F&C Commercial Property Trust Limited

Annual Report and Accounts

2012

F&C Investments

Contents

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The Association of
Investment Companies

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Company Summary

The Company

F&C Commercial Property Trust Limited ('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.

The Annual Report and Accounts of the Company also consolidate the results of its subsidiary undertakings, which collectively are referred to throughout this document as 'the Group', details of which are contained in note 1b to the accounts.

At 31 December 2012 Group total assets less current liabilities were £1,020 million and Group shareholders' funds were £736 million.

Objective

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

Investment Policy

The Company's investment policy is contained within the Report of the Directors on pages 17 and 18.

Management

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

Further details of the management arrangements are provided on page 20 and in note 2a to the accounts.

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 ordinary creditors.

Guernsey Regulatory Status

The Company is an Authorised Closed-Ended Investment Scheme domiciled in Guernsey and was granted an authorisation declaration in accordance with section 8 of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended and rule 6.02 of the Authorised Closed-Ended Investment Schemes Rules 2008, on 9 June 2009.

How to Invest

The Managers operate a number of investment plans which facilitate investment in the shares of the Company. Details are contained on page 55.

You may also invest through your usual stockbroker.

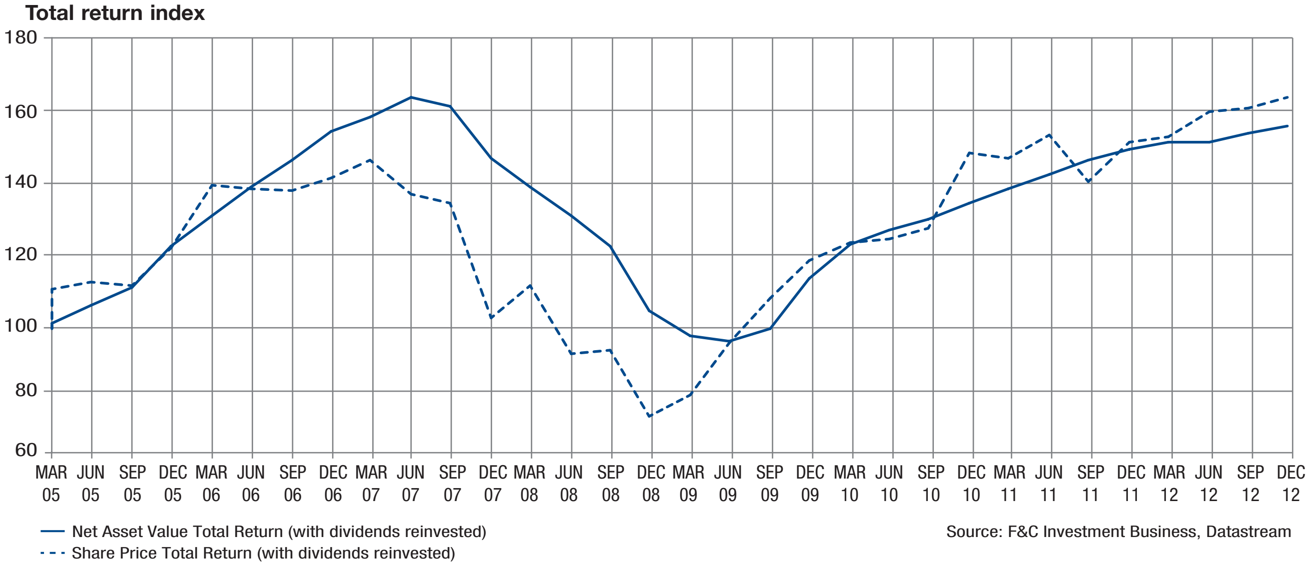
Website

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

Highlights

- Share price total return of 8.2 per cent
- Net asset value total return of 4.4 per cent
- Portfolio total return of 5.7 per cent, compared with a total return of 2.8 per cent from the IPD benchmark
- Top quartile performance of the portfolio over 1, 3 and 5 years within the IPD benchmark
- Dividend level maintained at 6.0p per Ordinary Share, providing a yield of 5.8 per cent at the year end
- Over £65 million raised during the year through the issue of new Ordinary Shares, with a further £14 million raised since the year end
- “Best in Class” awards from Investment Week and the Investors’ Chronicle

F&C Commercial Property Trust Limited Net Asset Value Total Return and Share Price Total Return from Launch



Source: F&C Investment Business, Datastream

Performance Summary

	Year ended 31 December 2012	Year ended 31 December 2011
Total Return∅		
Net asset value per share*	**4.4%**	10.9%
Ordinary Share price	**8.2%**	2.0%
Investment Property Databank ("IPD") Quarterly Universe	**2.8%**	7.9%
FTSE All-Share Index	**12.3%**	(3.5%)

	31 December 2012	31 December 2011	% change
Capital Values			
Total assets less current liabilities (£'000)*	**1,019,525**	967,301	+5.4
Net asset value per share *	**98.8p**	100.5p	–1.7
Ordinary Share price	**103.7p**	101.6p	+2.1
FTSE All-Share Index	**3,093.41**	2,857.88	+8.2
Premium to net asset value per share	**5.0%**	1.1%	
Net Gearing¶	**15.0%**	25.4%	

	Year ended 31 December 2012	Year ended 31 December 2011
Earnings and Dividends		
Earnings per Ordinary Share	**4.2p**	10.8p
Dividends per Ordinary Share	**6.0p**	6.0p
Dividend yield†	**5.8%**	5.9%
Ongoing Charges		
As a percentage of average net assets**	**1.62%**	1.62%
As a percentage of average net assets (excluding performance fee)**	**1.27%**	1.26%
As a percentage of average net assets (excluding performance fee and direct property expenses)**	**0.67%**	0.68%

	Highs 2012	Lows 2012
Year's Highs/Lows		
Net asset value per share	**100.5p**	**98.8p**
Ordinary Share price	**107.3p**	**100.2p**
Premium/(discount)	**8.5%**	**(0.3)%**

∅ Includes dividends re-invested.

* Based on net assets calculated under International Financial Reporting Standards. Net asset value total return is calculated assuming dividends are re-invested.

¶ Net Gearing: (Secured Bonds and interest-bearing bank loan – cash) ÷ total assets (less current liabilities and cash).

† Calculated on annualised dividends of 6.0p per share. An analysis of dividend payments is contained in note 7 to the accounts.

** Ongoing Charges (excluding performance fee) is calculated as recommended by The Association of Investment Companies ('AIC') and include direct operating property costs. An additional Ongoing Charges figure is shown which excludes direct operating property costs as these are variable in nature and tend to be specific to lease events occurring during the period.

Sources: F&C Investment Business, IPD and Datastream

Chairman's Statement

Chris Russell Chairman

Introduction

I am pleased to report that F&C Commercial Property Trust had a successful year in 2012, making good progress in a number of key areas. The Company delivered a positive net asset value ('NAV') total return, outperforming its performance benchmark index; the portfolio continued to record top quartile performance; it made opportunistic disposals of two Central London properties and exchanged on a third; it made a forward commitment to purchase a significant property in Aberdeen, a transaction that should complete later in 2013; and it issued a large number of new shares at a premium to NAV.

In addition to this, the Company has recently won "Best of Class" awards from both Investment Week and the Investors' Chronicle.

Review of the Year

The Company's NAV total return for the year was 4.4 per cent, comparing favourably with a total return of 2.8 per cent from the benchmark Investment Property Databank ('IPD') Quarterly Universe. The ungeared total return from the property portfolio was 5.7 per cent, again comparing favourably with the IPD total return stated above. The portfolio continues to be in the top quartile over one year and top decile over three and five years within the IPD benchmark.

The share price total return during the year was 8.2 per cent and the share price at the year-end was 103.7p, representing a premium of 5.0 per cent to the NAV per share of 98.8p.

Despite disappointing UK economic growth and concerns regarding the Eurozone, the UK commercial property market in aggregate delivered modest total returns throughout the year. Performance was driven by income returns and capital values moved lower during the year. All sectors saw performance weaken in 2012 compared with the previous year but the deterioration was most pronounced for the retail sector, reflecting structural as well as cyclical factors. The market was polarised, with Central London shops and offices out-performing their regional counterparts and prime property generally out-performing secondary. Occupiers were cost sensitive and rental growth was patchy at best. Activity was subdued and generally lease driven. Investors remained cautious, favouring prime buildings, established locations and assets with longevity and security of income.

The Company sold two Central London properties during the year: 84 Eccleston Square, London SW1 was sold for £49.0 million, and 385/389 Oxford Street, London W1 was sold for £28.1 million. In each case the sales were for an amount in excess of the most recent valuation, demonstrating a strong demand from overseas investors for Central London properties. In addition, during the year the Company exchanged contracts to sell Charles House, 5-11 Regent Street, London SW1 for £36.0 million, compared with the last external valuation of £34.4 million. The sale completed on 5 April 2013.

Although there were no acquisitions completed during the year, the Company has continued to invest in the existing portfolio including the ongoing development of student accommodation at Burma Road, Winchester, the final stage of which is due to complete later in 2013. In addition, at the end of July 2012, the Company agreed a forward commitment to purchase four pre-let office blocks in Aberdeen for approximately £94 million. The office blocks are currently being developed and are expected to be completed between October and November 2013. This purchase will provide the Company with exposure to one of the most buoyant office markets in the UK as well as an attractive long term and secure income stream. The overall net initial yield of 6.8 per cent is above the average yield of the existing property portfolio. Once complete, the acquisition is expected to increase the Company's level of dividend cover.

Full details of the major property management activities undertaken during the year are contained within the Managers' Review.

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

	Pence
NAV per share as at 31 December 2011	100.5
Realised gains on sale of properties	1.5
Unrealised decrease in valuation of direct property portfolio	(1.7)
Movement in interest rate swaps	(0.1)
Premium on shares issued	0.3
Net revenue	4.3
Dividends paid	(6.0)
NAV per share as at 31 December 2012	98.8

Dividends

Twelve monthly interim dividends, each of 0.5p per share, were paid during the year maintaining the annual dividend of 6.0p per share and providing a dividend yield of 5.8 per cent based on the year-end share price. Barring unforeseen circumstances, the Board intends that dividends in 2013 will continue to be paid monthly at the same rate.

Issue of New Ordinary Shares

During the year, the Company announced that it would be prepared to issue new Ordinary Shares at a premium to NAV, on a non pre-emptive basis under existing authorities if it was in the shareholders' and Company's interests to do so. It subsequently issued 64.2 million Ordinary Shares (representing 9.4 per cent of the issued share capital at the beginning of the year) for a net consideration of £65.3 million. Since the end of the year, the Company has issued a further 14.0 million shares for a net consideration of £14.1 million. All new shares were issued at a premium to the most recently announced NAV.

Borrowings and Cash Balances

At the end of the year, the Company's borrowings were represented by £230 million of Secured Bonds which have been assigned an 'Aaa' rating by Moody's Investor Services and mature in 2015, and a £50 million secured bank loan which is repayable in 2017. The Company's gearing, net of cash, as at 31 December 2012 was 15.0 per cent. This compares with 25.4 per cent at the end of the previous year. Had the Company been fully invested at 31 December 2012, the level of gearing would have been 27.8 per cent.

During the year, and as part of the funding of the commitment to purchase the office blocks in Aberdeen, the Company entered into a new £30 million committed bank facility which will mature on 30 June 2015. The facility will be drawn down on the purchase of the property.

The Company had cash balances of £153 million as at 31 December 2012. This amount has increased further following the sale of Charles House as described above. Approximately £64 million, plus costs, is expected to be required to fund the purchase of the office blocks in Aberdeen and some cash is required for normal working capital. The remaining balance provides the Managers with an opportunity to consider attractive investment opportunities through new acquisitions and to continue to invest in the existing portfolio.

Real Estate Investment Trusts ('REIT') Regime

The Board has for some time been monitoring changes to the REIT regime, particularly how these changes might impact the Group, and will continue to keep the situation under regular review. In the meantime, the Board is satisfied that it continues to be in the Company's interests to maintain the current group structure.

Chairman's Statement (continued)

Annual General Meeting

The Annual General Meeting will be held at 12.30pm on Thursday 23 May 2013 at Trafalgar Court, Les Banques, St. Peter Port, Guernsey.

Outlook

The economy is predicted to see a slow but sustained recovery on consensus forecasts. Downside risks remain and the adjustment period is likely to be prolonged. The upturn in the property market is expected to be gradual and to broaden as excess capacity is absorbed and occupier demand recovers, with performance being primarily income driven.

Although London and the South East may continue to out-perform the regions, stock selection, asset management and the quality of the income stream will be major factors in determining performance and enhancing dividend cover.

Chris Russell
Chairman
23 April 2013

Managers

Richard Kirby, BSc, MRICS
Investment Manager

Richard Kirby Investment Manager joined the F&C Asset Management plc group ('F&C') 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 and Investment Committee of F&C REIT Property Asset Management plc ('F&C REIT'). He is a Chartered Surveyor and a member of the Investment Property Forum, the British Council of Offices and the British Council for Shopping Centres.

Managers

The Board has appointed F&C Investment Business Limited ('FCIB' or 'the Investment Managers') as the Company's investment managers and F&C REIT ('the Property Managers') as the Company's property managers. FCIB and F&C REIT are, collectively, referred to in this document as 'the Managers' and are both part of F&C.

F&C is a leading asset manager in both the UK and Europe and has £95.2 billion of funds under management (as at 31 December 2012). The shares of F&C are traded on the main market of the London Stock Exchange. F&C provides investment management and other services to a range of investment companies. In addition, it is one of the largest property managers in the UK, with property funds under management of £7.5 billion (as at 31 December 2012), and manages property investments on behalf of a wide range of clients.

Managers' Review

Market Review

The market total return for the year, as measured by the Investment Property Databank ('IPD') Quarterly Universe was 2.8 per cent. Total returns were positive throughout the year but concerns about the sovereign debt crisis, possible Eurozone fracture and the loss of recovery momentum, both internationally and in the UK, all weighed on sentiment for much of the period. The 2012 outturn was the weakest since 2008.

