property managers. The Investment Managers and BMO REP are both part of the BMO Asset Management plc (Holdings) group ('BMO') and, collectively, are referred to in this document as 'the Managers'. The Investment Managers were appointed as the Company's AIFM on 18 July 2014.

With effect from 8 November 2021, the business of BMO GAM in Europe, the Middle East and Africa was acquired by Ameriprise Inc. and is to be merged with that of Colombia Threadneedle Investments. There has been no change to the terms of the Company's investment management agreement or to the corporate entity that acts as the Company's Investment Managers and Property Managers. In due course, that entity will be required to remove the BMO prefix and will therefore change its name.

The Managers provide investment management and other services to the Company. Details of the arrangements between the Company and the Managers in respect of management services are provided in note 3 to the consolidated financial statements.

The Board keeps the appropriateness of the Managers' appointment under review. In doing so the Board reviews performance quarterly and considers the past investment performance of the Company and the capability and resources of the Managers to deliver satisfactory investment performance in the future. It also reviews the length of the notice period of the investment management agreement and the fees payable to the Managers, together with the standard of the other services provided.

As highlighted on page 39, the Board considers the recommendations of the Management Engagement Committee, which is satisfied with the Managers' ability to deliver satisfactory investment performance and the quality of other services provided. It is therefore their opinion that the continuing appointment of the Managers on the terms agreed is in the interests of shareholders as a whole.

Depositary

JPMorgan Europe Limited acts as the Company's depositary in accordance with the AIFM Directive. The depositary's responsibilities, which are set out in an Investor Disclosure Document on the Company's website, include cash monitoring, segregation and safe keeping of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements.

Taxation

As set out in note 6 of the consolidated financial statements, 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.

The Group elected to join the UK REIT regime on 3 June 2019 and the Group's property income and gains are exempt from UK corporate taxes provided a number of conditions in relation to the Group's activities are met including, but not limited to, distributing at least 90% of the Group's UK tax exempt profit as property income distributions ('PIDs'). The residual business in the UK is subject to UK tax as normal.

Shareholders who are in any doubt concerning the taxation implications of a REIT should consult their own tax advisers.

The Board is fully committed to complying with applicable legislation and statutory guidelines, including the UK's Criminal Finance Act 2017, designed to prevent tax evasion in the jurisdictions in which the Company operates.

Share Structure

As at 31 December 2021 there were 753,105,830 Ordinary Shares of 1 pence each in issue and 46,260,278 shares held in treasury. Subject to the Articles of Incorporation, all issued shares rank equally for dividends and distributions and carry one vote each and there are no restrictions concerning the transfer of Ordinary Shares in the Company. Shares held in treasury have no voting rights and are not entitled to dividends. The Company is not aware of any agreements between the holders of the ordinary shares which may restrict the transfer of the shares or voting rights and there is no agreement which the Company is party to that affects its control following a take-over bid.

Substantial Interests in Shareholdings

As at 31 December 2021 the Company had received notification of the following holdings of voting rights (under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules):

Substantial Shareholdings	Number of Ordinary Shares Held	Percentage Held*
Aviva Group	162,585,829	21.6
Investec Wealth & Investment Limited	38,619,738	5.0

*Based on 753,105,830 Ordinary Shares in issue as at 31 December 2021.

There have been no changes notified to the Company in respect of the above holdings, and no new holdings notified, since the end of the year.

Accounting and Going Concern

Shareholders will be asked to approve the adoption of the Annual Report and Consolidated Financial Statements at the AGM (**Resolution 1**). The Consolidated Financial Statements, starting on page 51, comply with current International Financial Reporting Standards. The significant accounting policies of the Group are set out in note 1 to the consolidated financial statements. The unqualified auditor's opinion on the consolidated financial statements appears on pages 45 to 50.

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. They 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. The Directors have examined significant areas of possible financial risk including cash and cash requirements and the debt covenants, in particular those relating to loan to value and interest cover. They have not identified any material uncertainties which cast significant doubt on the ability to continue as a going concern for the foreseeable future, which is considered for a period of not less than 12 months from the date of the approval of the financial statements. The Board believes it is appropriate to adopt the going concern basis in preparing the financial statements. The Group's longer-term viability is considered in the Viability Assessment and Statement on page 17.

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 Managers, however, does provide goods and services and is required to make a statement under the Modern Slavery Act 2015 which is available on the Managers website at bmogam.com.

Annual General Meeting

The Notice of the Annual General Meeting, to be held on 27 May 2022 is set out on pages 74 to 77.

Proposed amendments to the Investment Policy

The Board, together with its Investment Managers, has recently undertaken a review of the Company's investment policy in light of the: (i) current trends within the UK's commercial property market; and (ii) the strategic direction that the Company has been moving over the last year which has resulted in the Company's portfolio exposure to industrials increasing from 19.1 per cent to 30.6 per cent. Whilst the Company's current investment policy allows investment in the industrial sector of up to 40 per cent of total assets, the Board is of the view that this maximum weighting limit to industrial property which is currently set out in the Company's existing investment policy has become unduly restrictive and the Investment Managers believes that having the requirement to carry out a re-balancing exercise in relation to this weighting could be detrimental to the Company in the current climate. The Board has recognised that the Company may also wish to increase its exposure to other property sectors which have been traditionally viewed as alternative property assets such as Healthcare, Leisure, Hotels and serviced apartments, Education, Car parks and petrol stations, Residential, Supported living, Student accommodation, Storage, and Supermarkets which the current investment policy is silent on. The Board is keen therefore to also clarify that the Company has the flexibility to gain exposure to these types of assets as well.

There is no intention to significantly alter the allocation strategy of the Company. The purpose of the proposed changes is to ensure flexibility in managing the existing portfolio and to facilitate appropriate decision making in the future. The Board is of the view that the existing maximum weightings have become unduly restrictive and is proposing that all sector weighting limits are removed from the policy. If Shareholders were to adopt the proposed new investment policy, there would be no limits on the UK commercial sectors in which the Company invests. The Company would nonetheless retain a diversified portfolio and continue to invest in the three main UK commercial real estate sectors of office, industrial and retail (including retail warehouses) and would have additional flexibility to invest in other sectors as noted above.

The Investment Managers believes that this additional flexibility is appropriate in the light of the existing portfolio weightings, relative prospects for the investable subsectors, the evolution that has been experienced in the marketplace of which alternative assets are now a more significant constituent and the opportunities that are evident in the market.

Resolution 11 , as set out in the notice of the Annual General Meeting, seeks authority for the proposed investment policy which is set out on pages 76 and 77 in the Annual Report, to be adopted as the investment policy of the Company to the exclusion of all previous investment policy of the Company.

Directors' Authority to Allot Shares

Resolution 12 seeks an authority from shareholders to allow the Directors to allot shares up to an aggregate nominal amount of £735,372, being equivalent to approximately 10 per cent of the issued ordinary share capital of the Company (excluding treasury shares) as at 13 April 2022.

Resolution 13 seeks an authority from shareholders to disapply pre-emption rights in relation to the issue of shares for cash (including by way of a sale of treasury shares) as set out in the Listing Rules made by the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 (as amended). Resolution 13 gives the Directors, for the period until the conclusion of the Annual General Meeting in 2023 or, if earlier, on the expiry of 15 months from the passing of the resolution, the necessary authority either to allot securities or sell shares held in treasury, otherwise than to existing shareholders on a pro-rata basis, up to an aggregate nominal amount of £735,372. This is equivalent to approximately 10 per cent of the issued ordinary share capital of the Company (excluding treasury shares) as at 13 April 2022.

The Directors will only allot new shares pursuant to the authority granted by Resolutions 12 and 13, Guernsey law and the authority to allot shares contained in the articles of incorporation of the Company if they believe it is advantageous to the Company's shareholders to do so. Shares will be issued at above Net Asset Value per share and under no circumstances should that result in a dilution to the net asset value per share.

Directors' Authority to Buyback Shares

The Company purchased 46,260,278 Ordinary shares of 1p each during the year, representing a nominal amount of £462,603 and 5.8 per cent of the issued share capital. All of the ordinary shares bought back are held in treasury. As well as being NAV enhancing, we believe that they have been an effective tool in narrowing the share price discount.

The current authority of the Company to make market purchases of Ordinary Shares expires at the end of the Annual General Meeting and **Resolution 14**, as set out in the notice of the Annual General Meeting, seeks renewal of such authority until the earlier of the Annual General Meeting in 2023 and 18 months from the passing of the resolution. Any buyback of Ordinary Shares will be made subject to Guernsey law and within any guidelines established from time to time by the Board and the making and timing of any buybacks will be at the absolute discretion of the Board. Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing net asset value of the Ordinary Shares (as last calculated) where the Directors believe such purchases will enhance shareholder value. The price paid will not be less than the nominal value of 1p per share. Such purchases will also only be made in accordance with the rules of the Financial Conduct Authority which provide that the price to be paid must not be more than the higher of (i) 5 per cent above the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Ordinary Shares for the five business days before the shares are purchased; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue which the purchase is carried out. Any shares purchased under this authority will be cancelled or held in treasury. Shares will only be re-issued out of treasury at a premium to the net asset value.

Change of Name

As noted in the Chairman's Statement, the Board have agreed that the name of the Company be changed from BMO Commercial Property Trust Limited to Balanced Commercial Property Trust Limited. This change will come into effect in the near future to coincide with the Managers wider re-branding exercise on a date to be determined by the Board.

Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this Report of the Directors confirm that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Reappointment of Auditors and Auditor's Remuneration

PricewaterhouseCoopers CI LLP has expressed their willingness to continue in office as the Company's auditor and a resolution proposing their re-appointment will be submitted at the Annual General Meeting and for Directors to determine their Remuneration (**Resolutions 9 and 10**).

Recommendation

The Directors consider that the passing of each of the resolutions to be proposed at the Annual General Meeting is in the best interests of the Company and are most likely to promote the success of the Company, for the benefit of its members as a whole, and they unanimously recommend that all Shareholders vote in favour of these resolutions.

On behalf of the Board

Paul Marcuse
Chairman

14 April 2022

Corporate Governance Statement

Introduction

The Company is a member of the Association of Investment Companies ('the AIC'). The Board has therefore considered the principles and recommendations of the AIC Code of Corporate Governance issued in February 2019 ('the AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies issued at the same time ('the AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles and provisions set out in the UK Corporate Governance Code issued by the Financial Reporting Council in July 2018 ('the UK Code'), as well as setting out additional principles and recommendations on issues specific to investment companies. The AIC Code also incorporates a framework of best practice for Guernsey-domiciled member companies.

The Board considers that it is appropriate to report against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code).

In September 2011 (amended February 2016), the Guernsey Financial Services Commission issued a Finance Sector Code of Corporate Governance ('the GFSC Code'). As the Company already reports against the AIC Code and the UK Corporate Governance Code it is deemed to meet the requirements of the GFSC Code and has therefore not reported further on its compliance with that code.

Since all the Directors are non-executive, in accordance with the AIC Code and the preamble to the UK Corporate Governance Code, the provisions of the UK Corporate Governance Code on the role of the chief executive and, except in so far as they apply to non-executive Directors, on Directors' remuneration, are not relevant to the Company, and are not reported on further.

Copies of both codes may be found on the respective websites: **theaic.co.uk** and **frc.org.uk**

AIFMD

The Company is defined as an Alternative Investment Fund ("AIF") under the AIFMD issued by the European Parliament, and which has been implemented into UK law. This requires that all AIFs must appoint a Depositary and an Alternative Investment Fund Manager ("AIFM"). The Board remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations. The Investment Managers is the Company's AIFM.

Articles of incorporation

The Company's articles of incorporation may only be amended by special resolution at general meetings of Shareholders.

The Board

The Company's Articles of Incorporation require all Directors to retire by rotation at least every three years. However, in accordance with the recommendations of the AIC Code and the UK Corporate Governance Code the Board has agreed that all Directors will retire annually and, if appropriate, seek re-election.

The Board, which is composed solely of independent non-executive Directors, regularly reviews the independence of its members. All the Directors have been assessed by the Board as remaining independent of the Managers and of the Company itself; each remains independent in character and judgement with no relationships or circumstances relating to the Company that are likely to affect that judgement.

The following table sets out the Directors' meeting attendance in 2021.

Directors' attendance in 2021

	Board	Audit and Risk Committee	Nomination Committee	Management Engagement Committee
No. of meetings	4	3	1	1
T Clark	4	3	1	1
M R Moore [(1)]	2	n/a	1	1
J Wythe	4	3	1	1
P Marcuse [(2)]	4	3	1	1
L Wilding	4	3	1	1
H Scott-Barrett	4	3	1	1

In addition to the scheduled meetings detailed above, there were a further 20 ad-hoc Board Meetings held during the year.

[(1)] M Moore retired from the Board on 17 June 2021 and was not a member of the audit and risk committee.

[(2)] P Marcuse retired from the Audit and Risk Committee on 17 June 2021 upon his appointment as Chairman of the Board, although he does attend the meetings.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Company maintains appropriate directors' and officers' liability insurance.

The basis on which the Company aims to generate value over the longer term is set out in its objective and investment policy as contained on page 10. A management agreement between the Company and Investment Managers sets out the matters over which the Managers have authority and the limits beyond which Board approval must be sought. All other matters, including investment and dividend policies, corporate strategy, gearing, corporate governance procedures and risk management, are reserved for the approval of the Board of Directors. The Board meets at least quarterly and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings.

Conflicts of interest

A company director has a statutory obligation to avoid a situation in which he or she has, or potentially could have, a direct or indirect interest that conflicts with the interests of the Company (a "situational conflict"). The Board therefore has procedures in place for the authorisation and review of situational conflicts relating to the Company's Directors.

Other than the formal authorisation of the Directors' other directorships and appointments, no authorisations have been sought. They are reviewed throughout the year at each Board meeting. Aside from situational conflicts, the Directors must also comply with the statutory rules requiring company directors to declare any interest in an actual or proposed transaction or arrangement with the Company. In the year under review there have been no instances of a Director being required to be excluded from a discussion or abstain from voting because of a conflict of interest.

Committees

Throughout the year a number of committees have been in place. Those committees are the Audit and Risk Committee, the Management Engagement Committee and the Nomination Committee. The committees operate within clearly defined terms of reference which are available for inspection upon request at the Company's registered office.

As stated in the Remuneration Report on pages 42 and 43, the full Board determines the level of Directors' fees and accordingly there is no separate Remuneration Committee.

Audit and Risk Committee

The Report of the Audit and Risk Committee is contained on pages 40 and 41.

Management Engagement Committee

The Management Engagement Committee comprises all the Directors and is chaired by Mr J Wythe.

The Board keeps the appropriateness of the Managers' appointment under review. In doing so the Board reviews performance quarterly and considers the past investment performance of the Company and the capability and resources of the Managers to deliver satisfactory investment performance in the future. It also reviews the length of the notice period of the investment management agreement and the fees payable to the Managers together with the standard of the other services provided. The Company also has a right of termination following a change of control of Managers and following the announcement of the acquisition of Ameriprise Inc, the Board agreed to waive this right and continue with the present Managers. This was in exchange for a written commitment on the continuity of the lead Fund Manager and if key support staff left the business, they would be replaced with individuals of appropriate quality and seniority .

As detailed earlier in this Report, Matthew Howard, the Company's Deputy Fund Manager will be stepping down from this role later this year to assume a new Lead Fund Manager position on a BMO REP managed fund. Matthew will continue to work with Richard Kirby, our Lead Fund Manager, to ensure continuity of management while the Board works with the Managers to identify a suitable replacement.

The Directors are pleased with the delivery of asset management initiatives and completion of new lettings that have contributed to the low level of voids. The Directors are also pleased with the high percentage of rent collected in challenging market conditions and with the progress made on ESG matters which are well integrated into the investment process. There has been strong share price performance over the year and the investment performance has also improved, although marginally lags the MSCI total return for the year. The Directors and the Managers continue to work together to deliver further improved performance in future.

In 2020, the Directors engaged an external consultant, bfinance, to carry out an extensive review of the appropriateness of the Managers' fees. This included a deep dive into the work performed by the Managers and an analysis of the fees charged by other Managers in the sector. It was concluded that the level of fees charged is competitive. It is therefore the Directors' opinion that the continuing appointment of the Managers on the current terms is in the interests of shareholders and this will be reviewed again in 2023.

Nomination Committee

The Nomination Committee comprises all the Directors and is chaired by Mr P Marcuse. The Board considers that, given its size, it would be unnecessarily burdensome to establish a separate nomination committee which did not include the entire Board and believes that this enables all Directors to be kept fully informed of any issues that arise.

