F&C Commercial Property Trust Limited

Annual Report and Accounts

2013

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 2013 Group total assets less current liabilities were £1,080 million and Group shareholders' funds were £799 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 on page 7.

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 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 59.

You may also invest through your usual stockbroker.

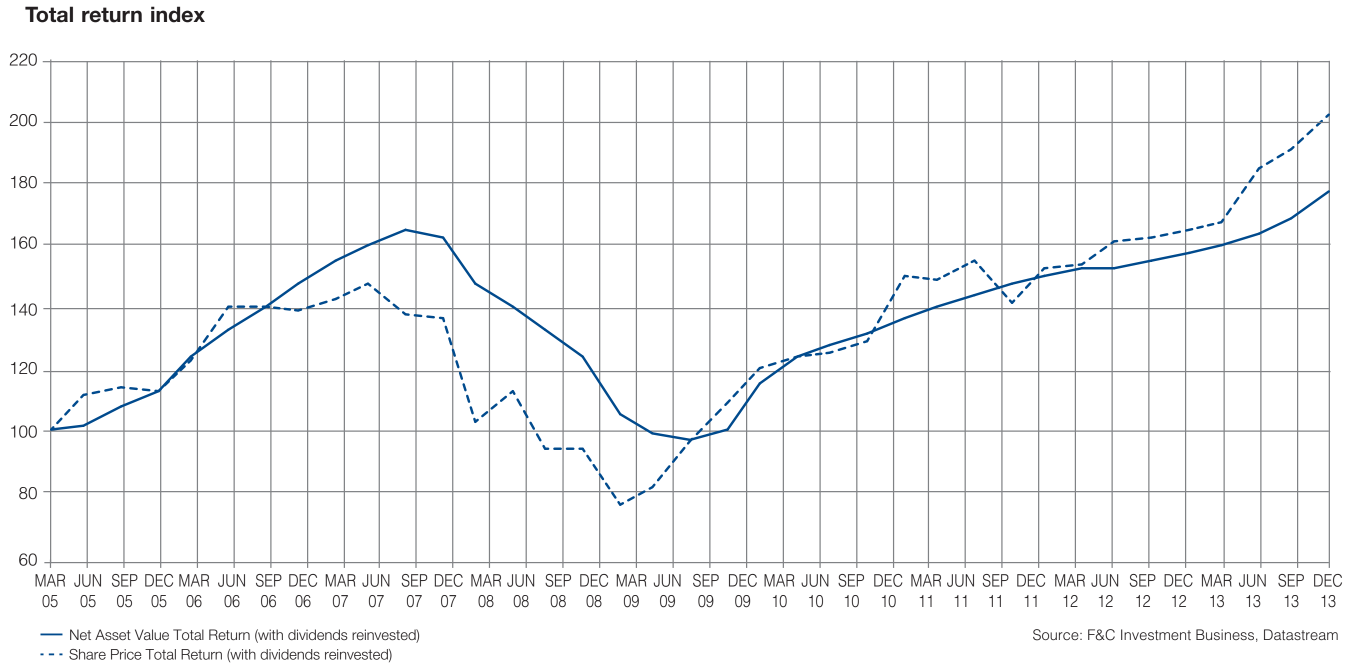
Website

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

Highlights

- Share price total return of 22.7 per cent
- Net asset value total return of 13.0 per cent
- Portfolio total return of 13.7 per cent, compared with a total return of 10.9 per cent from the IPD benchmark
- Top quartile performance of the portfolio over 1 year and top decile over 3 and 5 years within the IPD Quarterly Universe
- Dividend level maintained at 6.0p per Ordinary Share, providing a yield of 5.0 per cent at the year end
- Completion of £65 million acquisition of office blocks in Aberdeen since the year end with a further £30 million acquisition on the same Park expected to complete shortly

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 2013	Year ended 31 December 2012	
Total Returnø			
Net asset value per share*	**13.0%**	4.4%	
Ordinary Share price	**22.7%**	8.2%	
Investment Property Databank ('IPD') Quarterly Universe	**10.9%**	2.8%	
FTSE All-Share Index	**20.8%**	12.3%	
	31 December 2013	31 December 2012	% change
Capital Values			
Total assets less current liabilities (£'000)*	**1,080,435**	1,019,525	+6.0
Net asset value per share *	**105.3p**	98.8p	+6.6
Ordinary Share price	**120.5p**	103.7p	+16.2
FTSE All-Share Index	**3,609.63**	3,093.41	+16.7
Premium to net asset value per share	**14.4%**	5.0%	
Net Gearing¶	**13.1%**	15.0%	
	Year ended 31 December 2013	Year ended 31 December 2012	
Earnings and Dividends			
Earnings per Ordinary Share	**12.2p**	4.2p	
Dividends per Ordinary Share	**6.0p**	6.0p	
Dividend yield†	**5.0%**	5.8%	
Ongoing Charges			
As a percentage of average net assets**	**1.67%**	1.62%	
As a percentage of average net assets (excluding performance fee)**	**1.33%**	1.27%	
As a percentage of average net assets (excluding performance fee and direct property expenses)**	**0.64%**	0.67%	
	Highs 2013	**Lows 2013**	
Year's Highs/Lows			
Net asset value per share	**105.3p**	**98.8p**	
Ordinary Share price	**120.5p**	**100.8p**	
Premium	**20.5%**	**2.0%**	

ø 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 includes 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

Review of the Year

It is pleasing to report that the Company continued to perform strongly in 2013. Its net asset value ('NAV') total return for the year was 13.0 per cent, comparing favourably with a total return of 10.9 per cent from the benchmark Investment Property Databank ('IPD') Quarterly Universe. The ungeared total return from the property portfolio was 13.7 per cent, also comparing favourably with the IPD total return. The portfolio continues to be in the top quartile of the IPD Quarterly Universe over one year and top decile over three and five years.

The share price total return during the year was 22.7 per cent and the share price at the year-end was 120.5p. This represented a premium of 14.4 per cent to the NAV per share of 105.3p. The Company's shares traded at a strong premium throughout the year, reflecting the attractive dividend yield, a well covenanted income stream and the potential for capital gains from a portfolio of well-managed prime commercial property.

The strengthening of investor appetite for UK commercial property as reported at the interim stage continued for the full year. Improving economic data, a lessening of fears of a breakup of the Eurozone and a continuing environment of low interest rates all helped contribute to an increase in demand for the asset class. Overseas investors continued to provide the largest source of demand, but with an increasing demand from UK institutions as the year progressed.

Prime property continued to outperform secondary stock and the best performing regions were, again, London and the South East. However, as the year progressed yields in those sectors compressed further. The Managers bid on a number of properties during the year, and, while not completing any purchases, their disciplined approach signalled their unwillingness to pay the aggressive levels being bid, both in the regions and for more secondary properties.

As previously reported, the Company completed the development of student accommodation at Burma Road, Winchester in August. There were no other developments or acquisitions during the year but asset management activity has continued to be an important area of focus for the Company. There were several significant initiatives undertaken during the year which have enhanced the quality of the income stream and improved capital values. Detailed information regarding the activities undertaken during the year is contained within the Managers' Review.

Shareholders will recall a commitment made by the Company in July 2012 to purchase four office blocks in Aberdeen. The Company completed the purchase of Blocks 1 and 2 in March 2014 for a cost of £65.0 million. Blocks 3 and 4 are expected to be purchased later in April for a cost of around £30.4 million. The valuations of Blocks 1 and 2 will be reflected in the NAV per share as at 31 March 2014 and the valuations of Blocks 3 and 4 will be recognised in the NAV per share at the first quarter end following their purchase. The office blocks are all being purchased as pre-let on terms of between 15 and 20 years and will generate income of £6.9 million per annum, equivalent to a net initial yield of 6.8 per cent. This is a significant transaction for the Company, providing it with exposure to one of the most buoyant office markets in the UK and an increase in the level of dividend cover.

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 2012	98.8
Realised loss on sale of properties	(0.1)
Unrealised increase in valuation of direct property portfolio	9.0
Movement in interest rate swaps	0.3
Net revenue	3.3
Dividends paid	(6.0)
NAV per share as at 31 December 2013	105.3

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 5.0 per cent based on the year-end share price. Barring unforeseen circumstances, the Board intends that dividends in 2014 will continue to be paid monthly at the same rate.

The Company's level of dividend cover for the year (excluding property gains/losses) was 56.0 per cent compared to 72.5 per cent in 2012. The reduction in dividend cover has been due primarily to property sales over the past two years, the proceeds of which were largely committed although un-invested as at 31 December 2013. This cash included that earmarked for the acquisition of the office blocks in Aberdeen. The income stream from this property, the student accommodation at Winchester and a number of successful lease events undertaken in recent months will be of significant benefit to the level of dividend cover in future years. In addition, the Company continues to look for further attractive investment opportunities to deploy its modest remaining cash balance and, as long as there are no significant adverse changes to the outlook for interest rates, the Board believes that the Company can benefit from the current low interest rate environment as the maturity date for its bonds and one bank loan approaches.

Borrowings and Cash Balances

At the year end the Company's borrowings were represented by its £230 million secured bonds which mature in June 2015 and which have been assigned an 'Aaa' rating by Moody's Investor Services, and a £50 million secured bank loan which is repayable in 2017. Since the year-end, as part of the funding of the purchase of office blocks in Aberdeen, the Company has drawn down a £30 million committed bank facility which was taken out in 2012 and which will mature in June 2015.

Had the Company been fully invested at 31 December 2013, the level of gearing would have been 26.0 per cent. However, since July 2012, when the Company made its commitment to purchase the office blocks in Aberdeen, it has held a higher level of cash in order to fund part of the purchase cost. The total amount of cash held at the year-end was £160.9 million, resulting in gearing, net of cash, of 13.1 per cent.

Since the year end, the cash balance has decreased to £122 million following a small acquisition and the purchase of the first two office blocks in Aberdeen. The cash balance is expected to decrease further to around £91 million following the completion of the remainder of the Aberdeen transaction.

Maturity of Secured Bonds and Bank Loan, and Continuation Vote

Given the Company's £230 million bonds and £30 million bank loan are both due to mature in June 2015, the Board has been considering various options in relation to refinancing this debt, either on or before its maturity. The Board believes that the current low interest rate environment and quality of the Company's portfolio make it well placed to refinance on attractive terms.

As shareholders may be aware, the Company is required by its Articles of Incorporation to propose an ordinary resolution for the continuation of the Company at its Annual General Meeting in 2015. The timing of the continuation vote was set at launch in 2005 so as to coincide with the maturity of the £230 million bonds. In the event of the bonds and bank loan being refinanced in advance of their maturity date, the Board will bring the continuation vote forward.

Real Estate Investment Trusts ('REIT') Regime

The Board has continued to keep under review the recent changes to the REIT regime, and in particular how these changes might impact the Company. The Board remains satisfied that for the time being it continues to be in the Company's interests to maintain the current group structure but this could change, particularly in light of any structural changes which may take place as a result of refinancing the debt.

