F&C Commercial Property Trust Limited

Annual Report and Accounts

2014

Contents

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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 2014 Group total assets less current liabilities were £1,286 million and Group shareholders' funds were £976 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 8.

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.

F&C is wholly owned by Bank of Montreal ('BMO') and is part of BMO Global Asset Management.

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 by the Guernsey Financial Services Commission 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 65.

You may also invest through your usual stockbroker.

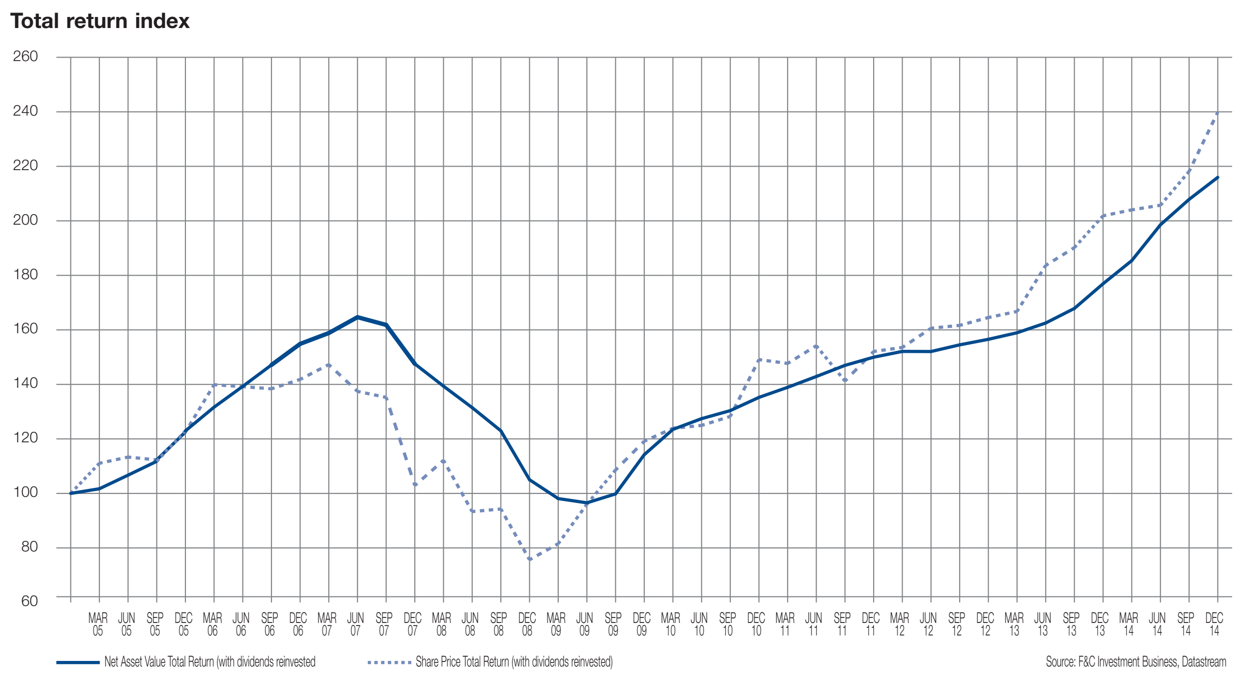
Website

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

Highlights

- Net asset value total return of 22.1 per cent
- Share price total return of 18.8 per cent
- Portfolio total return of 20.3 per cent, compared with a total return of 17.9 per cent from the IPD benchmark
- Maintained dividend of 6.0p per Ordinary Share, providing a yield of 4.4 per cent based on the year-end share price
- £49.5 million raised through the issue of new Ordinary Shares at a premium to NAV
- £260 million loan refinancing with significantly reduced interest rate, fixed for ten years
- Next continuation vote in 2024 approved by Shareholders

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



Performance Summary

	Year ended 31 December 2014	Year ended 31 December 2013	
Total Returnø			
Net asset value per share*	**22.1%**	13.0%	
Ordinary Share price	**18.8%**	22.7%	
Investment Property Databank ('IPD') Quarterly Universe	**17.9%**	10.9%	
FTSE All-Share Index	**1.2%**	20.8%	

	31 December 2014	31 December 2013	% change
Capital Values			
Total assets less current liabilities (£'000)*	**1,285,546**	1,080,435	+19.0
Net asset value per share*	**122.1p**	105.3p	+16.0
Ordinary Share price	**136.4p**	120.5p	+13.2
FTSE All-Share Index	**3,532.74**	3,609.63	-2.1
Premium to net asset value per share	**11.7%**	14.4%	
Net Gearing¶	**18.3%**	13.1%	

	Year ended 31 December 2014	Year ended 31 December 2013
Earnings and Dividends		
Earnings per Ordinary Share	**22.5p**	12.2p
Dividends per Ordinary Share	**6.0p**	6.0p
Dividend yield†	**4.4%**	5.0%
Ongoing Charges		
As a percentage of average net assets**	**1.41%**	1.67%
As a percentage of average net assets (excluding performance fee)**	**1.09%**	1.33%
As a percentage of average net assets (excluding performance fee and direct property expenses)**	**0.67%**	0.64%

	Highs 2014	Lows 2014
Year's Highs/Lows		
Net asset value per share	**122.1p**	**105.3p**
Ordinary Share price	**136.4p**	**116.5p**
Premium	**19.2%**	**3.6%**

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: (Borrowings – 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

Introduction

2014 was a significant year for the Company as it approached the tenth anniversary of its launch in March 2005. Shareholders approved the extension of the Company's life for at least another ten years and the £230 million bonds, which had been due to mature in June 2015, were refinanced with a new ten year loan at a significantly lower interest rate. Furthermore, the Company completed its largest property acquisition since launch and delivered another year of outperformance, building further on its strong long term record.

Performance for the Year

The net asset value ('NAV') total return for the year was 22.1 per cent and the share price total return was 18.8 per cent. The total return from the portfolio was 20.3 per cent, which compares favourably with a total return of 17.9 per cent from the Investment Property Databank ('IPD') Quarterly Universe.

The share price at the year-end was 136.4p, representing a premium of 11.7 per cent to the NAV per share of 122.1p.

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 2013	105.3
Unrealised increase in valuation of direct property portfolio	19.8
Costs of refinance expensed during the year	(0.8)
Other net revenue	3.8
Dividends paid	(6.0)
NAV per share as at 31 December 2014	122.1

The UK commercial property sector performed well during the year. Performance was supported by the strength of the UK economy, and was widespread across sectors and regions. Demand from overseas investors for the asset class continued to be substantial and was the main reason for the high returns during the year. This led to further yield compression across the sector, with the yield gap between prime and secondary properties narrowing. There was an improvement in the occupational market during the year as the economic recovery progressed but this part of the market remains polarised, with demand still weak for much of the secondary market.

The Company completed, in March and April, the purchase of four office blocks in Prime Four Business Park, Kingswells, Aberdeen, for a combined purchase price of £95.4 million. These properties have already made a notable contribution to the portfolio, recording significant uplifts in valuation compared with their purchase cost. The Company is also benefiting from the attractive net initial yield of 6.8 per cent, the full annualised effect of which will be seen through next year's Income Statement.

During the year, the Company also purchased a new production and distribution unit at The Hive, Liverpool International Business Park, Speke, Liverpool for £11.9 million. It also acquired two units at the existing site at Sears Retail Park, Solihull, and a small property within St. Christopher's Place Estate, London W1. The combined cost of these two smaller acquisitions was £10.8 million, but as additions to existing sites owned by the Company were considered to be good strategic acquisitions, creating opportunities to add value to the portfolio.