The committee is convened for the purpose of ensuring that plans are in place for orderly succession for appointment to the Board. Appointments to the Board are based on merit, but in considering appointments the Nomination Committee also takes into account the ongoing requirements of the Company and the need to have a balance of skills, experience, independence, diversity, including gender, and knowledge of the Company within the Board.

The Committee is mindful of the recommendations of the Hampton Alexander Review "improving gender balance in FTSE Leadership", in particular the recommendation that a Board should have at least 33 per cent female representation and the Company has complied with this during the year. Whenever there are new appointments, the new Directors receive an induction from the Managers and Company Secretary on joining the Board. All Directors receive other relevant training, collectively or individually, as necessary.

The Committee used an independent recruitment consultant for the latest Board appointment. The Committee interviewed a number of potential candidates after producing a short list from an extensive long list, provided by the consultant.

The committee evaluated the balance of skills, experience and knowledge that the candidates could bring to the Board as well as giving consideration to diversity.

The performance of the Board, committees and individual Directors are evaluated annually through an assessment process, led by the Chairman. The performance of the Chairman is evaluated by the other Directors, led by the Senior Independent Director. During the year the performance of the Board, Committees and individual Directors was assessed by an external Board consultant, who carried out an independent external Board evaluation. This process involved the consultant attending and observing at a Board meeting and interviewing the individual Directors and representatives of the Managers. A comprehensive report was produced which provided valuable feedback on what worked well, along with some recommendations which the Board welcome and accept.

Relations with Shareholders

The Company proactively seeks the views of its shareholders and places great importance on communication with them. The Board receives regular reports from the Managers and brokers on the views of shareholders, and the Chairman and Senior Independent Director offer to meet with the major shareholders at least annually and make themselves available to meet shareholders when required to discuss any significant issues that have arisen and address concerns and queries. The Notice of Annual General Meeting to be held on 27 May 2022 is set out on pages 76 to 77. It is hoped that this will provide a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Managers of the Company. The Annual Report and Notice of Annual General Meeting are posted to shareholders at least 20 working days before the Annual General Meeting.

On behalf of the Board

Paul Marcuse
Chairman

14 April 2022

Report of the Audit and Risk Committee

Role of the Committee

During the year the Audit and Risk Committee comprised all the Directors with the exception of the Chairman of the Board, in accordance with good corporate governance. The Audit and Risk Committee is chaired by Mrs T Clark who is a Chartered Accountant. She qualified in 1985 and was a Senior Audit Manager at KPMG. She held the position as Head of a European Internal Audit for Bank of Bermuda and in 1995 moved to Schroders (C.I.) Limited as financial controller, before being promoted to Chief Executive in 2003.

The duties of the committee include reviewing the Annual and Interim Financial Statements, the system of internal controls, the viability of the Company, risk management and the terms of appointment and remuneration of the auditor, PricewaterhouseCoopers CI LLP ('PwC'), including its independence and objectivity. It is also the forum through which PwC reports to the Board of Directors. The committee meets at least three times a year including at least one meeting with PwC.

The Audit and Risk Committee met on three occasions during the year and the attendance of each of the members is set out on page 38. In the course of its duties, the committee had direct access to PwC, senior members of the Investment Managers and the Property Managers. Amongst other things, the Audit and Risk Committee considered and reviewed the following matters and reported thereon to the Board:

- the annual and half-yearly reports and financial statements;
- the accounting policies of the Group;
- the principal risks faced by the Company and the effectiveness of the Company's internal control and risk management environment including consolidation of the assumptions underlying the Board's Statement on Viability;
- the effectiveness of the external audit process and the independence and objectivity of PwC, their re-appointment, remuneration and terms of engagement;
- the policy on the engagement of PwC to supply non-audit services and approval of any such changes;
- the implications of proposed new accounting standards and regulatory changes;
- the receipt of Report on Internal Controls in accordance with AAF (01/06) for the period 1 November 2020 to 31 October 2021 from the Managers; and
- whether the Annual Report is fair, balanced and understandable.

External Audit Process

As part of its review of the scope and results of the audit, during the year the Audit and Risk Committee considered and approved PwC's plan for the audit of the financial statements for the year ended 31 December 2021. At the conclusion of the audit, PwC did not highlight any issues to the Audit and Risk Committee which would cause it to qualify its audit report, nor did it highlight any fundamental internal control weaknesses. PwC issued an unqualified audit report which is included on pages 45 to 50.

Non-audit services

In relation to the provision of non-audit services by the auditor, it has been agreed that all non-audit work to be carried out by the auditor must be approved in advance by the Audit and Risk Committee and any special projects must also be approved in advance. In addition to statutory audit fees of £140,000 (2020: £91,000), PwC received audit-related fees of £19,000 for the year (2020: £18,000) which related to a review of the interim financial information. The Audit and Risk Committee does not consider that the provision of such audit-related services is a threat to the objectivity and independence of the conduct of the audit.

Auditor assessment, independence and appointment

As part of the review of auditor independence and effectiveness, PwC have confirmed that they are independent of the Group and have complied with relevant auditing standards. In evaluating PwC, the Audit and Risk Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Committee assesses the effectiveness of the audit process through the reporting it receives from PwC in respect of both the half year and year end Report and Consolidated Financial Statements. The committee is satisfied that PwC has provided effective independent challenge in carrying out its responsibilities.

PwC have been auditor to the Group since the year ended 31 December 2016 following a tender process in November 2015. Lisa McClure has been appointed as audit engagement partner and the 2021 audit is her first year. The Audit and Risk Committee recommends PwC for reappointment at the next Annual General Meeting. PwC's performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

Internal Controls and Risk Management

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. It has therefore established a process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the internal control guidance issued by the Financial Reporting Council.

As part of this process, a matrix has been created that identifies the Company's key functions, including those carried out by the Managers and other service providers, and the individual activities undertaken within those functions. From this, the Board has identified the Company's principal risks and the controls employed to manage those risks. The Audit and Risk Committee reviews the risk matrix on a regular basis and reports any issues to the Board.

The Board also monitors the investment performance of the Company against its stated objective and comparable companies and reviews the Company's activities since the last Board meeting to ensure that the Managers adhere to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to the guidelines. In addition, the Board receives quarterly reports from the Company Secretary in respect of compliance matters and duties performed on behalf of the Company.

A formal annual review of these procedures is carried out by the Audit and Risk Committee. The Committee has also reviewed the Investment Managers' and Property Managers' Reports on "Internal Controls in accordance with AAF (01/06)" for the period 1 November 2021 to 31 October 2021 that has been prepared for their investment company clients. Containing a report from independent external accountants, the report sets out the Managers' control policies and procedures with respect to the management of their clients' investments. The effectiveness of these controls is monitored by the Managers' group audit committee which receives regular reports from the Managers' audit, risk and compliance departments. Procedures are in place to capture and evaluate failings and weaknesses and ensure that action would be taken to remedy any significant issues identified from this monitoring, which would be reported to the Board. No significant failings or weaknesses in respect of the Company were identified in the year under review nor to the date of this report. The depositary provides quarterly reports to the Board and carries out daily independent checks on all cash and investment transactions and is liable for any loss of assets.

The review of procedures detailed above have been in place throughout the year and up to the date of approval of the Annual Report and the Audit and Risk Committee and the Board is satisfied with their effectiveness. These procedures are designed to manage rather than eliminate risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Audit and Risk Committee has reviewed the need for an internal audit function. It has decided that the systems and procedures employed by the Managers and the Company Secretary, including their internal audit functions and the work carried out by the Company's external auditor, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

Committee evaluation

The activities of the Audit and Risk Committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements as noted on page 39. A full evaluation was undertaken on the effectiveness, roles and responsibilities of the Committee in accordance with the Financial Reporting Council's current guidance. The evaluation found that the Committee functioned well with the right balance of membership and skills. As part of the ongoing Board rotation, I will retire from the Board at the 2023 AGM. The recruitment of a suitable candidate to replace me as Audit and Risk Committee Chairman will commence later this year.

Trudi Clark

Chairman of the Audit and Risk Committee

14 April 2022

Significant Matters Considered by the Audit and Risk Committee in Relation to the Financial Statements

Matter	Action
Valuation of the Investment Property Portfolio The Group's property portfolio accounted for 88 per cent of its total assets as at 31 December 2021. Although valued by an independent firm of valuers, CBRE Limited, the valuation of the investment property portfolio is inherently subjective, requiring significant judgement by the valuers. Errors in the valuation could have a material impact on the Company's net asset value. Further information about the property portfolio and inputs to the valuations are set out in note 9 to the consolidated financial statements.	The Board and Audit and Risk Committee reviewed the outcomes of the valuation process throughout the year and discussed the detail of each of the quarterly valuations with the Managers at Board Meetings. The Managers liaise with the valuers on a regular basis and meet with them prior to the production of each quarterly valuation. The Board was represented at all of the quarterly valuation meetings with CBRE Limited during the year, including the meeting in advance of the production of the year end valuation. In addition, this is the main area of audit focus and, accordingly, the Audit and Risk Committee receives detailed verbal and written reports from PwC on this matter. PwC also attended the year-end valuation meeting.
Income Recognition Incomplete or inaccurate recognition could have an adverse effect on the Group's net asset value, earnings per share and dividend cover.	The Board and the Audit and Risk Committee review the level of rent collection and arrears at both the Audit Committee meetings and ad-hoc Board meetings. A credit loss provision has been accrued to reflect those tenants that are greater than 90 days in arrears with rent.

Directors' Remuneration Report

The Board comprises only non-executive Directors. The Company has no executive Directors or employees. For these reasons, it is not considered appropriate to have a separate Remuneration Committee. The full Board determines the level of Directors' fees. Full details of the Company's policy with regards to Directors' fees, and fees paid during the year ended 31 December 2021, are shown below. No major decisions or substantial changes relating to Directors' remuneration were made during the year.

Directors' Remuneration Policy

The Board considers the level of Directors' fees at least annually. Its policy is that the remuneration of the Directors should reflect the experience of the Board as a whole, the Directors' responsibilities and skills, the time commitment required, and be fair and comparable with that of other similar companies. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee the Company properly and to reflect its specific circumstances. There were no changes to the policy during the year.

The level of Directors' fees have not increased for four years and having conducted a thorough review, it was agreed that the base fee for all Directors should be increased by £3,250.

The fees for the Directors are determined within the limit set out in the Company's Articles of Incorporation. The present limit is an aggregate of £400,000 per annum and may not be changed without seeking shareholder approval at a general meeting. The fees are fixed and are payable, quarterly in arrears. Directors are not eligible for bonuses, pension benefits, long-term incentive schemes or other benefits.

It is the Board's policy that Directors do not have service contracts, but each new Director is provided with a letter of appointment. The Directors' letters of appointment are available on request at the Company's registered office during business hours and will be available for 15 minutes prior to and during the forthcoming Annual General Meeting.

The terms of Directors' appointments provide that Directors should be subject to election at the first Annual General Meeting after their appointment. However, in accordance with the recommendations of the UK Corporate Governance Code, the Board has agreed that all Directors will retire annually and be subject to re-election at the Annual General Meeting. There is no notice period and no provision for compensation upon early termination of appointment.

The Board has not received any communications from the Company's Shareholders in respect of the levels of Directors' remuneration.

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

Annual fees for Board Responsibilities

	2022 £	2021 £
Chairman	**70,250**	67,000
Director	**44,500**	41,250
Senior Independent Director (1)	**52,750**	49,500
Audit and Risk Committee Chairman (2)	**52,750**	49,500

(1) Director fee plus £8,250 as Senior Independent Director
(2) Director fee plus £8,250 as Committee Chairman

Remuneration for the Year

The Directors who served during the year received the following emoluments as fees:

Fees for services to the Company

	2021 £	2020 £	Anticipated fees 2022 £
P Marcuse*	**58,875**	49,500	70,250
T Clark#	**49,500**	49,500	52,750
M Moore (retired 17 June 2021)	**31,107**	67,000	–
J Wythe	**41,250**	41,250	44,500
L Wilding	**41,250**	41,250	44,500
H Scott-Barrett (appointed 4 January 2021)^	**45,670**	–	52,750
Total	**267,652**	248,500	264,750

* Appointed Chairman from 17 June 2021
\# Appointed as Chairman of Audit Committee on 25 May 2015
^ Appointed Senior Independent Director from 17 June 2021

Directors' Shareholdings

The Directors who held office at the year-end and their interests (all beneficial) in the Ordinary Shares of the Company were as follows:

Directors' share interests

	2021	2020
T Clark	**56,200**	56,200
P Marcuse	**49,463**	29,753
J Wythe	**33,466**	33,466
L Wilding	**40,000**	40,000
H Scott-Barrett	**100,000**	n/a
M Moore	**n/a**	40,687

The Board has a policy on Directors owning shares in the Company. It is deemed appropriate for all Directors to acquire shares in the Company. The policy states that an appropriate minimum holding should be equivalent in value to one year's directors' fees at the date the shares are purchased. Directors should aim to acquire their shareholding within 18 months of the date of their appointment.

There have been no changes in the above interests since 31 December 2021.

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Managers through the investment management agreement, as referred to on page 10.

Voting at Annual General Meeting

At the Company's last Annual General Meeting, held on 17 June 2021, shareholders approved the Directors' Remuneration Report as set out in the Annual Report in respect of the year ended 31 December 2020. 99.84 per cent of votes were in favour of the resolution and 0.16 per cent were against.

An ordinary resolution for the approval of Directors' Remuneration Report will be put to shareholders at the forthcoming Annual General Meeting.

The Directors Remuneration Policy is approved by shareholders every three years and was last approved by shareholders at the AGM in 2020 where 97.25 per cent of votes were in favour and 2.75 per cent were against

On behalf of the Board

Paul Marcuse
Chairman
14 April 2022

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Consolidated Financial Statements in accordance with applicable law and regulations. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules and Disclosure Guidance and Transparency Rules of the UK Listing Authority.

Guernsey company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the 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 financial statements.

The Directors are responsible for keeping adequate 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 financial statements and the Directors' Remuneration Report comply with the Companies (Guernsey) Law, 2008. They have a general responsibility for taking such steps as reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

The Directors are responsible for the integrity of the corporate and financial information included on the Company's website, which is maintained by the Managers. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement under Disclosures Guidance and Transparency Rule 4.1.12

Each of the Directors listed on page 33 confirms to the best of their knowledge that:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole and comply with The Companies (Guernsey) Law, 2008; and
- the Strategic Report (comprising the Chairman's Statement, Business Model and Strategy, Principal Risks and Future Prospects, Managers' Review and Property Portfolio) and Directors' Report include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the consolidated financial statements and Directors' Report include details of related party transactions; and
- the Annual Report and consolidated financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

On behalf of the Board

Paul Marcuse
Chairman

14 April 2022

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

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of BMO Commercial Property Trust Limited (the "company") and its subsidiaries (together the "group") as at 31 December 2021, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

What we have audited

The group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements of the group, as required by the Crown Dependencies' Audit Rules and Guidance. We have fulfilled our other ethical responsibilities in accordance with these requirements. We are also independent in accordance with SEC Independence Rules.

Our audit approach

Overview

Audit scope

- Group audit scoping was performed based on total assets held within each of the eight components, all of which are Guernsey domiciled companies. Our audit covers the consolidated financial statements of the group.
- We conducted our audit of the consolidated financial statements based on information provided by the appointed service providers to the group to whom the board of directors has delegated the provision of certain functions, including BMO Investment Business Limited (the "Investment Managers"), BMO REP Asset Management plc (the "Property Managers") and CBRE Limited (the "Property Valuer").
- We conducted our audit work in Guernsey and virtually with teams based in Jersey.

Key audit matters

- Valuation of Investment Properties as at 31 December 2021.
- Revenue Recognition.

Materiality

- Overall group materiality was £13.5 million (2020: £12.7 million) which represents 1% of group total assets.
- Performance materiality: £10.1 million.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain, and we considered the risk of climate change and the potential impact thereof on our audit approach. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter

Valuation of Investment Properties as at 31 December 2021

Please refer to note 1(f) and 9 to the consolidated financial statements

The group's Investment Properties represent the majority of the group's assets as at 31 December 2021.

The valuation of the group's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income for that particular property.

The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuation assumptions, when aggregated, could result in a material misstatement, is why we have given specific audit focus and attention to this area.

The valuations of the group's investment property portfolio were carried out by the Property Valuer. The Property Valuer was engaged by the group and performed its work in accordance with the latest version of the RICS Valuation – Global Professional Standards (known as the "Red Book") current as at the valuation date.