Alternative Investment Fund Managers' Directive

This Directive is European legislation which creates an EU-wide framework for regulating an alternative investment fund manager ('AIFM'). The Company's activities fall within the remit of these new regulations and it has until July 2014 to comply. The Board is in an advanced stage of its planning. It has reviewed the impact of the Directive on the Company's operations and is considering two options: either to appoint a subsidiary of F&C Asset Management plc

Chairman's Statement (continued)

('F&C') as the Company's AIFM; or for the Company itself to act as the AIFM. If the Board appoints a subsidiary of F&C as the AIFM then it will also be required to appoint a depository. There would be no additional fee payable to F&C should it be appointed as the AIFM and the Board does not expect other costs relating to compliance with the Directive to be significant.

Issue of New Ordinary Shares

During the year, the Company issued 14 million Ordinary Shares for a net consideration of £14.1 million. All new shares were issued at a premium to the most recently announced NAV. The Board will seek new share issuance authority at the forthcoming Annual General Meeting.

Board Composition

Owing to other commitments, Jonathan Hooley retired as a Director on 31 December 2013. On behalf of the Board I would like to thank Jonathan for his significant contribution to the Company since his appointment in 2009.

As previously announced, Trudi Clark was appointed as an independent non-executive Director on 4 February 2014. Trudi is a former Chief Executive Officer of Schroders (C.I.) Limited and is a non-executive director of a number of unlisted funds and companies in Guernsey. She brings accounting, property and banking experience to the Board.

Annual General Meeting

The Annual General Meeting will be held at 12.30pm on Wednesday 21 May 2014 at Trafalgar Court, Les Banques, St. Peter Port, Guernsey. Shareholders who are unable to attend the Meeting are requested to complete and return the Form of Proxy which is enclosed with the Annual Report so as to ensure that their votes are represented.

Outlook

The economic environment in the UK has improved over the past year and this should help to support the momentum in the commercial property market. While there are concerns about developments in the Eurozone and emerging markets as well as uncertainty as to when interest rates will start to increase, in the absence of any major economic disappointments the year ahead should be another successful one for the asset class. The Managers expect London and the South East to continue to outperform other regions in 2014, but with a broadening of investor demand towards some UK regions and properties containing secondary characteristics.

The imminent completion of the acquisition in Aberdeen is a significant transaction for the Company. The Managers continue to seek attractive investment opportunities and in particular to add value through pro-actively managing the existing portfolio where there are many opportunities to enhance revenue and capital returns for shareholders.

Chris Russell
Chairman

11 April 2014

Business Model and Strategy

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

Board

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, gearing, corporate governance procedures and risk management. Biographical details of the Directors, all of whom are non-executive, can be found on page 18. The Company has no executive Directors or employees.

The Board has contractually delegated the management of the investment portfolio and other services to the Managers. A summary of the terms of the management agreement is contained in note 2a to the accounts.

Investment Strategy

The Company's investment strategy is set out in its objective and investment policy below.

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 2013 is contained within the Managers' Review on pages 10 to 16 and a portfolio listing is provided on page 17.

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

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.

Shareholder Value

The Board and Managers recognise the importance of both marketing and share buy-backs in increasing demand for the Company's shares. In terms of marketing, the Managers offer a range of private investor savings schemes, details of which can be found on page 59. 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

Business Model and Strategy (continued)

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.

Principal Risks and Risk Management

As stated within the Report of the Audit Committee on page 25, the Board applies the principles detailed in the internal control guidance issued by the Financial Reporting Council, and has established an ongoing process designed to meet the particular needs of the Company in managing the risks and uncertainties to which it is exposed.

The principal risks and uncertainties faced by the Company are described below and in note 18 which provides detailed explanations of the risks associated with the Company's financial instruments.

- Market – the Company's assets comprise principally direct investments in UK commercial property and it is therefore exposed to movements and changes in that market.
- Investment and strategic – poor investment processes and 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 its business, or that of other 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 other 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. 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.

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 and dividend yield; and
- Ongoing charges as a ratio of net assets.

The Company's performance against the key performance indicators for the year under review is reported within the Chairman's Statement on pages 4 to 6, the Managers' Review on pages 10 to 16 and the Performance Summary on page 3. A historic record of these indicators is contained in the Highlights on page 2 and in the Historic Record on page 58.

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 £82.1 billion of funds under management (as at 31 December 2013). 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 £7.3 billion (as at 31 December 2013), and manages property investments on behalf of a wide range of clients.

Managers' Review

Highlights over the Year

- Top quartile performance, maintaining strong performance over the short, medium and long term
- Total relative return outperformance of 2.5 per cent
- Capital growth from the portfolio was 8.0 per cent, compared with 4.9 per cent from the benchmark
- Void levels of 6.0 per cent compared with the benchmark rate of 7.4 per cent
- Lettings at Sears Retail Park, Solihull producing an income return of 7.9 per cent and a total return of 21.2 per cent
- Asset management initiatives at 6a Hams Hall Distribution Park, Birmingham, resulting in a total return of 37.8 per cent
- Asset management initiatives at 16 Conduit Street, London W1 resulting in a total return of 58.4 per cent

St. Christopher's Place Estate, London W1

Property Market Review

The market portfolio total return for the year, as measured by the benchmark Investment Property Databank ('IPD') Quarterly Universe was 10.9 per cent. The year saw momentum building from quarter to quarter. An improving UK economic backdrop coupled with a lessening of fears of disorderly Eurozone fracture supported an improvement in investor sentiment as the year progressed.

Investment activity in 2013 totalled more than £53 billion compared with £33 billion in 2012, with transactions in the final quarter at a new high, according to figures from specialist information business, Property Data. While overseas investors continued to be the largest single group of investors, the year witnessed a return to positive net investment by UK institutions. Central London offices remained a major focus for buyers but interest broadened to other sectors of the market, both mainstream and alternative, and to the regions. The popularity of index-linked long leases as an alternative to low-yielding gilts persisted in 2013.

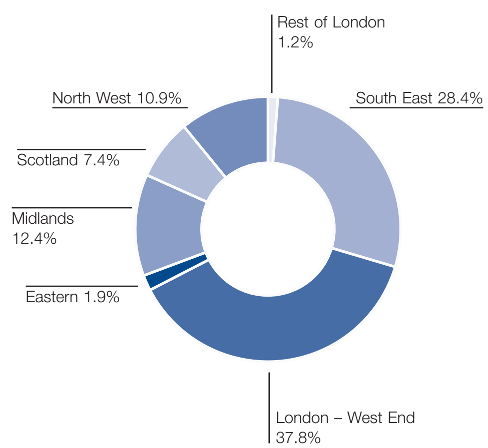
Capital values eased further in early 2013, after moving lower in 2012. Since then, capital growth has recovered, with 4.9 per cent from the IPD Quarterly Universe for the full year. Although London capital value growth continued to outpace that seen in the regions, the recovery broadened as 2013 progressed. The year saw higher capital values in most parts of the market with Rest of UK offices the main exception, although the final quarter did witness an uplift.

The benchmark income return for the year was 5.7 per cent compared with 5.8 per cent in 2012.

Growing the income stream has remained challenging. IPD market data indicates that although the growth in net income improved from the previous year, it remained below the ten year average in 2013. The market void rate as a percentage of total income moved below 10 per cent according to IPD data, with improvements seen in the three main property sectors.

The occupational market has been patchy, with falls in retail rental values the norm outside London. The office and industrial markets recorded positive rental growth focused on London and the South East, although the regions also witnessed a move to rental stabilisation. There are indications of some improvement in tenant demand, with a greater volume of enquiries apparent and signs of shortages

Geographical Analysis
as at 31 December 2013
% of total property portfolio

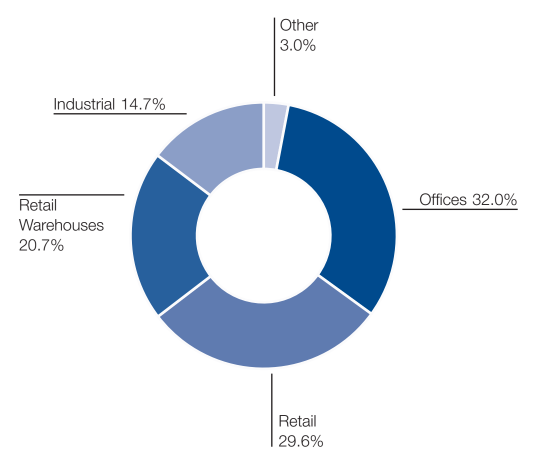


of top quality space emerging in established core office and industrial locations. New supply was sharply reduced during the downturn but some schemes are now being progressed and some development has commenced on a speculative basis.

Prime property remained in favour during the year and the market saw initial yields compress. As the year progressed, investors started to look beyond prime, reflecting keen pricing and competition for this type of stock. Towards the end of 2013, the yield gap between prime and more secondary assets began to narrow. However, the occupational market for "true" secondary remained difficult and the year saw negative rental growth, net income growth and capital values for secondary standard retails, shopping centres, retail warehouses and offices in both the Rest of South East and the Rest of UK, according to IPD market data.

The year was marked by a sharp turnaround in performance, led by a more buoyant investment market. The recovery broadened to the regions and to some more secondary markets as the year progressed, but with London, the South East and prime assets still generally out-performing.

Sector Analysis
as at 31 December 2013
% of total property portfolio



Property Portfolio

The property portfolio was externally valued at £927.9 million as at 31 December 2013.

The total return from the portfolio during the period was 13.7 per cent (14th percentile), outperforming the 10.9 per cent benchmark return. The portfolio continues to deliver good performance over the long term recording top decile performance over three and five years.

Total Return Analysis

Market Segment - Direct Property	Portfolio (%)	Benchmark (%)
St Retails - South East*	17.6	13.4
St Retails - Rest of UK	5.8	6.4
Shopping Centres	0.0	7.2
Retail Warehouses	12.2	7.1
Offices - City	19.4	14.0
Offices - West End	13.6	18.3
Offices - South East	10.2	15.0
Offices - Rest of UK	5.8	5.8
Industrials - South East	6.7	13.3
Industrials - Rest of UK	17.6	11.8
Other Commercial	14.4	9.4
All Segments	**13.7**	**10.9**

*Includes West End Retail

Retail

The retail sector IPD benchmark portfolio total return was 8.3 per cent in 2013, a significant improvement on the 2012 out-turn, but still the weakest of the three main property sectors. IPD market data showed West End retail recording an 18.0 per cent total return for the year, but retail property in regions outside Central London failed to reach 8 per cent. There are a few bright spots outside the capital but the sector has continued to struggle with the impact of trade diversion from traditional stores to other forms of retailing and constrained consumer budgets. Secondary property has been particularly affected but retail rental growth was negative across every region outside London in 2013, underlining the problems facing the occupational market. The improvement in employment, rising house prices and lower inflation strengthened consumer sentiment later in the year to the benefit of retailers providing the right offer, but retailers generally still remained cautious and cost sensitive.