As well as seeking opportunities to acquire new properties, the Managers have continued a strategy of investing in the existing portfolio which, given the current valuation of the property market, is viewed as a cost effective method of adding value for shareholders. Such expenditure amounted to £7.2 million in 2014 (see note 9) and has exceeded £13 million over a two year period. The main capital expenditure projects undertaken during the year included the refurbishment of vacant office floors at 82 King Street, Manchester, the redevelopment of a 30,000 sq. ft. retail warehouse unit at Sears Retail Park, Solihull, which was pre-let to Next at Home, and the refurbishment of office floors at Alhambra House, Glasgow, pre-let to JP Morgan. These, and other initiatives undertaken during the year, are described in more detail in the Managers' Review.

Continuation Vote and Discount Control

At a General Meeting of the Company held on 7 November 2014, shareholders approved a change to the Articles of Incorporation ('the Articles') relating to the continuation of the Company. Prior to the General Meeting, the Articles required the Board to put a resolution to shareholders at the Annual General Meeting in 2015, and five yearly thereafter, approving the continuation of the Company. In the light of the refinancing described below, the Board proposed a special resolution to amend the Articles such that the next continuation vote will not be required until 2024, when the L&G loan (see below) is due to mature.

At the same time as extending the life of the Company, the Board amended the Company's discount control policy to reflect market conditions better. The Board believes that the new arrangements are more appropriate for a listed property investment company and are in line with the wider listed Real Estate Investment Trust ('REIT') and property company sector. Further details of both the continuation vote and the new discount control policy are included in the Business Model and Strategy on pages 8 and 9.

Borrowings and Loan Refinancing

As reported at the interim stage, the Board had been considering various options for the refinancing of the Company's £230 million secured bonds and £30 million bank loan that were both due to mature on 30 June 2015. The Board was mindful of the risk, should the refinancing of these loans, and the bonds in particular, be left until their maturity date and, in light of the availability of longer term borrowings at attractive rates of interest, decided that it was in the Company's interest for the loans to be refinanced ahead of their maturity.

Accordingly, and as previously announced, the Company entered into a £260 million ten year loan agreement with Legal & General Pensions Limited ('L&G') in November. The loan was drawn down in full on 31 December 2014 and the interest rate payable over the term of the loan has been fixed at 3.32 per cent per annum. This compares with an interest rate of 5.23 per cent per annum on the £230 million bonds.

The bonds were repaid in their entirety on 2 January 2015, although the accounting treatment followed in the financial statements effectively presents the Balance Sheet as if the bonds were repaid on 31 December 2014. This Board considers this to be a more representative picture of the Company's long-term borrowings and risk profile.

Under the terms of the bonds, the Company was required to pay an early repayment premium, based on UK Gilt yields on the date of repayment. The amount paid was £5.6 million (see note 13) and this has been fully recognised through finance costs for the current year, although part of this cost will be recouped in the next six months through the lower rate of interest payable on the new borrowings than would otherwise have been payable on the bonds. The £30 million bank loan was repaid on 31 December 2014 and the interest rate swap relating to this loan was broken at minimal cost.

Following the refinancing, the Group's borrowings comprise the £260 million L&G loan and a £50 million term loan facility provided by Barclays Bank plc. This amounts to £310 million and represents 24.1 per cent of the total assets (less current liabilities) of the Group as at 31 December 2014. Gearing net of cash at the year-end was 18.3 per cent. The weighted average interest rate on the Group's borrowings is 3.57 per cent.

Review of Core Principles

Following shareholder approval of the extension of the Company's life, the Board decided that it was appropriate to review the Company's core principles and objectives. We understand that shareholders view the Company as a well-balanced, conservatively-managed property investment company, with a quality non-sector-specialist portfolio, attractive level of dividend and low gearing. We concluded that the existing investment objective remains appropriate, that is: *to provide an attractive level of income together with the potential for capital and income growth from investing in a diversified UK commercial property portfolio.*

We also reviewed the strategic aims of the portfolio, and the Managers' investment approach in seeking to meet the objectives. We concluded that the approach adopted to date should continue, namely to:

- Focus on core/core+ properties
- Focus on sustainability and protection of income
- Invest in the existing portfolio to add value
- Acquire properties with real rental growth prospects
- Increase development exposure if the right opportunities appear (but not as a core activity)
- Appraise shorter leases, refurbishment and repositioning opportunities

Chairman's Statement (continued)

These principles will be core to the management of the portfolio as we look forward to the next ten years' of the Company's life.

Dividends and Dividend Cover

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 4.4 per cent based on the year-end share price. Barring unforeseen circumstances, the Board intends that dividends in 2015 will continue to be paid monthly at the same rate.

The Company's level of dividend cover for the year (excluding capital gains on properties) was 50 per cent. However, this figure includes exceptional costs relating to the continuation vote and refinancing of the Company's long term debt arrangements. As disclosed in note 5 to the accounts, total finance costs for the year, including the early repayment premium on the bonds of £5.6 million, amounted to £22.2 million. Assuming the Company's borrowings remain unchanged, its interest costs for 2015 are estimated at £11.4 million, providing a saving of £10.8 million. Adjusting the dividend cover for the current year for this expected reduction in finance charges, and removing other one-off expenses relating to the continuation vote and refinancing of £636,000 (see note 3), would give an adjusted dividend cover for 2014 of 75 per cent.

The Company also held a larger than normal level of cash earmarked for the acquisition of the office blocks in Aberdeen, which completed during the year. It is estimated that a full year of rental income from this property will improve dividend cover by a further 3 per cent. The Company should also benefit from the income generated from its other purchases during the year as well as the impact of recent portfolio initiatives, described in more detail in the Managers' Review. Shareholders should, however, appreciate that, during times when the Company is holding cash awaiting investment, either arising from property sales or equity raising, there will be an adverse impact on dividend cover until such time as this money is invested.

Issue of New Ordinary Shares

During the year, the Company issued 40.7 million Ordinary Shares at a premium to the prevailing NAV at the time of issue, for a net consideration of £49.5 million. The Board will seek new share issuance authority at the Annual General Meeting.

Board Composition

The Board has previously stated that it did not anticipate making any significant changes to its composition in advance of the refinancing of the bonds and continuation vote. Following the successful outcome of both of these matters, we conducted a review of Board composition and have put in place a plan of refreshment.

At the year-end, the Board comprised six Directors, three of whom had served since the Company's launch in 2005. All three have indicated that they will retire in succession which allows refreshment of the Board without loss at one time of the embedded industry, Company and shareholder knowledge and experience they each represent.

Nick Tostevin, who has been a Director since 2005, will retire from the Board at the Annual General Meeting on 28 May 2015. On behalf of the Board, I would like to thank Nick for his outstanding contribution and commitment to the Company over this time, both as a Director and as the Chairman of the Audit Committee.

Following a formal recruitment process, the Board is pleased to announce the appointment of two new independent non-executive Directors, Peter Cornell and David Preston, both of whom will join the Board on 1 May 2015 and stand for election at the Annual General Meeting.

Peter Cornell was, until 2006, Global Managing Partner of Clifford Chance. He then joined Terra Firma Capital Partners where he was Managing Director until 2011. He was a non-executive director of Circle Holdings plc from 2011 to 2013. Peter is a founding partner of Metric Capital Partners in Guernsey and has a wealth of legal and commercial experience which will be of significant benefit to the Board.