In determining a property's valuation, the Property Valuer takes into account property specific current information such as the current tenancy agreements and rental income earned by the property. The Property Valuer then applies assumptions in relation to capitalisation rates and current market rent and growth, based on available market data and transactions, to arrive at a range of valuation outcomes, from which they derive a point estimate. Due to the unique nature of each property, the assumptions applied take into consideration the individual property characteristics at a tenant level, as well as the qualities of the property as a whole. Where available, comparable market information is also used in the assessment of the valuation of the group's investment properties.

The group has adopted the assessed values determined by the Property Valuer, adjusted for lease incentives.

How our audit addressed the key audit matter

Understanding

We have updated our understanding and evaluation of internal controls relating to the valuation of investment properties. We also attended the initial valuation meeting between the Property Valuer and the Investment Managers to observe the process and to witness initial discussions covering key developments in the property portfolio.

Objectivity and experience of the Valuer

We assessed the Property Valuer's independence, qualifications and expertise and read their terms of engagement to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work.

External Valuation Report

We read the valuation reports and discussed the reports with the Property Valuer and understood that the valuation approach for each property was in accordance with professional valuation standards and suitable for use in determining the fair value of Investment Properties as at 31 December 2021.

We considered the adequacy of the disclosures made in the notes to the consolidated financial statements (critical judgements and estimates and investment properties). These notes explain that there is significant estimation uncertainty in relation to the valuation of investment properties included in the consolidated balance sheet as at 31 December 2021.

We inspected the property specific information supplied to the Property Valuer by the group, and on a sample basis, agreed the factual inputs to underlying property records held by the group.

We agreed the value of all investment properties included in the consolidated financial statements to the valuation reports prepared by the Property Valuer as at 31 December 2021.

Assumptions

Our work over the assumptions encompassed all properties in the portfolio. We engaged our own auditor's valuation expert to critique and challenge the work performed and assumptions used by the Property Valuer. In particular, we compared the valuation metrics used by the Property Valuer to recent market activity. We also challenged both management and the Property Valuer on significant movements in the valuations.

Due to the subjectivity involved in determining valuations for individual properties and the existence of alternative assumptions and valuation methods, we determined a range of values that were considered reasonable to evaluate the independent property valuations used by management and also assessed for any contradictory information. We determined that the assumptions used in the valuations were supportable in light of available and comparable market evidence.

We have not identified any matters to report to those charged with governance.

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition Revenue for the group consists primarily of rental income. The revenue recognition policy is stated in note 1(c) to the consolidated financial statements. Rental income is based on tenancy agreements where there is a standard process in place for recording revenue. The majority of the group's revenue is collected and managed by the Property Managers. In addition to the standard process for recording rental income, the group manually calculates the spreading of lease incentives to ensure revenue is recorded on a straight-line basis over the course of the lease. Due to the importance of rental income to the group's ability to continue to pay regular dividends, and therefore the significance of this balance to the users of the consolidated financial statements, we have deemed this area to be a key audit matter.	To address the completeness of rental income, we have reconciled the rental tenancy schedule to the schedule of investment properties owned by the group and the rent recognised in the underlying financial records. We have also performed digitally enabled procedures to match the journals posted to the cash ledger directly to the amounts in the bank statements. To address the accuracy, cut off and occurrence of rental income, we have tested a sample of rental income per the accounting records to signed lease agreements and rent review agreements. We have also recalculated a sample of lease incentives to confirm the accuracy of management's calculation and that the lease incentive has been appropriately recognised on a straight-line basis over the appropriate lease term. We tested a sample of manual journal entries made in the preparation of the consolidated financial statements at year end and manual journals to revenue nominal accounts throughout the year by agreeing the journal entries to supporting documentation to check the accuracy and validity of each journal entry selected for testing. We selected a sample of turnover leases and tested the mathematical accuracy of the rental calculation as well as a sample of leases for tenants that are currently a party to a company voluntary arrangement. We also agreed the tenant turnover to independently verified financial information. We performed testing over vacant leases as at year end by agreeing the vacant properties on the tenancy schedule to supporting documents with no significant differences noted. We have not identified any matters to report to those charged with governance.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

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

Overall group materiality	£13.5 million (2020: £12.7 million).
How we determined it	1% of group total assets
Rationale for the benchmark applied	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the group. We did not apply a separate specific materiality to the consolidated statement of comprehensive income. We believe our overall materiality was of a level sufficient to address the risk of material misstatement in the consolidated statement of comprehensive income.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £10.1 million (2020: £9.5 million) for the group financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £673k (2020: £636k) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all the information included in the Annual Report and Consolidated Financial Statements 2021 (the "Annual Report") but does not include the consolidated financial statements and our auditor's report thereon.

The directors are responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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 based on these responsibilities.

Responsibilities for the consolidated financial statements and the audit

Responsibilities of the directors for the consolidated financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 consolidated financial statements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report

This report, including the opinions, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on other legal and regulatory requirements

Company Law exception reporting

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;
- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

The company has reported compliance against the 2019 AIC Code of Corporate Governance (the "Code") which has been endorsed by the UK Financial Reporting Council as being consistent with the UK Corporate Governance Code for the purposes of meeting the company's obligations, as an investment company, under the Listing Rules of the FCA.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Strategic Report is materially consistent with the consolidated financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the consolidated financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the consolidated financial statements;
- The directors' explanation as to their assessment of the group's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statement is consistent with the consolidated financial statements and our knowledge and understanding of the group and its environment obtained in the course of the audit.

In addition, 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 consolidated financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these consolidated financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ("ESEF RTS"). This auditor's report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Lisa McClure
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Guernsey, Channel Islands

14 April 2022

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

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

Consolidated Statement of **Comprehensive Income**

Notes	for the year ended 31 December	2021 £'000	2020 £'000
	Revenue		
	Rental income	55,843	65,273
2	Other income	3,008	–
	Total revenue	58,851	65,273
	Gains/(losses) on investments properties		
9	Unrealised gains/(losses) on revaluation of investment properties	86,976	(121,306)
9	Gains/(losses) on sale of investment properties realised	34,397	(22)
	Total income/(loss)	180,224	(56,055)
	Expenditure		
3	Investment management fee	(7,195)	(6,692)
4	Other expenses	(4,540)	(9,448)
	Total expenditure	(11,735)	(16,140)
	Operating profit/(loss) before finance costs and taxation	168,489	(72,195)
	Net finance costs		
	Interest receivable	1	49
5	Finance costs	(11,140)	(11,210)
		(11,139)	(11,161)
	Profit/(loss) before taxation	157,350	(83,356)
6	Taxation	(1,327)	(890)
	Profit/(loss) for the year	156,023	(84,246)
	Other comprehensive income		
	Items that are or may be reclassified subsequently to profit or loss		
13	Movement in fair value of effective interest rate swaps	544	(20)
	Total comprehensive income/(loss) for the year	156,567	(84,266)
7	**Basic and diluted earnings per share**	19.8p	(10.5)p

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

The accompanying notes on pages 55 to 72 are an integral part of the above statement.

Consolidated **Balance Sheet**

as at 31 December

Notes		2021 £'000	2020 £'000
	Non-current assets		
9	Investment properties	**1,180,486**	1,205,293
10	Trade and other receivables	**19,319**	20,593
13	Interest rate swap asset	**466**	–
		1,200,271	1,225,886
	Current assets		
10	Trade and other receivables	**8,698**	11,589
	Taxation receivable	**134**	134
11	Cash and cash equivalents	**138,081**	34,896
		146,913	46,619
	Total assets	**1,347,184**	1,272,505
	Current liabilities		
12	Trade and other payables	**(18,448)**	(22,644)
13	Interest rate swap liability	**(159)**	(237)
		(18,607)	(22,881)
	Non-current liabilities		
12	Trade and other payables	**(2,416)**	(1,677)
13	Interest-bearing loans	**(308,641)**	(308,303)
		(311,057)	(309,980)
	Total liabilities	**(329,664)**	(332,861)
	Net assets	**1,017,520**	939,644
	Represented by:		
14	Share capital	**7,531**	7,994
	Special reserve	**544,813**	589,593
	Capital reserve – investments sold	**75,010**	(16,720)
	Capital reserve – investments held	**275,256**	245,613
	Hedging reserve	**307**	(237)
	Revenue reserve	**114,603**	113,401
	Equity shareholders' funds	**1,017,520**	939,644
15	**Net asset value per share**	**135.1p**	117.5p

The consolidated financial statements on pages 51 to 72 were approved by the Board of Directors on 14 April 2022 and signed on its behalf by:

P Marcuse, Director

The accompanying notes on pages 55 to 72 are an integral part of the above statement.

Consolidated Statement of **Changes in Equity**

for the year ended 31 December 2021

Notes		Share Capital £'000	Special Reserve £'000	Capital Reserve – Investments Sold £'000	Capital Reserve – Investments Held £'000	Hedging Reserve £'000	Revenue Reserve £'000	Total £'000
	At 1 January 2021	**7,994**	**589,593**	**(16,720)**	**245,613**	**(237)**	**113,401**	**939,644**
	Total comprehensive income for the year							
	Profit for the year	–	–	–	–	–	156,023	156,023
13	Movement in fair value of interest rate swap	–	–	–	–	544	–	544
9	Transfer in respect of unrealised gains on investment properties	–	–	–	86,976	–	(86,976)	–
9	Gains on sale of investment properties realised	–	–	34,397	–	–	(34,397)	–
9	Transfer of prior years' revaluation to realised reserve	–	–	57,333	(57,333)	–	–	–
	Total comprehensive income for the year	–	–	91,730	29,643	544	34,650	156,567
	Transactions with owners of the Company recognised directly in equity							
14	Buybacks to Treasury	(463)	(44,780)	–	–	–	–	(45,243)
8	Dividends paid	–	–	–	–	–	(33,448)	(33,448)
	At 31 December 2021	**7,531**	**544,813**	**75,010**	**275,256**	**307**	**114,603**	**1,017,520**

for the year ended 31 December 2020

Notes		Share Capital £'000	Special Reserve £'000	Capital Reserve – Investments Sold £'000	Capital Reserve – Investments Held £'000	Hedging Reserve £'000	Revenue Reserve £'000	Total £'000
	At 1 January 2020	7,994	589,593	(20,725)	370,946	(217)	99,101	1,046,692
	Total comprehensive loss for the year							
	Loss for the year	–	–	–	–	–	(84,246)	(84,246)
13	Movement in fair value of interest rate swap	–	–	–	–	(20)	–	(20)
9	Transfer in respect of unrealised losses on investment properties	–	–	–	(121,306)	–	121,306	–
9	Loss on sale of investment properties realised	–	–	(22)	–	–	22	–
9	Transfer of prior years' revaluations to realised reserve	–	–	4,027	(4,027)	–	–	–
	Total comprehensive loss for the year	–	–	4,005	(125,333)	(20)	37,082	(84,266)
	Transactions with owners of the Company recognised directly in equity							
8	Dividends paid	–	–	–	–	–	(22,782)	(22,782)
	At 31 December 2020	**7,994**	**589,593**	**(16,720)**	**245,613**	**(237)**	**113,401**	**939,644**

The accompanying notes on pages 55 to 72 are an integral part of the above statement.

Consolidated Statement of **Cash Flows**

Notes	for the year ended 31 December	2021 £'000	2020 £'000
	Cash flows from operating activities		
	Profit/(loss) before taxation	**157,350**	(83,356)
	Adjustments for:		
5	Finance costs	**11,140**	11,210
	Interest receivable	**(1)**	(49)
9	Unrealised (gains)/losses on revaluation of investment properties	**(86,976)**	121,306
9	(Gains)/losses on sale of investment properties realised	**(34,397)**	22
	Decrease/(Increase) in operating trade and other receivables	**4,165**	(3,972)
	(Decrease)/Increase in operating trade and other payables	**(4,761)**	5,087
	Cash generated from operations	**46,520**	50,248
	Interest received	**1**	49
	Interest and bank fees paid	**(10,063)**	(10,528)
	Taxation paid	**(1,327)**	(890)
		(11,389)	(11,369)
	Net cash inflow from operating activities	**35,131**	38,879
	Cash flows from investing activities		
9	Purchase of investment properties	**(50,821)**	-
9	Sale of investment properties	**201,920**	5,585
9	Capital expenditure on investment properties	**(4,050)**	(12,080)
	Net cash inflow / (outflow) from investing activities	**147,049**	(6,495)
	Cash flows from financing activities		
8	Dividends paid	**(33,448)**	(22,782)
13	Issue costs for Barclays £100m loan facility extension	**(304)**	(600)
14	Buybacks to Treasury	**(45,243)**	-
	Net cash outflow from financing activities	**(78,995)**	(23,382)
	Net increase in cash and cash equivalents	**103,185**	9,002
	Opening cash and cash equivalents	**34,896**	25,894
11	**Closing cash and cash equivalents**	**138,081**	34,896

The accompanying notes on pages 55 to 72 are an integral part of the above statement.

Notes to the Consolidated Financial Statements

1 Accounting policies

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

(a) **Basis of accounting**

(i) Statement of compliance

The consolidated financial statements have been prepared and approved in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS'), interpretations issued by the International Financial Reporting Standards Committee, applicable legal and regulatory requirements of the Companies (Guernsey) Law, 2008 and the Listing Rules of the UK Listing Authority. The consolidated financial statements give a true and fair view and are also in compliance with the Companies (Guernsey) Law, 2008.

Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for investment trust companies issued by the Association of Investment Companies ('AIC') in April 2021 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

(ii) Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and adopt the historical cost basis, except for investment property and derivative financial instruments that have been measured at fair value.

The notes and financial statements are presented in pounds sterling (being the functional currency of the Company and presentation currency for the Company and the Group) and are rounded to the nearest thousand except where otherwise indicated.

(iii) Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

- The fair value of investment properties is determined by using valuation techniques. For further details of the estimates and assumptions made, see note 1(f) and 9 and further information on Board procedures is contained in the Report of the Audit and Risk Committee. The Group uses external professional valuers to determine the relevant amounts.
- The credit loss provision is determined by rent and service charge receivable that was greater than 90 days overdue. For further details of the estimates and assumptions made, see note 1(j), 10 and 17 - Credit Risk.

(iv) Going concern

After making enquiries, and bearing in mind the nature of the Group's business and assets, the Directors consider that the Group has adequate resources to continue in operational existence for the next twelve months. In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. They have considered the current cash position of the Group, forecast rental income and other forecast cash flows. Based on this information the Directors believe that the Group has the ability to meet its financial obligations as they fall due for the foreseeable future, which is considered to be for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

(v) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except that the following new standards have been adopted in the current year:

- IAS 1 Amendment - Presentation of Financial Statement;
- IAS 8 Amendment - Accounting Policies, changes in accounting estimates and errors;
- IFRS 9, IAS 39 and IFRS 7 Amendments - Interest Rate Benchmark Reform.

(vi) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2022, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

1. Accounting policies (continued)

(a) **Basis of accounting (continued)**

- Amendments to IAS 1 – Classification of liabilities as current or non-current (effective from 1 January 2023);
- Amendments to IFRS 16 – COVID-19 rent concession amendment – extension;
- Annual improvements to IFRS's 2018–2020 cycle;
- Amendments to IFRS 3 - 'Business combination' - update to the Conceptual Framework.

There are no other IFRS's or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(b) **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 31 December each year. Subsidiaries are those entities, including special purpose entities, controlled by the Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(c) **Revenue recognition**

Rental income, excluding VAT, arising on investment properties is accounted for in the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term of ongoing leases. Lease incentives granted are recognised as an integral part of the total rental income.

Surrender premiums received by the Group following the break of a lease are recognised in the Consolidated Statement of Comprehensive Income as other income to the extent that there are no obligations directly related to that surrender.

Interest income is accounted for on an accruals basis.

The Directors have not presented a separate column for revenue and capital on the Consolidated Statement of Comprehensive Income as recommended in the SORP as this is not required under IFRS and the directors do not deem this information to be material to the reader.

(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 to the Consolidated Statement of Comprehensive Income.

(e) **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Consolidated Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

Entry to UK-REIT Regime

The Group's conversion to UK-REIT status was effective from 3 June 2019. The Group's rental profits arising from both income and capital gains are exempt from UK corporation tax from that date, subject to the Group's continuing compliance with the UK REIT rules.

Within the UK REIT regime, corporation tax will be incurred by the Company if it makes a distribution to a Substantial Shareholder unless the Company has taken reasonable steps to avoid such a distribution being paid. Shareholders should note that this restriction only applies to Shareholders that are companies or other bodies corporate and to certain entities which are deemed to be corporate bodies. It does not apply to nominees.