St. Christopher's Place Estate, London W1

This subdued performance was reflected in a flat rental growth performance and a 2.8 per cent fall in market capital values as both initial and equivalent all property yields edged higher during the year. Performance in 2012 was driven by an income return of 5.8 per cent.

Investment activity was slightly higher in 2012 than in the previous year and close to the long-term average at £35.6 billion, according to Property Data figures. The year saw a shift in the composition of investment with Central London offices recording a £5 billion increase in transactions to more than £15 billion, while investment in UK retail declined by more than £3 billion. Investment from overseas purchasers increased in 2012, approaching half of all transactions, but institutions were net sellers of property during the year.

Investors have been attracted to UK property as a large, mature, transparent market outside the Eurozone. The very low level of UK gilt yields experienced during 2012 has helped to keep property pricing attractive relative to the risk free rate and has also led some investors to consider switching into property as an alternative to gilts where a long and secure income stream can be obtained.

Maintaining income streams has been challenging given economic and financial market uncertainty, fiscal austerity policies and subdued economic growth. The year saw IPD void rates move above 10 per cent while higher business rates have put further pressure on tenants. Occupiers are cost sensitive and occupational demand is generally being driven by lease events rather than growth. The impact of voids has been felt more keenly for more secondary property with prime proving more resilient. The uncertain market outlook and difficulty in securing development finance has also led to a prolonged period of low levels of new supply. It is patchy, but in some areas the combination of competing demand, tight supply and investor interest has led to significant out-performance.

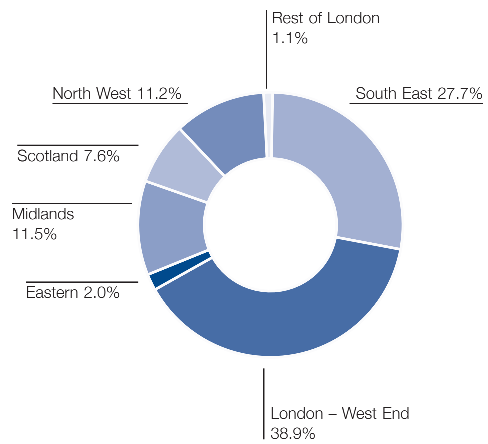
This can be seen most clearly in London. Central London shops delivered double digit IPD universe total returns and West End/Midtown offices recorded a total return of 9.8 per cent on standing investments in 2012. In other parts of the UK, the market was much weaker with negative total returns seen for provincial shops and offices.

Occupier and investor caution is also leading to a focus on prime property. IPD market data showed prime property delivering a positive total return and out-performing more secondary stock in most segments of the market in 2012. The robustness and longevity of the income stream and the ability to secure re-lettings or an alternative use for a property remain key drivers of value and performance.

Portfolio

The property portfolio recorded a total return of 5.7 per cent over the year, compared with the IPD Quarterly Universe (comprising directly held properties only) total return of 2.8 per cent referred to above. Once again the portfolio has delivered a

Geographical Analysis
as at 31 December 2012
% of total property portfolio

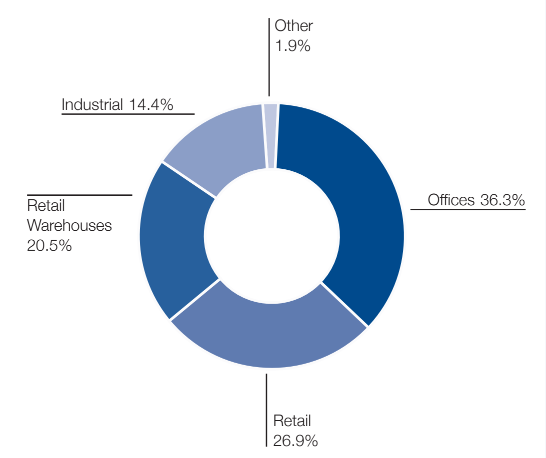


strong outperformance of the benchmark. Over the period the portfolio was ranked on the 11th percentile and 27th out of 237 funds included within the benchmark.

The three year annualised return ranks the portfolio on the 6th percentile (against 215 funds) and the five year annualised return ranks the portfolio on the 7th percentile (against 203 funds). Therefore, the portfolio continues to maintain its top quartile performance over 1, 3 and 5 years.

As at 31 December 2012 the Company's property portfolio was externally valued at £879.7 million. This represents an absolute reduction in value of £52.9 million mainly attributable to the property sales reviewed later in this report. However, the portfolio recorded positive capital growth of 0.1 per cent when the market as a whole recorded negative growth.

Sector Analysis
as at 31 December 2012
% of total property portfolio



Strategy and Positioning of the Portfolio

The portfolio continues to be managed to reflect our asset allocation preference to Central London in general and the West End in particular. St. Christopher's Place Estate, London W1, the Company's largest asset, continues to be a main driver of performance. The exposure to Central London has reduced due to the sales highlighted later in this report, however, this is not a strategic move away from Central London. We are not calling the top of the market for Central London properties and are adjusting the asset allocation as appropriate. The sales were based upon value judgements to sell ex-growth or non-core Central London properties to take advantage of the strength and depth of overseas purchasers and resultant pricing.

Our strategy is to recycle capital into other areas of Central London likely to benefit from future growth or re-rating of location.

The sales, combined with the contracted acquisition of four pre-let office blocks in Aberdeen, which is described later in this report, will benefit the Company's lease expiry profile. This acquisition also provides a secure and attractive income stream and is expected to prove to be reversionary and benefit from some yield compression as the location becomes established.

Stock selection will remain critical, combined with the evaluation of credit, future earnings and sustainability of income. Property fundamentals cannot be ignored, especially if shorter leases with possible asset management opportunities are being appraised.

Retail

The retail sector IPD benchmark portfolio total return was 1.6 per cent in 2012, the weakest of the three main property sectors. The year witnessed several major retailer administrations, a step-change in the growth of multi-channel retailing, some faltering in the supermarkets' advance and consumers still experiencing austerity with their personal financial budgets. The market remains highly polarised with some segments, such as Central London shops, regional out of town shopping centres, major district and local retail centres, out-performing but the regional towns seeing greater pressure. Retail warehousing delivered a rare year of under-performance in 2012, with traditional retail parks the worst hit. Prime retail property out-performed secondary over the year, with the disparity especially marked for standard high street retail units and shopping centres.

Mavor Avenue, East Kilbride

The Company's retail properties recorded a total return of 6.8 per cent for the year, significantly outperforming the IPD benchmark total return of 1.6 per cent. The Company's strongest performance was derived once again from its South East retail holdings which recorded a total return of 13.3 per cent. This continues a trend seen in 2010 and 2011 and is attributable to the strong performance of the

Managers' Review (continued)

Company's Central London retail properties where St. Christopher's Place Estate, categorised by IPD as South East Retail, produced the strongest weighted contribution to the portfolio's performance.

Asset management initiatives, including lease regears and renewals, new lettings and refurbishments of parts of St. Christopher's Place Estate have built upon progress made during 2011. In partnership with Westminster City Council, significant public realm works completed in 2012, including the repaving of the Barrett Street piazza and James Street pavement. The final phase of tree planting and repairs to the existing paving was completed in November 2012. New marketing initiatives for 2013 which make use of the website and social media platform are underway. This all helps provide a more attractive retailing environment, improving footfall and quality of occupational demand.

The retail unit at 13 Gees Court and 10/12 James Street, formerly occupied by Kew, was let to Phase Eight in December 2012. Phase Eight opened this as their London flagship store in March 2013; the unit has frontage to both James Street and Gees Court. The tenant carried out considerable improvements to the Gees Court frontage which positively improves the streetscape of the Estate.

In addition, Patty & Bun successfully opened a high quality burger restaurant at 54 James Street in December 2012 and received very positive reviews from the press. This restaurant is very busy and has drawn new customers to the north end of James Street.

Excluding the units in the course of refurbishment, all the offices in the Estate are let, although the tenant of the upper floors of 21 Barrett Street has served a break notice effective April 2013 and we are currently marketing the unit. Refurbishment of the first floor offices at St. Christopher's House is underway with completion due in summer 2013. In addition, the conversion of offices at the first floor of Greengarden House is also due to complete in summer 2013. Work to convert the upper floors of 67 Wigmore Street into residential accommodation including the addition of an extra floor to the building is underway with completion due in autumn 2013. The development will provide high quality residential accommodation within a sought after residential location, adding to St. Christopher's Place Estate's desirability as a mixed use central London asset.

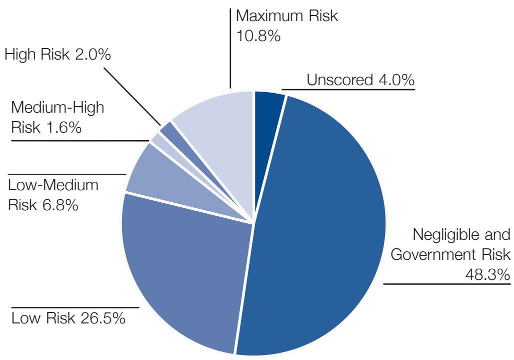
The portfolio has no exposure to shopping centres and only one shop unit outside the South East, 124/125 Princes Street, Edinburgh. The Company's retail warehouse properties recorded a total return of minus 0.6 per cent compared with a benchmark return of 0.7 per cent, a relative underperformance of 1.3 per cent. This underperformance was asset specific; Sears Retail Park at Solihull was marked down in capital value by approximately 14 per cent. This property, totalling 126,000 sq. ft., experienced tenant defaults in the last quarter of 2012 with both JJB Sports and Comet entering administration. JJB Sports occupied a 10,000 sq. ft. retail unit and Comet 30,000 sq. ft. and it is expected both leases will be disclaimed by the respective administrators. Both units' combined annual rental value is £1.3 million. We are very focused on re-letting these units and marketing is underway. A variation of existing planning consents will be needed to permit wider retail use of the units and, if successful, this has the potential to transform the property.

Offices

The office sector as a whole delivered an IPD portfolio total return of 4.2 per cent in 2012, driven by strong growth in Central London which recorded total returns of 5.9 per cent and 10.4 per cent in the City and West End respectively. In contrast, total return performance in the Rest of South East was markedly weaker at minus 0.7 per cent and provincial offices still worse at minus 4.0 per cent. The performance of City offices was not immune from financial market concerns but was helped by strength in the Technology Media & Telecommunications ('TMT') market while the West End was more resilient, reflecting its wider occupational base and scope for alternative use, especially residential. The Rest of South East market

Alhambra House, Wellington Street, Glasgow saw some encouraging lettings and greater investor interest in 2012, but sentiment towards the provincial office markets remained weak, with double digit falls in capital values being recorded over the year.

Covenant Strength
as at 31 December 2012
% of total property portfolio



The Company's offices recorded a total return of 3.5 per cent compared with the benchmark total return of 4.2 per cent. The Company's strongest performing segment was, unsurprisingly, its West End offices which recorded a total return of 9.8 per cent but marginally underperformed the benchmark return of 10.4 per cent. Offices Rest of UK recorded minus 4.1 per cent which was in line with the benchmark return of minus 4.0 per cent. It is the portfolio's South East Offices which notably underperformed, recording a total return of minus 5.5 per cent compared with the minus 0.7 per cent benchmark return. The disappointing performance of this segment was due to the exposure to voids and some shorter unexpired lease terms where the external valuers moved out capitalisation rates. The Company has 50,799 sq. ft. of vacant offices at Watchmoor Park, Camberley and 37,000 sq. ft. at Thames Valley Park Two, Reading. The comprehensive refurbishment of this last property was completed in January 2013. A letting of 17,827 sq. ft. was contracted during the year to Baxter Storey, an existing sub-tenant within the building, and there remains a good level of interest in the remaining space. Indeed, it is notable that enquiries and viewings of good quality properties in the South East has recently increased and it would appear some occupational confidence may be returning to this sector.

In the West End, leasing activity at 25 Great Pulteney Street, London W1 continued to be a success. The first, ground and lower ground floors have now been let to WPP (UK) Group at a rent of £708,000 per annum. This equates to the property now being 82 per cent let. The only available floor is the 5,890 sq. ft. second floor where it is anticipated a letting will contract shortly. This property produced a total return of 11.4 per cent over the year.

25 Great Pulteney Street, London W1

Industrial

The industrial market delivered an IPD benchmark total return of 2.8 per cent in 2012, in line with the all property average, with once again the south east out-performing the rest of the UK and prime out-performing secondary. The sector has the benefit of a relatively high income return which totalled 6.7 per cent in 2012. The distribution and logistics sector has also benefited from a relatively low level of voids and an active occupational market in core areas together with slightly longer leases on average, some of which are indexed.

Unit 6a, Hams Hall Distribution Park, Birmingham

Managers' Review (continued)

Unit 1, G. Park, Portal Way, Liverpool

The Company's industrial and logistics properties produced a total return of 6.4 per cent compared with the IPD benchmark return of 2.8 per cent, thereby correcting the underperformance recorded for 2011. The Company's industrial south east properties provided a total return in line with the benchmark, 3.5 per cent compared with 3.6 per cent, whilst industrial/logistics Rest of UK registered a total return of 7.3 per cent compared with a 1.6 per cent total return from the benchmark. The outperformance of this segment is attributable to the higher income return on these properties which to some extent is due to the shorter lease terms. The asset management strategy remains to regear leases to secure longer lease terms and over the period there was success at Hedge End, Southampton where Ericsson Television Limited contracted to a new lease for a term of 10 years, subject to 12 months rent free. In addition, the unit was extended by 8,816 sq. ft. at a capital cost of £1.5 million and an increase in rent of £59,000 per annum.

The 'Other' Sector

This sector comprises alternates such as healthcare, student accommodation, hotels, data centres and automotive uses. This sector is growing in importance and now comprises approximately 7.3 per cent of the IPD benchmark. The sector offers an opportunity to acquire properties secured on long leases, usually at least 15 years, with fixed uplifts or RPI linkage. These can be attractive in an environment where total returns are income driven and where the traditional sectors are not in the main offering long leases. The Other sector recorded a total return of 5.9 per cent in 2012, the highest return from the four main sectors.