David Preston is Managing Director of First Names (Guernsey) Limited, a Guernsey based fiduciary and fund services business. He is a director of a number of regulated, un-listed open and closed-end real estate funds invested in the UK, Europe, Asia and the USA. He is a Chartered Accountant and has significant property, financial, corporate administration and regulatory experience.

Following these appointments and Nick's retirement, the Board will comprise seven Directors for a transitional period. One further long serving Director will retire at the Annual General Meeting in 2016, thereby taking the number of Directors back to six. It is the Board's intention to continue to review and refresh its composition mindful that, with a Guernsey resident majority established, the next replacement can be made from a broader and diverse universe of non-executive directors irrespective of whether or not conversion to onshore UK REIT status becomes in the best interests of shareholders.

Trudi Clark will become Chairman of the Audit Committee following Nick's retirement and the Board has also decided that, in accordance with best practice for FTSE 250 companies, it should appoint a Senior Independent Director. Martin Moore will be appointed to this position immediately following his re-election at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at 12.30pm on Thursday 28 May 2015 at Trafalgar Court, Les Banques, St. Peter Port, Guernsey. The Notice of the Meeting is contained on pages 63 to 64. Shareholders who are unable to attend the Meeting are requested to complete and return their enclosed Forms of Proxy.

Outlook

Although there are short term uncertainties, including the General Election in May and the possibility of a referendum on the UK's membership of the EU, the Board believes that the outlook for UK commercial property remains positive. The sector should benefit from the strengthening economy and, with interest rates remaining low, investor demand in the asset class is expected to continue, particularly from overseas investors. The Managers expect London and the South East to continue to out-perform the wider market, but to see good performance from some of the stronger regional markets. The quality and security of the income stream will be key to delivering good performance.

The Board believes that this is an attractive backdrop which will provide some good investment opportunities. In reviewing these opportunities, the Company will apply its core principles, focusing on new investments and investing in the existing portfolio. Sustainability and protection of income remain key factors. With the successful loan refinancing and removal of any short term continuation vote requirements, the Board believes that the Company is well positioned to make further good progress towards meeting its objectives over the next year.

Chris Russell
Chairman
9 April 2015

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 independent non-executive Directors, can be found on page 21. 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 2014 is contained within the Managers' Review on pages 12 to 19 and a portfolio listing is provided on page 20.

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.

Continuation Vote

At a General Meeting of the Company held on 7 November 2014, shareholders approved a change to the Articles of Incorporation ('the Articles'). Prior to the General Meeting, the Articles required the Board to put to Shareholders an ordinary resolution at the Annual General Meeting of the Company to be held in 2015, and five yearly thereafter, approving the continuation of the Company. In the light of the refinancing of the Company's £230 million bonds and £30 million bank loan during the year with a new £260 million ten year loan, the Board proposed a special resolution to amend the Articles to amend the previous requirements.

Following approval of the resolution at the General Meeting, the Articles now require the Board to propose an ordinary resolution to approve the continuation of the Company in 2024. If such resolution is not passed, the Board will be required to put forward proposals within 12 months for the winding up of the Company, or a reconstruction providing shareholders with the opportunity to exit their investment in full.

Discount Control

Prior to the General Meeting on 7 November 2014 the Board also carefully considered the appropriate way to protect shareholders in the event of a significant and persistent discount to the net asset value per share developing. The Board's previous policy was to use the Company's share buy back powers, subject to certain conditions, to repurchase shares where they had traded at a discount of more than 5 per cent for a continuous period of 20 dealing days or more. The Board's previous policy also stated that the Directors would convene a meeting to consider the continuation of the Company in the event that the shares traded at a discount of more than 5 per cent for 90 consecutive dealing days or more.

As stated in the Circular issued to shareholders in advance of the General Meeting, it is the Board's view that holding periodic continuation votes is not appropriate for a Company with illiquid underlying assets, long-term debt and a long term investment strategy. The Board is also mindful of the significant costs that would be incurred by the Group in repaying its loan facilities early and on being forced to sell properties to fund such repayment as a result of a continuation vote. Furthermore, the Board is conscious that the daily prices at which the Company's shares trade can be significantly affected by the expectation of valuation changes between the quarterly valuations and by the expectation of interest rate changes.

While the Board concluded that it did not believe that the previous discount control policy provided the appropriate level of flexibility to enable it to use the share buy back authority, it did recognise that shareholders may expect some degree of protection.

In its new policy, which was set out in the Circular and became effective following the date of the General Meeting on 7 November 2014, the Board will continue its commitment to limit any discount to the net asset value per share at which the Company's shares may trade, through the application of share buy backs. The previous formulaic policy has been removed and this provides the Board with more flexibility on the timing and levels of any share buy backs. However, although in the future the application of share buy backs will not be linked to any specific discount target, the Board is aware of its responsibilities to shareholders and its historic commitment to a 5 per cent discount trigger. A discount of 5 per cent or more therefore remains a level at which the Board will formally review its buy back implementation.

In seeking to minimise any significant and persistent discount to the net asset value per share and, in deciding whether any buy back of shares is in the best interests of shareholders, the Board will continue to take into account the level of discount, the market environment at the time, the Group's cash position and cash requirements and the views of shareholders.

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 65. In addition, meetings are held regularly with current and prospective shareholders and stockbroking analysts covering the investment company sector. Share buy backs can help reduce the volatility of any discount of the share price to the net asset value per share and enhance the net asset value per share for continuing shareholders. Communication of quarterly portfolio information is made through the Company's website.

Principal Risks and Risk Management

As stated within the Report of the Audit Committee on page 27, 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.

Business Model and Strategy (continued)

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, use of gearing, inadequate asset management activity and tenant defaults 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 7, the Managers' Review on pages 12 to 19 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 60.

The Chairman's Statement on pages 4 to 7, Managers on page 11, Managers' Review on pages 12 to 19, and Property Portfolio on page 20 all form part of this Strategic Report.

On behalf of the Board

C Russell
Director
9 April 2015

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 provides investment management and other services to a range of investment companies. F&C REIT is one of the largest property managers in the UK and manages property investments on behalf of a wide range of clients. F&C is wholly owned by Bank of Montreal ('BMO') and is part of BMO Global Asset Management.

Managers' Review

Highlights over the Year

- Total relative return outperformance of 2.0 per cent.
- Capital growth from the standing investments within the portfolio was 13.0 per cent, compared with 12.1 per cent from the benchmark.
- Void levels of 4.5 per cent compared with the benchmark rate of 6.8 per cent.
- Completion of the acquisition of four properties at Aberdeen for £95.4 million, recognising a significant capital uplift on the pre-agreed purchase price
- Re-development of 30,000 square feet of space, successful leasing activity and the purchase of two additional adjoining units at Sears Retail Park, Solihull.

St. Christopher's Place Estate, London W1

Property Market Review

The market portfolio total return for the year, as measured by the Investment Property Databank ('IPD') Quarterly Universe was 17.9 per cent. This strong return was supported by sustained growth in the UK economy, modest inflation and some improvement in the occupational market, but the weight of capital invested into property was a major driver.

Investment activity in 2014 exceeded £62 billion, with a record amount invested during the final quarter. Overseas investors continued to be the largest single group of purchasers but UK institutions were also net investors. While Central London remained in favour, interest broadened to the regions, with investment in regional offices and industrials gathering momentum during the year.