Mavor Avenue, East Kilbride

Managers' Review (continued)

The Company's largest holding, St. Christopher's Place Estate, London W1, delivered a total return for the year of 18.9 per cent, which was in excess of the West End retail benchmark. Key highlights during the year were securing planning consent for a redevelopment of 71-77 Wigmore Street and the contracted purchase of 1 Barrett Street from an adjoining owner, which should complete shortly. The acquisition will open up attractive opportunities for the redevelopment of a strategic corner site that overlooks the main Barrett Street piazza. On lettings, a record rent of £73 per sq. ft. was achieved for refurbished office space at St. Christopher's House and new retail lettings were concluded with Jones The Bootmaker, Diverso and Les 100 Ciels. A further seven apartments were created as part of our ongoing programme of upgrading the Estate's building stock and void levels generally are at historically low levels, which is helping to drive net income levels, rental values and investment performance.

16 Conduit Street, London W1

The Company's other West End retail holding at 16 Conduit Street delivered an outstanding return of 58.4 per cent as a result of the surrender of the headlease and the re-grant of a new lease of the shop premises to Christian Dior. This transaction saw income rise for the holding as a whole by 54.1 per cent. Conduit Street benefits from its proximity to Bond Street, where rents have also seen huge increases, and this rental trend is now extending into the nearby streets due to supply issues and occupiers searching for relatively lower total occupation costs. Outside the West End the Company's holding in Wimbledon, which has a heavy bias towards leisure uses, continues to deliver satisfactory performance largely as a result of active demand for space from food and beverage operators, a trend we expect to continue.

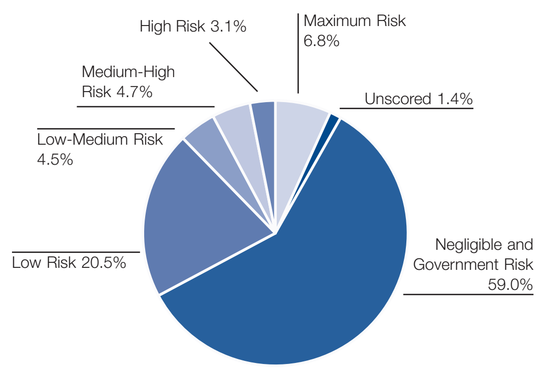
2013 was a year of two halves for retail warehousing with the first half of the year being one of the quietest on record in terms of deal flow because of vendors' reluctance to sell due to disparity in pricing expectations. The second half of the year saw a marked increase in transactional activity with UK institutions continuing to dominate the market but oversees money playing a more significant part. Throughout the year, demand for prime assets of all lot sizes offering long, secure income streams continued to outweigh supply. As prime yields continued to harden (50-75 bps inward shift), more stock began to come to the market, including some rather opportunistic disposals of secondary assets. The usual year end flurry saw a huge leap in activity in the final quarter with total Out of Town Retail disposals for 2013 of around £2.7 billion (90 deals).

The improving economic picture during 2013 started to feed through to the retailers with some renewed occupational activity. The last round of high profile failures (Comet, JJB, Dreams), took average vacancy rates in the sector to just under 10 per cent, but this began to decrease as space was taken up.

A prolonged lack of new development (down to less than 1 million sq. ft. completed and opened in the previous 12 months), created some competition for prime space, especially in the South-East.

Asset management activity within the Company's retail warehouse holdings focused on Sears Retail Park, Solihull. The lease of Unit 2 was surrendered by Homebase and the unit was subdivided to create two smaller units, which were relet to M&S Simply Food at a rent of £462,000 per annum until 2033 (tenant only break option in 2028) and TJX

Covenant Strength
as at 31 December 2013
% of total property portfolio



Homesense at a rent of £315,000 per annum until 2029 (tenant only break option in 2023). As a result, footfall to the Park has been enhanced and future rental growth prospects are improving. The lease term to Homebase for Unit 1 was extended until 2027, at the existing rental level, thus increasing the unexpired terms of leases across all three units. The former Comet unit, which extends to 30,000 sq. ft., has been let to Next Home & Garden on a 15 year lease at rent of £800,000 per annum. We believe this letting will be transformational for the Park.

Offices

The office market as a whole delivered an IPD portfolio benchmark total return of 14.8 per cent in 2013. Within the sector, West End offices delivered a benchmark total return of 18.3 per cent reflecting both strong investor demand and uplifts where potential existed to convert to residential use. The City provided a benchmark total return of 14.0 per cent, lagging behind some more fringe areas of the capital. The Rest of the South East office market registered a benchmark total return of 15.0 per cent, following a prolonged period of under-performance, helped by improved tenant demand, very low new supply and increased investor interest. The office market outside London and the South East was significantly weaker, with a benchmark total return of 5.8 per cent for the year. There were marked differences in performance between cities, with Aberdeen, Cambridge and Edinburgh all delivering double digit annual market returns in 2013 but Glasgow, Leeds and Manchester seeing total returns of less than 5 per cent.

Alhambra House, Wellington Street, Glasgow

The Central London market had another positive year. Increasing occupier activity and reducing availability, in part because of change of use to residential, drove rental growth and continuing weight of money, approaching 70 per cent from overseas, compressed yields further.

25 Great Pulteney Street, London W1

During the year, the Company completed the sale of Charles House, 5-11 Regent Street, London SW1 to the Crown Estate for £36 million, reflecting a net initial yield of 5.96 per cent. The sale price bettered the last external valuation by £1.6 million. Selling Charles House took advantage of the strong demand for Central London properties and avoided the risk of lease expiries and requirements for imminent capital expenditure when £965,000 (54.3 per cent) of annual rental income was due to expire in March 2014 with the remaining income expiring in 2017/2018.

The year also saw 25 Great Pulteney Street, London W1 fully let, with the final floor being taken by WPP at the asking rent of £75 per sq. ft. WPP occupy 60 per cent of the building by area on leases all expiring in June 2022 without breaks. The sixth floor at 17a Curzon Street, London W1 has been refurbished and let at a rent of £95 per sq. ft.

Managers' Review (continued)

The South East office portfolio produced a total return of 10.2 per cent, underperforming the IPD benchmark of 15.0 per cent. This underperformance was a result of valuers marking out capitalisation yields on shorter leases. In the regions, the market remains challenging but there are notable signs of recovery. Increased occupational demand has been witnessed at Watchmoor Park, Camberley, 125 Princes Street, Edinburgh and Alhambra House, Glasgow, and refurbishment initiatives at 82 King Street, Manchester and Thames Valley Park Two, Reading are in the process of being completed.

Industrial

IPD market data indicates that the greatest total return was seen in the Midlands in 2013 and also that distribution warehouses out-performed standard industrials for the fifth consecutive year to deliver a 14.9 per cent annual total return. Investor demand has come from buyers seeking assets with a relatively high income return, exposure to longer leases and from overseas investors, and yields have responded. The occupational market saw improved take-up with shortages emerging in some areas. Rental growth turned positive during the year but there was a quality threshold. Rental growth remained negative at the secondary end in 2013 and net income for secondary industrials has now been falling for nine consecutive years. In contrast, distribution warehouses have become increasingly institutionally acceptable and their share in the IPD Quarterly Universe has more than doubled since 2001.

Unit 1, G. Park, Portal Way, Liverpool

The Company's industrial South East properties provided a total return of 6.7 per cent, which was below the IPD benchmark of 13.3. This level of underperformance was outstripped by the Rest of UK registering a total return of 17.6 per cent compared with an 11.8 per cent total return for the benchmark.

At Hams Hall Distribution Park, Birmingham the Company accepted a surrender of the lease of Unit 6a and simultaneously contracted with Syncreon Automotive (UK) Limited to grant a seven year lease at the passing rent of £707,712 per annum. As the previous tenant had not been in occupation and had been marketing its lease for approximately two years, this asset management initiative resulted in a 26 per cent (approximately £2 million) uplift in value in the fourth quarter of the year.

Unit 6a, Hams Hall Distribution Park, Birmingham

The assignment of the lease on Unit 8 Hams Hall from Wincanton to their occupational client, Nestlé Purina Petcare (UK) Ltd, was completed after the year-end. This transaction, despite providing Nestlé with the equivalent of ten months' rent free and settling the 2010 and 2015 reviews without increase, importantly allows for the removal of the 2015 break clause, thereby providing continuous income until at least 2020, and should result in substantial capital appreciation in the first quarter of 2014.

At Cowdray Avenue, Colchester, lettings have been secured of Unit 16 to Pickford Move Management Ltd and Unit 5 to Cowdray Carpets Limited with a combined rental income in excess of £86,000 per annum. This has equated to a reduction in the void rate across the estate from approximately 22 per cent to 14 per cent by ERV. Lease re-gearings have been agreed for Unit 22 to Teleplan Colchester Ltd and Unit 3 to Rexel UK Limited extending 16 per cent of the total rental income across the estate, and terms have been agreed on a new letting of Units 7 and 8 with Howdens Properties Limited for a new 15 year term with a tenant only break option at year ten. This letting will generate an annual income of over £50,000 and should complete shortly, resulting in a further reduction in the void rate from 14 per cent to under 10 per cent.

The refurbishment of Unit 1 Strategic Park, Hedge End, Southampton is nearly complete and there is a good level of tenant interest in the facility.

The 'Other' Sector

This sector comprises alternative property assets such as healthcare, student accommodation, hotels, data centres and automotive uses. The sector is growing in importance and now comprises 7.7 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 of low gilt yields and given the limited amount of stock in the traditional three sectors offering long leases. The "Other Commercial" sector recorded an IPD benchmark total return of 9.4 per cent in 2013.

The Company's exposure to this sector produced a total return of 14.4 per cent, equivalent to 4.6 per cent relative outperformance. This was entirely attributable to the ownership of student housing accommodation at Burma Road, Winchester. The development of five blocks of accommodation comprising 499 bedrooms is let to the University of Winchester on a new 25 year lease with RPI linkage, subject to a collar. All properties have now been finished and handed over to the University.

Burma Road, Winchester

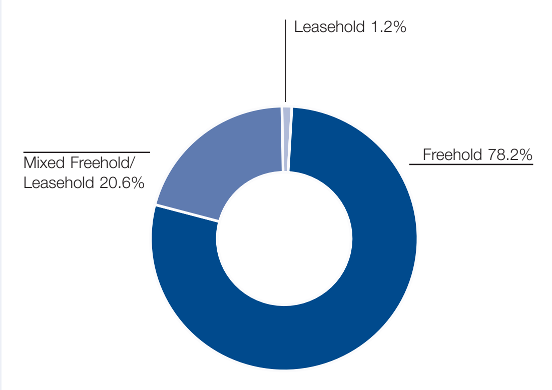
Purchases and Disposals

After the year-end the Company purchased the freehold of the Magnet and Multiyork units at Sears Retail Park, Solihull. The acquisition increases the Company's exposure to the Solihull Out of Town Retail market, which is set to strengthen over the short term, through the asset management initiatives outlined above.