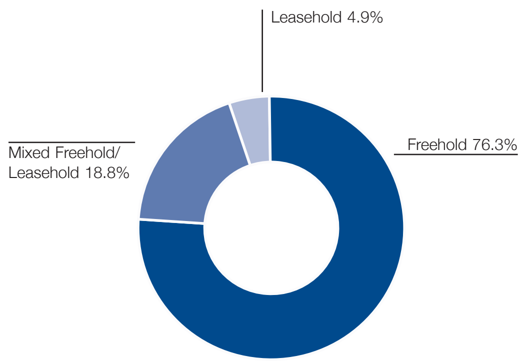
The Company's exposure to the Other sector is achieved through its holding of student accommodation at Burma Road, Winchester. This property recorded a total return of 14.1 per cent during the year. It comprises the development of five blocks of student accommodation which, on completion, will total 499 bedrooms and will be let to the University of Winchester on a new 25 year lease with cap and collar RPI linkage. The first block was handed over to the University prior to the current academic year and the University is paying a pro-rata rent. The remaining four properties are due to complete during the summer and will be handed over to the University in readiness for the 2013-2014 academic year. All blocks are on budget and are expected to be handed over on time. To date the Company has incurred costs of £17.4 million, inclusive of land acquisition, on the project. The increase in value during the period was attributable to the external valuers re-rating the capitalisation rates in the face of comparable transactions providing evidence of yield compression.

Burma Road, Winchester

Purchases and Disposals

In July, the Group agreed a forward commitment to purchase four pre-let office properties in Aberdeen for approximately £94 million, plus costs. This is the largest single acquisition made by the Company since its launch in 2005. The properties are currently being developed, are expected to be completed between October and November 2013 and will

Tenure Analysis
as at 31 December 2012
% of total property portfolio



comprise approximately 300,000 sq. ft. net initial area.

The four blocks are situated on the Prime Four Business Park, Kingswells, Aberdeen which is a new out of town business park located to the west of the city centre.

Office Block 1, comprising 100,000 sq. ft. has been pre-let to Nexen Petroleum UK on a full repairing and insuring lease for a term of 15 years at a rent of £23.25 per sq. ft. with no rent free period. Block 2 will be another 100,000 sq. ft. building and has been pre-let to Apache Northern Sea Limited on a full repairing and insuring lease for a term of 15 years at a rent of £23.00 per sq. ft. with a three month rent free period. Blocks 3 and 4 have been pre-let to Transocean Drilling UK Limited on full repairing and insuring terms for a term of 20 years. Block 3 is a headquarters office building which will comprise approximately 75,000 sq. ft. and Block 4 will be Transocean's bespoke global training centre. These two blocks have been pre-let at rents of £21.75 per sq. ft. and £19.50 per sq. ft. respectively, both with no rent free periods. All leases provide for five yearly rent reviews to the higher of open market rental value or three per cent per annum compounded.

Prime Four Business Park, Kingswells, Aberdeen

The total anticipated income upon completion is £6.7 million per annum and the overall net initial yield on completion is 6.84 per cent which is in excess of the initial yield on the Company's total portfolio.

The purchase will provide the Company with exposure to one of the most buoyant office markets in the UK and to new headquarter office buildings let to excellent covenants on secure lease terms.

The pre-letting of Phase II of the development is underway and a 40,000 sq. ft. letting to Premier Oil and the development of a DeVere Hotel have recently been announced. This activity underwrites the location, provides critical mass and supports the reversionary rents on the Company's investment.

During the year, the Company took advantage of the strength of the Central London investment market by selling three properties. The first sale to complete was 84 Eccleston Square, London SW1 for £49.0 million. The sale price reflected a £4.0 million increase above the last external valuation and a net initial yield of 6.08 per cent. The reason for selling this property was to take advantage of the strong demand from overseas investors for Central London properties, especially those with potential to convert to residential uses. The sale also benefited the management of the portfolio's lease expiry profile by avoiding the risk of lease expiries and future requirements for capital expenditure in March 2014 when £3.1 million of rental income from this property was due to expire. The expiries at Eccleston Square would have been the Company's largest lease exposure in 2014.

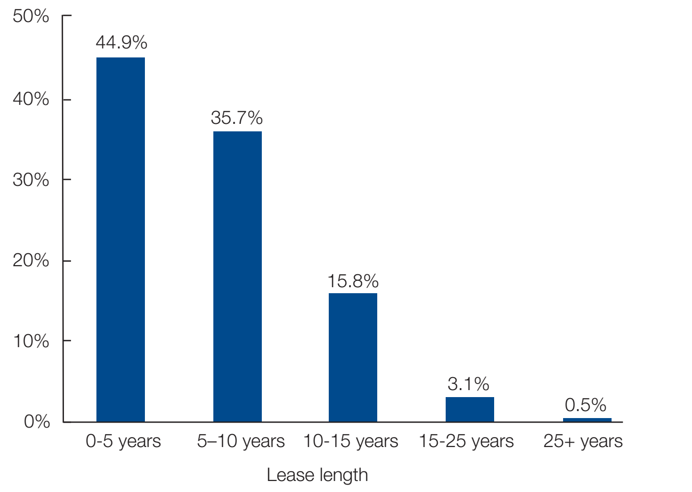
385/389 Oxford Street, London W1 sold for £28.1 million. This long leasehold property is entirely let to Boots UK Limited on a lease expiring in June 2019 at an annual passing rent of £1,075,000. At the transaction date this rent represented one of the highest rent per sq. ft. on Oxford Street, equating to £700 per sq. ft. The property was acquired by an overseas investor at a net initial yield of 3.62 per cent and the sale price compared with the previous external valuation of £23.9 million.

During the year, the Company exchanged contracts to sell Charles House, 5-11 Regent Street, London SW1 for £36.0 million. The sale completed on 5 April

Managers' Review (continued)

Lease Expiry Profile

At 31 December 2012 the weighted average lease length for the portfolio. assuming all break options are exercised, was 6.9 years (2011: 6.7 years).



2013. This leasehold property has newly refurbished lower ground, first and sixth floors and, along with the second floor, are let until 2018/9. The third floor is let until 2017. The three unrefurbished floors (fourth, fifth and seventh) are let until 2014. The remaining ground and lower ground offices are let until 2018 but with breaks in 2013. The retail is let until 2021 (no.9), and 2017 (no.11). The lease of Flight Centre (no.7) expired in August 2012 and the tenant has served a s.26 notice requesting a new 10 year lease with a five year break at the passing rent. The property was acquired by The Crown Estate, the Freeholder, at a net initial yield of 5.96 per cent representing a capital value of £820 per sq. ft., showing a profit of £1.6 million (4.65 per cent) compared with the previous external valuation of £34.4 million.

Property Management

The management of income remains key and this remains a challenging environment. The strategy of sustaining and protecting rental income within the portfolio is still the principal asset management focus.

Void levels over the period increased from 6.0 per cent to 7.0 per cent of estimated rental value (excluding properties held for development) compared with the benchmark void rate of 10.2 per cent. This equates to approximately £3.5 million of rental value of which approximately 30 per cent is currently under offer. We remain totally focused on leasing the vacant accommodation in the portfolio. During 2012 we contracted 29 lettings, producing a total rental income of £4.7 million per annum inclusive of the lettings at Watchmoor Park, Camberley and 25 Great Pulteney Street, London, W1 announced last year. During the year we also contracted 11 rent reviews with a total uplift of £0.3 million per annum (6.4 per cent) over the previous passing rent.

We continue to actively manage the Company's rental arrears and bad debts. The provision for overdue debt (90 days) is 0.9 per cent of annualised rents, which remains extremely low, comparatively.

In last year's review we commented on the Company's exposure to retailer defaults and failures. At that time the exposure was to Peacocks (Newbury Retail Park) and Blacks (Wimbledon Broadway, London SW19) with an aggregate liability of £345,000 per annum. The Peacocks' position has concluded with the lease assigned to Poundland at the previous rent and we are close to a resolution at Wimbledon. As reported earlier in this report the Company does have an exposure to Comet and JJB Sports, with a combined liability of £1.3 million per annum. We continue to negotiate with the administrators in order to secure new lettings of the units.

Outlook

The gradual working through of the Eurozone problems, some easing in domestic monetary conditions and a projected return to positive, if modest, economic growth in the UK, have led to some stabilising of sentiment. While the short-term outlook is by no means settled, there are tentative signs that the ground is being prepared for a sustainable recovery in the UK property market. This is likely to be income driven, and steady rather than spectacular. We believe that London and the South East will continue to out-perform but with more opportunities emerging selectively in the regions. Structural factors such as the reduced role of the public sector, growth of non-store retailing and the release of leveraged stock onto the market will remain significant in the longer-term and influence market-wide performance. As economic growth becomes apparent and spare capacity is absorbed, we fully expect to see a broadening of rental growth and greater support to capital values emerge in the UK.

Richard Kirby
Investment Manager
F&C REIT Property Asset Management plc

23 April 2013

Property Portfolio

	Sector
Properties valued in excess of £100 million	
London W1, St. Christopher's Place Estate (notes 2 and 3)	Retail
Properties valued between £70 million and £100 million	
Newbury, Newbury Retail Park	Retail Warehouses
Properties valued between £50 million and £70 million	
London SW1, Cassini House, St James's Street	Offices
London SW19, Wimbledon Broadway	Retail
Properties valued between £40 million and £50 million	
Solihull, Sears Retail Park	Retail Warehouses
Properties valued between £30 million and £40 million	
Rochdale, Dane Street	Retail Warehouses
London W1, 25 Great Pulteney Street	Offices
Uxbridge, 3 The Square, Stockley Park	Offices
London SW1, Charles House, 5-11 Regent Street (note 1 and 5)	Offices
Properties valued between £20 million and £30 million	
Chorley, Units 6 and 8 Revolution Park	Industrial
Glasgow, Alhambra House, Wellington Street	Offices
East Kilbride, Mavor Avenue	Retail Warehouses
Properties valued between £10 million and £20 million	
Manchester, 82 King Street	Offices
Daventry, Site E4, Daventry International Rail Freight Terminal	Industrial
Reading, Thames Valley One, Thames Valley Park	Offices
Winchester, Burma Road (note 4)	Other
London W1, 17a Curzon Street	Offices
London SW1, 2/4 King Street	Offices
Birmingham, Unit 8 Hams Hall Distribution Park	Industrial
Liverpool, Unit 1, G. Park, Portal Way	Industrial
Edinburgh, 124/125 Princes Street	Retail
Camberley, Watchmoor Park	Offices
Colchester, The Cowdray Centre, Cowdray Avenue	Industrial
Birmingham, Unit 10a Hams Hall Distribution Park	Industrial
Reading, Thames Valley Two, Thames Valley Park	Offices
Properties valued under £10 million	
London EC3, 7 Birchin Lane	Offices
Southampton, Upper Northam Road, Hedge End	Industrial
Birmingham, Unit 6a Hams Hall Distribution Park	Industrial
Edinburgh, Nevis/Ness Houses,11/12 Lochside Place	Offices
London W1, 16 Conduit Street (note 1)	Offices
Camberley, Affinity Point, Glebeland Road	Industrial
Colchester, Ozalid Works, Cowdray Avenue	Industrial

Notes:

1 Leasehold property.

2 Mixed freehold/leasehold property.

3 For the purposes of the Company's investment policy on pages 17 and 18, St. Christopher's Place Estate is treated as more than one property.

4 Under construction.

5 The sale of London SW1, Charles House, 5-11 Regent Street completed on 5 April 2013 with contracts having been exchanged on 27 November 2012. Accordingly, this property was categorised as a property held for sale at 31 December 2012.

Board of Directors

Chris Russell†‡
Chairman
FCA, FSIP was appointed a Director in 2009 and Chairman in 2011. He is a resident of Guernsey. He was, until 2001, an executive director of Gartmore Investment Management plc. He is a director of JPMorgan Japan Smaller Companies Trust plc, HICL Infrastructure Company Limited and Macau Property Opportunities Fund Limited. He is also Deputy Chairman of The Association of Investment Companies, and a director of Schroders (C.I.) Limited, Enhanced Index Funds PCC and Hanseatic Asset Management LBG.

Peter Niven‡
FCIB, CDir, was appointed a Director in 2005 and is a resident of Guernsey. He has over 35 years' experience in the financial services industry both in the UK and offshore. He was a senior executive in the Lloyds TSB Group until his retirement in 2004. He was, until 28 March 2013, a director of Resolution Limited. Having severed all business links with Resolution, which is no longer resident in Guernsey, he now represents that company at charitable and similar events in Guernsey that may be supportive of that community. He is a director of a number of Guernsey based London listed investment funds and a captive insurance PCC.

Jonathan Hooley*†‡
Chairman of the Management Engagement Committee
FCA, CTA, CDir, was appointed a Director in 2009 and is a resident of Guernsey. He was, until September 2007, the senior partner of KPMG in the Channel Islands. He is also a non-executive director of BlueCrest AllBlue Fund Limited. He is a Jurat of the Royal Court of Guernsey.

Brian Sweetland*†‡
was appointed a Director in 2005 and is a UK resident. He was, until May 2005, an executive director of Friends Provident plc ('FP') and a member of its investment committee. As a solicitor, Mr Sweetland was the company secretary of FP for over 20 years.

Martin Moore*†‡
MRICS, was appointed a Director in 2011 and is a UK resident. He is Chairman, of Prudential Property Investment Managers Limited, the property asset management arm of Prudential plc. He was, until 2011, a board adviser to The Crown Estate and a board member of the British Property Federation.

Nicholas Tostevin*†‡
Chairman of the Audit Committee
was appointed a Director in 2005 and is a resident of Guernsey. He holds the degree of LLB (Hons) (Bachelor of Law), qualified as a barrister in 1975 and as an Advocate of the Royal Court of Guernsey in 1976 and practised as such for 33 years when he retired as the senior partner of a Guernsey law firm. He is a non-executive director of a number of Guernsey based investment funds and insurance companies.

*Member of the Audit Committee
†Member of the Management Engagement Committee
‡Member of the Nomination Committee

Report of the Directors

The Directors present their report and accounts of the Group for the year ended 31 December 2012.