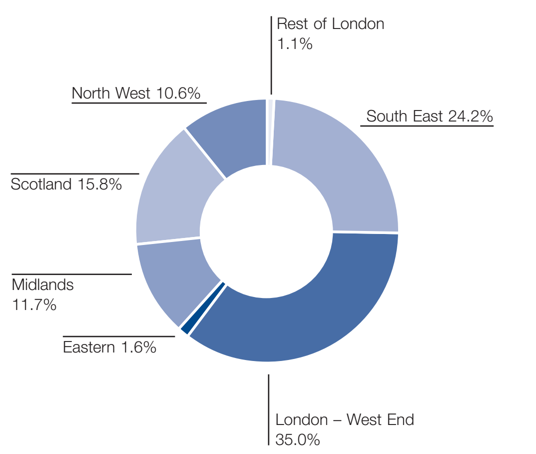
Retail investment was boosted by several large shopping centre purchases, as well as by the continued strength of the Central London retail market.

Industrials were the strongest performing sector during the year delivering a benchmark total return of 22.7 per cent, closely followed by offices at 22.2 per cent with retail lagging at 14.3 per cent. Index-linked long-leases were still favoured as an alternative to low yielding gilts but investors have been increasingly prepared to consider shorter leases for prime assets and move towards a more growth-focused strategy.

The income return for the year was 5.2 per cent, edging lower in large part to the rise in capital values. Benchmark capital values rose by 12.1 per cent, driven by West End offices and South East offices and industrials. However, while capital values for West End offices surpassed their pre-crisis peak during 2014, standard retail property outside the South East recorded a relatively modest 2.5 per cent benchmark increase in capital values in 2014 which is still around 30 per cent below the 2007 peak.

Overall rental growth was 3.2 per cent in 2014 and the year was notable for the broadening of rental growth beyond London. Rental growth was still significantly higher in London where City and West End offices both recorded double digit increases. The South East registered real rental growth in aggregate for offices and industrials but, in the regions, some town centres are still recording retail rental decline. Occupier demand has seen signs of improvement as the economic recovery progresses and the dearth of new supply in the downturn is starting to be felt in some core locations. There has been some revival in development, including a few speculative starts.

Geographical Analysis
as at 31 December 2014
% of total property portfolio



The market vacancy rate moved lower during the year from 7.4 per cent to 6.8 per cent with improvements seen in most parts of the market. Net income growth has improved but remains weak by past standards.

The strength of investment demand led to further yield compression during the year and a narrowing of the yield gap between prime and secondary property. IPD market data shows secondary assets out-performing some prime assets in several segments. In contrast, pressure on the income stream remains significant at the secondary end of the IPD Universe, with double digit annual falls seen in some categories.

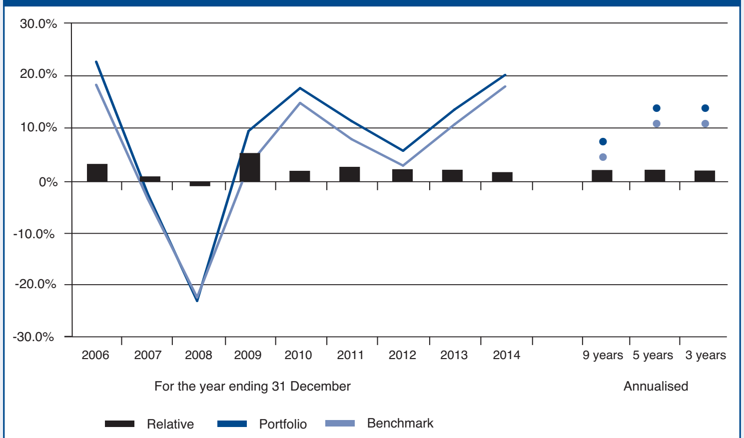
2014 was a year of strong performance, building on the previous year's recovery. The improvement was widespread between sectors and regions. The outlook for the occupational market appears to be brightening but there is still polarisation. We remain concerned about the disparity between the strength of investment demand and pricing when measured against the fundamentals of the occupier market, especially at the secondary end.

Property Portfolio

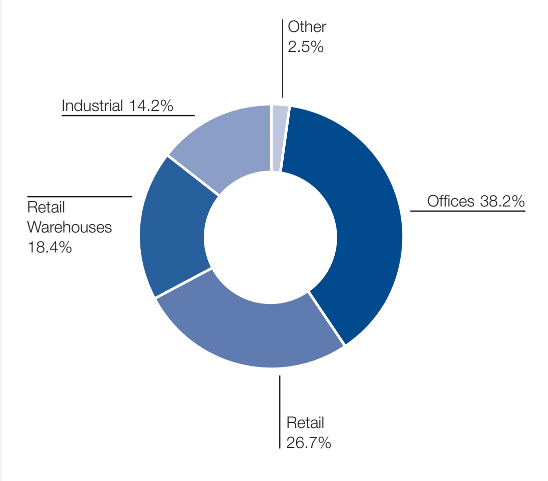
The property portfolio was externally valued by CBRE Limited at £1,212.6 million as at 31 December 2014.

The total return from the portfolio over the year was 20.3 per cent (26th percentile) against the 17.9 per cent benchmark return. The portfolio's returns over the longer term remain strong and over five years it has produced an annualised total return of 13.6 per cent (7th percentile) compared with a benchmark return of 10.8 per cent.

Property Portfolio and Benchmark total return over the longer term



Sector Analysis
as at 31 December 2014
% of total property portfolio



Positioning of Portfolio & Strategy

One feature of the market during the year was the significant compression in capitalisation rates and intense competition for suitable investment properties. The Company is competing for properties against investors whose cost of capital is much lower than this Company's and are further motivated to buy to avoid "cash drag". Throughout the period we have maintained a disciplined and robust appraisal process and will only bid at pricing levels we believe to be realistic and which are commensurate with our overall investment objective.

Whilst unsurprisingly we have had limited success in acquiring new property over the period, we have reinforced the focus on the deployment of capital into the existing portfolio to drive returns. During the period £7.2 million of capital expenditure was invested in the portfolio. The most significant projects included the refurbishment of office floors at Alhambra House, Glasgow and 82 King Street, Manchester; the construction of a new 30,000 square feet unit for Next Home and Garden at Sears Retail Park, Solihull and various projects within St. Christopher's Place Estate, London W1.

Looking forward the limited stock of suitable opportunities at current levels of pricing means that few acquisition opportunities are supportive of increasing dividend cover. Therefore the existing portfolio will remain the first "port of call" for investment which has the added attraction of avoiding expensive transactional costs which are detrimental to returns.

The portfolio remains focussed on London and the South East especially given the higher expectations of rental growth. Although pricing in Central London

Managers' Review (continued)

is expensive and capitalisation yields are low we are still appraising stock where we believe relative rents are low or where we believe we can add value through asset management. As the economy improves, there are pockets of growth beyond London and we are actively seeking opportunities to take advantage of this. Coupled with investing in the existing portfolio, we are also seeking new development opportunities where we believe we can leverage the Company's equity further. In the past we have promoted the protection and sustainability of income. In an environment of an improving economy and occupational market, we believe the bias of strategy should now be to implement initiatives to capture rental growth.