Sears Retail Park, Solihull

The Company's acquisition of Prime Four Business Park, Aberdeen was delayed due to the late completion of the building programme. As reported previously, the four pre-let headquarter office buildings are being acquired for £95.4 million, plus costs, with an overall rent of £6.9 million per annum and the overall net initial yield on completion will be 6.84 per cent. Since the end of the year the Company has completed the purchase of the 103,000 sq. ft. building let to Apache North Sea Limited and the 100,000 sq. ft. building let to Nexen Petroleum UK Ltd for an aggregate price of £65.0 million and a contracted rent of £4.7 million per annum. Construction of the two other buildings is continuing and it is anticipated that they will be acquired before the end of the second quarter.

Tenure Analysis
as at 31 December 2013
% of total property portfolio



Managers' Review (continued)

Prime Four Business Park, Kingswells, Aberdeen

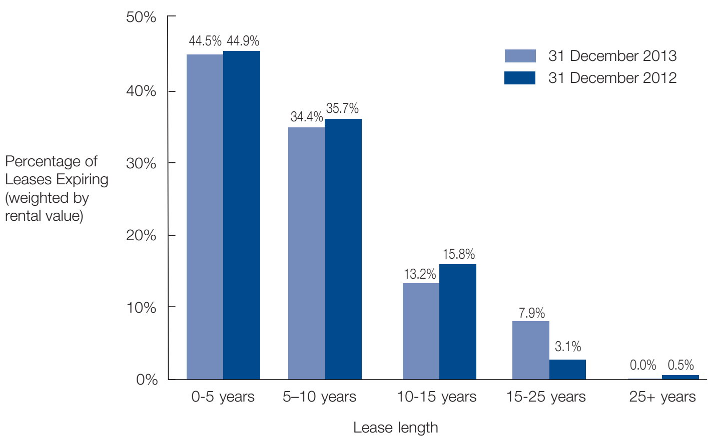
Property Management

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

Void levels over the year reduced from 7.0 per cent to 6.0 per cent of estimated rental value (excluding properties held for development) compared with the benchmark rate of 7.4 per cent. This equates to approximately £3.7 million of rental value. We remain totally focused on leasing the vacant accommodation in the portfolio. During 2013 we contracted 39 lettings, producing a total rental income of £1.6 million per annum. We also contracted nine rent reviews with a total uplift of £0.3 million per annum over the previous passing rent.

Lease Expiry Profile

At 31 December 2013 the weighted average lease length for the portfolio. assuming all break options are exercised, was 6.9 years (2012: 6.9 years).



The provision of overdue debt (90 days) is 1.2 per cent of gross annualised rents, a decrease from 2.1 on the quarter. The total bad debt charge for the year was 1.3 per cent of gross annualised rents, which is higher than previously experienced and is due in the main to the retailer defaults at Solihull (Comet and JJB Sports). As reported elsewhere in this report, progress has been and continues to be made in securing long term occupational tenants for these units.

We are making significant progress in dealing with the 2014 and 2015 lease expiries as evidenced by the activity at Hams Hall Distribution Park, Birmingham, highlighted above.

Outlook

The economic outlook has brightened, with UK consensus forecasts being upgraded, but uncertainties remain. Investors are concerned about potential adverse developments in the US, the Eurozone and emerging markets, while the timing and trajectory of changes to official interest rates in the UK is unclear. The property market upturn has gathered momentum and if the forecast improving economic performance is realised, 2014 could be another year of double digit total returns. Total returns may see some moderation thereafter if monetary policy becomes less accommodative but, in the absence of major shocks, we expect total returns to remain positive both in real and nominal terms over the medium-term and to out-pace the long-run (ten year) average. London and the South East are predicted to continue to out-perform, while towns with a local economy based on expanding industries such as oil, technology and media may also do well. We also believe that the recovery will broaden and deepen in other parts of the UK but that property performance will continue to be governed by local market fundamentals and the characteristics of the asset.

Richard Kirby
Investment Manager
F&C REIT Property Asset Management plc
11 April 2014

Property Portfolio

	Sector
Properties valued in excess of £150 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 Warehouse
Properties valued between £50 million and £70 million	
London SW1, Cassini House, St James's Street	Office
London SW19, Wimbledon Broadway	Retail
Solihull, Sears Retail Park	Retail Warehouse
Properties valued between £40 million and £50 million	
London W1, 25 Great Pulteney Street	Office
Properties valued between £30 million and £40 million	
Uxbridge, 3 The Square, Stockley Park	Office
Rochdale, Dane Street	Retail Warehouse
Properties valued between £20 million and £30 million	
Winchester, Burma Road	Other
Chorley, Units 6 and 8 Revolution Park	Industrial
Glasgow, Alhambra House, Wellington Street	Office
East Kilbride, Mavor Avenue	Retail Warehouse
Properties valued between £10 million and £20 million	
Daventry, Site E4, Daventry International Rail Freight Terminal	Industrial
Manchester, 82 King Street	Office
London W1, 17a Curzon Street	Office
Reading, Thames Valley One, Thames Valley Park	Office
London SW1, 2/4 King Street	Office
Liverpool, Unit 1, G. Park, Portal Way	Industrial
Birmingham, Unit 8 Hams Hall Distribution Park	Industrial
Camberley, Watchmoor Park	Office
Birmingham, Unit 10a Hams Hall Distribution Park	Industrial
Edinburgh, 124/125 Princes Street	Retail
Reading, Thames Valley Two, Thames Valley Park	Office
Colchester, The Cowdray Centre, Cowdray Avenue	Industrial
London EC3, 7 Birchin Lane	Office
London W1, 16 Conduit Street (note 1)	Retail
Properties valued under £10 million	
Birmingham, Unit 6a Hams Hall Distribution Park	Industrial
Southampton, Upper Northam Road, Hedge End	Industrial
Edinburgh, Nevis/Ness Houses, 11/12 Lochside Place	Office
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 page 7, St. Christopher's Place Estate is treated as more than one property.

Board of Directors

Chris Russell FCA, FSIP

Status: Chairman and independent non-executive Director. Chairman of the Nomination Committee.

Date of appointment: 31 October 2009 (appointed Chairman 19 May 2011)

Country of residence: Guernsey

Experience: Chris Russell was, until 2001, an executive director of Gartmore Investment Management plc. He is 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.

Other public company directorships: JPMorgan Japan Smaller Companies Trust plc, HICL Infrastructure Company Limited and Macau Property Opportunities Fund Limited.

Peter Niven FCIB, CDir

Status: Independent non-executive director (since 1 January 2014) and Chairman of the Management Engagement Committee

Date of appointment: 21 January 2005

Country of residence: Guernsey

Experience: Peter Niven 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 March 2013, a director of Resolution Limited and, until 1 January 2014, represented 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 investment funds and a captive insurance PCC.

Other public company directorships: None

Trudi Clark ACA

Status: Independent non-executive director

Date of appointment: 4 February 2014

Country of residence: Guernsey

Experience: Trudi Clark is a former Chief Executive Officer of Schroders (C.I.) Limited and has over 25 years' experience in the financial services industry. She is a non-executive director of a number of Guernsey based funds and companies.

Other public company directorships: Sapphire (PCC) Limited – Sapphire IV Cell

Brian Sweetland

Status: Independent non-executive director

Date of appointment: 21 January 2005

Country of residence: UK

Experience: Brian Sweetland 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.

Other public company directorships: None

Martin Moore MRICS

Status: Independent non-executive director

Date of appointment: 31 March 2011

Country of residence: UK

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

Other public company directorships: None

Nicholas Tostevin

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

Date of appointment: 21 January 2005

Country of residence: Guernsey

Experience: Nicholas Tostevin 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.

Other public company directorships: None

Report of the Directors

The Directors present their report and accounts of the Group for the year ended 31 December 2013.

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 2013 as follows:

	Payment date	Rate per share
Ninth interim for prior year	31 January 2013	0.5p
Tenth interim for prior year	28 February 2013	0.5p
Eleventh interim for prior year	28 March 2013	0.5p
Twelfth interim for prior year	26 April 2013	0.5p
First interim	31 May 2013	0.5p
Second interim	28 June 2013	0.5p
Third interim	31 July 2013	0.5p
Fourth interim	30 August 2013	0.5p
Fifth interim	27 September 2013	0.5p
Sixth interim	31 October 2013	0.5p
Seventh interim	29 November 2013	0.5p
Eighth interim	27 December 2013	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 2014 and a third was paid on 28 March 2014. The twelfth, and last, interim dividend in respect of the year, of 0.5p per share, will be paid on 30 April 2014 to shareholders on the register on 11 April 2014. 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 closed-ended property investment company. The Company's shares are traded on the Main Market of the London Stock Exchange.

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

Directors

Biographical details of the Directors, all of whom are non-executive, can be found on page 18. Mr J G Hooley retired as a Director on 31 December 2013. There were no other changes to the composition of the Board during the year.

During the year, the Company employed the services of an external search consultant, Trust Associates Limited, to assist with the recruitment of a new Director. Trust Associates Limited has no other connection with the Company. As explained in the Chairman's Statement, Mrs Trudi Clark was appointed as an independent non-executive Director on 4 February 2014. Mrs Clark is a Chartered Accountant and a former Chief Executive Officer of Schroders (C.I.) Limited. She is a non-executive director of a number of Guernsey based funds and companies and brings accounting, property and banking experience to the Board. In accordance with the Company's Articles of Incorporation Mrs Clark will retire at the Annual General Meeting, being the first such meeting following her appointment. Being eligible, she will offer herself for re-election.

As explained in more detail under Corporate Governance on pages 22 to 23, the Board has agreed that all Directors will retire annually. Accordingly, Mr M R Moore, Mr B W Sweetland, Mr P Niven, Mr N J M Tostevin and Mr C Russell will also retire at the Annual General Meeting and, being eligible, offer themselves 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 the evaluation process set out in the Corporate Governance Statement on pages 22 and 23, the performance of each of these Directors 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, and accepted, the terms of a letter of appointment that sets out the main terms of his or her appointment. Amongst other things, the letter includes confirmation that the Directors have a sufficient understanding of the Company and the sector in which it operates, and sufficient time available to discharge their duties effectively taking into account their other commitments. These letters are available for inspection upon request at the Company's registered office.

Management

The 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 2a to the accounts.

The Board keeps the appropriateness of the Managers' appointments under review. In doing so the Board reviews performance quarterly and

Report of the Directors (continued)

considers the past investment performance of the Company and the capability and resources of the Managers to deliver satisfactory investment performance in the future. It also reviews the length of the notice period of the investment management agreement and the fees payable to the Managers, together with the standard of the other services provided.