Results and Dividends

The results for the year are set out in the attached accounts.

The Group paid interim dividends during the year ended 31 December 2012 as follows:

	Payment date	Rate per share
Ninth interim for prior year	27 January 2012	0.5p
Tenth interim for prior year	24 February 2012	0.5p
Eleventh interim for prior year	30 March 2012	0.5p
Twelfth interim for prior year	27 April 2012	0.5p
First interim	31 May 2012	0.5p
Second interim	29 June 2012	0.5p
Third interim	31 July 2012	0.5p
Fourth interim	31 August 2012	0.5p
Fifth interim	28 September 2012	0.5p
Sixth interim	31 October 2012	0.5p
Seventh interim	30 November 2012	0.5p
Eighth interim	28 December 2012	0.5p

It is the policy of the Directors to declare and pay dividends as interim dividends. The Directors do not therefore recommend a final dividend. Two further interim dividends, each of 0.5p per share, were paid on 31 January and 28 February 2013 and a third was paid on 28 March 2013. The twelfth, and last, interim dividend in respect of the year, of 0.5p per share, will be paid on 26 April 2013 to shareholders on the register on 12 April 2013. It is the intention of the Directors that the Company will continue to pay dividends monthly.

Principal Activity and Status

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

The Company is a member of the Association of Investment Companies ('AIC').

The principal activities of the Company's subsidiaries are included in note 1b to the accounts.

Business Review

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' Responsibility Statement on page 28, the Board is also responsible for the preparation of the Annual Report and financial statements for each financial period. Biographical details of the Directors, all of whom are non-executive, can be found on page 16. The Company has no executive Directors or employees.

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 predominantly 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.

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

Investment risks are spread by investing across different geographical areas and sectors and by letting properties to low 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.

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 2012 is contained within the Managers' Review on pages 8 to 14 and a portfolio listing is provided on page 15.

The Group's borrowings are described in notes 13 and 14 to the accounts.

The Company's performance in meeting its objectives is measured against key performance indicators as set out below. A review of the Company's returns during the financial year, the position of the Company at the year-end, and the outlook for the coming year are contained in the Chairman's Statement and the Managers' Review.

Principal Risks and Risk Management

The Company's assets comprise principally direct investments in UK commercial property. Its main risks are therefore related to the commercial property market in general and its investment properties. The Managers seek to mitigate these 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. Detailed explanations of the risks associated with the Group's financial instruments are contained in note 18 to the accounts.

Other risks faced by the Company include the following:

- Economic – external shocks, inflation or deflation, economic recessions and movements in interest rates could affect property valuations.
- Investment and strategic – incorrect strategy, including sector and geographic allocations and use of gearing could lead to poor returns for shareholders.
- Regulatory – breach of regulatory rules could lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.
- Management and control – changes that cause the management and control of the Company to be exercised in the United Kingdom could lead to the Company becoming liable to United Kingdom taxation on income and capital gains.
- Operational – failure of the Managers' accounting systems or disruption to the Managers' business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.
- Financial – inadequate controls by the Managers or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to a qualified audit report, misreporting or breaches of regulations. Breaching Guernsey solvency test requirements or loan covenants could lead to a loss of shareholders' confidence and financial loss for shareholders (see notes 13 and 14 for details of the principal loan covenants).

The Board seeks to mitigate and manage these risks through continual review, policy-setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Company's property portfolio, and applies the principles detailed in the internal control guidance issued by the Financial Reporting Council. Details of the Company's internal controls are described in more detail on pages 22 and 23.

Shareholder Value

The Board and Managers recognise the importance of both marketing and share buy-backs in enhancing shareholder value. In terms of marketing, the Managers offer a range of private investor savings schemes, details of which can be found on page 55. In addition, meetings are held regularly with current and prospective shareholders and stockbroking analysts covering the investment company sector. Share buy-backs 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. Communication of quarterly portfolio information is made through the Company's website.

Key Performance Indicators

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

- Net asset value total return and total return of the property portfolio compared with relevant Investment Property Databank indices;
- Premium/discount of share price to net asset value;
- Dividends per share, dividend cover, and dividend yield; and
- Ongoing charges as a ratio of net assets.

A historic record of these indicators is contained in the Highlights and the Performance Summary on pages 2 and 3, the Chairman's Statement on pages 4 to 6, and in the Historic Record on page 54.

Directors

The Directors who held office during the year ended 31 December 2012 and their interests in the shares of the Company (all of which were beneficially held) on that date were:

	2012 Ordinary Shares	2011 Ordinary Shares
C Russell	**200,000**	100,000
J G Hooley	**140,000**	60,000
M R Moore	**–**	–
P Niven	**43,142**	43,142
B W Sweetland	**100,000**	100,000
N J M Tostevin	**21,832**	21,832

Since the year end Mr C Russell has purchased a further 50,000 Ordinary Shares and Mr J G Hooley has purchased a further 20,000 Ordinary Shares. There have been no other changes in the above interests since 31 December 2012.

As explained in more detail under Corporate Governance on pages 20 to 22, the Board has agreed that all Directors will retire annually. Accordingly, every Director will retire at the Annual General Meeting and, being eligible, offers himself for re-election.

The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company to enable it to provide effective strategic leadership and proper guidance of the Company. The Board confirms that, following an external review of its effectiveness (see page 21), the performance of each of the Directors seeking re-election continues to be effective and demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that these Directors are re-elected.

There are no service contracts in existence between the Company and any Directors but each of the Directors has been issued with a letter of appointment that sets out the main terms of his appointment. These letters are available for inspection upon request at the Company's registered office.

Directors' Remuneration

The Articles of Incorporation state that Directors' remuneration shall not exceed £300,000 per annum. Resolution 14 in the Notice of Annual General Meeting is proposed as a special resolution to increase the maximum aggregate remuneration

Report of the Directors (continued)

payable to Directors to £400,000 per annum. This amendment is proposed to allow for flexibility with regards to Board composition and anticipated increases in Directors' remuneration over a number of years. As explained within Corporate Governance on page 21, the Board does not anticipate making any significant changes to its composition in advance of the continuation vote scheduled to take place at the Annual General Meeting in 2015 and the expected maturity of the £230 million bonds in June 2015.

Management

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 2 to the accounts.

The Board keeps under review the appropriateness of the Managers' appointment. In doing so the Board considers the past investment performance of the Company and the capability and resources of the Managers to deliver satisfactory investment performance. 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 Directors are 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.

Substantial Interests in Share Capital

As at 31 December 2012 the Company had received notification of the following holdings of voting rights (under the FSA's (the Financial Conduct Authority with effect from 1 April 2013) Disclosure and Transparency Rules):

	Number of Ordinary Shares Held	Percentage Held*
Resolution Limited	232,415,797	31.2
Ignis Investment Services Limited	70,155,197	9.4
Investee Wealth & Investment Limited	29,628,299	4.0

*Based on 744,715,702 Ordinary Shares in issue as at 31 December 2012.

Since 31 December 2012, the Company has received the following notification of voting rights: Investec Wealth & Investment Limited, 37,864,051 Ordinary Shares (5.0 per cent); and Ignis Investment Services Limited, 37,405,197 Ordinary Shares (4.9 per cent).

Corporate Governance Statement

The Board has considered the principles and recommendations of the AIC's Code of Corporate Governance issued in October 2010 ('the AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies issued at the same time ('the AIC Guide'), both of which can be found at www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010, which can be found at www.frc.org.uk, as well as setting out additional principles and recommendations on issues specific to investment 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, the Guernsey Financial Services Commission issued a Finance Sector Code of Corporate Governance ('the GFSC Code') which came into effect on 1 January 2012. 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.

The Board consists solely of non-executive Directors. Other than Mr P Niven, all Directors are considered by the Board to be independent. Mr Niven was, until 28 March 2013, a non-executive director of the Company's largest shareholder, Resolution Limited. Having severed all business links with Resolution, which is no longer resident in Guernsey, he now represents that company at charitable and similar events in Guernsey that may be supportive of that community. The Directors do not consider it appropriate to appoint a Senior Independent Director as recommended by principle 1 of the AIC Code and provision A.4.1 of the UK Corporate Governance Code, as this role is fulfilled by the Chairman of the Audit Committee. Except for that matter, the Company complied throughout the year with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance 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.

The Board has considered the amendments to the UK Corporate Governance Code which apply to accounting periods beginning on or after 1 October 2012. It is the intention of the Board that, except for the matter disclosed above, the Company will comply fully with the amended code throughout the year ending 31 December 2013.

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's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed. Furthermore, in light of the continuation vote scheduled to take place at the Annual General Meeting in 2015 (see page 25) and the expected maturity of the £230 million bonds in June 2015 the Board does not anticipate making any significant changes to its composition in advance of these dates.

During the year, the Board appointed a firm of independent consultants, The Board Advisory Partnership, to facilitate the annual evaluation of the effectiveness of the Board, its committees and individual Directors. The process included confidential, unattributable, one to one interviews between the independent consultant and each Director. The Investment Managers and the Company Secretary also participated to provide all round feedback to the Board and a number of shareholders were approached. The appraisal of the Chairman was covered as part of the process and was led separately by the Chairman of the Audit Committee. A list of proposed objectives resulting from the findings was submitted to the Board in March 2013 and a list of priorities for the year ahead was approved.

The table below sets out the number of scheduled Board and committee meetings held during the year and the number of meetings attended by each Director. In addition to these scheduled meetings, there were a further 26 Board and Board committee meetings held in Guernsey during the year.

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 within the Business Review on pages 17 to 19. A management agreement between the Company and FCIB 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.

Throughout the year a number of committees have been in place. Those committees are the Audit Committee, the Management Engagement Committee and the Nomination Committee. The

	Board of Directors		Audit Committee		Management Engagement Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
C Russell	5	5	n/a	n/a	1	1	–	–
J G Hooley	5	5	2	2	1	1	–	–
M R Moore	5	5	2	1	1	1	–	–
P Niven	5	5	n/a	n/a	n/a	n/a	–	–
B W Sweetland	5	5	2	2	1	1	–	–
N J M Tostevin	5	5	2	2	1	1	–	–

committees operate within clearly defined terms of reference which are available for inspection upon request at the Company's registered office.

Audit Committee

The Audit Committee comprises all of the Directors except Mr P Niven and the Chairman of the Board, Mr C Russell. It is chaired by Mr N J M Tostevin. The committee meets at least twice yearly and is the forum through which the auditor reports to the Board of Directors. Its duties include reviewing the Annual and Interim Accounts, the system of internal controls and the terms of appointment and remuneration of the auditor. The independence of the auditor is reviewed by the Audit Committee which also reviews the terms under which the external auditor is appointed to perform non-audit services. The committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor, with particular regard to the terms of non-audit services. In addition to statutory audit fees of £63,000 (2011: £60,000), the auditor received audit-related fees of £19,000 for the year ended 31 December 2012 (year ended 31 December 2011: £14,000) which related principally to a review of the interim financial information and certification of bond compliance certificates. It has been agreed that all non-audit work to be carried out by the auditor must be approved in advance by the Audit Committee and any special projects must also be approved in advance. Notwithstanding such non-audit and audit-related services the Audit Committee considers KPMG Channel Islands Limited to be independent of the Company and that the provision of such non-audit and audit-related services is not a threat to the objectivity and independence of the conduct of the audit.

Management Engagement Committee

The Management Engagement Committee comprises all of the Directors except Mr P Niven. It is chaired by Mr J G Hooley. The committee reviews the appropriateness of the Managers' continuing appointment together with the terms and conditions thereof on a regular basis. It also reviews the quality of service received from other service providers.

As stated in the Directors' Remuneration Report on page 26, the full Board determines the level of Directors' fees and accordingly there is no separate Remuneration Committee.

Nomination Committee

The Nomination Committee comprises all of the Directors and is chaired by Mr C Russell. 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 considering the appointment of additional Directors as and when considered appropriate. Any 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. No new Directors were appointed during the year, but whenever there are new appointments these 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 Nomination Committee did not meet during the year.

Going Concern

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. The Group has agreements relating to its borrowing facilities with which it has complied during the year. Based on this information the Directors believe that the Group has the ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of approval of the accounts. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Internal Controls

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 minimise those risks. These are reviewed at each quarterly Board Meeting. 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 Committee. The Audit Committee has also reviewed the Managers' "Report on Policies and Procedures in Operation and Tests in accordance with AAF (01/06)" for the period from 1 January to 31 December 2012 that has been prepared by the Managers 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 department. 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 review procedures detailed above have been in place throughout the year and up to the date of approval of the Annual Report, and the Board is satisfied with their effectiveness. These procedures are designed to manage rather than eliminate risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board 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.

Environmental Policy

The Property Managers acquire, develop and manage properties on behalf of the Company. It is recognised that these activities have both direct and indirect environmental impacts. The Board has endorsed the Property Managers' own environmental policy which is to work in partnership with contractors, tenants and consultants to minimise those impacts, seeking continuous improvements in environmental performance and conducting regular reviews.

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 other Directors meet with major shareholders at least annually and make themselves available to meet shareholders when required to discuss any significant issues that have arisen and address shareholder concerns and queries. The Notice of Annual General Meeting to be held on 23 May 2013 is set out on pages 52 and 53. 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. Where practicable, the Annual Report and Notice of Annual General Meeting are posted to shareholders at least 20 working days before the Annual General Meeting.

Directors' Authority to Allot Shares

The Company issued 64,178,699 Ordinary Shares during the year. The aggregate net proceeds were £65.3 million.

Report of the Directors (continued)

In the light of potential amendments to Guernsey law, Resolution 11 seeks an authority from shareholders to allow the Directors to allot shares up to an aggregate nominal amount of £758,715, being equivalent to approximately 10 per cent of the issued ordinary share capital of the Company as at 23 April 2013.

Resolution 12 seeks an authority from shareholders to disapply pre-emption rights in relation to the issue of 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 12 gives the Directors, for the period until the conclusion of the Annual General Meeting in 2014 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 £758,715. This is equivalent to approximately 10 per cent of the issued ordinary share capital of the Company as at 23 April 2013.