Total Return Analysis

Market Segment - Direct Property	Portfolio (%)	Benchmark (%)
St Retails – South East*	19.6	18.5
St Retails – Rest of UK	10.6	8.3
Shopping Centres	-	14.9
Retail Warehouses	17.5	14.2
Offices – City	29.0	19.3
Offices – West End	24.6	24.3
Offices – South East	16.5	23.4
Offices – Rest of UK	24.5	17.4
Industrials – South East	15.7	23.6
Industrials – Rest of UK	24.4	21.5
Other Commercial	11.8	13.4
All Segments	**20.3**	**17.9**

*Includes West End Retail

Retail

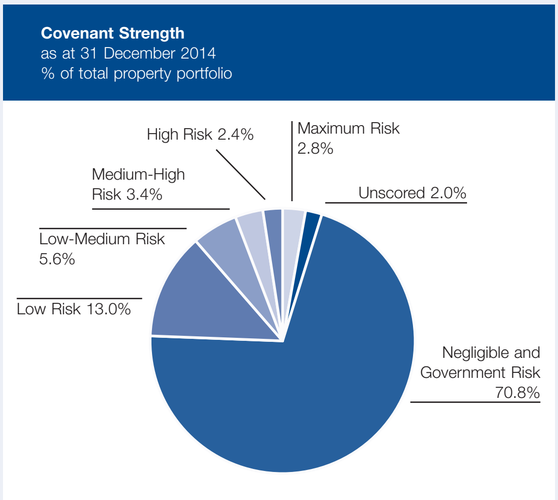
The retail sector IPD benchmark portfolio total return was a significant improvement on the 2013 out-turn of 8.3 per cent, but still the weakest of the three main property sectors. IPD market data showed continued disparity between West End retail and retail property in regions outside Central London. However, both Shopping Centres and Retail Warehouses showed significant improvement recording 14.9 per cent and 14.2 per cent respectively, double the returns of 2013.

Bright spots outside the capital have materialised, but are limited to dominant regional towns with affluent catchments. The sector's structural change and evolution has been affected by the impact of trade diversion from traditional stores to other forms of retailing. The improvement in employment, rising house prices and lower inflation has supported high end and budget retailers. The mid-market retailers have generally remained cautious and cost sensitive. Despite the rebasing of rents throughout 2013, secondary property continued to show negative rental growth during 2014. Outside a thriving central London market, growth has been limited to prime stock in the best towns.

Mavor Avenue, East Kilbride

The Company's best performing retail asset during the year was once again 16 Conduit Street, London W1, which delivered an outstanding return of 53.2 per cent. Following the re-letting of the shop to Christian Dior in 2013, rental values in the street rose by a further 30 per cent and capitalisation rates have continued to compress for premium central London retail investments.

16 Conduit Street, London W1



St. Christopher's Place Estate experienced significant rental growth across all sub-sectors, particularly its offices. At 6 James Street an early surrender was taken of the 2nd floor offices where the rent passing was £75,400 per annum (£37.50 per square foot) and the space was immediately re-let to ESPP at a headline rent of £140,840 per annum (£70.00 per square foot). Another key transaction during the year was the letting of 54 James Street which secured a record rent for restaurants on this street. Meanwhile, in the retail sector, three lettings were completed in St. Christopher's Place itself reinforcing a Zone A rental level for the street of £186 per square foot and generating an average rental growth of 8 per cent.

The redevelopment of 71-77 Wigmore Street has now begun and the project will deliver two new restaurant/retail units and eight apartments for occupation in mid-2016. The estimated capital expenditure for this project is approximately £12.1 million and the commercial element of the scheme has already generated keen occupier interest. The purchase of 1 Barrett Street was also completed in the summer of 2014 and this will unlock an excellent medium term opportunity for the redevelopment of an entire corner of the Barrett Street piazza.

At the Company's retail and leisure holding in Wimbledon, the occupier profile was improved during the year by lettings to two operators who have improved the food and beverage provision and enhanced the public space.

Turning to the out of town retail sector, activity focussed on Sears Retail Park, Solihull where, following the 2013 collapse and default of both Comet and JJB Sports, some 45,000 square feet of space became vacant. The former 30,000 square feet Comet unit has been redeveloped at a cost of approximately £3 million and re-let to Next Home and Garden on a new 15 year lease at a rent passing of £800,000 per annum, well above the independent valuer's ERV at that time. This new flagship store is a significant footfall generator for the remainder of the retail park. The opening of the new Next Home and Garden, and the previously announced M&S Simply Food and Homesense stores, have attracted attention from other retailers, mainly those in the fashion and sports sectors. There is also interest from smaller format operators for "pod" units. Marketing the former JJB Sports store resulted in a conditional agreement for a new 15 year lease at £380,000 per annum (in excess of the previous passing rent) being agreed with TK Maxx. Planning consent has been granted to widen the permitted user, to construct a mezzanine floor and undertake construction works to the front elevation. This agreement is now unconditional and work will start shortly on site.

Sears Retail Park, Solihull

Offices

The office market as a whole delivered an IPD portfolio benchmark total return of 22.2 per cent in 2014. Within the sector, West End offices delivered a benchmark total return of 24.3 per cent reflecting strong investor appetite from UK institutions and an increasing weight of money from overseas investors. Lack of supply combined with increasing occupational demand led to rental growth and the potential arbitrage of converting to residential use also amplified investor demand.

The City out-performed the all-property market with a benchmark total return of 19.3 per cent but lagged behind some more fringe areas of the capital and the office market as a whole. The Rest of the South East office market also registered outperformance with a benchmark total return of 23.4 per cent, following improved tenant demand, very low new supply and increased investor interest. The office market outside London and the South East, saw a marked turnaround in the year, benefiting from some improvement in occupational demand and investors seeking higher yields outside London.

Managers' Review (continued)

Alhambra House, Wellington Street, Glasgow

The total return on the Company's office market portfolio was 22.9 per cent, comparing favourably with an IPD portfolio benchmark total return of 22.2 per cent. The portfolio's performance was supported by capital returns from the assets located in the City of London and Rest of UK offices.

The total return on the Company's Rest of UK offices was 24.5 per cent compared to the benchmark return of 17.4 per cent. Unit 1, Prime Four Business Park, Aberdeen delivered a total return of 27.7 per cent, largely attributed to capital growth of 22.0 per cent. At Unit 4, the Company has agreed an assignment of 25,393 square feet to Maersk.

With regard to activity in the portfolio, over the period the Company completed the refurbishment of 3rd, 4th and 5th floors at 125 Princes Street, Edinburgh. Subsequent lettings resulted in a rental increase of £290,000 per annum. The property's only vacant floor is also now under offer pending completion. At Alhambra House, Glasgow the lettings of the remaining vacant floors have also completed and the existing leases have been successfully re-geared and it is now fully let to JP Morgan until August 2022.

At 82 King Street, Manchester the Company comprehensively refurbished the vacant floors and actively promoted the leasing of the property. This led to lettings on the 5th and 13th floors, with the 12th floor under offer as well, justifying the decision to refurbish these floors. We are pleased to see this successful activity at Manchester as this has been a long standing void. The completion of a lease renewal to Credit Suisse at £31 per square foot evidences the rental growth in Grade A buildings in strong regional cities.

At Thames Valley Park One, Reading the Company has agreed a short term lease extension to Fujitsu until September 2016 mitigating the 2015 lease expiry, the Company's largest lease event during 2015. It is hoped further asset management initiatives in the future will de-risk this investment.

The Company's West End assets sustained their positive performance. Cassini House, the Company's third largest asset, delivered a total return of 30.8 per cent, largely attributable to capital growth of 25.3 per cent, the highest individual asset contribution from the office portfolio. All floors within the property are subject to rent reviews and the latest settlements have been agreed at £89 per square foot, a significant increase from previous rents of £59 per square foot.