1. Accounting policies (continued)

(e) Taxation (continued)

Under the UK REIT regime a Substantial Shareholder is defined as a holder of excessive rights in a company (or other body corporate) which, either directly or indirectly (i) is beneficially entitled to 10 per cent or more of the company's dividends; (ii) is beneficially entitled to 10 per cent or more of a company's share capital; or (iii) controls 10 per cent or more of the voting rights in a company. The background to the charge recognises that in certain circumstances such shareholders resident in jurisdictions with particular double tax agreements with the UK can reclaim all or part of the UK income tax payable by them on the dividend.

A tax charge may be imposed only if a REIT pays a dividend in respect of a Substantial Shareholding and the dividends are paid to a person who is a Substantial Shareholder. The charge is not triggered merely because a shareholder has a stake in the company of 10 per cent or more. The amount of the tax charge is calculated by reference to the total dividend that is paid to the Substantial Shareholder and is not restricted to the excess over 10 per cent.

The Company has agreed, notwithstanding the fact that the UK REIT regime has deemed the Aviva Group to be a Substantial Shareholder, that it will continue to make distributions to such Shareholder provided that it holds no more than 21 per cent of the issued share capital of the Company at the time of the relevant distribution (or such lower number of Ordinary Shares as the Aviva Group may hold in the future).

(f) Investment properties

Investment properties consist of land and buildings held to earn rental income together with the potential for capital and income growth.

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

After initial recognition, investment properties are measured at fair value, with unrealised gains and losses recognised in the Consolidated Statement of Comprehensive Income and transferred to the Capital Reserve – Investments Held. Fair value is based on valuations provided by Property Valuers, at the balance sheet date using recognised valuation techniques. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's assets. For the purposes of these financial statements, in order to prevent double accounting, the assessed fair value provided by Property Valuers is reduced by the carrying amount of any accrued income resulting from the spreading of capital and rental lease incentives and/or minimum lease payments.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the balance sheet date.

Techniques used for valuing investment properties:-

- The Traditional Method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and application of investor yield or return requirements. One approach to value the property on this basis is to capitalise net rental income on the basis of an Initial Yield, generally referred to as the 'All Risks Yield' approach or 'Net Initial Yield' approach.
- The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series, an appropriate market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross income less vacancy and collection losses and operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property and deductions for purchase costs.
- The Comparison Method uses data from recent market transactions and is mainly used for the fair value calculation of residential properties.

The fair value of investment properties is measured based on each property's highest and best use from a market participant's perspective and considers the potential uses of the property that are physically possible, legally permissible and financially feasible.

Investment properties held under finance leases and leased out under operating leases are classified as investment properties and stated at fair value.

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

Recognition and derecognition occurs on the completion of a sale between a willing buyer and a willing seller.

Any investment properties on which contracts for sale have been exchanged but which had not completed at the year end are disclosed as properties held for sale and stated at fair value less selling costs.

1. Accounting policies (continued)

(g) **Fair value measurement**

Assets and liabilities within the hierarchy designated as fair value through profit or loss are measured at subsequent reporting dates at fair value. Accounting standards recognise a hierarchy of fair value measurements for assets and liabilities within the hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The classification within the hierarchy depends on the lowest significant applicable input, as follows:

Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Examples of such instruments would be investments listed or quoted on any recognised stock exchange.

Level 2 – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be those for which the quoted price has been suspended, forward exchange contracts and certain other derivative instruments. The interest rate swap entered into hedge the interest on the £50 million bank loan and the interest rate swap are included in Level 2.

Level 3 – External inputs are unobservable. Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instrument. All investments in direct property are included in Level 3.

The Group measures financial instruments at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost, if any, are disclosed in note 13. Fair value is 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.

(h) **Derivative financial instruments**

The Group uses derivative financial instruments to hedge its risk associated with interest rate fluctuations. The Group's policy is not to trade in derivative instruments.

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

Gains or losses arising on the fair value of effective cash flow hedges in the form of derivative instruments are taken directly to Other Comprehensive Income. The gains or losses relating to the ineffective position are recognised in operating profit in the Consolidated Statement of Comprehensive Income.

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

The Group considers that its interest rate swaps qualify for hedge accounting when the following criteria are satisfied:

- The instruments must be related to an asset or liability;
- They must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa;
- They must match the principal amounts and maturity dates of the hedged items; and
- As cash-flow hedges the forecast transactions (incurring interest payable on the bank loans) that are subject to the hedges must be highly probable and must present an exposure to variations in cash flows that could ultimately affect the profit or loss. The effectiveness of the hedges must be capable of reliable measurement and must be assessed as highly effective on an ongoing basis throughout the financial reporting periods for which the hedges were designated.

(i) **Cash and cash equivalents**

Cash in banks and short-term deposits are carried at cost. Cash and cash equivalents consist of cash in hand and short-term deposits in banks with an original maturity of three months or less.

(j) **Trade and other receivables**

Trade receivables, which are generally due for settlement at the relevant quarter end, are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts. Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as noncollectable. The Group considers that a default on a trade and other receivables is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Reverse lease premia and other capital incentives paid to tenants are recognised as current and non-current assets and amortised over the period from the date of lease commencement to the earliest termination date.

(k) **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.

1. Accounting policies (continued)

(l) Interest-bearing loans

All loans are initially recognised at cost, being fair value of the consideration received, 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 loan arrangement costs and any discount or premium on settlement.

(m) Segmental information

The Board has considered the requirement of IFRS 8 'operating segments'. The Board is of the view that the Group is engaged in a single segment of business, being property investment and in one geographical area, the United Kingdom.

(n) Reserves

Share capital

Under the Company's Articles of Incorporation, the Company may issue an unlimited number of Ordinary Shares. Subject to the solvency test contained in the Companies (Guernsey) Law, 2008 being satisfied, ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets after repayment of its borrowings and ordinary creditors. Ordinary shareholders have the right to vote at meetings of the Company. All Ordinary Shares carry equal voting rights.

Special reserve

The Special Reserve is a distributable reserve to be used for all purposes permitted under Guernsey Law, including the buyback of shares.

The surplus of net proceeds received from the issue of Ordinary Shares over the nominal value of such shares, is credited to this account subsequent to its initial recognition in the Share Capital account.

Capital reserve – investments sold

The following are accounted for in this reserve:

- gains and losses on the disposal of investments in indirect property funds and investment properties, including the transfer of any unrealised gains or losses now realised which were previously recognised through 'Capital Reserve – Investments Held'.

Capital reserve – investments held

The following are accounted for in this reserve:

- increases and decreases in the fair value of investment properties held at the year-end; and
- increases and decreases in the fair value of any investments in indirect property funds held at the year-end.

Hedging reserve

Movements relating to the interest rate swap arrangements accounted for as a cash flow hedge are recognised in this reserve.

Revenue reserve

Any surplus arising from the net profit on ordinary activities after taxation and payment of dividends, after adding back capital gains or losses, is taken to this reserve, with any deficit transferred from the Special Reserve.

2. Other Income

On 2 March 2021, GB Gas Holdings Limited at 3 The Square, Stockley Park, Uxbridge paid £3 million surrender premium to the Group.

3. Investment Management fee

	2021 £'000	2020 £'000
Base management fee	7,195	6,692

Throughout the year the Group's investment manager was BMO Investment Business Limited, a wholly-owned subsidiary of BMO Asset Management (Holdings) plc. The property management arrangements of the Group have been delegated by BMO Investment Business Limited, with the approval of the Company, to BMO REP Asset Management plc, which is also part of the BMO Asset Management (Holdings) plc group.

BMO Investment Business Limited is entitled to a base management fee of 0.55 per cent per annum of the Group's gross assets (reduced to 0.525 per cent per annum on assets between £1.5 billion and £2 billion and 0.5 per cent per annum in excess of £2 billion) and reduced to 0.25 per cent per annum on cash net of gearing in excess of 5 per cent of net assets, payable quarterly in arrears. BMO Investment Business Limited is not entitled to a performance fee.

The investment management agreement may be terminated by either party by giving not less than six months' notice. The agreement may be terminated earlier by the Company provided that a payment in lieu of notice, equivalent to the amount BMO Asset Management plc would otherwise have received during the notice period, is made.

The Company also has a right of termination following a change of control of the Managers. Following the announcement of the acquisition by Ameriprise Inc, the Board agreed to waive this right and continue with the present Managers in exchange for a written commitment on the continuity of the Lead Manager and if key support staff left the business, they would be replaced with individuals of appropriate quality and seniority.

4. Other expenses

	2021 £'000	2020 £'000
Direct operating expenses of rental property	3,996	2,799
Surrender payment to lessee	–	30
Credit loss provision *	(1,103)	5,062
Valuation and other professional fees	442	498
Directors' fees †	268	249
Administration fee	159	156
Depositary fee	142	143
Auditor's remuneration for:		
– statutory audit	140	91
– audit-related services – interim review	19	18
Other	477	402
	4,540	9,448

† An analysis of the Directors' fees is provided within the Directors' Remuneration Report on page 42.

*The credit loss provision is rent and service charge receivable that was greater than 90 days overdue. The credit loss provision for 2021 has partially reversed provisions accrued in 2020 as lessees have paid rents (see note 10).

Valuers' fees
The valuers of the investment properties, CBRE Limited ('CBRE'), have agreed to provide valuation services in respect of the property portfolio. The valuation agreement is for a term to 31 December 2023 inclusive, continuing thereafter until determined, and an annual fee is payable equal to 0.01 per cent of the aggregate value of the direct property portfolio.

Administration fee
BMO Investment Business Limited is entitled to an administration fee which is payable quarterly in arrears. It received £159,000 for administration services provided in respect of the year ended 31 December 2021 (2020: £156,000).

5. Finance costs

	2021 £'000	2020 £'000
Interest on the Barclays loan	1,671	1,722
Net interest in respect of the interest rate swap agreements	286	314
Interest on the L&G loan	8,913	8,903
Facility agent/monitoring fee	270	271
	11,140	11,210

6. Taxation

	2021 £'000	2020 £'000
Current tax		
Corporation tax charge in respect to distributions to holders of excessive rights	1,327	890
Total tax charge	1,327	890

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

	2021 £'000	2020 £'000
Profit/(loss) before taxation	157,350	(83,536)
UK tax at a rate of 19 per cent (2020: 19 per cent)	29,897	(15,838)
Effects of:		
Capital (gains)/losses on investment properties not taxable	(24,275)	23,052
UK REIT exemption on net income	(5,622)	(7,214)
Corporation tax charge in respect to distributions to holders of excessive rights	1,327	890
Total tax charge	1,327	890

6. Taxation (continued)

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.

From 3 June 2019 the Group elected into the UK REIT regime. The UK REIT rules exempt the profits from the Group's property rental business, arising from both income and capital gains. The Group is otherwise subject to UK corporation tax at the prevailing rate. As the principal company of the REIT, the Company is required to distribute at least 90 per cent of the income profits of the Group's UK property rental business. There are a number of other conditions that also require to be met by the Group to maintain REIT tax status. These conditions were met for the year ended 31 December 2021 and for the year ended 31 December 2020 and the Board intends to conduct the Group's affairs such that these conditions continue to be met.

7. Basic and diluted earnings per share

	2021	2020
Net profit/(loss) attributable to ordinary shareholders (£'000)	**156,023**	(84,246)
Return per share – pence	**19.8p**	(10.5)p
Weighted average of ordinary shares in issue during the year	**786,825,807**	799,366,108

8. Dividends and property income distributions (PID) gross of income tax

	2021 Total £'000	**2021 PID Rate (pence)**	2020 Total £'000	2020 PID Rate (pence)
In respect of the previous period:				
Sixth interim dividend (Ninth 2019)	**2,798**	**0.35**	3,997	0.50
Seventh interim dividend (Tenth 2019)	**2,798**	**0.35**	3,997	0.50
Eighth interim dividend (Eleventh 2019)	**2,798**	**0.35**	3,997	0.50
Ninth interim dividend	**2,798**	**0.35**	–	–
In respect of the period under review:				
First interim dividend	**2,798**	**0.35**	–	–
Second interim dividend	**2,788**	**0.35**	–	–
Third interim dividend	**2,773**	**0.35**	–	–
Fourth Interim dividend (First 2020)	**2,750**	**0.35**	1,998	0.25
Fifth Interim dividend (Second 2020)	**2,736**	**0.35**	1,998	0.25
Sixth Interim dividend (Third 2020)	**2,705**	**0.35**	1,998	0.25
Seventh Interim dividend (Fourth 2020)	**2,867**	**0.375**	1,998	0.25
Eighth Interim dividend (Fifth 2020)	**2,839**	**0.375**	2,799	0.35
	33,448	**4.25**	22,782	2.85

Property Income Distributions paid/announced subsequent to the year end were:

Property Income Distributions:	**Record date**	**Payment date**	**Rate (pence)**
Ninth Interim	14 January 2022	31 January 2022	0.375
Tenth interim	11 February 2022	28 February 2022	0.375
Eleventh interim	11 March 2022	31 March 2022	0.375
Twelfth interim	19 April 2022	29 April 2022	0.375

Although these payments relate to the year ended 31 December 2021, under IFRS they will be accounted for in the year ending 31 December 2022, being the period during which they were declared.

9. Investment properties

	2021 £'000	2020 £'000
Non-current assets - Investment properties		
Freehold and leasehold properties		
Opening fair value	1,205,293	1,314,973
Sales – proceeds	(201,920)	–
– gain on sale	91,730	–
Capital expenditure	4,050	11,626
Unrealised gains realised during the year	(57,333)	–
Purchase of investment properties	51,690	–
Unrealised gains on investment properties	120,722	15,922
Unrealised losses on investment properties	(33,746)	(137,228)
Closing fair value	**1,180,486**	1,205,293
Historic cost at the end of the year	905,230	959,680

	2021 £'000	2020 £'000
Current assets - Investment properties held for sale		
Freehold properties		
Opening fair value	–	5,235
Sales – proceeds	–	(5,585)
– gain on sale	–	4,005
Capital expenditure	–	372
Unrealised gains realised during the year	–	(4,027)
Closing fair value	–	–
Historic cost at the end of the year	–	–

	2021 £'000	2020 £'000
Gain on sale	91,730	4,005
Unrealised gains realised during the year	(57,333)	(4,027)
Gains/(losses) on sale of investment properties realised	**34,397**	(22)

The fair value of investment properties reconciled to the appraised value as follows:

	2021 £'000	2020 £'000
Appraised value prepared by CBRE excluding assets classified as held for sale	1,200,842	1,227,900
Capital and rental lease incentives held as trade and other receivables (note 10)	(20,356)	(22,607)
Closing fair value	**1,180,486**	1,205,293

9. Investment properties (continued)

All the Group's investment properties were valued as at 31 December 2021 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 the Group's investment properties at 31 December 2021 on a fair value basis and in accordance with The RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the "Red Book"). The CBRE valuation report is dated 19 January 2022 (the 'Valuation Report'). 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'. The techniques used for valuing investment properties are detailed in note 1(f).

CBRE has been carrying out valuations for the Group for a continuous period since December 2011. CBRE also values properties held by other companies for which the BMO Asset Management plc group is also the investment manager. CBRE provides, and has provided in the past, ad hoc investment and occupational agency advice, landlord and tenant and building consultancy advice to members of the BMO Asset Management plc group. The proportion of total fees payable by the BMO Asset Management plc group to the total fee income of CBRE was less than 5 per cent of total UK revenues.

The property valuer is independent and external to the Group.

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 Managers advise the presence of such materials. In arriving at their estimate of appraisal values, the valuer has used their market knowledge and professional judgement and not only relied on historical transactional comparables.

All leasehold properties are carried at fair value rather than amortised over the term of the lease. The same valuation criteria are therefore applied to leasehold as freehold properties. All leasehold properties have more than 60 years remaining on the lease term.

The Group has entered into leases on its property portfolio as lessor (see note 19 for further information). All of the properties per fair value band are shown on page 25.

There are no restrictions on the realisability of the Group's investment properties or on the remittance of income or proceeds of disposal. However, the Group's investments comprise UK commercial property, which may be difficult to realise as described in Liquidity Risk in note 17.

9. Investment properties (continued)

Other than the capital commitments disclosed in note 18, the Group is under no contractual obligations to purchase, construct or develop any investment property. The majority of leases are on a full repairing basis and, as such, the Group is not liable for costs in respect of repairs, maintenance or enhancements to those investment properties.