The Directors will only allot new shares pursuant to the authority granted by Resolutions 11 and 12, 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 and in no circumstances that would result in a dilution to the net asset value per share.

Since the year end, the Company has issued 14,000,000 shares (aggregate net proceeds of £14.1 million) and there were 758,715,702 Ordinary Shares in issue as at 23 April 2013.

Directors' Authority to Buy Back Shares

The Company did not buy back any shares during the year.

The current authority of the Company to make market purchases of Ordinary Shares expires at the end of the Annual General Meeting and Resolution 13, 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 2014 and 18 months from the passing of the resolution. Any buy back 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 buy backs will be at the absolute discretion of the Board. It should be noted that due to Mr Niven's ongoing relationship with Resolution Limited any buy back of Ordinary Shares may also be subject to a waiver of Rule 9 of the Takeover Code being granted by the Takeover Panel. 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 UK Listing 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 within the following limits:

- No more than 10 per cent of the Company's issued shares will be held in treasury at any time; and
- Shares will only be re-issued out of treasury at a premium to the net asset value.

Discount Policy and Continuation Votes

The Board's stated intention is to use the share buy back authority to purchase Ordinary Shares (subject to the income and cash flow requirements and solvency of the Company and where the Directors believe the price available to be in the best interests of shareholders as a whole) if the share price of an Ordinary Share is more than 5 per cent below the published net asset value per share for a continuous period of 20 dealing days or more. To ensure a fair comparison, the Directors believe that such discount should be calculated by adjusting the published net asset value per share for any dividends for which the share price has gone ex-dividend.

In the event that the Ordinary Shares trade at a discount of more than 5 per cent for 90 consecutive dealing days or more, the Directors will convene a general meeting to be held within three months to consider an ordinary resolution for the continuation of the Company. If this continuation resolution is not passed, the Directors will convene a further general meeting to be held within six months of the first general meeting to consider the winding up of the Company or a reconstruction of the Company which offers all shareholders the opportunity to realise their investment. If any such continuation resolution is passed, this discount policy, save in respect of share buy backs, would not apply for a period of two years thereafter.

In addition, at the Annual General Meeting of the Company to be held in 2015, the Directors will propose an ordinary resolution for the continuation of the Company. If the continuation resolution is not passed, the Directors will be obliged to convene an Extraordinary General Meeting within six months to consider the winding up of the Company or a reconstruction of the Company which offers all Shareholders the opportunity to realise their investment. If the continuation resolution is passed, the Directors will propose a similar resolution at the Annual General Meeting of the Company five yearly thereafter.

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 ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

KPMG Channel Islands Limited has expressed its willingness to continue in office as the Company's auditor and a resolution proposing its re-appointment will be submitted at the Annual General Meeting.

Resolutions

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the shareholders as a whole and recommends that they vote in favour of such resolutions as the Directors intend to do in respect of their own beneficial holdings.

On behalf of the Board

C Russell
Director

23 April 2013

Directors' Remuneration Report

Policy on Directors' Fees

The Board's policy is that the remuneration of the Directors should reflect the experience of the Board as a whole, 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. It is intended that this policy will continue for the year ending 31 December 2013 and subsequent years.

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 £300,000 per annum. As explained in the Report of the Directors on pages 19 and 20, a resolution will be proposed at the Annual General Meeting to increase this limit to £400,000 per annum. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

The Board comprises only non-executive Directors and regularly considers the level of the Directors' fees in accordance with the UK Corporate Governance Code. There is no separate Remuneration Committee. The Board is provided with information on comparative levels of Directors' fees in advance of each review. An external evaluation of fee levels was last carried out in 2011 and will next be conducted later in 2013.

Directors' Service Contracts

It is the Board's policy that Directors do not have service contracts and that each new Director is provided with a letter of appointment.

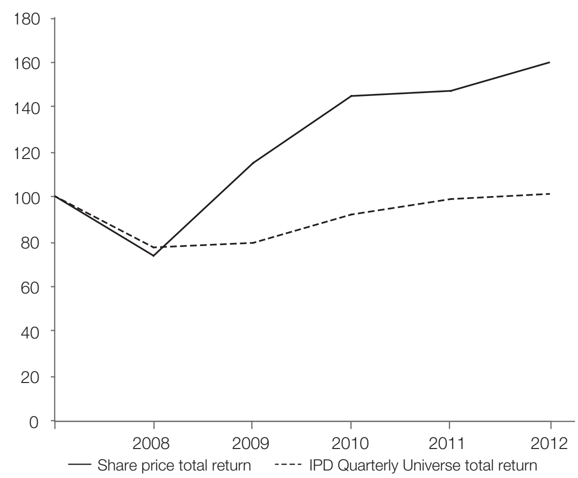
The terms of Directors' appointments provide that Directors should retire and be subject to re-election at the first Annual General Meeting after their appointment. However, in accordance with the recommendations of the UK Corporate Governance Code, the Board has agreed that all Directors will retire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

Director	Date of appointment	Due date for re-election
C Russell	31/10/2009	AGM 2013
J G Hooley	31/10/2009	AGM 2013
M R Moore	31/03/2011	AGM 2013
P Niven	21/01/2005	AGM 2013
B W Sweetland	21/01/2005	AGM 2013
N J M Tostevin	21/01/2005	AGM 2013

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 in the Report of the Directors on page 20. The graph below compares, for the five financial years ended 31 December 2012, the total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total return on a notional investment from the IPD Quarterly Universe. This index was chosen as it is considered a comparable index and is the Company's benchmark for performance fee purposes. An explanation of the performance of the Company for the year ended 31 December 2012 is given in the Chairman's Statement and Managers' Review.

Share Price Total Return and the IPD Quarterly Universe Performance Graph



Directors' Emoluments for the Year

The Directors who served during the year received the following emoluments in the form of fees:

	2012 £	2011 £
C Russell	**55,000**	49,240
J G Hooley	**32,500**	32,500
M R Moore	**32,500**	24,442
P Niven	**32,500**	32,500
J H Stephen (retired 19 May 2011)	**–**	20,983
B W Sweetland	**32,500**	32,500
N J M Tostevin	**40,000**	40,000
Total	**225,000**	232,165

An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting.

On behalf of the board

C Russell
Director

23 April 2013

Directors' Responsibilities

Directors' Responsibilities for the Annual Report and Accounts

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

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 Company and of the profit or loss of the Company 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 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 Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report (including a Business Review) and Corporate Governance Statement that comply with these laws and those regulations.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Chairman's Statement and Report of the Directors include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

C Russell
Director

23 April 2013

Independent Auditor's Report

Independent Auditor's Report to the members of F&C Commercial Property Trust Limited

We have audited the Group financial statements (the "financial statements") of F&C Commercial Property Trust Limited (the "Company", and together with its subsidiaries, the "Group"), for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the EU.

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

Respective Responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 28, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ('APB's') Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its profit for the year then ended;
- are in accordance with International Financial Reporting Standards as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

Matters on Which We Are Required to Report by Exception

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

- the Company has not kept proper accounting records, or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review. We have nothing to report in respect of this review.

Heather J MacCallum for and on behalf of
KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors
23 April 2013

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. The work carried out by the auditor does not include consideration of these matters and, accordingly the auditor accepts no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the website. Legislation governing the preparation and dissemination of financial statements may differ from jurisdiction to jurisdiction.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Revenue			
Rental Income		57,212	60,495
Total revenue		57,212	60,495
Gains on investment properties			
Unrealised (losses)/gains on revaluation of investment properties	9	(11,393)	38,518
Gains/(losses) on sale of investment properties realised	9	10,380	(86)
Total income		56,199	98,927
Expenditure			
Investment management fee	2a	(5,994)	(5,727)
Other expenses	3	(5,649)	(5,153)
Total expenditure		(11,643)	(10,880)
Operating profit before finance costs		44,556	88,047
Net finance costs			
Interest receivable	4	530	510
Finance costs	5	(14,719)	(14,705)
		(14,189)	(14,195)
Profit before taxation		30,367	73,852
Taxation	6	(233)	(187)
Profit for the year		30,134	73,665
Other comprehensive income			
Movement in fair value of interest rate swaps	14	(660)	(3,671)
Total comprehensive income for the year		29,474	69,994
Basic and diluted earnings per share	8	4.2p	10.8p

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

The accompanying notes are an integral part of the above statement.

Consolidated Balance Sheet

as at 31 December 2012

	Notes	2012 £'000	2011 £'000
Non-current assets			
Investment properties	9	**833,147**	924,583
		833,147	924,583
Current assets			
Properties held for sale	9	**36,000**	–
Trade and other receivables	10	**15,575**	11,197
Cash and cash equivalents	11	**153,143**	49,822
		204,718	61,019
Total assets		**1,037,865**	985,602
Current liabilities			
Trade and other payables	12	**(18,340)**	(18,301)
Non-current liabilities			
Interest-bearing bonds	13	**(229,675)**	(229,546)
Interest-bearing bank loan	14	**(49,099)**	(49,452)
Interest rate swaps	14	**(4,720)**	(4,060)
		(283,494)	(283,058)
Total liabilities		**(301,834)**	(301,359)
Net assets		**736,031**	684,243
Represented by:			
Share capital	15	**7,447**	6,805
Share premium	15	**64,612**	–
Reverse acquisition reserve	15	**831**	831
Special reserve	15	**562,366**	562,366
Capital reserve – investments sold	15	**(28,002)**	(48,817)
Capital reserve – investments held	15	**51,002**	72,830
Hedging reserve	15	**(4,720)**	(4,060)
Revenue reserve	15	**82,495**	94,288
Equity shareholders' funds		**736,031**	684,243
Net asset value per share	16	**98.8p**	100.5p

The accounts on pages 30 to 51 were approved by the Board of Directors on 23 April 2013 and signed on its behalf by:

C Russell, Director

The accompanying notes are an integral part of the above statement.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

	Notes	Share Capital £'000	Share Premium £'000	Reverse Acquisition Reserve £'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 2012		6,805	–	831	562,366	(48,817)	72,830	(4,060)	94,288	684,243
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	–	–	30,134	30,134
Movement in fair value of interest rate swaps	14	–	–	–	–	–	–	(660)	–	(660)
Transfer in respect of unrealised losses on investment properties	9	–	–	–	–	–	(11,393)	–	11,393	–
Gains on sale of investment properties realised	9	–	–	–	–	10,380	–	–	(10,380)	–
Transfer of prior years' revaluation to realised reserve	9	–	–	–	–	10,435	(10,435)	–	–	–
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**20,815**	**(21,828)**	**(660)**	**31,147**	**29,474**
Transactions with owners of the Company recognised directly in equity										
Issue of ordinary share capital	15	642	64,612	–	–	–	–	–	–	65,254
Dividends paid	7	–	–	–	–	–	–	–	(42,940)	(42,940)
At 31 December 2012		**7,447**	**64,612**	**831**	**562,366**	**(28,002)**	**51,002**	**(4,720)**	**82,495**	**736,031**

for the year ended 31 December 2011

	Notes	Share Capital £'000	Reverse Acquisition Reserve £'000	Special Reserve £'000	Capita Reserve – Investments Sold £'000	Capital Reserve – Investments Held £'000	Hedging Reserve £'000	Revenue Reserve £'000	Total £'000
At 1 January 2011		6,805	831	576,729	(48,271)	33,852	(389)	85,524	655,081
Total comprehensive income for the year									
Profit for the year		–	–	–	–	–	–	73,665	73,665
Movement in fair value of interest rate swap		–	–	–	–	–	(3,671)	–	(3,671)
Transfer in respect of unrealised gains on investment properties	9	–	–	–	–	38,518	–	(38,518)	–
Losses on sale of investment properties realised	9	–	–	–	(86)	–	–	86	–
Transfer of prior years' revaluation to realised reserve	9	–	–	–	(460)	460	–	–	–
Transfer from special reserve		–	–	(14,363)	–	–	–	14,363	–
Total comprehensive income for the year		–	–	(14,363)	(546)	38,978	(3,671)	49,596	69,994
Transactions with owners of the Company recognised directly in equity									
Dividends paid	7	–	–	–	–	–	–	(40,832)	(40,832)
At 31 December 2011		6,805	831	562,366	(48,817)	72,830	(4,060)	94,288	684,243

The accompanying notes are an integral part of the above statement.

Consolidated Statement of Cash Flows

for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Profit for the year before taxation		**30,367**	73,852
Adjustments for:			
Finance costs		**14,719**	14,705
Interest receivable		**(530)**	(510)
Unrealised losses/(gains) on revaluation of investment properties		**11,393**	(38,518)
(Gains)/losses on sale of investment properties realised		**(10,380)**	86
Increase in operating trade and other receivables		**(4,378)**	(684)
Increase in operating trade and other payables		**67**	379
		41,258	49,310
Interest received		**530**	510
Interest paid		**(14,484)**	(14,453)
Tax paid		**(255)**	(7)
		(14,209)	(13,950)
Net cash inflow from operating activities		**27,049**	35,360
Cash flows from investing activities			
Purchase/development of investment properties	9	**(12,159)**	(45,026)
Sale of investment properties	9	**77,165**	1,174
Capital expenditure	9	**(10,583)**	(10,296)
Net cash inflow/(outflow) from investing activities		**54,423**	(54,148)
Cash flows from financing activities			
Issue of ordinary share capital, net of costs	15	**65,254**	–
Dividends paid	7	**(42,940)**	(40,832)
Set-up costs of bank facility	14	**(465)**	–
Net cash inflow/(outflow) from financing activities		**21,849**	(40,832)
Net increase/(decrease) in cash and cash equivalents		**103,321**	(59,620)
Opening cash and cash equivalents		**49,822**	109,442
Closing cash and cash equivalents		**153,143**	49,822

The accompanying notes are an integral part of the above statement.

Notes to the Accounts

1. Accounting policies

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

(a) Basis of accounting

The consolidated accounts have been prepared and approved in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU, 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 accounts 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 January 2009 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.

The consolidated accounts have been prepared on a 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 presentational currency for the Company and the Group) and are rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the period. The nature of the estimation means that actual outcomes could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant estimates and assumptions are made in the valuation of the investment properties held. Further information on the valuation, market risk and sensitivity to market changes are provided in notes 1(f), 9 and 18.