The 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 2013 the Company had received notification of the following holdings of voting rights (under the Financial Conduct Authority's Disclosure and Transparency Rules):

	Number of Ordinary Shares Held	Percentage Held*
Resolution Limited	203,936,835	26.8
Investec Wealth & Investment Limited	68,213,991	8.9
HSBC Holdings plc	38,602,399	5.0
Ignis Investment Services Limited	24,903,180	3.2

*Based on 758,715,702 Ordinary Shares in issue as at 31 December 2013.

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

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.

Annual General Meeting

The Notice of the Annual General Meeting, to be held on 21 May 2014 is set out on pages 56 to 57.

Directors' Authority to Allot Shares

The Company issued 14,000,000 Ordinary Shares during the year. The aggregate net proceeds were £14.1 million.

Resolution 12 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 11 April 2014.

Resolution 13 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 13 gives the Directors, for the period until the conclusion of the Annual General Meeting in 2015 or, if earlier, on the expiry of 15 months from the passing of 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 11 April 2014.

The Directors will only allot new shares pursuant to the authority granted by Resolutions 12 and 13, Guernsey law and the authority to allot shares contained in the Articles of Incorporation of the Company if they believe it is advantageous to the Company's shareholders to do so and in no circumstances that would result in a dilution to the net asset value per share.

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 14, as set out in the notice of the Annual General Meeting, seeks renewal of such authority until the earlier of the Annual General Meeting in 2015 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. 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 are required to 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 every fifth year 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 or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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.

Statement Regarding Annual Report and Accounts

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

On behalf of the Board

C Russell
Director

11 April 2014

Corporate Governance Statement

The Company is a member of the Association of Investment Companies ('the AIC'). The Board has therefore considered the principles and recommendations of the AIC Code of Corporate Governance issued in February 2013 ('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 September 2012, 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 AIC Code also incorporates a framework of best practice for Guernsey-domiciled member companies.

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

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

The Board consists solely of non-executive Directors. Other than Mr P Niven, all Directors were considered by the Board to be independent during the year. Mr Niven was, until 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 then represented that company at charitable and similar events in Guernsey that may be supportive of that community. This role ceased on 1 January 2014 and since that date the Board has determined Mr Niven to be an independent Director.

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 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.

During the year the performance of the Board, committees and individual Directors was evaluated through an assessment process led by the Chairman. This process involved the completion of questionnaires tailored to suit the nature of the Company, discussions with individual Directors and individual feedback from the Chairman to each of the Directors. The evaluation of the Chairman was led by the Chairman of the Audit Committee in consultation with all the other Directors.

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 20 Board and Board committee meetings held in Guernsey during the year.

	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	2	2	1	1
J G Hooley (retired 31 December 2013)	5	5	3	3	2	2	1	1
M R Moore	5	5	3	3	2	2	1	1
P Niven	5	5	n/a	n/a	n/a	n/a	1	1
B W Sweetland	5	5	3	3	2	2	1	1
N J M Tostevin	5	5	3	3	2	2	1	1

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

The basis on which the Company aims to generate value over the longer term is set out in its objective and investment policy as contained on page 7. 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 committees operate within clearly defined terms of reference which are available for inspection upon request at the Company's registered office.

Management Engagement Committee

During the year the Management Engagement Committee comprised all of the Directors except Mr P Niven and it was chaired by Mr J G Hooley who retired as a Director on 31 December 2013. As explained on page 22, the Board has, since 1 January 2014, determined Mr Niven to be an independent Director. Mr Niven has therefore been appointed as a member and Chairman of the Management Engagement Committee since the year-end. Mrs Trudi Clark, who was appointed as an independent non-executive Director on 4 February 2014, has also been appointed to the committee.

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 terms and quality of service received from other service providers on a regular basis.

As stated in the 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. The Directors have not set any measurable objectives in relation to the diversity of the Board. No new Directors were appointed during the year, although, as reported in the Chairman's Statement on page 6, Mrs Trudi Clark has been appointed as a Director since the year-end. 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.

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 21 May 2014 is set out on pages 56 and 57. It is hoped that this will provide a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Managers of the Company. The Annual Report and Notice of Annual General Meeting are posted to shareholders at least 20 working days before the Annual General Meeting.

On behalf of the Board

C Russell
Director

11 April 2014

Report of the Audit Committee

During the year the Audit Committee comprised 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. As explained on page 22, the Board has, since 1 January 2014, determined Mr Niven to be an independent Director. Mr Niven has therefore been appointed to the Audit Committee since the year end. Mrs Trudi Clark, who was appointed as an independent non-executive Director on 4 February 2014, has also been appointed to the committee.

The duties of the committee include reviewing the Annual and Interim Accounts, the system of internal controls, and the terms of appointment and remuneration of the auditor, KPMG Channel Islands Limited ('KPMG'), including its independence and objectivity. It is also the forum through which KPMG reports to the Board of Directors. The committee meets at least twice yearly including at least one meeting with KPMG.

The Audit Committee met on three occasions during the year and the attendance of each of the members is set out on page 22. In the due course of its duties, the committee had direct access to KPMG and senior members of the Managers' investment company team. Amongst other things, the Audit Committee considered and reviewed the following matters and reported thereon to the Board:

- the annual and half-yearly reports and accounts and interim management statements;
- the accounting polices of the Group;
- the principal risks faced by the Company and the effectiveness of the Company's internal control environment;
- the effectiveness of the audit process and related non-audit services and the independence and objectivity of KPMG, their re-appointment, remuneration and terms of engagement;
- the policy on the engagement of KPMG to supply non-audit services;
- the implications of proposed new accounting standards and regulatory changes; and
- the receipt of an AAF report from the Managers.

As part of its review of the scope and results of the audit, during the year the Audit Committee considered and approved KPMG's plan for the audit of the financial statements for the year ended 31 December 2013. At the conclusion of the audit, KPMG did not highlight any issues to the Audit Committee which would cause it to qualify its audit report, nor did it highlight any fundamental internal control weaknesses. KPMG issued an unqualified audit report which is included on pages 29 to 31.

In relation to the provision of non-audit services by the auditor, it has been agreed that all non-audit work to be carried out by the auditor must be approved in advance by the Audit Committee and any special projects must also be approved in advance. In addition to statutory audit fees of £65,000 (2012: £63,000), KPMG received audit-related fees of £13,000 for the year (2012: £19,000) which related principally to a review of the interim financial information and certification of bond compliance certificates. The Audit Committee does not consider that the provision of such non-audit services is a threat to the objectivity and independence of the conduct of the audit.

As part of the review of auditor independence and effectiveness, KPMG have confirmed that they are independent of the Company and have complied with relevant auditing standards. In evaluating KPMG, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Committee assesses the effectiveness of the audit process through the reporting it receives from KPMG in respect of both

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

Matter	Action
Valuation of the Investment Property Portfolio	
The Group's property portfolio accounted for 83 per cent of its total assets as at 31 December 2013. Although valued by an independent firm of valuers, CBRE Limited, the valuation of the investment property portfolio is inherently subjective, requiring significant judgement by the valuers. Errors in the valuation could have a material impact on the Company's net asset value. Further information about the property portfolio and inputs to the valuations are set out in note 9 to the accounts.	The Board and Audit Committee reviewed the outcomes of the valuation process throughout the year and discussed the detail of each of the quarterly valuations with the Managers at Board Meetings. The Managers liaise with the valuers on a regular basis and meet with them prior to the production of each quarterly valuation. The Board was represented at most of the quarterly valuation meetings with CBRE Limited during the year, including the meeting in advance of the production of the year end valuation. In addition, this is the main area of audit focus and, accordingly, the Audit Committee receives detailed verbal and written reports from KPMG on this matter.

the half year and year end Report and accounts. The committee remains satisfied that KPMG continues to provide effective independent challenge in carrying out its responsibilities. On the basis of this assessment, the Audit Committee has recommended the continuing appointment of KPMG to the Board.

Following professional guidelines, the audit partner rotates after five years and this is the third year for the current partner. The appointment has not been put out to tender since the Company's launch in 2005 and, in accordance with FRC guidance, it is the current intention of the Audit Committee that the appointment will not be put out to tender until the end of the next partner's five year rotation term. KPMG's performance will, however, continue to be reviewed annually taking into account all relevant guidance and best practice.

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 manage 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 year ended 31 December 2013 that has been prepared for their investment company clients. Containing a report from independent external accountants, the report sets out the Managers' control policies and procedures with respect to the management of their clients' investments. The effectiveness of these controls is monitored by the Managers' group audit committee which receives regular reports from the Managers' audit, risk and compliance 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.

N J M Tostevin
Chairman of the Audit Committee

11 April 2014

Remuneration Report

Directors' Remuneration Policy

The Board comprises only non-executive Directors. The Company has no executive Directors or employees. For these reasons, it is not considered appropriate to have a separate Remuneration Committee. The full Board determines the level of Directors' fees.

Full details of the Company's policy with regards to Directors' fees, and fees paid during the year ended 31 December 2013, are shown below. No major decisions or substantial changes relating to Directors' remuneration were made during the year.

The Board considers the level of Directors' fees at least annually. Its policy is that the remuneration of the Directors should reflect the experience of the Board as a whole, the time commitment required, and be fair and comparable with that of other similar companies. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee the Company properly and to reflect its specific circumstances. There were no changes to the policy during the year and it is intended that this policy will apply following the Annual General Meeting and continue for the three year period ending 31 December 2016.

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

During the year, an independent firm of consultants, Optimus Group Limited, was engaged to review and provide guidance on the level of Directors' remuneration. Optimus Group Limited has no other connection with the Company.

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

The terms of Directors' appointments provide that Directors should 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.

Future Policy Report

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

	2014* £	2013† £
C Russell	**59,000**	57,000
T Clark	**34,007**	–
M R Moore	**37,500**	35,000
P Niven	**37,500**	35,000
B W Sweetland	**37,500**	35,000
N J M Tostevin	**45,000**	42,500
Total	**250,507**	204,500

* Directors' remuneration for the year ending 31 December 2014 based on current fee levels
† Actual Directors' remuneration for the year ended 31 December 2013

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

Voting at Annual General Meeting

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

Remuneration Report

Annual Report on Directors' Remuneration

Directors' Emoluments for the Year

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

	2013 £	2012 £
C Russell	**57,000**	55,000
J G Hooley (retired 31 December 2013)	**35,000**	32,500
M R Moore	**35,000**	32,500
P Niven	**35,000**	32,500
B W Sweetland	**35,000**	32,500
N J M Tostevin	**42,500**	40,000
Total	**239,500**	225,000

Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration, other expenses and shareholder distributions:

	2013 £	2012 £	% Change
Aggregate Directors' Remuneration	**239,500**	225,000	**+6.4**
Management fee and other expenses	**13,104,000**	11,643,000	**+12.5**
Aggregate Shareholder Distributions	**45,413,000**	42,940,000	**+5.8**

Directors' Shareholdings

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

	2013 Ordinary Shares	2012 Ordinary Shares
C Russell	**250,000**	200,000
M R Moore	**40,687**	–
P Niven	**43,142**	43,142
B W Sweetland	**100,000**	100,000
N J M Tostevin	**21,832**	21,832

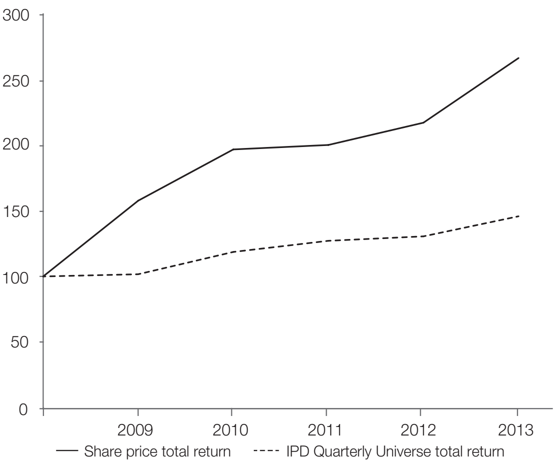
There have been no changes in the above interests since 31 December 2013.