All investment properties are categorised as level 3 fair values as they use significant unobservable inputs. There have not been any transfers between levels during the year. Investment properties have been classed according to their real estate sector. Information on these significant unobservable inputs per class of investment property is disclosed below.

Sector	Valuation £'000	Significant Assumption	2021 Range*	2021 Weighted Average	2020 Range*	2020 Weighted Average
Retail	**187,455** (2020: 195,385)	Current Rental Value per square foot ('psf') per annum	**£27-£96**	**£66**	£35 - £90	£68
		Estimated Rental Value psf per annum	**£25-£98**	**£76**	£31 - £112	£84
		Net Initial Yield	**3.6%-7.2%**	**4.5%**	3.2% - 6.8%	4.0%
		Equivalent Yield	**3.7%-6.3%**	**4.9%**	3.7% - 6.4%	4.6%
		Estimated Capital Value psf	**£360-£2,240**	**£1,671**	£447 - £2,288	£1,801
Retail Warehouse	**130,650** (2020: 153,550)	Current Rental Value psf per annum	**£0 - £24**	**£23**	£14 - £22	£18
		Estimated Rental Value psf per annum	**£21-£26**	**£23**	£12 - £26	£21
		Net Initial Yield	**0% - 5.6%**	**5.4%**	4.7% - 7.9%	5.8%
		Equivalent Yield	**5.7%-7.5%**	**5.8%**	5.5% -9.4%	6.6%
		Estimated Capital Value psf	**£298-£403**	**£376**	£164 - £319	£288
Office	**387,650** (2020: 518,312)	Current Rental Value psf per annum	**£14-£82**	**£31**	£1 - £87	£41
		Estimated Rental Value psf per annum	**£19-£83**	**£34**	£19 - £100	£44
		Net Initial Yield	**3.0%-8.7%**	**5.7%**	0.3% - 8.0%	5.1%
		Equivalent Yield	**3.6%-7.8%**	**6.0%**	3.8% - 7.6%	5.4%
		Estimated Capital Value psf	**£198-£1,967**	**£666**	£239 - £2,436	£1,061
Industrial	**367,742** (2020: 234,875)	Current Rental Value psf per annum	**£0-£10**	**£6**	£0 - £10	£6
		Estimated Rental Value psf per annum	**£5-£10**	**£7**	£5 - £10	£6
		Net Initial Yield	**0%-4.9%**	**2.9%**	0% - 7.4%	5.4%
		Equivalent Yield	**3.9%-5.2%**	**4.2%**	4.9% - 6.1%	5.4%
		Estimated Capital Value psf	**£33-£218**	**£143**	£89 - £180	£108
Alternatives	**127,345** (2020: 125,778)	Current Rental Value psf per annum**	**£16-£18**	**£17**	£15 - £18	£16
		Estimated Rental Value psf per annum**	**£14-£16**	**£15**	£14 - £16	£15
		Net Initial Yield**	**3.9%-7.4%**	**4.9%**	4.1% - 7.7%	5.1%
		Equivalent Yield**	**3.9%-6.4%**	**4.6%**	4.7% - 6.4%	5.2%
		Estimated Capital Value psf**	**£216 - £1,063**	**£669**	£216 - £1,131	£711

* The ranges are based on averages per property and include properties which were vacant at the date of valuation. Individual tenancies within properties may fall outside these ranges.
** Excluding residential property – valuation technique for residential property is on a comparison basis.

For the majority of properties, the fair value was determined by using the market comparable method. This means that valuations performed by CBRE are based on inputs determined from active markets, adjusted for differences in the nature, location or condition of the specific property. Most valuations are based on net initial yield, although equivalent yield may also be taken into consideration. Where properties are vacant at the date of valuation a comparable capital value per square foot is used. In determining the net initial yield, or

9. Investment properties (continued)

capital value per square foot, the valuers may have regard to the terms of any existing lease including current rental values, lease length and covenant strength, along with assumptions regarding estimated rental values, rental growth rates, vacancy rates and void or rent free periods expected after the end of each lease.

Sensitivity analysis

The valuations of investment properties are sensitive to changes in the assumed significant unobservable inputs. A significant increase/(decrease) in estimated rental values in isolation would result in a significantly higher/(lower) fair value of the properties. A significant increase/(decrease) in the all risks yield in isolation would result in a significantly (lower)/higher fair value.

There are interrelationships between the yields and passing rental values as they are partially determined by market rate conditions.

The sensitivity of the valuation to changes in the most significant inputs per class of investment property are shown below:

Estimated movement in fair value of investment properties at 31 December 2021 arising from:	**Retail £'000**	**Retail Warehouses £'000**	**Offices £'000**	**Industrial £'000**	**Alternatives £'000**	**Total £'000**
Increase in passing rental value by 5%	**9,373**	**6,533**	**19,383**	**18,387**	**6,367**	**60,043**
Decrease in passing rental value by 5%	**(9,373)**	**(6,533)**	**(19,383)**	**(18,387)**	**(6,367)**	**(60,043)**
Increase in net initial yield by 0.25%	**(9,802)**	**(5,777)**	**(16,215)**	**(28,982)**	**(6,200)**	**(66,976)**
Decrease in net initial yield by 0.25%	**10,947**	**6,337**	**17,696**	**34,404**	**6,869**	**76,253**

Estimated movement in fair value of investment properties at 31 December 2020 arising from:	Retail £'000	Retail Warehouses £'000	Offices £'000	Industrial £'000	Alternatives £'000	Total £'000
Increase in passing rental value by 5%	9,769	7,678	25,916	11,744	6,289	61,396
Decrease in passing rental value by 5%	(9,769)	(7,678)	(25,916)	(11,744)	(6,289)	(61,396)
Increase in net initial yield by 0.25%	(11,599)	(6,388)	(24,265)	(10,328)	(5,845)	(58,425)
Decrease in net initial yield by 0.25%	13,161	6,967	26,772	11,324	6,444	64,668

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

10. Trade and other receivables

Non-current	**2021 £'000**	2020 £'000
Capital and rental lease incentives	**16,903**	18,916
Cash deposits held for tenants	**2,416**	1,677
	19,319	20,593
Current		
Capital and rental lease incentives	**3,453**	3,690
Cash deposits held for tenants	**183**	446
Rents receivable	**5,964**	10,725
Credit loss provision	**(2,987)**	(5,018)
Other debtors and prepayments	**2,085**	1,746
	8,698	11,589

Rents receivable, which are generally due for settlement at a quarter end, are recognised and carried at the original invoice amount. Credit loss provision is rent and service charge receivable that was greater than 90 days overdue (see Note 17 – Credit Risk).

Capital and rental lease incentives consist of £14,186,000 (2020: £18,813,000) being the prepayments for rent-free periods recognised over the life of the lease and £6,170,000 (2020: £3,794,000) relating to capital incentives paid to tenants.

Credit loss provision	**2021 £'000**	2020 £'000
Accumulated credit loss provision as at 1 January	**5,018**	75
Credit loss provision (reversed) / recognised during the year, net	**(1,103)**	5,062
Amounts written off during the year as uncollectable	**(928)**	(119)
Accumulated credit loss provision as at 31 December	**2,987**	5,018

11. Cash and cash equivalents

All cash balances at the year end were held as cash at bank.

12. Trade and other payables

Non-current	2021 £'000	2020 £'000
Rental deposits	**2,416**	1,677
Current		
Rental income received in advance	**8,902**	10,619
Rental deposits	**183**	446
VAT payable	**1,493**	3,666
Managers' fees payable	**1,863**	5,081
Other payables	**6,007**	2,832
	18,448	22,644

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

13. Interest-bearing loans and interest rate swap

	2021 £'000	2020 £'000
L&G loan		
Principal amount outstanding	**260,000**	260,000
Set-up costs	**(2,683)**	(2,683)
Amortisation of set-up costs	**1,781**	1,500
	259,098	258,817
Barclays loan		
Principal amount outstanding	**50,000**	50,000
Set-up costs	**(904)**	(600)
Amortisation of set-up costs	**447**	86
	49,543	49,486
Total interest-bearing loans	**308,641**	308,303

Analysis of movement in net debt	2021 Cash and cash equivalents £'000	2021 Interest-bearing loans £'000	2021 Net debt £'000	2020 Cash and cash equivalents £'000	2020 Interest-bearing loans £'000	2020 Net debt £'000
Opening balance	**34,896**	**(308,303)**	**(273,407)**	25,894	(308,366)	(282,472)
Cash movement	**103,185**	**304**	**103,489**	9,002	600	9,602
Amortisation of loan set-up costs	**–**	**(642)**	**(642)**	–	(537)	(537)
Closing balance	**138,081**	**(308,641)**	**(170,560)**	34,896	(308,303)	(273,407)

£260 million L&G loan

The Group entered into a £260 million ten year term loan facility agreement with Legal & General Pensions Limited ("L&G"). The transaction was conducted by L&G's lending arm, LGIM Commercial Lending Limited. The loan has a maturity date of 31 December 2024.

Interest is payable on this loan from the commitment date, quarterly in arrears, at a fixed rate of 3.32 per cent per annum for the duration of the loan. The loan is secured by means of a fixed and floating charge over the whole of the assets of the Secured Group (which, at 31 December 2021, comprised FCPT Holdings Limited, F&C Commercial Property Holdings Limited and Winchester Burma Limited – see Note 20).

Under the financial covenants related to this loan, the Group has to ensure that for the Secured Group:

- the loan to value percentage does not exceed 50 per cent;
- the interest cover is greater than 1.50 times on any calculation date;
- the sector weightings (measured by market value) do not exceed the following percentages of the gross secured asset value; Industrial: 40 per cent; Offices: 60 per cent; Retail: 40 per cent; Retail Warehouses: 40 per cent; Other: 25 per cent;
- the combined holding in London and the South East of England exceeds a minimum of 40 per cent of gross secured asset value;
- the combined holding in Northern Ireland, Scotland, Wales, North East of England and Yorkshire and Humberside does not exceed a maximum of 30 per cent of gross secured asset value; and

13. Interest-bearing loans and interest rate swap (continued)

£260 million L&G loan (continued)

- the five largest tenants do not exceed 40 per cent of the aggregate net rental income from all of the secured properties.

The Secured Group has complied with all the applicable L&G loan covenants during the year.

The fair value of the interest-bearing L&G loan as at 31 December 2021, based on the yield on the Treasury 2.75% 2024 which would be used as the basis for calculating the early repayment of such loan plus the appropriate margin would be £273,773,000 (2020: £289,854,000). The exercise of early repayment approximates the carrying amount of the loan. The Secured Group loan is classified as Level 2 under the hierarchy of fair value measurement.

On 17 March 2022, the Group amended the financial covenants related to the L&G loan:

- the sector weightings (measured by market value) do not exceed the following percentages of the gross secured asset value; Industrial: 60 per cent (previously 40 per cent), no change to the other sectors;
- the combined holding in London and the South East of England exceed a minimum of 30 per cent of the gross secured asset value (previously 40 per cent); and
- the combined holding in Northern Ireland, Scotland, Wales, North East of England and Yorkshire and Humberside does not exceed a maximum of 30 per cent of gross secured asset value deleted in its entirety.

£100 million Barclays loan

On 8 September 2021, the Group amended the financing arrangements with Barclays Bank PLC ('Barclays') in respect of its £50 million term loan facility which was repayable on the 31 July 2022. The amended arrangements extend the repayment date of the £50 million term loan facility to 31 July 2023, with the option of a further one-year extension. The amended arrangements also changed the cessation of the publication of LIBOR rates and its replacement with a risk-free rate, to the Sterling Overnight Index Average ('SONIA'). Additional security was provided in the form of two properties to allow immediate access to the full £50 million revolving credit facility. The Group's additional revolving credit facility of £50 million with Barclays remains available over the same period, which was not drawn down as at 31 December 2021 (2020: £nil). The combined loan arrangement costs for the term and revolving loan facility was £904,000.

Interest accrues on the bank loan at a variable rate, based on SONIA plus margin and is payable quarterly in arrears. The margin is 1.85 per cent (2020: 1.85 per cent) per annum for the duration of the loan. The revolving credit facility pays an undrawn commitment fee of 0.74 per cent (2020: 0.74 per cent) per annum.

The bank loan is secured by the way of a fixed and floating charge over the whole of the assets of SCP Estate Holdings Limited, SCP Estate Limited and Prime Four Limited ('the SCP Group'), whose assets consist of the properties held at St. Christopher's Place Estate, London W1 and two office properties in Aberdeen.

Under the financial covenants related to this loan, the Group has to ensure that for the SCP Group:

- the loan to value percentage does not exceed 50 per cent; and
- actual interest cover is greater than 1.60 times on any calculation date.
- projected interest cover is greater than 1.75 times on any calculation date.

The SCP Group has complied with all the applicable Barclays loan covenants during the year.

Interest Rate Swap

The Group entered into a new £50 million interest rate swap effective from 30 September 2021 in connection with the Barclays term facility. The hedge has been achieved by matching the notional amount of the swap with the loan principal.

Interest on the swap is receivable at a variable rate calculated on the same SONIA basis as for the bank loan (as detailed above but excluding the margin) and payable quarterly at a fixed rate of 0.517 per cent per annum. This fixes the interest rate for the £50 million term loan at 2.367 per cent (2020: 2.872 per cent). The interest rate swap is due to expire on 31 July 2023.

The fair value of the asset in respect of the interest rate swap contract at 31 December 2021 was £307,000 (2020: £237,000 liability), which is based on the marked to market value. The interest rate swap is classified as Level 2 under the hierarchy of fair value measurements.

14. Share capital and capital risk management

Share Capital	2021 No. of shares	2021 £'000	2020 No. of shares	2020 £'000
Allotted, called-up and fully paid				
Opening Ordinary Shares of 1 pence each in issue	799,366,108	7,994	799,366,108	7,994
Ordinary Shares of 1 pence held in treasury	(46,260,278)	(463)	–	–
Closing Ordinary Shares of 1 pence each in issue	753,105,830	7,531	799,366,108	7,994

Ordinary shareholders have the right to vote at meetings of the Company. All Ordinary Shares carry equal voting rights.

Under the Company's Articles of Incorporation, the Company may issue an unlimited number of Ordinary Shares. The Company issued nil Ordinary Shares during the year (2020: nil) raising net proceeds of £nil (2020: £nil).

The Company purchased 46,260,278 (2020:nil) Ordinary Shares during the year which are held in treasury.

14. Share capital and capital risk management (continued)

Capital risk management

The Group's capital is represented by the Ordinary Shares, Special Reserve, Capital Reserve - Investments Sold, Capital Reserve - Investments Held, Hedging Reserve and Revenue Reserve. The Group is not subject to any externally-imposed capital requirements.

The objective of the Company 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. In pursuing this objective, the Board has responsibility for ensuring the Company's ability to continue as a going concern. This involves the ability to issue and buyback share capital within limits set by shareholders in a general meeting; borrow monies in the short and long term; and pay dividends out of reserves all of which are considered and approved by the Board on a regular basis. Dividends are set out in note 8 to the consolidated financial statements and borrowings are set out in note 13.

The capital of the Group is managed in accordance with its investment policy, in pursuit of its investment objective, which is detailed in the Business Model and Strategy on page 10. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares, manage the Group's discount to net asset value and monitor the Group's gearing level. No changes were made to the objectives, policies or processes during the years ended 31 December 2021 or 31 December 2020.

15. Net asset value per share

	2021	2020
Net asset value per ordinary share – pence	**135.1p**	117.5p
Net assets attributable at the year end (£'000)	**1,017,520**	939,644
Number of ordinary shares in issue at the year end	**753,105,830**	799,366,108

16. Related party transactions

The Directors are considered to be the Group's key management personnel. No Director has an interest in any transactions which are, or were, unusual in their nature or significant to the nature of the Group. Directors' shareholdings in the Ordinary Shares of the Company are provided in the Directors' Remuneration Report on page 43.

The Directors of the Company received fees for their services and dividends from their shareholdings in the Company. Further details are provided in the Directors' Remuneration Report on pages 42 to 43. Total fees for the year were £267,652 (2020: £248,500). No fees remained payable at the year end.

Transactions between the Company and the Managers are detailed in note 3 on investment management fees and note 12 on fees owed to the Managers at the balance sheet date. The existence of an independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies and therefore, under the AIC SORP, the Managers is not considered to be a related party.

17. 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 capital and income growth from investing in a diversified UK commercial property portfolio.

Consistent with that objective, the Group holds UK commercial property investments. In addition, the Group's financial instruments during the year comprised interest-bearing loans, cash, trade receivables and payables that arise directly from its operations. The Group does not have exposure to any derivative instruments other than the interest rate swap entered into to hedge the interest paid on the Barclays interest-bearing bank loan.