After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. 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. The Group has agreements relating to its borrowing facilities with which it has complied during the year. Based on this information the Directors believe that the Group has the ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of approval of the accounts. For this reason, they continue to adopt the going concern basis in preparing the accounts.

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

- In December 2010, the International Accounting Standards Board (the 'IASB') issued *'Deferred Tax: Recovery of Underlying Assets'* (Amendments to IAS 12 *'Income Taxes'*). The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduced a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduced the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis on the asset. The amendment does not materially affect the Group.

The following new standards have been issued but are not effective for this accounting period and have not been adopted early:

- In October 2010, the IASB issued IFRS 9 (2010) *'Financial Instruments'* which, following an amendment in December 2011, becomes effective for accounting periods commencing on or after 1 January 2015. This represents part of a project to replace IAS 39 *'Financial Instruments: Recognition and Measurement'*. The objective of the standard is to enhance the ability of investors and other users of financial information to understand the accounting of financial assets and to reduce complexity.
- In June 2011, the IASB issued Presentation of Items of Other Comprehensive Income (Amendments to IAS 1 *'Presentation of Financial Statements'*).The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

1. Accounting policies (continued)

(a) Basis of accounting (continued)

- In May 2011, the IASB issued IFRS 10 *'Consolidated Financial Statements'*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.
- In May 2011, the IASB issued IFRS 12 *'Disclosure of Involvement with Other Entities'*. IFRS 12 includes all the disclosures which were previously required by IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.
- As a consequence of the new IFRS 10 and IFRS 12 above, what remains of IAS 27 *'Separate Financial Statements (2011)'* is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.
- In May 2011, the IASB issued IFRS 13 *'Fair Value Measurement'*. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. A number of additional disclosures will be required. This standard becomes effective for accounting periods beginning on or after 1 January 2013.

The Group does not consider that the future adoption of any new standards, in the form currently available, will have any material impact on the financial statements as presented.

(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. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Company owns 100 per cent of the issued ordinary share capital of FCPT Holdings Limited, a company registered in Guernsey which was, until the group reconstruction in 2009, the top company in the group structure. The principal activity of FCPT Holdings Limited is now to act as a holding company and it owns 100 per cent of the ordinary share capital of F&C Commercial Property Holdings Limited, a company registered in Guernsey whose principal business is that of an investment and property company.

The Company owns 100 per cent of the issued ordinary share capital of SCP Estate Holdings Limited, a company registered in Guernsey. The principal activity of SCP Estate Holdings Limited is to act as a holding company and it owns 100 per cent of the ordinary share capital of SCP Estate Limited, a company registered in Guernsey whose principal business is that of an investment and property company, and 100 per cent of the ordinary share capital of Prime Four Limited, a company registered in Guernsey whose principal business is that of an investment and property company.

The Company owns 100 per cent of the issued ordinary share capital of Winchester Burma Limited, a company registered in Guernsey whose principal business is that of an investment and property company.

The Company owns 100 per cent of the issued ordinary share capital of Accede Limited, a company incorporated in England and Wales. At 31 December 2012 this Company was dormant, having previously acted as an investment and property company.

The Group also consolidates the results of F&C Commercial Property Finance Limited, a special purpose vehicle incorporated in Guernsey to issue the interest-bearing bonds. F&C Commercial Property Finance Limited has the same board of directors as the Company and the Company has the majority of the risks and rewards associated with the vehicle. F&C Commercial Property Finance Limited is therefore consolidated as a quasi-subsidiary under common control.

(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.

Notes to the Accounts (continued)

1. Accounting policies (continued)

(c) Revenue recognition (continued)

The Group from time to time receives surrender premiums from tenants who break their leases early. To the extent they are deemed capital receipts to compensate the Group for loss in value of property to which they relate, they are credited to 'capital reserve – investments held'. All other surrender premiums are recognised within rental income in the Statement of Comprehensive Income.

Distribution income received from any indirect property funds is recognised on the date the Group becomes entitled to the distribution and recorded separately from any unrealised or realised gains or losses on revaluation of indirect property funds.

Interest income is accounted for on an accruals basis.

(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 credit/(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/(loss) 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 income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred income tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. As the Directors consider the value of the property portfolio is likely to be realised by sale rather than use over time, and that no charge to Guernsey or United Kingdom taxation will arise on capital gains, no provision has been made for deferred tax on valuation uplifts.

(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 period 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 the Market Value provided by CBRE Limited, Registered Valuers, at the balance sheet date using recognised valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Company's assets. For the purposes of these financial statements, in order to prevent double accounting, the assessed market value is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.

The determination of the market 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. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the market value of investment properties under construction. 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.

1. Accounting policies (continued)

(f) Investment properties (continued)

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.

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 period end are disclosed as properties held for sale and stated at fair value.

(g) Investments

Investments in any unquoted indirect property funds are recognised and derecognised on the trade date, and are initially measured at fair value.

Investments in any unquoted indirect property funds are financial instruments and are classified on initial recognition as fair value through profit or loss given that their fair value can be reliably determined based on the criteria set out in IAS 39. Financial assets 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 financial instruments 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 of financial instruments 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. The Group held no such securities during the year under review.

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 to hedge the interest rate on the £50 million bank loan and the forward 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. Any investments in indirect property funds would be included in Level 3.

(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 Balance Sheet at their fair value. Fair value is determined by reference to market values for similar instruments. Transaction costs are expensed immediately.

Gains or losses arising on the fair value of cash flow hedges in the form of derivative instruments are taken directly to Other Comprehensive Income. Such gains and losses are taken to the Hedging Reserve.

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

Notes to the Accounts (continued)

1. Accounting policies (continued)

(h) Derivative financial instruments (continued)

- 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. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

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

(k) Interest-bearing borrowings

All non-current borrowings 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 borrowings 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.

2. Fees	**2012 £'000**	2011 £'000
(a) Investment management fee		
– base management fee	**3,494**	3,295
– performance fee	**2,500**	2,432
	5,994	5,727

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

FCIB is entitled to a base management fee of 0.50 per cent per annum of the Group's net assets 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. The fees of any managing agents appointed by the Investment Managers are payable out of the management fee.

FCIB is also entitled to a performance fee equal to 20 per cent of the amount by which the total return (whether positive or negative) on the directly held properties exceeds 110 per cent of the total return (90 per cent if the total return is negative) on the benchmark and multiplied by the Group's average total assets (excluding any indirect property holdings). The benchmark for measuring the comparative performance of directly held properties is the total return from the IPD Quarterly Universe. The performance fee payable in each financial year is capped at an amount which, when taken with the aggregate base management fee payable in each financial year, equals 0.60 per cent of the gross assets of the Group. Performance fees in excess of this capped return can be carried forward for up to two subsequent financial years subject to the annual 0.60 per cent cap. The performance fee is measured over a rolling three year period and the performance fee payable in respect of any one financial year is equal to the total performance fee earned over that three year period less any performance fees already paid in the previous two years. In the event that the amount already paid in the previous two years is in excess of the amount earned over the rolling three year period, such excess shall be repaid to the Group by FCIB. The performance fee was rebased as at 1 October 2010.

The performance fee is accrued based on the relative performance of the directly held properties at the balance sheet date up to a maximum of the capped amount in any financial year. No recognition is made of any excess paid by the Group in the previous two years until the Group's entitlement to any repayment is certain.

2. Fees (continued)

FCIB is also entitled to an administration fee which is payable quarterly in arrears. It received £138,000 for administration services provided in respect of the year ended 31 December 2012 (2011: £130,000).

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

(b) Valuers' fees

The valuers of the investment properties, CBRE Limited, have agreed to provide valuation services in respect of the property portfolio. The valuation agreement is for a fixed term to 30 September 2014 and an annual fee is payable equal to 0.01 per cent of the aggregate value of the direct property portfolio.

3. Other expenses

	2012 £'000	2011 £'000
Direct operating expenses of let rental property	**4,252**	3,865
Valuation and other professional fees	**474**	602
Directors' fees †	**225**	232
Administration fee	**138**	130
Auditor's remuneration for:		
– statutory audit	**63**	60
– audit-related services	**19**	14
Other	**478**	250
	5,649	5,153

† An analysis of the Directors' fees is provided in the 'Directors Emoluments for the Year' table within the Directors' Remuneration Report on page 27.

4. Interest receivable

	2012 £'000	2011 £'000
Deposit interest	**530**	510

5. Finance costs

	2012 £'000	2011 £'000
Interest on the 5.23 per cent Secured Bonds due 2017	**12,158**	12,151
Interest on the interest-bearing bank loan	**1,512**	1,513
Interest in respect of the interest rate swap agreement	**1,049**	1,041
	14,719	14,705

Notes to the Accounts (continued)

6. Taxation

	2012 £'000	2011 £'000
Current income tax		
Current income tax charge	233	187
Total tax charge	233	187

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

	2012 £'000	2011 £'000
Profit before taxation	30,367	73,852
UK income tax at a rate of 20 per cent	6,073	14,770
Effects of:		
Capital losses/(gains) on investment properties not taxable	203	(7,686)
Income not taxable, including interest receivable	(106)	(102)
Expenditure not allowed for income tax purposes	3,187	3,165
Allowable intercompany loan interest paid	(8,999)	(9,013)
Losses carried forward to future years	45	–
Losses brought forward from prior years	–	(826)
Capital allowances claimed	(170)	(121)
Total tax charge	233	187

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

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

The Group had unutilised tax losses carried forward of £4,609,000 (2011: £2,762,000) at 31 December 2012. No deferred tax asset has been recognised on this amount as it is uncertain that there will be taxable profits arising within the relevant subsidiary from which the future reversal of the deferred tax asset could be deducted.

The Company and its subsidiaries are subject to United Kingdom income tax on income arising on the property portfolio after deduction of its allowable debt financing costs and other allowable expenses.

7. Dividends

	2012 Total £'000	2012 Rate (pence)	2011 Total £'000	2011 Rate (pence)
In respect of the previous period:				
Ninth interim dividend	**3,403**	**0.5**	3,403	0.5
Tenth interim dividend	**3,476**	**0.5**	3,402	0.5
Eleventh interim dividend	**3,476**	**0.5**	3,403	0.5
Twelfth interim dividend	**3,476**	**0.5**	3,402	0.5
In respect of the period under review:				
First interim dividend	**3,542**	**0.5**	3,403	0.5
Second interim dividend	**3,542**	**0.5**	3,402	0.5
Third interim dividend	**3,641**	**0.5**	3,403	0.5
Fourth interim dividend	**3,641**	**0.5**	3,402	0.5
Fifth interim dividend	**3,641**	**0.5**	3,403	0.5
Sixth interim dividend	**3,676**	**0.5**	3,403	0.5
Seventh interim dividend	**3,702**	**0.5**	3,403	0.5
Eighth interim dividend	**3,724**	**0.5**	3,403	0.5
	42,940	**6.0**	40,832	6.0

Two further interim dividends for the year to 31 December 2012, of 0.5 pence per share, were paid on 31 January and 28 February 2013 and a third was paid on 28 March 2013. The twelfth, and last, interim dividend in respect of the year, of 0.5p per share, will be paid on 26 April 2013 to shareholders on the register on 12 April 2013.

Although these payments relate to the year ended 31 December 2012, under IFRS they will be accounted for in the year ending 31 December 2013, being the period during which they are paid.

It is the Directors' intention that the Company will continue to pay dividends monthly.

8. Earnings per share

The Group's basic and diluted earnings per Ordinary Share are based on the profit for the year of £30,134,000 (2011: £73,665,000) and on 714,924,384 (2011: 680,537,003) Ordinary Shares, being the weighted average number of shares in issue during the year.

9. Investments

	2012 £'000	2011 £'000
Freehold and leasehold properties		
Opening book cost	**851,753**	798,151
Opening unrealised appreciation	**72,830**	33,852
Opening fair value	**924,583**	832,003
Purchases/development	**12,159**	45,026
Sales – proceeds	**(77,165)**	(1,174)
– gain/(loss) on sale	**20,815**	(546)
Capital expenditure	**10,583**	10,296
Unrealised (gains)/losses realised during the year	**(10,435)**	460
(Decrease)/increase in unrealised appreciation	**(11,393)**	38,518
	869,147	924,583
Closing book cost	**818,145**	851,753
Closing unrealised appreciation	**51,002**	72,830
Closing fair value	**869,147**	924,583

Included within the fair value of £869,147,000 at 31 December 2012 were investment properties of £833,147,000 and properties held for sale of £36,000,000.

Notes to the Accounts (continued)

9. Investments (continued)

All the Group's investment properties were valued as at 31 December 2012 by RICS Registered Valuers working for the company of CBRE Limited ('CBRE'), commercial real estate advisors, acting in the capacity of external valuers. 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 2012 on a market value basis and in accordance with The RICS Valuation – Professional Standards (2012). Market value is the amount for which the assets could be exchanged between a willing buyer and a willing seller in an arm's length transaction as at the valuation date. The market value of these investment properties amounted to £879,690,000 (2011: £932,545,000) and the fair value amounted to £869,147,000 (2011: £924,583,000). The difference between the market value and the fair value at 31 December 2012 consists of capital incentives paid to tenants totalling £3,762,000 and accrued income relating to the pre-payment for rent-free periods recognised over the life of the lease totalling £6,781,000, which are both separately recorded in the accounts as current assets within 'trade and other receivables'. The CBRE valuation report is dated 10 January 2013 (the 'Valuation Report').

The Valuation Report is signed by David M. Tudor, MRICS who has been the signatory of valuation reports provided to the Group for the same purpose as the Valuation Report for a continuous period since December 2011. CBRE has been carrying out valuations for the Group for the same purpose as the Valuation report for the same period.

CBRE also values properties held by other companies for which the F&C 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 F&C Asset Management plc group. The proportion of total fees payable by the F&C Asset Management plc group to the total fee income of CBRE was less than 5 per cent of total UK revenues.

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 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 open market value, when the Managers advise the presence of such materials.

The Group has entered into leases on its property portfolio as lessor (see note 20 for further information). No one property accounts for more than 15 per cent of the gross assets of the Group. All of the properties per open market value band are shown on page 15.