The year also saw refurbishment at 17a Curzon Street resulting in a new 10 year lease being secured at £95 per square foot. A re-gearing of the lease on the 5th floor at £80 per square foot on a coterminous term also completed.

25 Great Pulteney Street, London W1

Industrial & Logistics

The South East continued to out-perform the Rest of the UK at 23.6 per cent and 21.5 per cent respectively. The occupational market saw improved take-up with supply shortages emerging in some areas but sheer weight of money looking to invest in the sector has driven the returns back to match all-time highs.

Unit 1, G. Park, Portal Way, Liverpool

The sector benefitted from a relatively high benchmark income return of 6.0 per cent in 2014. In core and good secondary locations the supply squeeze has considerably reduced tenant incentives and market. The year saw a return of some speculative development in core locations, with actual development starts increasing by some 35 per cent, but this does include the pre-let developments.

The Company's industrial and logistics portfolio returned 22.3 per cent in the year.

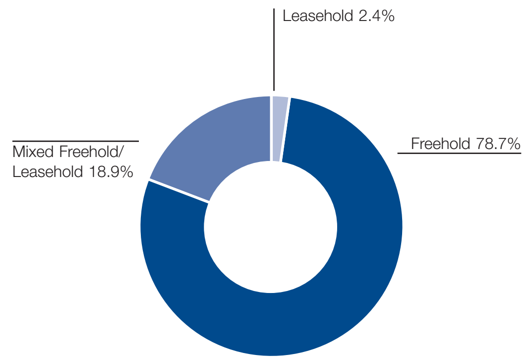
The continuing void at Hedge End, Southampton, negatively impacted returns to the South East Industrial sector, however, the recently completed refurbishment is now under offer to a tenant on a five year lease above the current ERV and is expected to conclude shortly.

In Colchester, the Company secured the letting of Units 7 and 8 Cowdray Avenue but we anticipate a void for Unit 22 in 2015 and are taking proactive steps to manage this position.

Unit 6a, Hams Hall Distribution Park, Birmingham

The site on Cowdray Avenue comprises development land of 4.9 hectares/12 acres cleared of buildings to slab level. Given the lack of any sizeable interest from commercial users in this site, we are focussing efforts on securing consent for an alternative use. While there are various constraints such as ecology and loss of employment issues a robust case can be presented for the site as a brownfield, sustainable location. The strategy is to submit an outline planning application for approximately 165 residential units within the next two months to secure an increase of existing land values.

Tenure Analysis
as at 31 December 2014
% of total property portfolio



The distribution unit in Liverpool let to DHL Supply Chain became income producing in Q2 2014 and during the year we invested further in the region with the purchase of Johnsons Controls' new 150,000 square feet production facility servicing Jaguar Land Rover from Estuary Business Park. This property was purchased for £11.9 million, reflecting a net initial yield of 6.45 per cent.

The 'Other' Sector

This sector comprises property assets such as healthcare, student accommodation, hotels, data centres and automotive uses. 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 times of low gilt yields and when there is a limited amount of stock offering long leases in the traditional three sectors. However, there is strong competition for such assets and the income return can be relatively low. As a result, while the Company has considered various opportunities, it has a limited exposure to this sector comprising the student accommodation let to the University of Winchester. This property

Managers' Review (continued)

produced a total return of 11.8 per cent. The lease is subject to annual RPI increases and the rent increased by £41,423 to £1.708 million per annum over the period.

Burma Road, Winchester

Purchases and Disposals

The Company completed the acquisition of seven properties over the period for a total purchase price of £118.1 million and a contracted annual rental income of £8.04 million. The most significant acquisition was of four office buildings at Prime Four Business Park, Aberdeen at an aggregate price of £95.4 million producing a rent of £6.9 million per annum. Other purchases included The Hive, Liverpool; two units adjoining the existing Sears Retail Park and 1 Barrett Street, London a property on St Christopher's Place.

Prime Four Business Park, Kingswells, Aberdeen

As expected, upon acquisition and first external valuation at Prime Four, Aberdeen, the properties were revalued at an aggregate amount in excess of £100 million. After the Company contracted to purchase these properties, further development has taken place on the business park and the rent on the Company's properties of approximately £23.00 per square foot is now reversionary, as the most recent lettings have achieved £27.75 per square foot and the development has now gained critical mass.

The sharp fall in the price of oil is likely to affect corporate occupiers' real estate strategies in the Aberdeen area but the full impact is unknown at this stage. Against such a background, it is an opportune time to reinforce the investment case for these properties, in that they are newly built, let to strong covenants on unbreakable lease terms of 15 and 20 years incorporating 3 per cent annual compound uplifts off a reversionary rental level. As such, these properties are well-secured with attractive rental cashflows that underpin value.

Property Management

Management of income remains a key activity. We have always aimed to sustain and protect existing income streams. However given the generally improving economic backdrop, we also anticipate a move towards capturing rental growth.

Over the year we drove void levels down to 4.5 per cent from 6.0 per cent of estimated rental value (excluding properties held for development), compared with the benchmark rate of 6.8 per cent. This translates to a 2.7 per cent growth in rent passing versus only 0.3 per cent for the benchmark. A number of other units are currently under offer for rent.

The provision for overdue debt (90 days) at the year-end was 0.3 per cent of gross annualised rents, a decrease from 1.2 per cent reported last year.

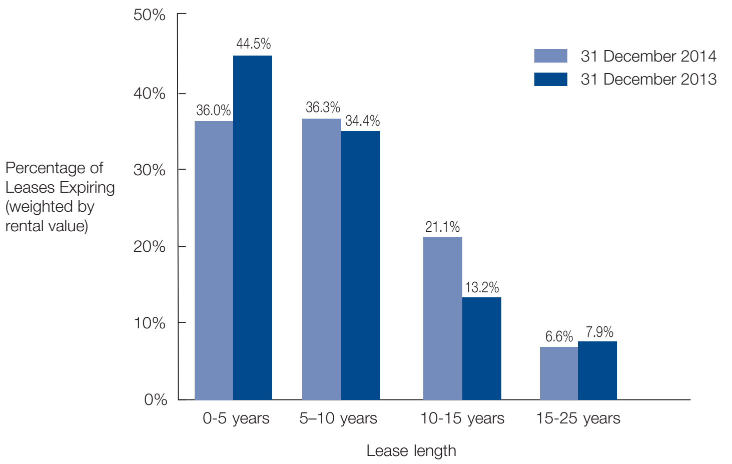
The Company has made significant progress in improving the lease expiry profile particularly with reference to the 2015 lease "exposure".

Outlook

The property market is delivering a strong performance, driven by strong investor demand and intense competition for stock which is bidding up prices, particularly but not exclusively in London.

Lease Expiry Profile

At 31 December 2014 the weighted average lease length for the portfolio. assuming all break options are exercised, was 7.5 years (2013: 6.9 years).



Although there are macro-level uncertainties that could affect property market performance, including the UK general election, a possible EU referendum and global political, economic and financial developments, the short-term outlook appears positive. The asset class remains in favour with a wide range of investors and market sentiment has shifted in favour of interest rates staying lower for longer, potentially allowing property yields to compress further. At some point interest rates will start to normalise and, while this could affect investment performance through yield adjustment in later years, a growing economy, capacity constraints and improved rental growth may help to mitigate the impact. We forecast that total returns will remain positive both in real and nominal terms over the medium-term to 2019. We continue to expect London and the South East to out-perform and for good quality offices and industrials to out-perform retail property outside London. There is likely to be a disparity in performance at the asset level and we continue to stress the importance of focusing on local market conditions, the qualities of the asset and the potential to protect and enhance the income stream over time.