The Group is exposed to various types of risk that are associated with financial instruments. The most important types are credit risk, liquidity risk, interest rate risk and market price risk. There is no foreign currency risk as all assets and liabilities of the Group are maintained in pounds sterling.

The Board reviews and agrees policies for managing the Group's risk exposure including an assessment of the potential impact of Covid-19. These policies are summarised below and have remained unchanged for the year under review. These disclosures include, where appropriate, consideration of the Group's investment properties which, whilst not constituting financial instruments as defined by IFRS, are considered by the Board to be integral to the Group's overall risk exposure.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligation and will cause a financial loss for the other party by failing to discharge an obligation, and principally arises from the Group's receivables from customers. The Group has no significant concentrations of credit risk as the Group has a diverse tenant portfolio. The largest single tenant at the year end accounted for 4.8 per cent (2020: 4.3 per cent) of the current annual rental income.

The Managers has a credit department which has set out policies and procedures for managing exposure to credit. Some of the processes and policies include:

- an assessment of the credit worthiness of the lessee and its ability to pay is performed before lease is granted;
- where appropriate, guarantees and collateral is held against such receivables;
- after granting the credit, the credit department monthly assesses the age analysis and follows up on all outstanding payments;

17. Financial instruments and investment properties (continued)

- management of the credit department determine the appropriate provision, receivables which should be handed over for collection and which amounts should be written off. The default provision is when the receivable is greater than 90 days. The board will approve the procedures and amounts.

In the event of default by an occupational tenant, the Group will suffer a rental shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property.

Deposits refundable to tenants may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract. The fair value of cash and cash equivalents as at 31 December 2021 and 31 December 2020 approximates the carrying value.

The maximum credit risk from the rent receivable of the Group at 31 December 2021 was £2,977,000 (2020: £5,707,000). The maximum credit risk is stated after deducting an impairment provision of £2,987,000 (2020:£5,018,000) – see note 10 for further details.

Cash balances are held and derivatives are agreed only with financial institutions with a credit rating of A or better. Bankruptcy or insolvency of such financial institutions 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, cash holdings would be moved to another bank. The utilisation of credit limits is regularly monitored. As at 31 December 2021, the Group's cash balances are held with Barclays Bank PLC.

Liquidity risk

Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments. The Group's investments comprise UK commercial property. Property and property-related assets in which the Group invests are not traded in an organised public market and may be illiquid. As a result, the Group may not be able to liquidate quickly its investments in these properties at an amount close to their fair value in order to meet its liquidity requirements.

The Group's liquidity risk is managed on an ongoing basis by the Managers and monitored on a quarterly basis by the Board. In order to mitigate liquidity risk, the Group aims to have sufficient cash balances (including the expected proceeds of any property sales) to meet its obligations for a period of at least twelve months.

At the reporting date, the Group's financial assets and financial liabilities were (on a contractual maturity basis):

Financial assets	Within one year £'000	1–2 years £'000	3–5 years £'000	More than 5 years £'000	Total £'000
As at 31 December 2021					
Cash and cash equivalents	**138,081**	**–**	**–**	**–**	**138,081**
Cash deposits held for tenants	**183**	**488**	**931**	**997**	**2,599**
Rents receivable and credit loss provision	**2,977**	**–**	**–**	**–**	**2,977**
As at 31 December 2020					
Cash and cash equivalents	34,896	–	–	–	34,896
Cash deposits held for tenants	446	51	825	801	2,123
Rents receivable and credit loss provision	5,707	–	–	–	5,707

Financial liabilities	Within one year £'000	1–2 years £'000	3–5 years £'000	More than 5 years £'000	Total £'000
As at 31 December 2021					
Trade and other payables	**18,448**	**488**	**931**	**997**	**20,864**
Interest-bearing £100m Barclays loan, interest rate swap and commitment fee	**1,574**	**50,912**	**–**	**–**	**52,486**
Interest-bearing £260m L&G loan	**8,882**	**8,882**	**268,882**	**–**	**286,646**
As at 31 December 2020					
Trade and other payables	22,644	51	825	801	24,321
Interest-bearing £100m Barclays loan, interest rate swap and commitment fee	1,816	52,875	–	–	54,691
Interest-bearing £260m L&G loan	8,882	8,882	277,764	–	295,528

The table above details the total payment due to Barclays, combining the interest-bearing £50 million bank loan and related interest rate swap, as this total amount is known with certainty. The exact amount attributable to each of the interest-bearing £50 million bank loan and the related interest rate swap will vary depending on the rate of SONIA over the instruments' duration. The terms of both the interest-bearing bank loan and the interest rate swap are detailed in note 13.

The table above details the total payment due to L&G, the terms of the interest-bearing loan are detailed in note 13.

17. Financial instruments and investment properties (continued)

In certain circumstances, the terms of the Group's interest-bearing loans entitle the lender to require early repayment and, in such circumstances, the Group's ability to maintain dividend levels and the net asset value attributable to the Ordinary Shares could be adversely affected. As at 31 December 2021 the Group's cash balance was £138,081,000 (2020: £34,896,000).

Interest rate risk

Some of the Group's financial instruments are interest-bearing. They are a mix of both fixed and variable rate instruments with differing maturities. As a consequence, the Group is exposed to interest rate risk due to fluctuations in the prevailing market rate.

The Group's exposure to interest rate risk relates primarily to its long-term debt obligations. Interest rate risk on long-term debt obligations is managed by fixing the interest rate on such borrowings, either directly or through interest rate swaps for the same notional value and duration. Long-term debt obligations and the interest rate risk they confer to the Group is considered by the Board on a quarterly basis. Long-term debt obligations consist of a £260 million L&G loan on which the rate has been fixed at 3.32 per cent until the maturity date of 31 December 2024. The Group also has a £50 million Barclays loan on which the rate has been fixed through an interest rate swap at 2.367 per cent per annum until the maturity date of 31 July 2023. The Group has agreed an additional revolving credit facility of £50 million with Barclays over the same period, which was not drawn down as at 31 December 2021. The revolving credit facility pays an undrawn commitment fee of 0.72 per cent per annum.

The following table sets out the carrying amount of the Group's financial instruments that are exposed to interest rate risk:

	Total £'000	Fixed rate £'000	Variable rate £'000	Assets/ liabilities where no interest is received £'000	Weighted average interest rate %	Weighted average period for which rate is fixed (years)
As at 31 December 2021						
Financial assets						
Cash and cash equivalents	**138,081**	**–**	**138,081**	**–**	**0.00**	**–**
Cash deposits held for tenants	**2,599**	**–**	**–**	**2,599**	**–**	**–**
Rents receivable and credit loss provision	**2,977**	**–**	**–**	**2,977**	**–**	**–**
Interest rate swap	**307**	**307**	**–**	**–**	**0.517**	**1.5**
Financial liabilities						
L&G loan	**259,098**	**259,098**	**–**	**–**	**3.32**	**3.0**
Barclays loan	**49,543**	**49,543**	**–**	**–**	**2.367**	**1.5**
As at 31 December 2020						
Financial assets						
Cash and cash equivalents	34,896	–	34,896	–	0.14	–
Cash deposits held for tenants	2,123	–	–	2,123	–	–
Rents receivable and credit loss provision	5,707	–	–	5,707	–	–
Financial liabilities						
L&G loan	258,817	258,817	–	–	3.32	4.0
Barclays loan	49,486	49,486	–	–	2.87	0.5
Interest rate swap	237	237	–	–	1.022	0.5

Apart from the L&G loan as at 31 December 2021 as disclosed in note 13, the fair value of financial assets and liabilities is not materially different from their carrying value in the financial statements.

Considering the effect on the L&G loan at 31 December 2021, it is estimated that an increase of 150 basis points in interest rates would have decreased its fair value by approximately £11,287,000 (2020: £15,773,000), and a decrease of 150 basis points would have increased its fair value by approximately £11,965,000 (2020: £16,975,000).

Considering the effect on the £50 million Barclays loan and related interest rate swap combined, it is estimated that an increase of 150 basis points in interest rates as at the balance sheet date would have decreased their fair value by approximately £1,116,000 (2020: £1,806,000), and a decrease of 150 basis points would have increased their fair value by approximately £1,159,000 (2020: £1,902,000). The carrying value of the interest rate swap asset in the financial statements would have been adjusted by these amounts, thereby increasing/ decreasing net assets and income for the year.

17. Financial instruments and investment properties (continued)

When the Group retains cash balances, they are ordinarily held on interest-bearing deposit 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 0.25 per cent as at 31 December 2021 (2020: 0.1 per cent). The Company's policy is to hold cash in variable rate or short-term fixed rate bank accounts and not usually in fixed rate securities with a term greater than three months.

Considering the effect on cash balances, an increase of 150 basis points in interest rates would have increased net assets and income for the year by £2,071,000 (2020: £523,000). A decrease of 150 basis points would have had an equal but opposite effect. The calculations are based on the cash balances at the respective balance sheet dates.

Market price risk

The Group's strategy for the management of market price risk is driven by the investment policy as outlined within the Business Model and Strategy on page 10. The management of market price risk is part of the investment management process and is typical of commercial property investment. The portfolio is managed with an awareness of the effects of adverse valuation movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders. Investments in property and property-related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. Such risk is minimised through the appointment of external property valuers. The basis of valuation of the property portfolio is set out in detail in the accounting policies and note 9.

Any changes in market conditions will directly affect the unrealised gains/(losses) reported through the Consolidated Statement of Comprehensive Income. Details of the Group's investment property portfolio held at the balance sheet date are disclosed on page 25. A 10 per cent increase in the fair value of the direct properties at 31 December 2021 would have increased net assets and income for the year by £120,084,000 (2020: £122,790,000). A decrease of 10 per cent would have had an equal but opposite effect.

The calculations above are based on the investment property valuations at the respective balance sheet dates and are not representative of the year as a whole.

18. Capital commitments

The Group had capital commitments totalling £15,395,000 as at 31 December 2021 (2020: £5,200,000). These commitments related mainly to contracted development work at the Group property at Burton on Trent.

19. Lease length

The Group leases out its investment properties under operating leases. The total future income based on the unexpired lease length at the year end was as follows (based on annual rentals):

	2021 £'000	2020 £'000
Less than one year	**54,289**	61,310
Later than one year and no later than two years	**52,652**	55,869
Later than two years and no later than three years	**49,010**	53,405
Later than three years and no later than four years	**45,018**	50,682
Later than four years and no later than five years	**41,206**	45,826
Later than five years	**191,521**	243,068
Total	**433,696**	510,160

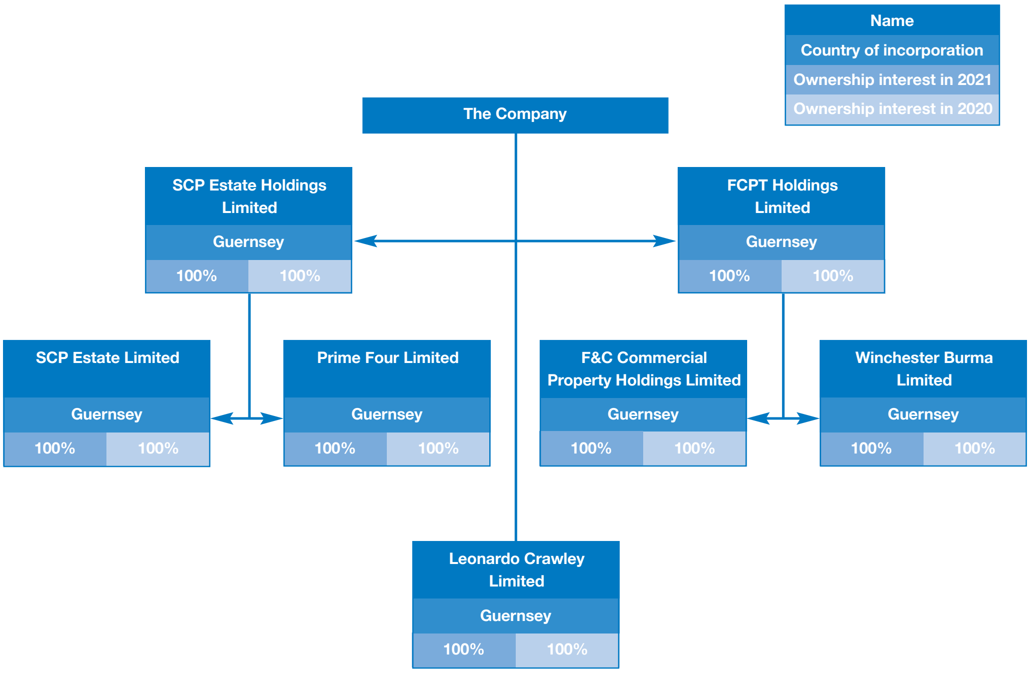
The largest single tenant at the year end accounted for 4.8 per cent (2020: 4.3 per cent) of the current annual rental income.

Unoccupied property expressed as a percentage of estimated total rental value (excluding properties under development) was 2.0 per cent (2020: 2.9 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 for rent.

20. List of Subsidiaries

Set out below is a list of subsidiaries of the Group.



The results of the above entities are consolidated within the Group financial statements.

21. Securities financing transactions ("SFT")

The Company has not, in the year to 31 December 2021 (2020: same), participated in any: repurchase transactions; securities lending or borrowing; buy-sell back transaction; margin lending transaction; or total return swap transactions (collectively called SFT). As such, it has no disclosure to make in satisfaction of the EU resolutions on transparency of SFT, issued in November 2015.

22. Subsequent events

The Company has continued with its share buyback programme since the year end using some of the proceeds from property sales. 17,733,360 ordinary shares have been purchased since the year end and the programme is ongoing. As at 13 April 2022, the Company has 63,993,638 ordinary shares held in treasury.

With effect from 1 January 2022 an amendment was made to the base management fee calculation whereby no management fee will be charged on cash in excess of 5 per cent of the net assets of the Group. The previous terms are set out in note 3.

In 2021 the Company paid £1,327,000 of corporation tax (see note 6) as a result of property income distributions paid to holders of excessive rights. With effect from 1 April 2022, this charge will no longer be incurred by the Company as the UK REIT regime has been amended within Schedule 3 of the Finance Act 2022 (which received Royal Assent in February 2022) to remove the tax charge imposed to a Substantial Shareholder (see note 1(e)).

2-4 King Street, London

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of BMO Commercial Property Trust Limited will be held at the offices of BMO Global Assets Management, Exchange House, Primrose Street, London, EC2A 2NY on Friday 27 May 2022 at 2.00 pm. The meeting will address the following:

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

1. That the Annual Report and Consolidated Financial Statements for the year ended 31 December 2021 be received and adopted.
2. That the Directors' Remuneration Report as set out in the Annual Report for the year ended 31 December 2021 be approved.
3. That the dividend policy as set out in the Annual Report be approved.
4. That Mr J Wythe, who retires annually, be re-elected as a Director.
5. That Mrs T Clark, who retires annually, be re-elected as a Director.
6. That Mr P Marcuse, who retires annually, be re-elected as a Director.
7. That Mrs L Wilding, who retires annually, be re-elected as a Director.
8. That Mr H Scott-Barrett, who retires annually, be re-elected as a Director.
9. That PricewaterhouseCoopers CI LLP be re-appointed as auditor.
10. That the Directors be authorised to determine the auditor's remuneration.
11. That the proposed investment policy set out on pages 76 and 77 in the Annual Report, be and is hereby adopted as the investment policy of the Company to the exclusion of all previous investment policy of the Company.
12. That, to the extent required by sections 291 (or otherwise) of The Companies (Guernsey) Law, 2008 the Directors be generally and unconditionally authorised to issue and allot shares comprised in the share capital of the Company as described in the Company's articles of incorporation (or grant options, warrants or other rights in respect of shares in the Company (the "Rights")) provided that:

    (a) this authority shall be limited to the allotment and issuance of shares or Rights to be granted in respect of shares with an aggregate nominal value of up to £735,372, being approximately 10 per cent of the nominal value of the issued share capital of the Company (excluding treasury shares) as at 13 April 2022 and further provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on expiry of 15 months from the passing of this resolution, whichever is earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted and issued or Rights to be granted and the Directors may allot and issue shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this ordinary resolution has expired; and

    (b) this authority is in substitution for all previous authorities conferred on the Directors in accordance with sections 291 (or otherwise) of The Companies (Guernsey) Law, 2008 but without prejudice to any allotment or issuance of shares or grant of Rights already made or offered or agreed to be made pursuant to such authorities.