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 18.

Other than the capital commitments and foward commitment to purchase disclosed in note 19, 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.

10. Trade and other receivables	**2012** **£'000**	2011 £'000
Capital and rental lease incentives	**10,543**	7,962
Cash deposits held for tenants	**2,761**	2,461
Rents receivable (net of provision for bad debts)	**1,536**	534
Other debtors and prepayments	**633**	193
Accrued income	**102**	47
	15,575	11,197

Rents receivable, which are generally due for settlement at the relevant quarter end, are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Capital and rental lease incentives consist of £6,781,000 (2011: £4,202,000) being the prepayment for rent-free periods recognised over the life of the lease and £3,762,000 (2011: £3,760,000) relating to capital incentives paid to tenants.

11. Cash and cash equivalents

All cash balances at the year end were held in cash, current accounts or in banks on short-term deposits with an original maturity of three months or less.

12. Trade and other payables

	2012 £'000	2011 £'000
Rental income received in advance	**8,208**	8,972
Rental deposits	**2,761**	2,461
VAT payable	**1,445**	1,266
Managers' fees payable	**3,584**	3,473
Income tax payable	**245**	266
Other payables	**2,097**	1,863
	18,340	18,301

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

13. Interest-bearing bonds

	2012 £'000	2011 £'000
Principal amount outstanding	**230,000**	230,000
Issue costs	**(1,196)**	(1,196)
Amortisation of issue costs	**871**	742
	229,675	229,546

The Group, through F&C Commercial Property Finance Limited, has issued £230,000,000 of Secured Bonds due 2017. The bonds carry interest at a fixed rate of 5.23 per cent per annum and have an expected maturity date of 30 June 2015. If the bonds are not redeemed at this date they will carry interest at 0.60 per cent over six-month LIBOR until the final maturity date of 30 June 2017. These bonds are secured by means of a fixed and floating charge over the whole of the assets of the Secured Group (which comprises FCPT Holdings Limited, F&C Commercial Property Holdings Limited and F&C Commercial Property Finance Limited). Under the covenants relating to the bonds the Company is to ensure that for the Secured Group:

- the loan to value percentage remains less than, or equal to, 50 per cent (defined as financial indebtedness expressed as a percentage of gross secured asset value);
- the secured loan to value percentage remains less than, or equal to, 40 per cent (defined as the principal amount outstanding on the bonds expressed as a percentage of gross secured asset value);
- the interest cover ratio is greater than 1.5 times on any calculation date;
- payments are not made in respect of shares unless the ratio of free cash flow to interest is greater than 2.0 times and, after deduction of an amount equal to the proposed payment, greater than 1.75 times;
- no single property (measured by market value) accounts for more than 15 per cent of the gross asset value;
- the sector weightings (measured by market value) do not exceed the following percentages of the gross asset value;

  All industrial: 40 per cent; All office: 50 per cent: All retail: 65 per cent;
- the five largest properties (measured by market value) do not exceed 40 per cent of the gross asset value;
- no single tenant exceeds 15 per cent of the total annual net rental income from the properties;
- the five largest tenants do not exceed 40 per cent of the total annual net rental income from the properties; and
- short leasehold properties (measured by market value) do not exceed 10 per cent of the gross asset value.

The Secured Group has complied with all the bond covenants during the year.

The fair value of the interest-bearing bonds based on mid-market price at 31 December 2012 was £242,008,000 (2011: £239,391,000).

Notes to the Accounts (continued)

14. Bank loans and interest rate swap liabilities

	2012	2011
	£'000	£'000
Principal amount outstanding	**50,000**	50,000
Set-up costs	**(1,192)**	(727)
Amortisation of set-up costs	**291**	179
	49,099	49,452

£50 million bank loan 2017

The Group has a £50 million facility with Barclays Bank plc ('Barclays') which remained fully drawn throughout the year. The loan facility is repayable on 28 June 2017.

Interest accrues on the bank loan at a variable rate, based on 3 month LIBOR plus margin and mandatory lending costs, and is payable quarterly. The margin is 1.95 per cent per annum for the duration of the loan.

This bank loan is secured by way of a fixed and floating charge over the whole of the assets of SCP Estate Holdings Limited and SCP Estate Limited ('the SCP Group'), whose assets consist mainly of the properties held at St. Christopher's Place Estate, London W1. In addition, the SCP Group has granted security to Barclays pursuant to Guernsey security interest agreements over bank accounts and shares. Under the bank covenants related to this loan, the Company is to ensure that for the SCP Group:

- the loan to value percentage does not exceed 60 per cent; and
- the interest cover is greater than 1.4 times on any calculation date.

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

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

Interest on the swap is receivable at a variable rate calculated on the same LIBOR basis as for the bank loan (as detailed above but excluding the margin) and payable quarterly at a fixed rate of 2.9265 per cent per annum. The interest rate swap is due to expire on 28 June 2017.

The fair value of the liability in respect of the interest rate swap contract at 31 December 2012 was £4,654,000 (2011: £4,060,000), 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 for financial instruments required by IFRS 7 (revised).

£30 million bank loan 2015

On 31 July 2012 the Group entered into a new £30 million committed facility with Barclays Bank plc ('Barclays') which remained undrawn throughout the year. The loan facility is repayable on 30 June 2015.

For the period it remains undrawn, a commitment fee of 1.35 per cent per annum is payable on this facility. Once drawn interest will accrue on the bank loan at a variable rate, based on 3 month LIBOR plus margin and mandatory lending costs and is payable quarterly. The margin is 2.70 per cent per annum for the duration of the drawn loan.

The facility is expected to be drawn on purchase of the later of blocks 1 and 2, Prime Four Business Park, Kingswells, Aberdeen (see note 19 for further details on this forward commitment). The bank loan is secured by way of a fixed and floating charge over the properties held at St. Christopher's Place Estate, London W1 and the whole of the assets of Prime Four Limited, whose assets are expected to include certain of the properties to be purchased at Prime Four Business Park.

Under the bank covenants related to this loan, the Company is to ensure that for Prime Four Limited:

- the loan to value percentage does not exceed 60 per cent; and
- the interest cover is greater than 2.75 times on any calculation date.

Interest rate exposure has been hedged by the purchase of a forward interest rate swap contract. The forward starting swap can commence at any point between 22 October 2013 and 31 July 2014. The hedge has been achieved by matching the notional amount of the swap with the loan principal and the swap term is expected to match the drawn loan term.

14. Bank loans and interest rate swap liabilities (continued)

Interest on the forward swap is receivable at a variable rate calculated on the same LIBOR basis as for the bank loan (as detailed above but excluding the margin) and payable quarterly at a fixed rate of 1.005 per cent per annum. The interest rate swap is due to expire on 30 June 2015.

The fair value of the liability in respect of the forward interest rate swap contract at 31 December 2012 was £66,000 (2011: nil), which is based on the marked to market value. The forward interest rate swap is classified as Level 2 under the hierarchy of fair value measurements for financial instruments required by IFRS 7 (revised).

15. Share capital and reserves

	£'000
Allotted, called-up and fully paid	
680,537,003 Ordinary Shares of 1p each in issue at 31 December 2011	**6,805**
Issue of 64,178,699 Ordinary Shares of 1p each	**642**
744,715,702 Ordinary Shares of 1p each in issue at 31 December 2012	**7,447**

Share capital

Under the Company's Articles of Incorporation, the Company may issue an unlimited number of Ordinary Shares. The Company issued 64,178,699 Ordinary Shares during the year (2011: nil) raising net proceeds of £65,254,000. The Company did not repurchase any Ordinary Shares during the year.

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.

At 31 December 2012, the Company did not hold any Ordinary Shares in treasury.

Share premium

The surplus of net proceeds received from the issue of new shares over the par value of such shares is credited to this account.

Capital redemption reserve

The nominal value of any shares repurchased for cancellation by the Company is taken to this reserve. The reserve is non-distributable.

The balance on this account at the time of the Group reconstruction in July 2009 was transferred to the Reverse Acquisition Reserve.

Reverse acquisition reserve

Created as a result of the Group reconstruction in July 2009 to reflect the difference arising between the total of the issued share capital (including the Capital Redemption Reserve) immediately before and after the reconstruction. This reserve is non-distributable.

Special reserve

The Special Reserve was created by the cancellation of FCPT Holdings Limited's Share Premium Account by the Royal Court of Guernsey in July 2005 and a subsequent smaller cancellation in March 2008. In addition, approval of the Royal Court of Guernsey was received in March 2008 to reduce the nominal value of the Ordinary Shares from 90p to 1p, resulting in an amount of £679.6 million being transferred from Share Capital to the Special Reserve. It is a distributable reserve to be used for all purposes permitted under Guernsey law, including the buy back of shares and the payment of dividends.

The costs of the Group reconstruction during 2009 which related directly to the issue of new Ordinary Shares were charged to the Special Reserve.

Notes to the Accounts (continued)

15. Share capital and reserves (continued)

Capital reserve – investments sold

The following are accounted for in this reserve:

- gains and losses on the disposal of investments and investment properties, including the transfer of any unrealised gains or losses now realised which were previously recognised through 'Capital Reserve – Investments Held; and
- the buy back of shares up to the balance on this reserve, thereafter any buy back of shares is charged to the Special Reserve.

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 profit after taxation after payment of dividends is taken to this reserve, with any deficit up to the level of the Special Reserve being transferred from that reserve.

Capital management

The Group's capital is represented by the Ordinary Shares, Share Premium, Capital Redemption Reserve, Reverse Acquisition Reserve, 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 capital of the Group is managed in accordance with its investment policy, in pursuit of its investment objective. Capital management activities may include the allotment of new shares, the buyback or re-issuance of shares from treasury, the management of the Group's discount to net asset value and consideration of the Group's net gearing level.

16. Net asset value per share

The Group's net asset value per Ordinary Share of 98.8p (2011: 100.5p) is based on equity shareholders' funds of £736,031,000 (2011: £684,243,000) and on 744,715,702 (2011: 680,537,003) Ordinary Shares, being the number of shares in issue at the year end.

17. 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.

At 31 December 2012 Resolution Limited, through a number of subsidiaries, owned 31.2 per cent of the Company's ordinary share capital (2011: 34.1 per cent). Mr P Niven, a non-executive Director of the Company was, until 28 March 2013, also an independent non-executive director of Resolution Limited. Having severed all business links with Resolution, which is no longer resident in Guernsey, he now represents that company at charitable and similar events in Guernsey that may be supportive of that community. The Directors consider Resolution Limited to be a related party of the Company.

The Directors of the Company received fees for their services. Further details are provided in the 'Directors' Emoluments for the Year' table in the Directors' Remuneration Report on page 27. Total fees for the year were £225,000 (2011: £232,165). No fees remained payable at the year end.

18. Financial instruments

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.

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

18. Financial instruments (continued)

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

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. The Board receives regular reports on concentrations of risk and any tenants in arrears. The Managers monitor such reports in order to anticipate, and minimise the impact of, defaults by occupational tenants.

The Group has a diversified tenant portfolio. The maximum credit risk from the rent receivables of the Group at 31 December 2012 was £1,536,000 (2011: £534,000). The maximum credit risk is stated after deducting the bad debt provision of £440,000 (2011: £221,000).

As at 31 December 2012, rent receivable of £440,000 that was greater than three months overdue was fully provided for. As at 31 December 2011 the provision was £221,000. Of this amount £19,000 was subsequently written off, £149,000 is still outstanding and £53,000 was recovered.

Apart from the rent receivable disclosed above there were no financial assets which were either past due or considered impaired at 31 December 2012 (2011: nil).

All of the Group's cash is placed with financial institutions with a long-term 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.

During the year and the prior year, due to the quantum of cash balances held, counterparty risk was spread by placing cash across a number of different financial institutions.

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	2–5 years £'000	More than 5 years £'000	Total £'000
As at 31 December 2012					
Cash and cash equivalents	153,143	–	–	–	153,143
Cash deposits held for tenants	2,761	–	–	–	2,761
Rents receivable	1,536	–	–	–	1,536
As at 31 December 2011					
Cash and cash equivalents	49,822	–	–	–	49,822
Cash deposits held for tenants	2,461	–	–	–	2,461
Rents receivable	534	–	–	–	534

Notes to the Accounts (continued)

18. Financial instruments (continued)

Financial liabilities	Within one year £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000	Total £'000
As at 31 December 2012					
Trade and other payables	18,340	–	–	–	18,340
Interest-bearing bonds	12,029	12,029	236,015	–	260,073
Interest-bearing £50m bank loan and interest rate swap	2,438	2,438	56,096	–	60,972
Interest-bearing £30m bank facility and forward interest rate swap	405	467	275	–	1,147
As at 31 December 2011					
Trade and other payables	18,301	–	–	–	18,301
Interest-bearing bonds	12,029	12,029	248,044	–	272,102
Interest-bearing £50m bank loan and interest rate swap	2,438	2,438	7,315	51,219	63,410

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 3 month LIBOR over the instruments' duration. The terms of both the interest-bearing bank loan and the interest rate swap are detailed in note 14.

The total amount due to Barclays under the interest-bearing £30 million bank facility, which is undrawn, and the related forward interest rate swap, includes both the commitment fee payable under the facility and the expected payments due under the swap, commencing on the forward starting date, based on the rate of 3 month LIBOR as at 31 December 2012. This assumes the facility remains undrawn for the full period until expiry on 30 June 2015.

In certain circumstances, the terms of the Group's listed bonds/interest-bearing bank loan entitle the bondholders/bank 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 2012 the Group's cash balance was £153,143,000 (2011: £49,822,000).

The Group's investments may, from time to time, include investments in indirect property funds which are not traded in an organised public market and which generally may be illiquid. As a result, similar to the directly-held properties, the Group may not be able to liquidate quickly some of its investments in those instruments in order to meet its liquidity requirements. As at 31 December 2012 the Group did not hold any investments in indirect property funds (2011: £nil).