The asset management strategies employed over the course of the year have succeeded in delivering a further year of out-performance, and given the calibre of the properties within the portfolio, the interest in void space and the short lease residues on key assets, we believe the portfolio is well positioned to continue to make good progress in the year ahead. We will continue to focus on value protection of the existing portfolio and to capitalise on growth opportunities afforded by a generally favourable economic backdrop. We will seek to purchase properties selectively while maintaining a firm discipline to ensure there is no dilution of performance from new acquisitions.

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

9 April 2015

Property Portfolio

	Sector
Properties valued in excess of £200 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
London SW1, Cassini House, St James's Street	Office
Solihull, Sears Retail Park	Retail Warehouse
Properties valued between £50 million and £70 million	
London SW19, Wimbledon Broadway	Retail
London W1, 25 Great Pulteney Street	Office
Properties valued between £40 million and £50 million	
Uxbridge, 3 The Square, Stockley Park	Office
Aberdeen, Unit 2 Prime Four Business Park, Kingswells	Office
Aberdeen, Unit 1 Prime Four Business Park, Kingswells	Office
Rochdale, Dane Street	Retail Warehouse
Properties valued between £30 million and £40 million	
Aberdeen, Units 3 & 4 Prime Four Business Park, Kingswells	Office
Glasgow, Alhambra House, Wellington Street	Office
Winchester, Burma Road	Other
Properties valued between £20 million and £30 million	
Chorley, Units 6 & 8 Revolution Park	Industrial
Manchester, 82 King Street	Office
Daventry, Site E4, Daventry International Rail Freight Terminal	Industrial
Birmingham, Unit 8 Hams Hall Distribution Park	Industrial
Liverpool, Unit 1, G. Park, Portal Way	Industrial
East Kilbride, Mavor Avenue	Retail Warehouse
London W1, 17a Curzon Street	Office
Properties valued between £10 million and £20 million	
London SW1, 2/4 King Street	Office
Reading, Thames Valley One, Thames Valley Park	Office
London W1, 16 Conduit Street (note 1)	Retail
Birmingham, Unit 10a Hams Hall Distribution Park	Industrial
Camberley, Watchmoor Park	Office
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
Liverpool, Unit 1 The Hive, Estuary Business Park (note 1)	Industrial
Birmingham, Unit 6a Hams Hall Distribution Park	Industrial
Southampton, Upper Northam Road, Hedge End	Industrial
Properties valued under £10 million	
Camberley, Affinity Point, Glebeland Road	Industrial
Edinburgh, Nevis/Ness Houses, 11/12 Lochside Place	Office
Colchester, Ozalid Works, Cowdray Avenue	Industrial

Notes:

1 Leasehold property.

2 Mixed freehold/leasehold property.

3 For the purpose of the Company's investment policy on page 8, St. Christopher's Place Estate is treated as more than one property.

* Mixed use property of retail, office and residential space.

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 a director of The Association of Investment Companies, 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 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. He is a director of a number of Guernsey based investment funds and a captive insurance PCC.

Other public company directorships: SQN Asset Finance Income Fund Limited.

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, and River and Mercantile UK Micro Cap Investment Company Limited.

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: SEGRO plc and Secure Income REIT plc.

Nicholas Tostevin

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

Date of appointment: 21 January 2005. Will retire at the AGM on 28 May 2015.

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 2014.

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 2014 as follows:

	Payment date	Rate per share
Ninth interim for prior year	31 January 2014	0.5p
Tenth interim for prior year	28 February 2014	0.5p
Eleventh interim for prior year	28 March 2014	0.5p
Twelfth interim for prior year	30 April 2014	0.5p
First interim	30 May 2014	0.5p
Second interim	30 June 2014	0.5p
Third interim	31 July 2014	0.5p
Fourth interim	29 August 2014	0.5p
Fifth interim	30 September 2014	0.5p
Sixth interim	31 October 2014	0.5p
Seventh interim	28 November 2014	0.5p
Eighth interim	30 December 2014	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 30 January and 27 February 2015 and a third was paid on 27 March 2015. The twelfth, and last, interim dividend in respect of the year, of 0.5p per share, will be paid on 30 April 2015 to shareholders on the register on 10 April 2015. 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 21. As disclosed in last year's Annual Report, Mrs Trudi Clark was appointed as an independent non-executive Director on 4 February 2014. There were no other changes to the composition of the Board during the year.

Since the year-end, the Company has employed the services of an independent external search consultant, Trust Associates Limited, to assist with the recruitment of new Board members. As explained in the Chairman's Statement, Mr Peter Cornell and Mr David Preston will be appointed as independent non-executive Directors on 1 May 2015.

Peter Cornell was, until 2006, Global Managing Partner of Clifford Chance. He then joined Terra Firma Capital Partners where he was Managing Director until 2011. He was a non-executive director of Circle Holdings plc from 2011 to 2013. He is a founding partner of Metric Capital partners in Guernsey and has a wealth of legal and commercial experience which will be of significant benefit to the Board.

David Preston is Managing Director of First Names (Guernsey) Limited, a Guernsey based fiduciary and fund services business. He is a director of a number of regulated, un-listed open and closed-end real estate funds invested in the UK, Europe, Asia and the USA. He is a Chartered Accountant and has significant property, financial, corporate administration and regulatory experience.

In accordance with the Company's Articles of Incorporation, Peter Cornell and David Preston will both seek election from shareholders at the Annual General Meeting.

As explained in more detail under Corporate Governance on pages 25 to 26, the Board has agreed that all Directors will retire annually. Mrs T Clark, Mr M R Moore, Mr B W Sweetland, Mr P Niven and Mr C Russell will retire at the Annual General Meeting and, being eligible, offer themselves for re-election. Mr N J M Tostevin has indicated that he will not stand for re-election and will therefore retire from the Board at the Annual General Meeting.

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 25 and 26, 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 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'. FCIB was appointed as the Company's AIFM on 18 July 2014.

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

The 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.

Depositary

JPMorgan Europe Limited was appointed as depositary on 21 July 2014 in accordance with the AIFM Directive. The depositary's responsibilities include cash monitoring, segregation and safe keeping of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements.

Substantial Interests in Share Capital

As at 31 December 2014 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*
Friends Life Group Limited	189,378,871	23.6
Investec Wealth & Investment Limited	87,663,738	10.9
HSBC Holdings plc	38,602,399	4.8

*Based on 799,366,108 Ordinary Shares in issue as at 31 December 2014.

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 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 28 May 2015 is set out on pages 63 to 64.

Directors' Authority to Allot Shares

The Company issued 40,650,406 Ordinary Shares during the year. The aggregate net proceeds were £49.5 million.

Resolution 12 seeks an authority from shareholders to allow the Directors to allot shares up to an aggregate nominal amount of £799,366, being equivalent to approximately 10 per cent of the issued ordinary share capital of the Company as at 9 April 2015.

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 2016 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 £799,366. This is equivalent to approximately 10 per cent of the issued ordinary share capital of the Company as at 9 April 2015.

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 2016 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.

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

9 April 2015

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 independent non-executive Directors. During the year, the Directors did 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 was 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 the end of the year, and as explained in the Chairman's Statement, the Board has decided that Mr M R Moore will be appointed as Senior Independent Director with effect from the date of the Annual General Meeting on 28 May 2015.