No Director had an interest in the Company's 5.23 per cent Bonds 2017 during the year ended 31 December 2013 or has acquired an interest since the year end.

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Managers through the investment management agreement, as referred to on page 7. The graph below compares, for the five financial years ended 31 December 2013, 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 2013 is given in the Chairman's Statement and Managers' Review.

Share Price Total Return and the IPD Quarterly Universe Performance Graph



Voting at Annual General Meeting

At the Company's last Annual General Meeting, held on 23 May 2013, shareholders approved the Directors' Remuneration Report in respect of the year ended 31 December 2012. 99.95 per cent of votes were in favour of the resolution and 0.05 per cent were against.

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

On behalf of the board

C Russell
Director

11 April 2014

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 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 Strategic Report (comprising the Chairman's Statement, Business Model and Strategy, Managers, Managers' Review and Property Portfolio) 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

11 April 2014

Independent Auditor's Report

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

Opinions and Conclusions Arising from our Audit

Opinion on Financial Statements

We have audited the consolidated financial statements (the "financial statements") of F&C Commercial Property Trust Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated 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. In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008

Our Assessment of Risks of Material Misstatement

The risks of material misstatement detailed in this section of this report are those risks that we have deemed, in our professional judgment, to have had the greatest effect on: the overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team. Our audit procedures relating to these risks were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of these risks, and we do not express an opinion on these individual risks.

In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

<u>Valuation of Investment Properties (£914.2 million)</u>

Refer to page 24 of the Report of the Audit Committee, note 1(f) accounting policies and note 9 disclosures.

- The risk – The Group's property portfolio accounted for 83.3 per cent of the Group's total assets as at 31 December 2013. The fair value of the investment properties at 31 December 2013 was assessed by the Board of Directors based on an independent valuation prepared by the Group's external property valuer. As highlighted in the Report of the Audit Committee, the valuation of the Group's property portfolio, given it represents the majority of the total assets of the Group and requires the use of significant judgment, is a significant area of our audit.

- Our response – Our audit procedures with respect to the Group's investment properties included, but were not limited to, testing the design, implementation and operating effectiveness of the relevant controls, involvement of our own UK Real Estate specialist group to review the valuation prepared by the external property valuer and to evaluate the appropriateness of the valuation methodologies and assumptions used, including undertaking discussions on key findings with the external valuer and challenging the assumptions used. We compared key inputs to the valuation such as current and estimated rental income, initial and equivalent yields, estimated capital value, occupancy and tenancy contracts for consistency with other audit findings. We also considered the Group's investment property valuation policies and their application as described in the notes to the financial statements for compliance with International Financial Reporting Standards as adopted by the EU in addition to the adequacy of disclosures in notes 1(f) and 9 in relation to the fair value of the investment properties.

Our Application of Materiality and an Overview of the Scope of our Audit

Materiality is a term used to describe the acceptable level of precision in financial statements. Auditing standards describe a misstatement or an omission as "material" if it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The auditor has to apply judgment in identifying whether a misstatement or omission is material and to do so the auditor identifies a monetary amount as "materiality for the financial statements as a whole".

The materiality for the financial statements as a whole was set at £26.3 million. This has been

Independent Auditor's Report (continued)

calculated using a benchmark of the Group's total assets (of which it represents approximately 2.4%) which we believe is the most appropriate benchmark as investment property values are considered as the prime driver of returns to shareholders and main focus of users of the financial statements.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £1.3 million, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

For the purposes of the Group audit, the audit of the Company's subsidiaries were all performed by the Group audit team based on the materiality levels set out above.

Our assessment of materiality has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

Whilst the audit process is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant depth of work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the Responsible Individual, to subjective areas of the accounting and reporting process.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Matters on Which We are Required to Report by Exception

Under International Standards on Auditing [ISAs] (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy; or
- the Report of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies (Guernsey) Law, 2008, we are required 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 on pages 22 to 23 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 the above responsibilities.

Scope of Report and Responsibilities

The Purpose of this Report and Restrictions on its use by Persons other than the Company's Members as a Body

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

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement 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 ISAs (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

Heather J MacCallum
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors
20 New Street
St Peter Port
Guernsey GY1 4AN
11 April 2014

The maintenance and integrity of the F&C Commercial Property Trust Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Revenue			
Rental Income		**52,558**	57,212
Total revenue		**52,558**	57,212
Gains/(losses) on investment properties			
Unrealised gains/(losses) on revaluation of investment properties	9	**66,765**	(11,393)
(Losses)/gains on sale of investment properties realised	9	**(198)**	10,380
Total income		**119,125**	56,199
Expenditure			
Investment management fee	2a	**(6,302)**	(5,994)
Other expenses	3	**(6,802)**	(5,649)
Total expenditure		**(13,104)**	(11,643)
Operating profit before finance costs and taxation		**106,021**	44,556
Net finance costs			
Interest receivable	4	**958**	530
Finance costs	5	**(14,716)**	(14,719)
		(13,758)	(14,189)
Profit before taxation		**92,263**	30,367
Taxation	6	**(278)**	(233)
Profit for the year		**91,985**	30,134
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Movement in fair value of interest rate swaps	14	**2,317**	(660)
Total comprehensive income for the year		**94,302**	29,474
Basic and diluted earnings per share	8	**12.2p**	4.2p

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 2013

	Notes	2013 £'000	2012 £'000
Non-current assets			
Investment properties	9	**914,183**	833,147
		914,183	833,147
Current assets			
Properties held for sale	9	**–**	36,000
Trade and other receivables	10	**22,845**	15,575
Cash and cash equivalents	11	**160,937**	153,143
		183,782	204,718
Total assets		**1,097,965**	1,037,865
Current liabilities			
Trade and other payables	12	**(17,530)**	(18,340)
Non-current liabilities			
Interest-bearing bonds	13	**(229,811)**	(229,675)
Interest-bearing bank loan	14	**(49,207)**	(49,099)
Interest rate swaps	14	**(2,403)**	(4,720)
		(281,421)	(283,494)
Total liabilities		**(298,951)**	(301,834)
Net assets		**799,014**	736,031
Represented by:			
Share capital	15	**7,587**	7,447
Share premium	15	**78,566**	64,612
Reverse acquisition reserve	15	**831**	831
Special reserve	15	**556,082**	562,366
Capital reserve – investments sold	15	**(18,856)**	(28,002)
Capital reserve – investments held	15	**108,423**	51,002
Hedging reserve	15	**(2,403)**	(4,720)
Revenue reserve	15	**68,784**	82,495
Equity shareholders' funds		**799,014**	736,031
Net asset value per share	16	**105.3p**	98.8p

The accounts on pages 32 to 55 were approved by the Board of Directors on 11 April 2014 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 2013

	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 2013		7,447	64,612	831	562,366	(28,002)	51,002	(4,720)	82,495	736,031
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	–	–	91,985	91,985
Movement in fair value of interest rate swaps	14	–	–	–	–	–	–	2,317	–	2,317
Transfer in respect of unrealised gains on investment properties	9	–	–	–	–	–	66,765	–	(66,765)	–
Losses on sale of investment properties realised	9	–	–	–	–	(198)	–	–	198	–
Transfer of prior years' revaluation to realised reserve	9	–	–	–	–	9,344	(9,344)	–	–	–
Transfer from special reserve	15	–	–	–	(6,284)	–	–	–	6,284	–
Total comprehensive income for the year		**–**	**–**	**–**	**(6,284)**	**9,146**	**57,421**	**2,317**	**31,702**	**94,302**
Transactions with owners of the Company recognised directly in equity										
Issue of ordinary share capital	15	140	13,954	–	–	–	–	–	–	14,094
Dividends paid	7	–	–	–	–	–	–	–	(45,413)	(45,413)
At 31 December 2013		**7,587**	**78,566**	**831**	**556,082**	**(18,856)**	**108,423**	**(2,403)**	**68,784**	**799,014**

for the year ended 31 December 2012

	Notes	Share Capital £'000	Share Premium £'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 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		–	–	–	–	–	–	(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

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Cash flows from operating activities			
Profit for the year before taxation		**92,263**	30,367
Adjustments for:			
Finance costs		**14,716**	14,719
Interest receivable		**(958)**	(530)
Unrealised (gains)/losses on revaluation of investment properties		**(66,765)**	11,393
Losses/(gains) on sale of investment properties realised		**198**	(10,380)
Increase in operating trade and other receivables		**(7,270)**	(4,378)
(Decrease)/increase in operating trade and other payables		**(908)**	67
		31,276	41,258
Interest received		**958**	530
Interest paid		**(14,472)**	(14,484)
Tax paid		**(180)**	(255)
		(13,694)	(14,209)
Net cash inflow from operating activities		**17,582**	27,049
Cash flows from investing activities			
Purchase/development of investment properties	9	**(8,523)**	(12,159)
Sale of investment properties	9	**36,000**	77,165
Capital expenditure	9	**(5,946)**	(10,583)
Net cash inflow from investing activities		**21,531**	54,423
Cash flows from financing activities			
Issue of ordinary share capital, net of costs	15	**14,094**	65,254
Dividends paid	7	**(45,413)**	(42,940)
Set-up costs of bank facility	14	**–**	(465)
Net cash (outflow)/inflow from financing activities		**(31,319)**	21,849
Net increase in cash and cash equivalents		**7,794**	103,321
Opening cash and cash equivalents		**153,143**	49,822
Closing cash and cash equivalents		**160,937**	153,143

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 standards have been adopted in the current year:

- In June 2011, the International Accounting Standards Board (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 in its Consolidated Statement of Comprehensive Income. Items that could be reclassified to profit or loss at a future point in time are now required to 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.
- In May 2011, the IASB issued IFRS 10 *'Consolidated Financial Statements'* (2011). IFRS 10 (2011) introduces a new control model that is applicable to all investees, by focussing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. The Group reassessed the control conclusion for its investees at 1 January 2013 and concluded that it does not change the companies consolidated within the Group and therefore has no impact on the financial statements as presented.
- 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. The adoption of IFRS 10 and 12, from 1 January 2013, has no significant impact on the Group accounts, method of consolidation or disclosures presented.
- 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

1. Accounting policies (continued)

(a) Basis of accounting (continued)

rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. A number of additional disclosures are required and are included in notes 9, 13 and 14.