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

13. That the Directors of the Company be and they are hereby generally empowered, to allot and issue ordinary shares in the Company or grant rights to subscribe for, or to convert securities into, ordinary shares in the Company ("equity securities") for cash, including by way of a sale of ordinary shares held by the Company as treasury shares, as if any pre-emption rights in relation to the issue of shares contained in Article 6.2 of the Company's articles of incorporation did not apply to any such allotment of equity securities, provided that this power:

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

    (b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £735,372 being approximately 10 per cent of the nominal value of the issued share capital of the Company (excluding treasury shares), as at 13 April 2022.

14. That the Company be authorised, in accordance with section 315 of The Companies (Guernsey) Law 2008, to make market acquisitions (within the meaning of section 316(1) of The Companies (Guernsey) Law 2008 of ordinary shares of 1p each ("Ordinary Shares") (either for retention as treasury shares for future resale or transfer, or cancellation), provided that:

    (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 14.99 per cent of the issued Ordinary Shares on the date on which this resolution is passed;

    (b) the minimum price which may be paid for an Ordinary Share shall be 1p (exclusive of expenses);

    (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be the higher of (i) 105 per cent of the average of the middle market quotations (as derived from the Daily Official List) for the Ordinary Shares for the five business days immediately preceding the date of purchase; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue which the purchase is carried out; and

    (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or on the expiry of 18 months from the passing of this resolution, whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares under such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

By order of the Board
Northern Trust International Fund Administration
Services (Guernsey) Limited
Secretary
PO Box 255, Trafalgar Court, Les Banques, St. Peter Port
Guernsey, Channel Islands GY1 3QL

14 April 2022

Notes:

1. A member who is entitled to attend, speak and vote at the Meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him or her. A proxy need not be a member of the Company.
2. More than one proxy may be appointed provided each proxy is appointed to exercise the rights attached to different shares.
3. A form of proxy is enclosed for use at the Meeting. The form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach the Company's registrars Computershare Investor Services (Guernsey) Limited, c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 2.00 pm on 25 May 2022.
4. Completing and returning a form of proxy will not prevent a member from attending in person at the Meeting should he or she so wish.
5. To have the right to attend and vote at the Meeting (and also for the purposes of calculating how many votes a member may cast on a poll) a member must first have his or her name entered on the register of members not later than close of business on 25 May 2022. Changes to entries in the register after that time shall be disregarded in determining the rights of any member to attend and vote at such Meeting.
6. As at 13 April 2022, the latest practicable date prior to publication of this document, the Company had 799,366,108 Ordinary Shares in issue. The number of shares with voting rights was 735,372,470, each carrying one voting right.
7. Any person holding 5 per cent or more of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.
8. The Directors' letters of appointment will be available for inspection from 15 minutes prior to, and at, the Annual General Meeting.
9. Given the ongoing Covid-19 situation the Company may, in accordance with its Articles of Incorporation, impose entry restrictions on certain persons wishing to attend the AGM or may be required to adjourn the AGM. Other restrictions may be imposed as the Chairman of the meeting may specify in order to ensure the safety of those attending the AGM. In any case, shareholders should give careful consideration as to whether attendance in person this year is in their best interests.

Proposed amendments to the Investment Policy

The Board, together with its Investment Managers, has recently undertaken a review of the Company's investment policy in light of the: (i) current trends within the UK's commercial property market; and (ii) the strategic direction that the Company has been moving over the last year which has resulted in the Company's portfolio exposure to industrials increasing from 19.1 per cent to 30.6 per cent. Whilst the Company's current investment policy allows investment in the industrial sector of up to 40 per cent of total assets, the Board is of the view that this maximum weighting limit to industrial property which is currently set out in the Company's existing investment policy has become unduly restrictive and the Investment Manager believes that having the requirement to carry out a re-balancing exercise in relation to this weighting could be detrimental to the Company in the current climate. The Board has recognised that the Company may also wish to increase its exposure to other property sectors which have been traditionally viewed as alternative property assets such as Healthcare, Leisure, Hotels and serviced apartments, Education, Car parks and petrol stations, Residential, Supported living, Student accommodation, Storage, and Supermarkets which the current investment policy is silent on. The Board is keen therefore to also clarify that the Company has the flexibility to gain exposure to these types of assets as well.

There is no intention to significantly alter the allocation strategy of the Company. The purpose of the proposed changes is to ensure flexibility in managing the existing portfolio and to facilitate appropriate decision making in the future. The Board is of the view that the existing maximum weightings have become unduly restrictive and is proposing that all sector weighting limits are removed from the policy. If Shareholders were to adopt the proposed new investment policy, there would be no limits on the UK commercial sectors in which the Company invests. The Company would nonetheless retain a diversified portfolio and continue to invest in the three main UK commercial real estate sectors of office, industrial and retail (including retail warehouses) and would have additional flexibility to invest in other sectors as noted above.

The Investment Manager believes that this additional flexibility is appropriate in the light of the existing portfolio weightings, relative prospects for the investable subsectors, the evolution that has been experienced in the marketplace of which alternative assets are now a more significant constituent and the opportunities that are evident in the market.

Set out below is the full text of the current and the proposed amended objective and investment policy.

Current objective and investment policy

Objective

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

Investment policy

The Company's policy is to hold a diversified portfolio of freehold and long leasehold (over 60 years remaining at the time of acquisition) UK commercial properties. It invests principally in three commercial property sectors: office, retail and industrial. It also has an exposure to the alternative sector, including leisure, residential property and student housing.

The Company invests in properties which the Board, on the advice of the Managers, believes will generate a combination of long-term growth in income and capital for shareholders. Investment decisions are based on an analysis of, amongst other things, sector and geographic prospects, tenant covenant strength, lease length, initial and equivalent yields, ESG risk and opportunity factors and the potential for alternative uses and/or development or redevelopment of the property.

Investment risks are spread by investing across different geographical areas and sectors and by letting properties to lower risk tenants. The Company has not set any maximum geographic exposures, but the maximum weightings in the principal property sectors at any time (stated as a percentage of total assets) are: office: 50 per cent; retail: 65 per cent; and industrial: 40 per cent. No single property may exceed 15 per cent of total assets and the five largest properties (excluding indirect property funds) may not exceed 40 per cent of total assets (in each case at the time of acquisition). Short leasehold properties (with less than 60 years remaining) may not exceed 10 per cent of total assets at the time of acquisition.

The Company is permitted to invest up to 15 per cent, at the time of acquisition, of its total assets in indirect property funds (including listed property companies) which invest principally in UK property, but these investments may not exceed 20 per cent of total assets at any subsequent date. The Company is permitted to invest cash, held by it for working capital purposes and awaiting investment, in cash deposits, gilts and money market funds.

The Company uses gearing throughout the Group to enhance returns over the long-term. Gearing, represented by borrowings as a percentage of total assets, may not exceed 50 per cent. However, the Board's present intention is that borrowings of the Group will be limited to a maximum of 35 per cent of total assets at the time of borrowing.

Amended objective and investment policy

Objective

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

Investment policy

The Company's policy is to hold a diversified portfolio of freehold and long leasehold (over 60 years remaining at the time of acquisition) UK commercial properties. It invests principally in three commercial property sectors: office, retail (including retail warehouses) and industrial. It also can have an exposure to other commercial property sectors such as healthcare, leisure, hotels and serviced apartments, residential property, student housing, car parks and petrol stations, storage and supermarkets.

The Company invests in properties which the Board, on the advice of the Managers, believes will generate a combination of long-term growth in income and capital for shareholders. Investment decisions are based on an analysis of, amongst other things, sector and geographic prospects, tenant covenant strength, lease length, initial and equivalent yields, ESG risk and opportunity factors and the potential for alternative uses and/or development or redevelopment of the property.

Investment risks are spread by investing across different geographical areas and sectors and by letting properties to lower risk tenants. The Company has not set any maximum geographic exposures, but no single property may exceed 15 per cent of total assets and the five largest properties (excluding indirect property funds) may not exceed 40 per cent of total assets (in each case at the time of acquisition). Short leasehold properties (with less than 60 years remaining) may not exceed 10 per cent of total assets at the time of acquisition.

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The Company uses gearing throughout the Group to enhance returns over the long-term. Gearing, represented by borrowings as a percentage of total assets, may not exceed 50 per cent. However, the Board's present intention is that borrowings of the Group will be limited to a maximum of 35 per cent of total assets at the time of borrowing.

AIFM Disclosure

Alternative Investment Fund Managers ('AIFM') Directive

In accordance with the AIFM Directive, information in relation to the Group's leverage and the remuneration of the Company's AIFM, BMO Investment Business Limited, is required to be made available to shareholders. In accordance with the Directive, the AIFM's remuneration policy is available from BMO Investment Business Limited on request and the numerical remuneration disclosures in relation to the AIFM's are available at **bmogam.com**.

The Group's maximum and average actual leverage levels at 31 December 2021 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	300%	300%
Actual	149%	162%

For the purposes of the AIFM Directive, leverage is any method which increases the Group's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Group's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Group's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Incorporation. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

Detailed regulatory disclosures to investors in accordance with the AIFM Directive are contained on the Company's website under Key Documents.

An Investor Disclosure Document for the Company is available on the Company's website: **bmocommercialproperty.com**

Shareholder Information

Dividends

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

Share Price

The Company's Ordinary Shares are listed on the Main Market of the London Stock Exchange. Prices are given daily in the Financial Times under "Investment Companies" and in other newspapers.

Data Protection

The Company is committed to ensuring the privacy and security of any personal data provided to it. Further details of the Company's privacy policy can be found on its website which is **bmocommercialproperty.com**

Change of Address

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

Shareholder Enquiries

Contact Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St. Peter Port, Guernsey, Channel Islands GY1 3QL. Additional information regarding the Company may also be found on its website which is: **bmocommercialproperty.com**

Common reporting standards

Tax legislation requires investment fund companies to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated Shareholders and corporate entities who have purchased shares in investment companies. All new Shareholders, excluding those whose shares are held in CREST, who are entered onto the share register are sent a certification form for the purpose of collecting this information.

Key Information Document

The Key Information Document relating to the Company's shares can be found on its website at **bmocommercialproperty.com**. This document has been produced in accordance with EU's PRIIPs Regulations.

Warning to Shareholders – Beware of Share Fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

If you receive unsolicited investment advice or requests:

- Check the Financial Services Register from **fca.org.uk** to see if the person or firm contacting you is authorised by the FCA
- Call the Financial Conduct Authority ("**FCA**") on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at **fca.org.uk/scams**
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme
- Think about getting independent financial and professional advice

If you are approached by fraudsters please tell the FCA by using the share fraud reporting form at **fca.org.uk/scams** where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**. If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

Financial Calendar 2022/2023	
27 May 2022	Annual General Meeting
September 2022	Announcement of interim results
	Posting of Interim Report
April 2023	Announcement of annual results
	Posting of Annual Report

Historic Record

	Total assets less current liabilities £'000	Shareholders' funds £'000	Net asset value per Ordinary Share p	Ordinary Share price p	Premium/ (discount) %	Earnings per Ordinary Share p	Dividends per Ordinary Share p	Ongoing charges* %
18 March 2005 (launch)	943,288	713,288	97.0	100.0	3.1	–	–	–
31 December 2005	1,092,522	863,458	117.5	118.5	0.9	20.7	1.75	1.35
31 December 2006	1,269,122	1,039,769	141.5	131.0	(7.4)	30.0	6.00	1.32
31 December 2007	1,175,822‡	946,222‡	129.2‡	90.5	(30.0)‡	(7.7)‡	6.00	1.27
31 December 2008	813,941	584,183	85.8	62.0	(27.7)	(39.8)	6.00	1.35
31 December 2009	819,322	589,388	86.6	90.0	3.9	6.8	6.00	2.36
31 December 2010	934,223	655,081	96.3	105.6	9.7	15.7	6.00	2.06
31 December 2011	967,301	684,243	100.5	101.6	1.1	10.8	6.00	1.62
31 December 2012	1,019,525	736,031	98.8	103.7	5.0	4.2	6.00	1.62
31 December 2013	1,080,435	799,014	105.3	120.5	14.4	12.2	6.00	1.67
31 December 2014	1,285,546	975,980	122.1	136.4	11.7	22.5	6.00	1.41
31 December 2015	1,390,547	1,080,424	135.2	134.4	(0.6)	19.0	6.00	1.20
31 December 2016	1,393,072	1,083,445	135.5	136.4	0.7	6.3	6.00	1.07
31 December 2017	1,438,397	1,128,650	141.2	135.9	(3.8)	11.6	6.00	1.20
31 December 2018	1,427,310	1,117,448	139.8	124.6	(10.9)	4.6	6.00	1.18
31 December 2019	1,357,394	1,046,692	130.9	115.6	(11.7)	(2.8)	6.00	1.19
31 December 2020	1,249,861	939,644	117.5	80.0	(31.9)	(10.5)	2.85	1.13
31 December 2021	**1,328,577**	**1,017,520**	**135.1**	**105.0**	**(22.3)**	**19.8**	**4.25**	**1.31**

* Includes direct property costs and performance fee for years 2005 to 2016. From 2017 the Investment Managers is not entitled to a performance fee.

‡ Stated after application of a 10 per cent discount to the value of the Company's investments in indirect property funds.

Alternative Performance Measures

The Company uses the following Alternative Performance Measures ('APMs'). APMs do not have a standard meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities.

Discount or Premium – the share price of an Investment Company is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the NAV. If the share price is lower than the NAV per share, the shares are trading at a discount. This could indicate that there are more sellers than buyers. Shares trading at a price above the NAV per share, are said to be at a premium.

		2021 pence	2020 pence
Net Asset Value per share	(a)	135.1	117.5
Share price per share	(b)	105.0	80.0
(Discount) or Premium (c = (b-a)/a)	(c)	(22.3)%	(31.9)%

Dividend Cover on a cash basis – The percentage by which profits for the year (less gains/losses on investment properties) adjusted by capital and rental lease incentives amortisation and interest bearing loans amortisation of set-up costs cover the dividends paid.

		2021 £'000	2020 £'000
Profit/(loss) for the year		156,023	(84,246)
Add back: Unrealised (gains)/losses on revaluation of investment properties		(86,976)	121,306
(Gains)/losses on sales of investment properties realised		(34,397)	22
Capital and rental lease incentives amortisation		5,575	(555)
Interest bearing loans amortisation of set-up costs		642	686
Profit before investment gains and losses and amortisation	(a)	40,867	37,213
Dividends	(b)	33,448	22,782
Dividend Cover on a cash basis percentage (c = a/b)	(c)	122.2%	163.3%

Accounting Dividend Cover – The percentage by which profits for the year (less gains/losses on investment properties) cover the dividend paid.

		2021 £'000	2020 £'000
Profit/(loss) for the year		156,023	(84,246)
Add back: Unrealised (gains)/losses on revaluation of investment properties		(86,976)	121,306
(Gains)/losses on sales of investment properties realised		(34,397)	22
Other income		(3,008)	–
Profit before investment gains and losses	(a)	31,642	37,082
Dividends paid	(b)	33,448	22,782
Accounting Dividend Cover percentage (c = a/b)	(c)	94.6%	162.8%

Dividend Yield – The dividends paid during the year divided by the share price at the year end. An analysis of dividends is contained in note 8 to the financial statements.

Net Gearing – Borrowings less cash divided by total assets (less current liabilities and cash).

		2021 £'000	2020 £'000
Interest bearing loans		310,000	310,000
Less cash and cash equivalents		138,081	34,896
Total	(a)	171,919	275,104
Total assets less current liabilities and cash equivalents	(b)	1,190,496	1,214,965
Net Gearing (c = a/b)	(c)	14.4%	22.6%

Ongoing Charges – All operating costs incurred by the Group, expressed as a proportion of its average Net Assets over the reporting year. The costs of buying and selling investments and derivatives are excluded, as are interest costs, taxation, non-recurring costs and the costs of buying back or issuing Ordinary Shares. An additional Ongoing Charge figure is calculated which excludes direct operating property costs as these are variable in nature and tend to be specific to lease events occurring during the period.