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 £230 million Secured Bonds due 2017 on which the rate has been fixed at 5.23 per cent until the expected maturity date of 30 June 2015. If the bonds are not redeemed at this date they will carry interest at 0.6 per cent over LIBOR until the final maturity date of 30 June 2017. The Group has a £50 million interest-bearing bank loan on which the rate has been fixed through an interest rate swap at 4.88 per cent per annum until the maturity date of 28 June 2017. The Group has entered into a forward interest rate window swap, commencing between 22 October 2013 and 31 July 2014, at the option of the Group, with a nominal value of £30 million and a maturity date of 30 June 2015. This swap will be used to fix the interest rate on the £30 million interest-bearing bank loan facility which is expected to be used to partially fund a property purchase at Prime Four Business Park, Kingswells, Aberdeen (see note 19). The forward interest rate swap would fix the interest rate on the loan at 3.71 per cent per annum until the maturity date of 30 June 2015.

18. Financial instruments (continued)

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

Type	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 2012						
Financial assets						
Cash and cash equivalents	153,143	30,575	122,568	–	0.60	0.3
Cash deposits held for tenants	2,761	–	–	2,761	–	–
Rents receivable	1,536	–	–	1,536	–	–
Financial liabilities						
5.23 per cent Secured Bonds due 2017	229,675	229,675	–	–	5.29	2.5
Bank loan and interest rate swaps	53,819	53,753	66	–	4.88	4.5
As at 31 December 2011						
Financial assets						
Cash and cash equivalents	49,822	35,391	14,431	–	0.78	0.1
Cash deposits held for tenants	2,461	–	–	2,461	–	–
Rents receivable	534	–	–	534	–	–
Financial liabilities						
5.23 per cent Secured Bonds due 2017	229,546	229,546	–	–	5.29	3.5
Bank loan and interest rate swap	53,512	53,512	–	–	4.88	5.5

Apart from the 5.23 per cent Secured Bonds 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 Secured Bonds, 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 £8,175,000 (2011: £10,872,000), and a decrease of 150 basis points would have increased their fair value by approximately £8,595,000 (2011: £11,584,000). The carrying value of the Secured Bonds in the financial statements would have remained unchanged.

Considering the effect on the £50 million bank 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 £3,107,000 (2011: £3,692,000), and a decrease of 150 basis points would have increased their fair value by approximately £3,359,000 (2011: £4,044,000). The carrying value of the interest rate swap liability in the financial statements would have been adjusted by these amounts, thereby increasing/decreasing net assets and income for the year.

Considering the effect on the forward interest rate swap, it is estimated that an increase of 150 basis points in interest rates as at the balance sheet date would have decreased its fair value by £394,000, and a decrease of 150 basis points would have increased its fair value by approximately £421,000. The carrying value of the forward interest rate swap liability in the financial statements would have been adjusted by these amounts, thereby increasing/decreasing net assets and income for the year.

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 which was 0.5 per cent as at 31 December 2012 (2011: 0.5 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 £2,297,000 (2011: £747,000). 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.

Notes to the Accounts (continued)

18. Financial instruments (continued)

Market price risk

The Group's strategy for the management of market price risk is driven by the investment policy as outlined within the Report of the Directors on pages 17 and 18. 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.

The Group may also hold investments in indirect property funds (including listed property companies) which in turn invest directly in commercial property. In addition to the price risk attaching to the underlying assets, such funds also carry the risk that the investment cannot be disposed of at its net asset value due to a lack of liquidity. The Company did not hold any investments in indirect property funds at 31 December 2012 or 31 December 2011.

Any changes in market conditions will directly affect the profit or loss 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 15. A 15 per cent increase in the fair value of the direct properties at 31 December 2012 would have increased net assets and income for the year by £130,372,000 (2011: £138,687,000). A decrease of 15 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.

19. Capital commitments

The Group had capital commitments totalling £11,379,000 as at 31 December 2012 (2011: £28,236,000). These commitments related mainly to development work at Burma Road, Winchester.

On 31 July 2012, in addition to the capital commitments above, the Group agreed a forward commitment to purchase four pre-let office blocks situated in Prime Four Business Park, Kingswells, Aberdeen for approximately £94 million, plus costs. These office blocks are currently being developed and are expected to be completed between October and November 2013. The consideration is payable on completion of the development of each block. The overall net initial yield is 6.8%. The Group has agreed a £30m loan facility (see note 14) which may be used to partially finance this property purchase.

The Group has the option to terminate the purchase, without penalty, under certain unfavourable conditions, such as the development not being completed within a certain timeframe or the termination by the expected tenants of the current agreements for lease.

20. Lease length

The Group leases out its investment properties under operating leases.

The total future income based on the unexpired lessor lease length at the year end was as follows (based on annual rentals):

	2012 £'000	2011 £'000
Less than one year	**52,152**	54,960
Between two and five years	**162,143**	172,906
Over five years	**154,301**	153,374
Total	**368,596**	381,240

20. Lease length (continued)

The largest single tenant at the year end accounted for 5.8 per cent (2011: 5.4 per cent) of the current annual rental income.

Unoccupied property expressed as a percentage of estimated total rental value (excluding properties under development) was 7.0 per cent (2011: 6.0 per cent) at the year end.

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

21. Post balance sheet event

Since the year end, the Company has issued 14,000,000 Ordinary Shares, raising net proceeds of £14,095,000.

22. Operating segments

The Board has considered the requirements 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, and that therefore the Group has only a single operating segment. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Group. The key measure of performance used by the Board to assess the Group's performance is the total return on the Group's net asset value. As the total return on the Group's net asset value is calculated based on the net asset value per share calculated under IFRS as shown at the foot of the Balance Sheet, assuming dividends are re-invested, the key performance measure is that prepared under IFRS. Therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the financial statements.

The view that the Group is engaged in a single segment of business is based on the following considerations:

- one of the key financial indicators received and reviewed by the Board is the total return from the property portfolio taken as a whole.
- there is no active allocation of resources to particular types or groups of properties in order to try to match the asset allocation of the benchmark.
- the management of the portfolio is delegated to a single property manager, F&C REIT.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of F&C Commercial Property Trust Limited will be held at Trafalgar Court, Les Banques, St. Peter Port, Guernsey, Channel Islands GY1 3QL on Thursday, 23 May 2013 at 12.30 pm for the following purposes.

Ordinary Business

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

1. That the Annual Report and Accounts for the year ended 31 December 2012 be received and approved.

2. That the Directors' Remuneration Report for the year ended 31 December 2012 be approved.

3. That Mr M R Moore, who retires annually, be re-elected as a Director.

4. That Mr B W Sweetland, who retires annually, be re-elected as a Director.

5. That Mr P Niven, who retires annually, be re-elected as a Director.

6. That Mr N J M Tostevin, who retires annually, be re-elected as a Director.

7. That Mr J G Hooley, who retires annually, be re-elected as a Director.

8. That Mr C Russell, who retires annually, be re-elected as a Director.

9. That KPMG Channel Islands Limited be re-appointed as auditor.

10. That the Directors be authorised to determine the auditor's remuneration.

11. That, to the extent required by Sections 292 and 293 (or otherwise) of The Companies (Guernsey) Law, 2008 (as amended from time to time):

    (i) the Directors be generally and unconditionally authorised to 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 this authority shall be limited to the allotment of shares or Rights to be granted in respect of shares with an aggregate nominal value of up to £758,715, being approximately 10 per cent of the nominal value of the issued share capital of the Company as at 23 April 2013 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 or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of such offer or agreement; and

    (ii) this authority is in substitution for all previous authorities conferred on the Directors in accordance with sections 292 or 293 (or otherwise) of The Companies (Guernsey) Law, 2008 (as amended from time to time) but without prejudice to any allotment 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:

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

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

    (b) shall be limited to the allotment of equity securities up to an aggregate nominal value £758,715 being approximately 10 per cent of the nominal value of the issued share capital of the Company, as at 23 April 2013.

13. 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;

(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 Annual General Meeting of the Company to be held in 2014, or on 23 November 2014, whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares under such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

Special Business

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

14. That, pursuant to article 101 of the Articles of Incorporation of the Company, the authorised aggregate remuneration of the Directors shall be increased from £300,000 to £400,000 per annum and Article 101 (1) of the Articles of Incorporation of the Company be deleted in its entirety and replaced with the following:

    "Directors shall be paid out of the funds of the Company by way of fees such sums not exceeding in the aggregate £400,000 per annum as the Directors shall determine or as may otherwise be approved by the Company in general meeting. Directors' fees shall be deemed to accrue from day to day."

By order of the Board

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

23 April 2013

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 12.30 pm on 21 May 2013.

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 21 May 2013. 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 23 April 2013, the latest practicable date prior to publication of this document, the Company had 758,715,702 Ordinary Shares in issue. The number of shares with voting rights was 758,715,702, each carrying one voting right.

7. Any person holding 3 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 and Transparency Rules.

8. The Articles of Incorporation and the Directors' letters of appointment will be available for inspection from 15 minutes prior to, and at, the Annual General Meeting.

Shareholder Information

Dividends

Ordinary dividends 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 directly to shareholders' registered addresses.

Share Price

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

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 at its website address which is: www.fccpt.co.uk

Financial Calendar 2013/2014

May 2013	Publication of Interim Management Statement
23 May 2013	Annual General Meeting
August 2013	Announcement of interim results
	Posting of Interim Report
November 2013	Publication of Interim Management Statement
March 2014	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
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
31 December 2006	1,269,122	1,039,769	141.5	131.0	(7.4)	30.0	6.00
31 December 2007	1,175,822‡	946,222‡	129.2‡	90.5	(30.0)‡	(7.7)‡	6.00
31 December 2008	813,941	584,183	85.8	62.0	(27.7)	(39.8)	6.00
31 December 2009	819,322	589,388	86.6	90.0	3.9	6.8	6.00
31 December 2010	934,223	655,081	96.3	105.6	9.7	15.7	6.00
31 December 2011	967,301	684,243	100.5	101.6	1.1	10.8	6.00
31 December 2012	**1,019,525**	**736,031**	**98.8**	**103.7**	**5.0**	**4.2**	**6.00**

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

Warning to Shareholders – Boiler Room Scams

In recent years, many companies have become aware that their shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high risk shares, or expressing a wish to buy their shares. If you receive unsolicited investment advice or requests:

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the Financial Conduct Authority ('FCA') before getting involved by visiting **www.fsa.gov.uk/register/home.do**
- Report the matter to the FCA by calling **0800 111 6768**
- If the calls persist, hang up

More detailed information on this matter can be found on the FCA website:
www.fca.org.uk/consumers/scams

How to Invest

One of the most convenient ways to invest in F&C Commercial Property Trust Limited is through one of the savings plans run by F&C Management Limited ('F&C').

F&C Private Investor Plan (PIP)
A flexible way to invest with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250.

F&C Investment Trust ISA
Use your ISA allowance to make an annual tax-efficient investment of up to £11,520 for the 2013/14 tax year with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250 and transfer any existing ISAs to us whilst maintaining all the tax benefits.

F&C Child Trust Fund (CTF)
CTFs are closed to new investors; however, if your child has a CTF with another provider, it is easy to transfer it to F&C. Additional contributions can be made from as little as £25 per month or £100 lump sum – up to a maximum of £3,720 for the 2013/14 tax year.

F&C Children's Investment Plan (CIP)
A flexible way to save for a child. With no maximum contributions, the plan can easily be written under trust to help reduce inheritance tax liability or kept in your name if you may need access to the funds before the child is 18. Investments can be made from a £250 lump sum or £25 a month. You can also make additional lump sum top-ups at any time from £100.

F&C Junior ISA (JISA)
This is a tax-efficient savings plan for children who did not qualify for a CTF. It allows you to invest up to £3,720 for the 2013/14 tax year with all the tax benefits of the CTF. You can invest from £30 a month, or £500 lump sum, or a combination of both.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and you may not receive back the full amount originally invested. Tax rates and reliefs depend on the circumstances of the individual. The CTF and JISA accounts are opened in the child's name. Money cannot be withdrawn until the child turns 18.

Annual management charges and certain transaction costs apply according to the type of plan.

Annual Account Charge
ISA: £60+VAT
JISA: £25+VAT
PIP: £40+VAT (from 6 April 2013)
CIP/CTF: £25+VAT (from 6 April 2013)
You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits).

Dealing Charge
ISA: 0.2%
PIP/CIP: 0.2% (to 5 April 2013)
Fixed rate of £12 per trust which is reduced to £8 per trust for instructions placed online (from 6 April 2013)
JISA: Fixed rate of £12 which is reduced to £8 for instructions placed online.

The dealing charge applies when shares are bought or sold but the fixed rate charge does not apply to the reinvestment of dividends or the investment of regular monthly savings.

There is no dealing charge on a CTF but a switching charge of £25 applies if more than 2 switches are carried out in one year.

Government stamp duty of 0.5% also applies on purchases (where applicable).

There may be additional charges made if you transfer a plan to another provider or transfer the shares from your plan. For full details of charges, please read the Key Features and Terms and Conditions of the plan before investing.

How to Invest
You can invest in all our savings plans online.

New Customers
Contact our Investor Services Team
Call: **0800 136 420** (8:30am – 5:30pm, weekdays, calls may be recorded)
Email: **info@fandc.com**
Investing online: **www.fandc.com**

Existing Plan Holders
Contact our Investor Services Team
Call: **0845 600 3030** (*9:00am – 5:00pm, weekdays, calls may be recorded)
Email: **investor.enquiries@fandc.com**
By post: F&C Plan Administration Centre
PO Box 11114
Chelmsford
CM99 2DG

If you have trouble reading small print, please let us know. We can provide literature in alternative formats, for example large print or on audiotape. Please call 0845 600 3030*.

The above has been approved by F&C Management Limited which is a member of the F&C Asset Management Group and is authorised and regulated in the UK by the Financial Conduct Authority.

Corporate Information

Directors
Chris Russell (Chairman) *
Jonathan Hooley †
Martin Moore
Peter Niven
Brian Sweetland
Nicholas Tostevin #

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

Registered Office
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Les Banques
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London W1U 1PB

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London E14 5AL

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* Chairman of the Nomination Committee
† Chairman of the Management Engagement Committee
# Chairman of the Audit Committee

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