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

- In November 2009 and October 2010, the IASB issued IFRS 9 *'Financial Instruments'* which represents part of a project to replace IAS 39 *'Financial Instruments: Recognition and Measurement'*. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and to add new requirements to address the impairment of financial assets and hedge accounting. A final standard in relation to hedge accounting is now in issue. IFRS 9 will not be effective before 1 January 2017, with the final effective date being determined by the IASB when other parts of IFRS are finalised, but may be applied earlier subject to EU endorsement. The Group is yet to assess IFRS 9's full impact and will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.
- In October 2012, the IASB issued amendments to IFRS 10 *'Consolidated financial statements'*, IFRS 12 *'Disclosure of interests in other entities'* and IAS 27 *'Separate financial statements'* – Investment entities: The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 *'Financial Instruments'* in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. These amendments become effective for accounting periods commencing on or after 1 January 2014. The Group does not consider that the future adoption of these amendments, in the form currently available, will have any material impact on the consolidated financial statements as presented.

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

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 31 December each year. Subsidiaries are those entities, including special purpose entities, controlled by the Company. 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 2013 this Company was dormant, having previously acted as an investment and property company.

Notes to the Accounts (continued)

1. Accounting policies (continued)

(b) Basis of consolidation (continued)

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 subsidiary.

(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.

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 valuations provided by CBRE Limited, Registered Valuers, at the balance sheet date using recognised valuation techniques. For the purposes of these financial statements, in order to prevent double accounting, the assessed fair value provided by CBRE is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments. This accrued income is separately recorded in the accounts within current assets.

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.

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

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

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

Recognition and derecognition occurs on the completion of a sale between a willing buyer and a willing seller.
Any investment properties on which contracts for sale have been exchanged but which had not completed at the 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 fair value of the interest-bearing bonds issued by the Company, as disclosed in note 13, is included in Level 1.

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. All investments in direct property, and any investments in indirect property funds, would be included in Level 3.

The Company measures financial instruments and non-financial assets, such as investment properties, at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost, if any, are disclosed in note 18. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(h) Derivative financial instruments

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

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

Gains or losses arising on the fair value of 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.

Notes to the Accounts (continued)

1. Accounting policies (continued)

(h) Derivative financial instruments (continued)

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

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

(i) Cash and cash equivalents

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

(j) Trade and other receivables

Trade receivables, which are generally due for settlement at the relevant quarter end, are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts. 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

	2013 £'000	2012 £'000
(a) Investment management fee		
– base management fee	**3,731**	3,494
– performance fee	**2,571**	2,500
	6,302	5,994

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.

2. Fees (continued)

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.

FCIB is also entitled to an administration fee which is payable quarterly in arrears. It received £140,000 for administration services provided in respect of the year ended 31 December 2013 (2012: £138,000).

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

	2013 £'000	2012 £'000
Direct operating expenses of let rental property	**5,209**	4,252
Valuation and other professional fees	**528**	474
Directors' fees †	**240**	225
Administration fee	**140**	138
Auditor's remuneration for:		
– statutory audit	**65**	63
– audit-related services	**13**	19
Other	**607**	478
	6,802	5,649

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

4. Interest receivable

	2013 £'000	2012 £'000
Deposit interest	**958**	530

5. Finance costs

	2013 £'000	2012 £'000
Interest on the 5.23 per cent Secured Bonds due 2017	**12,165**	12,158
Interest on the interest-bearing bank loan	**1,344**	1,512
Interest in respect of the interest rate swap agreement	**1,207**	1,049
	14,716	14,719

Notes to the Accounts (continued)

6. Taxation

	2013 £'000	2012 £'000
Current income tax		
Current income tax charge	**239**	233
Adjustment to provision for prior years	**39**	–
Total tax charge	**278**	233

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:

	2013 £'000	2012 £'000
Profit before taxation	**92,263**	30,367
UK income tax at a rate of 20 per cent	**18,453**	6,073
Effects of:		
Capital (gains)/losses on investment properties not taxable	**(13,313)**	203
Income not taxable, including interest receivable	**(192)**	(106)
Expenditure not allowed for income tax purposes	**3,220**	3,187
Allowable intercompany loan interest paid	**(8,685)**	(8,999)
Losses carried forward to future years	**858**	45
Capital allowances claimed	**(102)**	(170)
Adjustment to provision for prior years	**39**	–
Total tax charge	**278**	233

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 £9,731,000 (2012: £4,609,000) at 31 December 2013. 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

	2013 Total £'000	2013 Rate (pence)	2012 Total £'000	2012 Rate (pence)
In respect of the previous period:				
Ninth interim dividend	**3,738**	**0.5**	3,403	0.5
Tenth interim dividend	**3,753**	**0.5**	3,476	0.5
Eleventh interim dividend	**3,778**	**0.5**	3,476	0.5
Twelfth interim dividend	**3,794**	**0.5**	3,476	0.5
In respect of the period under review:				
First interim dividend	**3,794**	**0.5**	3,542	0.5
Second interim dividend	**3,794**	**0.5**	3,542	0.5
Third interim dividend	**3,794**	**0.5**	3,641	0.5
Fourth interim dividend	**3,794**	**0.5**	3,641	0.5
Fifth interim dividend	**3,794**	**0.5**	3,641	0.5
Sixth interim dividend	**3,794**	**0.5**	3,676	0.5
Seventh interim dividend	**3,793**	**0.5**	3,702	0.5
Eighth interim dividend	**3,793**	**0.5**	3,724	0.5
	45,413	**6.0**	42,940	6.0

Two further interim dividends for the year to 31 December 2013, of 0.5 pence per share, were paid on 31 January and 28 February 2014 and a third was paid on 28 March 2014. The twelfth, and last, interim dividend in respect of the year, of 0.5p per share, will be paid on 30 April 2014 to shareholders on the register on 11 April 2014.

Although these payments relate to the year ended 31 December 2013, under IFRS they will be accounted for in the year ending 31 December 2014, 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 £91,985,000 (2012: £30,134,000) and on 756,792,414 (2012: 714,924,384) Ordinary Shares, being the weighted average number of shares in issue during the year.

Notes to the Accounts (continued)

9. Investment properties	2013 £'000	2012 £'000
Freehold and leasehold properties		
Opening book cost	818,145	851,753
Opening unrealised appreciation	51,002	72,830
Opening fair value	869,147	924,583
Purchases/development	8,523	12,159
Sales – proceeds	(36,000)	(77,165)
– gain on sale	9,146	20,815
Capital expenditure	5,946	10,583
Unrealised gains realised during the year	(9,344)	(10,435)
Increase/(decrease) in unrealised appreciation	66,765	(11,393)
	914,183	869,147
Closing book cost	805,760	818,145
Closing unrealised appreciation	108,423	51,002
Closing fair value	914,183	869,147

Included within the fair value of £914,183,000 at 31 December 2013 (2012: £869,147,000) were investment properties of £914,183,000 (2012: £833,147,000) and properties held for sale of £nil (2012: £36,000,000).

All the Group's investment properties were valued as at 31 December 2013 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 2013 on a fair value basis and in accordance with The RICS Valuation – Professional Standards (2012). The CBRE valuation report is dated 20 January 2014 (the 'Valuation Report'). Fair value is the amount for which the assets could be exchanged at the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion. The fair value of these investment properties per the Valuation Report amounted to £927,940,000 (2012: £879,690,000). The difference between the Valuation Report and the closing fair value of investment properties disclosed above of £914,183,000 (2012: £869,147,000) consists of capital incentives paid to tenants totalling £4,284,000 and accrued income relating to the pre-payment for rent free periods recognised over the life of the lease totalling £9,473,000, which are both separately recorded in the accounts as current assets within 'trade and other receivables'.

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.

The property valuer is independent and external to the Group. The property valuer takes account of deleterious materials included in the construction of the investment properties in arriving at its estimate of fair value, when the Managers advise the presence of such materials.

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

The Group has entered into leases on its property portfolio as lessor (see note 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 fair value band are shown on page 17.

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.

9. Investment properties (continued)

Other than the capital commitments and forward 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.

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

Sector	Valuation £'000	Valuation Technique	Significant Assumption	Range*	Weighted Average
Retail	274,975	All Risks Yield	Current Rental Value per square foot ('psf') per annum	£11 - £44	£36
			Estimated Rental Value psf per annum	£19 - £98	£43
			Initial Yield	0.4% - 6.0%	4.4%
			Equivalent Yield	3.0% - 6.4%	4.9%
			Estimated capital value per square foot	£267 - £3,030	£1,020
Retail Warehouse	192,000	All Risks Yield	Current Rental Value psf per annum	£14 - £24	£20
			Estimated Rental Value psf per annum	£14 - £28	£24
			Initial Yield	3.1% - 6.9%	4.8%
			Equivalent Yield	5.1% - 6.9%	5.5%
			Estimated capital value per square foot	£189 - £449	£407
Office	296,360	All Risks Yield	Current Rental Value psf per annum	£4 - £62	£38
			Estimated Rental Value psf per annum	£15 - £75	£43
			Initial Yield	1.5% - 12.6%	5.0%
			Equivalent Yield	4.1% - 9.2%	5.8%
			Estimated capital value per square foot	£122 - £1,652	£840
Industrial, logistics and other	164,605	All Risks Yield	Current Rental Value psf per annum	£0 - £13	£6
			Estimated Rental Value psf per annum	£4 - £13	£7
			Initial Yield	2.7% - 12.6%	5.9%
			Equivalent Yield	6.6% - 13.5%	7.5%
			Estimated capital value per square foot	£47 - £220	£93

* The ranges are based on averages per property. Individual tenancies within properties may fall outside these ranges.

Notes to the Accounts (continued)

9. Investment properties (continued)

For the majority of properties the fair value was determined by using the market comparable method. This means that valuations performed by CBRE are based on inputs determined from active markets, adjusted for differences in the nature, location or condition of the specific property. Most valuations are based on initial yield, although equivalent yield may also be taken into consideration. Where properties are vacant at the date of valuation a comparable capital value per square foot is used. In determining the net initial yield, or capital value per square foot, the valuers may have regard to the terms of any existing lease including current rental values, lease length and covenant strength, along with assumptions regarding estimated rental values, rental growth rates, vacancy rates and void or rent free periods expected after the end of each lease.

The highest and best use of the properties do not differ from their current use.