		2021 £'000	2020 £'000
Investment management fee		7,195	6,692
Other expenses		4,540	9,448
Less non-recurring costs - credit loss provision (note 4)		1,103	(5,062)
Less non-recurring costs - surrender payment to lessee (note 4)		–	(30)
Total	(a)	12,838	11,048
Average net assets	(b)	982,789	975,699
Ongoing Charges (c = a/b)	(c)	1.31%	1.13%

		2021 £'000	2020 £'000
Investment management fee (note 3)		7,195	6,692
Other expenses		4,540	9,448
Less direct operating property costs (note 4)		(3,996)	(2,799)
Less non-recurring costs - credit loss provision (note 4)		1,103	(5,062)
Less non-recurring costs - surrender payment to lessee (note 4)		–	(30)
Total	(a)	8,842	8,249
Average net assets	(b)	982,789	975,699
Ongoing Charges excluding direct operating property costs (c = a/b)	(c)	0.90%	0.85%

Portfolio (Property) Capital Return – The change in property value during the period after taking account of property purchases and sales and capital expenditure, calculated on a quarterly time-weighted basis. The calculation is carried out by MSCI Inc.

Portfolio (Property) Income Return – The income derived from a property during the period as a percentage of the property value, taking account of direct property expenditure, calculated on a quarterly time-weighted basis. The calculation is carried out by MSCI Inc.

Portfolio (Property) Total Return – Combining the Portfolio Capital Return and Portfolio Income Return over the period, calculated on a quarterly time-weighted basis. The calculation is carried out by MSCI Inc.

Total Return – The theoretical return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets, respectively, on the date on which they were quoted ex-dividend.

	Net asset value	Share price
NAV/Share price per share at 31 December 2020 (pence)	117.5	80.0
NAV/Share price per share at 31 December 2021 (pence)	135.1	105.0
Change in the year	15.0%	31.3%
Impact of dividend reinvestments	3.9%	6.5%
Total return for the year	18.9%	37.8%

EPRA Performance Measures

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**

	Note	2021	2020
EPRA NRV (£'000)	1	**1,097,910**	1,022,396
EPRA NRV (pence per share)	1	**145.8**	127.9
EPRA NTA (£'000)	1	**1,017,213**	939,881
EPRA NTA (pence per share)	1	**135.1**	117.6
EPRA NDV (£'000)	1	**1,004,054**	909,553
EPRA NDV (pence per share)	1	**133.3**	113.8
EPRA earnings (£'000)	2	**34,650**	37,082
EPRA earnings per share (pence per share)	2	**4.40**	4.64
EPRA Net Initial Yield	3	**4.6%**	4.4%
EPRA topped-up Net Initial Yield	3	**4.4%**	4.9%
EPRA Vacancy Rate	4	**2.0%**	2.9%
EPRA Cost Ratios - including direct vacancy costs	5	**21.1%**	18.2%
EPRA Cost Ratios - excluding direct vacancy costs	5	**18.1%**	16.7%
Capital expenditure (£'000)	6	**55,740**	11,998

1)

EPRA Net Tangible Assets ('NTA'): Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.
EPRA Net Reinstatement Value ('NRV'): Assumes that entities never sell assets and aims to represent the value assets required to rebuild the entity.
EPRA Net Disposal Value ('NDV'): Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

	2021 EPRA NRV £'000	2021 EPRA NTA £'000	2021 EPRA NDV £'000
IFRS Net Asset Value	1,017,520	1,017,520	1,017,520
Fair value of interest rate swaps	(307)	(307)	–
Fair value of debt	–	–	(13,466)
Purchasers' costs	80,697	–	–
Net assets used in per share calculation	1,097,910	1,017,213	1,004,054
Shares in issue (000's)	753,107	753,107	753,107
EPRA earnings per share (pence per share)	145.8	135.1	133.3

	2020 EPRA NRV £'000	2020 EPRA NTA £'000	2020 EPRA NDV £'000
IFRS Net Asset Value	939,644	939,644	939,644
Fair value of interest rate swaps	237	237	–
Fair value of debt	–	–	(30,091)
Purchasers' costs	82,515	–	–
Net assets used in per share calculation	**1,022,396**	**939,881**	**909,553**
Shares in issue (000's)	799,366	799,366	799,366
EPRA earnings per share (pence per share)	**127.9**	**117.6**	**113.8**

2) EPRA earnings – EPRA earnings represents the earnings from core operational activities, excluding investment property revaluations and gains/losses on asset disposals. It demonstrates the extent to which dividend payments are underpinned by recurring operational activities.

	2021 £'000	2020 £'000
Profit/(loss) for the year per IFRS income statement	156,023	(84,246)
Exclude:		
Unrealised (gains) /losses on revaluation of investment properties	(86,976)	121,306
(Gains)/losses on sale of investment properties realised	(34,397)	22
EPRA earnings	34,650	37,082
Weighted average number of shares in issue (000's)	786,826	799,366
EPRA earnings per share (pence per share)	4.40	4.64

3) EPRA Net Initial Yield – EPRA NIY is calculated as the annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the gross market valuation of the properties.

		2021 £'000	2020 £'000
Investment property valuation		1,200,842	1,227,900
Allowance for estimated purchasers' costs		80,697	82,515
Grossed up property portfolio valuation	(a)	1,281,539	1,310,415
Annualised cash passing rental income		62,708	60,306
Property outgoings		(3,996)	(2,800)
Annualised net rents	(b)	58,712	57,506
Add: notional rent expiration of rent free periods or other lease incentives		(2,232)	6,925
Topped-up net annualised rent	(c)	56,480	64,431
EPRA NIY	b/a	4.6%	4.4%
EPRA topped-up NIY	c/a	4.4%	4.9%

4) EPRA Vacancy rate – EPRA vacancy rate is the estimated rental value (ERV) of vacant space excluding development properties divided by the ERV of the whole property, expressed as a percentage.

	2021 £'000	2020 £'000
Annualised potential rental value of vacant premises	1,287	2,025
Annualised potential rental value for the complete property portfolio	64,776	69,306
EPRA Vacancy rate	2.0%	2.9%

5) EPRA cost ratio – EPRA cost ratio reflects the overheads and operating costs as a percentage of the gross rental income.

		2021 £'000	2020 £'000
Total expenditure		12,838	10,978
EPRA costs (including direct vacancy costs)	(a)	12,838	10,978
Direct vacancy costs		1,837	897
EPRA costs (excluding direct vacancy costs)	(b)	11,001	10,081
Rental Income per	(c)	60,787	60,211
EPRA cost ratio (including direct vacancy costs)	a/c	21.1%	18.2%
EPRA cost ratio (excluding direct vacancy costs)	b/c	18.1%	16.7%

No operating costs or overheads were capitalised in 2021 (2020: nil).

6) Capital expenditure

	2021 £'000	2020 £'000
Acquisitions	46,056	–
Development (ground-up/green field/brown field)	5,634	8,047
Like-for-like portfolio	4,050	3,579
Other	–	372
Total capital expenditure	55,740	11,998

The Company has no interests in joint ventures.

Glossary of Terms

Corporate Terms

AAF – Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

AIC – Association of Investment Companies. This is the trade body for Closed-end Investment Companies (theaic.co.uk).

AIFMD – Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive requires that all investment vehicles in the European Union, including Closed-end Investment Companies, must have appointed a Depositary and an Alternative Investment Fund Manager before 22 July 2014. The Board of Directors of a Closed-end Investment Company, nevertheless, remains fully responsible for all aspects of the company's strategy, operations and compliance with regulations.

Benchmark – This is a measure against which an Investment Company's performance is compared. The Company does not have a formal Benchmark but does report its performance against the MSCI UK Quarterly Property Index.

Closed-end Investment Company – A company with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to the Net Asset Value of the company and where shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended investment company, which has units not traded on an exchange but issued or bought back from investors at a price directly related to the Net Asset Value.

Depositary – Under AIFMD rules applying from July 2014, the Company must appoint a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. Under AIFMD regulations, the Depositary has strict liability for the loss of the Company's financial assets in respect of which it has safekeeping duties. The Depositary's oversight duties include, but are not limited to, oversight of share buybacks, dividend payments and adherence to investment limits. The Company's Depositary is JP Morgan Europe Limited.

Dividend – The income from an investment. The Company currently pays dividends to shareholders monthly.

GAAP – Generally Accepted Accounting Practice. This includes UK GAAP and International GAAP (IFRS or International Financial Reporting Standards applicable in the European Union). The Company's financial statements are prepared in accordance with IFRS as adopted in the European Union.

Gearing – Unlike open-ended investment companies, Closed-end Investment Companies have the ability to borrow to invest. This term is used to describe the level of borrowings that an Investment Company has undertaken. The higher the level of borrowings, the higher the gearing ratio.

Leverage – As defined under AIFMD rules, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Leverage is broadly equivalent to Gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

Managers – The Company's investment managers are BMO Investment Business Limited, and its property managers are BMO REP Asset Management plc. Further details are set out on page 2 and in note 3 to the financial statements.

Market Capitalisation – The stock market value of a company as determined by multiplying the number of shares in issue, excluding those shares held in treasury, by the market price of the shares.

Net Assets (or Shareholders' Funds) – This is calculated as the value of the investments and other assets of an Investment Company, plus cash and trade and other receivables, less borrowings and trade and other payables. It represents the underlying value of an Investment Company at a point in time.

Net Asset Value ('NAV') per Ordinary Share – This is calculated as the net assets of an Investment Company divided by the number of shares in issue, excluding those shares held in treasury.

REIT – Real Estate Investment Trust. A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain requirements.

Ordinary Shares – The main type of equity capital issued by conventional Investment Companies. Shareholders are entitled to their share of both income, in the form of dividends paid by the Investment Company, and any capital growth. As at 31 December 2021 the Company had only Ordinary Shares in issue.

Share Price – The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange.

SORP – Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the AIC.

Total Assets – This is calculated as the value of the investments and other assets of an Investment Company, plus cash and trade and other payables.

Property Terms

Break Option – A clause in a Lease which provides the landlord or tenant with an ability to terminate the Lease before its contractual expiry date.

Covenant Strength – This refers to the quality of a tenant's financial status and its ability to perform the covenants in the Lease.

Dilapidation – Repairs required during or at the end of a tenancy or lease.

Estimated Rental Value ('ERV') – The estimated annual market rental value of a property as determined by the Company's External Valuer. This will normally be different from the actual rent being paid.

External Valuer – An independent external valuer of a property. The Company's External Valuer is CBRE Limited and detailed information regarding the valuation of the Company's properties is included in note 9 to the financial accounts.

Fixed and Minimum Uplift Rents – Rents subject to fixed uplifts at an agreed level on agreed dates stipulated within the Lease, or rents subject to contracted minimum uplifts at specified review dates.

Lease – A legally binding contract between a landlord and a tenant which sets out the basis on which the tenant is permitted to occupy a property, including the Lease length.

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.

Lease Re-gear – This term is used to describe the renegotiation of a Lease during the term and is often linked to another Lease event, for example a Break Option or Rent Review.

Lease Renewal – The renegotiation of a Lease with the existing Tenant at its contractual expiry.

Lease Surrender – An agreement whereby the landlord and tenant bring a Lease to an end other than by contractual expiry or the exercise of a Break Option. This will frequently involve the negotiation of a surrender premium by one party to the other.

Net Income – The net income from a property after deducting ground rent and non-recoverable expenditure.

Net Initial Yield – The initial Net Income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.

Rent Review – A periodic review of rent during the term of a Lease, as provided for within a Lease agreement.

Reversion – Increase in rent estimated by the Company's External Valuer, where the passing rent is below the ERV. The increases to rent arise on rent reviews and lettings.

Tenant's Improvements – This term is used to describe a wide range of works that are usually carried out by a tenant, at its own cost, and usually require the landlord's prior approval.

Voids or Vacancy – The amount of rent relating to properties which are unoccupied and generating no rental income. Stated as a percentage of check font should be ERV.

How to Invest

One of the most convenient ways to invest in BMO Commercial Property Trust Limited is through one of the savings plans run by BMO.

BMO ISA
You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the current tax year with a lump sum from £100 or regular savings from £25 a month. You can also transfer any existing ISAs to us whilst maintaining the tax benefits.

BMO Junior ISA (JISA)*
A tax efficient way to invest up to £9,000 per tax year for a child. Contributions start from £100 lump sum or £25 a month. JISAs or CTFs with other providers can be transferred to BMO.

BMO Lifetime ISA (LISA)
For those aged 18-39, a Lifetime ISA could help towards purchasing your first home or retirement in later life. Invest up to £4,000 for the current tax year and receive a 25% Government bonus up to £1,000 per year. Invest with a lump sum from £100 or regular savings from £25 a month.

BMO Child Trust Fund (CTF)*
If your child already has a CTF you can invest up to £9,000 per birthday year, from £100 lump sum or £25 a month. CTFs with other providers can be transferred to BMO.

BMO General Investment Account (GIA)
This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £100 lump sum or £25 a month.

BMO Junior Investment Account (JIA)
This is a flexible way to save for a child in our range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) or kept in your name if you wish to retain control over the investment. Investments can be made from a £100 lump sum or £25 a month per account. You can also make additional lump sum top-ups at any time from £100 per account.

*The CTF and JISA accounts are opened by parents in the child's name and they have access to the money at age 18. **Calls may be recorded or monitored for training and quality purposes.

Charges
Annual management charges and other charges apply according to the type of plan.

Annual account charge

ISA/LISA: £60+VAT

GIA: £40+VAT

JISA/JIA/CTF: £25+VAT

You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits).

Dealing charges
£12 per fund (reduced to £0 for deals placed through the online BMO Investor Portal) for ISA/GIA/LISA/JIA and JISA. There are no dealing charges on a CTF.

Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits.

Government stamp duty of 0.5% also applies on the purchase of shares (where applicable).

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please ensure you have read the full Terms and Conditions, Privacy Policy and relevant Key Features documents before investing. For regulatory purposes, please ensure you have read the Pre-sales Cost & Charges disclosure related to the product you are applying for, and the relevant Key Information Documents (KIDs) for the investment trusts you want to invest into.

How to Invest
To open a new BMO plan, apply online at **bmogam.com/apply**

Online applications are not available if you are transferring an existing plan with another provider to BMO, or if you are applying for a new plan in more than one name but paper applications are available at bmoinvestments.co.uk/documents or by contacting BMO.

New Customers

Call: **0800 136 420**** (8.30am – 5.30pm, weekdays)
Email: **info@bmogam.com**

Existing Plan Holders

Call: **0345 600 3030**** (9.00am – 5.00pm, weekdays)
Email: **investor.enquiries@bmogam.com**
By post: BMO Administration Centre
PO Box 11114
Chelmsford
CM99 2DG

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: **Barclays Stockbrokers, EQi, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, The Share Centre**

bmoinvestments.co.uk

facebook.com/bmoinvestmentsuk

0345 600 3030, 9.00am – 5.00pm, weekdays, calls may be recorded or monitored for training and quality purposes.

BMO Asset Management Limited

Corporate Information

Directors (all non-executive)
Paul Marcuse (Chairman) *
Hugh Scott-Barrett ‡ (appointed 4 January 2021)
Trudi Clark #
John Wythe †
Linda Wilding
Martin Moore (retired 17 June 2021)

Secretary
Northern Trust International Fund
Administration
Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St. Peter Port
Guernsey
Channel Islands GY1 3QL
+44 1481 745001

Alternative Investment Fund Manager ('AIFM') and Investment Managers
BMO Investment Business Limited
6th Floor
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG
+44 207 628 8000

Property Managers
BMO REP Asset Management plc
7 Seymour Street
London W1H 7JW

Property Valuers
CBRE Limited
Henrietta House
Henrietta Place,
London W1G 0NB

Auditor
PricewaterhouseCoopers CI LLP
Royal Bank Place
1 Glategny Esplanade
St. Peter Port
Guernsey GY1 4ND

Guernsey Legal Advisers
Carey Olsen (Guernsey) LLP
Carey House
Les Banques
St. Peter Port
Guernsey GY1 4BZ

UK Legal Advisers
Dickson Minto WS
16 Charlotte Square
Edinburgh EH2 4DF

Broker and Financial Adviser
Winterflood Securities Limited
The Atrium Building
Cannon Bridge House
25 Dowgate Hill
London EC4R 2GA

Depositary
JPMorgan Europe Limited
25 Bank Street
Canary Wharf
London E14 5JP

* Chairman of the Nomination Committee
† Chairman of the Management Engagement Committee
# Chairman of the Audit and Risk Committee
‡ Senior Independent Director

BMO Commercial Property Trust Limited

2021 Annual Report and Consolidated Financial Statements

Registered office:

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

+44 1481 745001

bmocommercialproperty.com

info@bmogam.com

Registrar:

Computershare Investor Services (Guernsey) Limited
c/o Queensway House
Hilgrove Street
St. Helier
Jersey
Channel Islands JE1 1ES

+44 370 7020003

computershare.com

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