Sensitivity analysis

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

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

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

Estimated movement in fair value of investment properties at 31 December 2013 arising from:	Retail £'000	Retail Warehouses £'000	Offices £'000	Industrial, Logistics and other £'000	**Total £'000**
Increase in rental value by 5%	13,749	9,600	14,818	8,230	**46,397**
Decrease in rental value by 5%	(13,749)	(9,600)	(14,818)	(8,230)	**(46,397)**
Increase in initial yield by 0.25%	(14,782)	(9,527)	(14,101)	(6,644)	**(45,054)**
Decrease in initial yield by 0.25%	16,562	10,577	15,584	7,227	**49,950**

10. Trade and other receivables

	2013 £'000	2012 £'000
Capital and rental lease incentives	**13,757**	10,543
Cash deposits held for tenants	**2,364**	2,761
Cash deposits held in escrow for property purchases	**5,128**	–
Rents receivable (net of provision for bad debts)	**926**	1,536
Other debtors and prepayments	**648**	633
Accrued income	**22**	102
	22,845	15,575

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 £9,473,000 (2012: £6,781,000) being the prepayment for rent-free periods recognised over the life of the lease and £4,284,000 (2012: £3,762,000) 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

	2013 £'000	2012 £'000
Rental income received in advance	**8,164**	8,208
Rental deposits	**2,364**	2,761
VAT payable	**1,209**	1,445
Managers' fees payable	**3,739**	3,584
Income tax payable	**353**	245
Other payables	**1,701**	2,097
	17,530	18,340

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

13. Interest-bearing bonds

	2013 £'000	2012 £'000
Principal amount outstanding	**230,000**	230,000
Issue costs	**(1,196)**	(1,196)
Amortisation of issue costs	**1,007**	871
	229,811	229,675

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 2013 was £241,247,000 (2012: £242,008,000). The fair value of the interest-bearing bonds is classified as Level 1 under the hierarchy of fair value measurements.

Notes to the Accounts (continued)

14. Bank loans and interest rate swap liabilities

	2013 £'000	2012 £'000
Principal amount outstanding	**50,000**	50,000
Set-up costs	**(1,192)**	(1,192)
Amortisation of set-up costs	**399**	291
	49,207	49,099

£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 2013 was £2,378,000 (2012: £4,654,000), 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.

£30 million bank loan 2015

On 31 July 2012 the Group entered into a £30 million committed facility with 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)

From commencement, 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 2013 was £25,000 (2012: £66,000), 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.

15. Share capital and reserves

	£'000
Allotted, called-up and fully paid	
744,715,702 Ordinary Shares of 1p each in issue at 31 December 2012	**7,447**
Issue of 14,000,000 Ordinary Shares of 1p each	**140**
758,715,702 Ordinary Shares of 1p each in issue at 31 December 2013	**7,587**

Share capital

Under the Company's Articles of Incorporation, the Company may issue an unlimited number of Ordinary Shares. The Company issued 14,000,000 Ordinary Shares during the year (2012: 64,178,699) raising net proceeds of £14,094,000 (2012: £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 2013, the Company did not hold any Ordinary Shares in treasury (2012: nil).

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.

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.

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.

Notes to the Accounts (continued)

15. Share capital and reserves (continued)

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, 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 105.3p (2012: 98.8p) is based on equity shareholders' funds of £799,014,000 (2012: 736,031,000) and on 758,715,702 (2012: 744,715,702) 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 2013 Resolution Limited, through a number of subsidiaries, owned 26.8 per cent of the Company's ordinary share capital (2012: 31.2 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 then represented that company at charitable and similar events in Guernsey that may be supportive of that community. Mr Niven ceased his role on 1 January 2014 and no longer has any relationships with Resolution Limited. 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 Remuneration Report on page 27. Total fees for the year were £240,000 (2012: £225,000). 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.

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.

18. Financial instruments (continued)

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 2013 was £926,000 (2012: 1,536,000). The maximum credit risk is stated after deducting the bad debt provision of £577,000 (2012: £440,000).

As at 31 December 2013, rent receivable of £577,000 that was greater than three months overdue was fully provided for. As at 31 December 2012 the provision was £440,000. Of this amount £210,000 was subsequently written off, £147,000 is still outstanding and £83,000 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 2013 (2012: 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.

Notes to the Accounts (continued)

18. Financial instruments (continued)

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 2013					
Cash and cash equivalents	160,937	–	–	–	160,937
Cash deposits held for tenants	2,364	–	–	–	2,364
Rents receivable	926	–	–	–	926
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

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 2013					
Trade and other payables	17,530	–	–	–	17,530
Interest-bearing bonds	12,029	236,015	–	–	248,044
Interest-bearing £50m bank loan and interest rate swap	2,438	2,438	53,658	–	58,534
Interest-bearing £30m bank facility and forward interest rate swap	469	278	–	–	747
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

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 was undrawn at the year end, 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 2013. 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 2013 the Group's cash balance was £160,937,000 (2012: £153,143,000).

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 2013 the Group did not hold any investments in indirect property funds (2012: £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.

18. Financial instruments (continued)

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 31 December 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.

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 2013						
Financial assets						
Cash and cash equivalents	160,937	5,616	155,321	–	0.38	0.8
Cash deposits held for tenants	2,364	–	–	2,364	–	–
Rents receivable	926	–	–	926	–	–
Financial liabilities						
5.23 per cent Secured Bonds due 2017	229,811	229,811	–	–	5.29	1.5
Bank loan and interest rate swaps	51,610	51,585	25	–	4.88	3.5
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

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 £5,102,000 (2012: £8,175,000), and a decrease of 150 basis points would have increased their fair value by approximately £5,291,000 (2012: £8,595,000). 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 £2,403,000 (2012: £3,107,000), and a decrease of 150 basis points would have increased their fair value by approximately £2,562,000 (2012: £3,359,000). 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.

Notes to the Accounts (continued)

18. Financial instruments (continued)

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 £400,000 (2012: £394,000), and a decrease of 150 basis points would have increased its fair value by approximately £415,000 (2012: £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 2013 (2012: 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 £2,414,000 (2012: £2,297,000). A decrease of 150 basis points would have had an equal but opposite effect. The calculations are based on the cash balances at the respective balance sheet dates.

Market price risk

The Group's strategy for the management of market price risk is driven by the investment policy as outlined within the Business Model and Strategy on page 7. 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 2013 or 31 December 2012.

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 17. A 15 per cent increase in the fair value of the direct properties at 31 December 2013 would have increased net assets and income for the year by £137,127,000 (2012: £130,372,000). 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 and post-balance sheet events

The Group had capital commitments totalling £17,901,000 as at 31 December 2013 (2012: £11,379,000). These commitments related mainly to expected property purchases at Oakenshaw Road, Solihull (£4,500,000) and 1 Barrett Street, London W1 (£6,275,000) along with other development work relating to the existing property portfolio, mainly at Solihull, Sears Retail Park. Deposits relating to expected purchases totalling £5,128,000 were paid into escrow accounts prior to the year end are included in 'trade and other receivables'. The purchase at Oakenshaw Road, Solihull subsequently completed on 8 January 2014.

In addition to the capital commitments above, the Group had agreed a forward commitment to purchase four pre-let office blocks situated in Prime Four Business Park, Kingswells, Aberdeen for approximately £95 million, plus costs. These office blocks remained under development at 31 December 2013. The purchases of Blocks 1 and 2 subsequently completed during March 2014 for a combined cost of £65.0 million, with the consideration falling payable on completion of the development of each block. The Group's £30 million loan facility (see note 14) was drawn down on 20 March 2014 and used to partially finance the latter purchase. Blocks 3 and 4 are expected to be purchased later in April 2014 for a cost of around £30.4 million. The overall net initial yield for all four Blocks is 6.8 per cent.

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):

	2013 £'000	2012 £'000
Less than one year	**51,025**	52,152
Between two and five years	**149,456**	162,143
Over five years	**159,340**	154,301
Total	**359,821**	368,596

The largest single tenant at the year end accounted for 6.0 per cent (2012: 5.8 per cent) of the current annual rental income.

Unoccupied property expressed as a percentage of estimated total rental value (excluding properties under development) was 6.0 per cent (2012: 7.0 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 five years.

21. 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 Wednesday, 21 May 2014 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 2013 be received and approved.

2. That the Directors' Remuneration Policy be approved.

3. That the Annual Report on Directors' Remuneration for the year ended 31 December 2013 be approved.

4. That Mrs T Clark, who retires at the first Annual General Meeting following her appointment, be re-elected as a Director.

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

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

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

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

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

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

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

12. 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 11 April 2014 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:

13. 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 11 April 2014.

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

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

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

(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 2015, or on 21 November 2015, 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.

By order of the Board

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

11 April 2014

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 19 May 2014.

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 19 May 2014. 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 11 April 2014, 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 Main Market of 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 2014/2015

May 2014	Publication of Interim Management Statement
21 May 2014	Annual General Meeting
August 2014	Announcement of interim results
	Posting of Interim Report
November 2014	Publication of Interim Management Statement
April 2015	Announcement of annual results
	Posting of Annual Report

Historic Record

	Total assets less current liabilities £'000	Shareholders' funds £'000	Net asset value per Ordinary Share p	Ordinary Share price p	Premium/ (discount) %	Earnings per Ordinary Share p	Dividends per Ordinary Share p	Ongoing charges* %
18 March 2005 (launch)	943,288	713,288	97.0	100.0	3.1	–	–	–
31 December 2005	1,092,522	863,458	117.5	118.5	0.9	20.7	1.75	1.35
31 December 2006	1,269,122	1,039,769	141.5	131.0	(7.4)	30.0	6.00	1.32
31 December 2007	1,175,822‡	946,222‡	129.2‡	90.5	(30.0)‡	(7.7)‡	6.00	1.27
31 December 2008	813,941	584,183	85.8	62.0	(27.7)	(39.8)	6.00	1.35
31 December 2009	819,322	589,388	86.6	90.0	3.9	6.8	6.00	2.36
31 December 2010	934,223	655,081	96.3	105.6	9.7	15.7	6.00	2.06
31 December 2011	967,301	684,243	100.5	101.6	1.1	10.8	6.00	1.62
31 December 2012	1,019,525	736,031	98.8	103.7	5.0	4.2	6.00	1.62
31 December 2013	**1,080,435**	**799,014**	**105.3**	**120.5**	**14.4**	**12.2**	**6.00**	**1.67**

* Includes performance fee.

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

Warning to Shareholders – Beware of Share Fraud

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

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

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 £11,880 for the 2014/15 tax year (due to increase to £15,000 from 1 July 2014) 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 £3,840 for birthdays in the 2014/15 tax year (due to increase to £4,000 from 1 July 2014).

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 £3,840 for the 2014/15 tax year (due to increase to £4,000 from 1 July 2014) 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
CIP/CTF: £25+VAT
You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits).

Dealing Charge per Holding
ISA: 0.2%
PIP/CIP/JISA: Postal instructions £12, online instructions £8

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 two 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 large print. 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

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Trudi Clark
Martin Moore
Peter Niven †
Brian Sweetland
Nicholas Tostevin #

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† Chairman of the Management Engagement Committee
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