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

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of

	Board of Directors		Audit Committee		Management Engagement Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
C Russell	5	5	n/a	n/a	1	1	1	1
T Clark (appointed 4 February 2014)	5	5	3	3	1	1	–	–
M R Moore	5	5	3	3	1	1	1	1
P Niven	5	5	3	3	1	1	1	1
B W Sweetland	5	5	3	3	1	1	1	1
N J M Tostevin	5	5	3	3	1	1	1	1

Corporate Governance Statement (continued)

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 8. 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.

Audit Committee

The Report of the Audit Committee is contained on pages 27 to 29.

Management Engagement Committee

The Management Engagement Committee comprises all of the Directors and is chaired by Mr P Niven.

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 Directors' Remuneration Report on page 30, 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. 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 28 May 2015 is set out on pages 63 and 64. 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

9 April 2015

Report of the Audit Committee

During the year the Audit Committee comprised all the Directors except the Chairman of the Board, Mr C Russell. It is chaired by Mr N J M Tostevin. Mrs T Clark will become Chairman of the Committee following the Annual General Meeting on 28 May 2015 at which Mr Tostevin will retire from the Board

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 25. In the 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;
- 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;
- the receipt of an AAF report from the Managers; and
- whether the Annual Report is fair, balanced and understandable.

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 2014. 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 33 to 35.

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 £74,000 (2013: £65,000), KPMG received audit-related fees of £11,000 for the year (2013: £13,000) which related principally to a review of the interim financial information. 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 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 fourth year for the current partner. The appointment has not been put out to tender since the Company's launch in 2005 and 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

Report of the Audit Committee (continued)

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 2014 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

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 91 per cent of its total assets as at 31 December 2014. 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.
Accounting Recognition of Secured Bonds	
On 31 December 2014, the Group drew down new long-term borrowings of £260 million as detailed in note 14 to the accounts. The majority of these funds were held in a secured bank account at the year end and were used to repay the Group's existing £230 million Secured Bonds on 2 January 2015.	The Audit Committee reviewed the Group's re-financing arrangements and concluded that the Group was required to continue to consolidate the results of its financing subsidiary, F&C Commercial Property Finance Limited, at 31 December 2014. The Audit Committee concluded that as the funds held in the secured account on 31 December 2014 were under the control of the Bond Trustee and could be used for no purpose other than the repayment of the Secured Bonds, the offsetting requirements contained in IAS 32 were met and the cash held should be offset against the bond liability and the net balance of nil shown on the face of the Consolidated Balance Sheet. Further details are contained in notes 13 and 18 to the accounts.
Going Concern	
The Group's accounts have been prepared on a going concern basis. Under guidance issued by the Financial Reporting Council, the Directors are required to conduct a rigorous assessment of this basis of preparation.	The Audit Committee reviewed the basis for concluding that the Group remains a going concern, including consideration of the liquidity of its investment properties, the quantum of its cash holdings, cashflow forecasts, the due date for repayment of the Group's borrowing facilities and continued compliance with applicable loan covenants, and satisfied itself that the going concern basis of preparation remains appropriate.

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. Since its appointment in July 2014, the depositary has provided quarterly reports to the Board and carries out daily independent checks on all cash and investment transactions and is liable for any loss of assets.

The review 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 has provided 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
9 April 2015

Directors' Remuneration Report

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

Full details of the Company's policy with regards to Directors' fees, and fees paid during the year ended 31 December 2014, are shown below. No major decisions or substantial changes relating to Directors' remuneration were made during the year.

Directors' Remuneration Policy

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

The 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.

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.

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

At the Company's last Annual General Meeting, held on 21 May 2014, shareholders approved the Directors' Remuneration Policy. 99.93 per cent of votes were in favour of the resolution and 0.07 per cent of votes were against. It is the Board's intention that the Directors' Remuneration Policy will be put to a shareholder vote again at the Annual General Meeting in 2017 unless changes are made to the policy before then.

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:

	2014 £	2013 £
C Russell	**59,000**	57,000
T Clark (appointed 4 February 2014)	**34,000**	–
J G Hooley (retired 31 December 2013)	**–**	35,000
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	**250,500**	239,500

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:

	2014 £	2013 £	% Change
Aggregate Directors' Remuneration	**250,500**	239,500	**+4.6**
Management fee and other expenses	**13,166,000**	13,104,000	**+0.5**
Aggregate Shareholder Distributions	**46,336,000**	45,413,000	**+2.0**

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:

	2014 Ordinary Shares	2013 Ordinary Shares
C Russell	**250,000**	250,000
T Clark	**–**	–
M R Moore	**40,687**	40,687
P Niven	**43,142**	43,142
B W Sweetland	**100,000**	100,000
N J M Tostevin	**21,832**	21,832

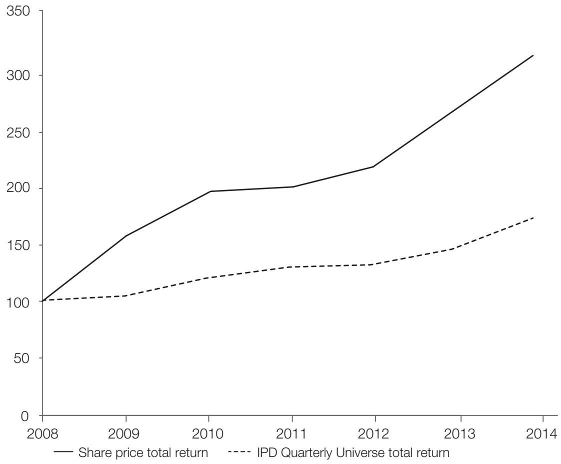
There have been no changes in the above interests since 31 December 2014.

No Director had an interest in the Company's 5.23 per cent Bonds 2017 during the year.

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 8. The graph opposite compares, for the six financial years ended 31 December 2014, the total return (assuming all dividends are reinvested) to ordinary shareholders 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 2014 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 21 May 2014, shareholders approved the Annual Report on Directors' Remuneration in respect of the year ended 31 December 2013. 99.93 per cent of votes were in favour of the resolution and 0.07 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

9 April 2015

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 International Financial Reporting 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 comply with The Companies (Guernsey) Law, 2008; 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

9 April 2015

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 2014 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 European Union ('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 2014 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 risks of material misstatements that had the greatest effect on our audit were as follows:

<u>Valuation of Investment Properties (£1,195.6 million)</u>

Refer to page 28 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 91.4 per cent of the Group's total assets as at 31 December 2014. The fair value of the investment properties at 31 December 2014 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 the audit.
- Our response – Our audit procedures with respect to the valuation of 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 United Kingdom Real Estate specialist, to examine 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.

  We challenged the external valuer's assumptions and data by comparing 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 disclosures (see Note 1(f)) in relation to the use of estimates and judgments regarding fair value of investment properties and the Group's valuation policies adopted and fair value disclosures in Note 9 for compliance with International Financial Reporting Standards as adopted by the EU.

<u>Accounting Recognition of Secured Bonds (£230 million) and Consolidation of F&C Commercial Property Finance Limited as at 31 December 2014</u>

Refer to page 28 of the Report of the Audit Committee, Note 1(b) accounting policies and disclosures in Notes 13, 14 and 18

- The risk – As part of the Group's re-financing plan, on 31 December 2014, the Group drew down a new long-term loan of £260 million as detailed in Note 14 to the financial statements in order to repay the Group's existing £230 million Secured Bonds and the £30 million Bank Loan 2015. The majority of these funds were held in a secured bank account as at 31 December 2014 and were used to repay the Secured Bonds on 2 January 2015. Notice was given by F&C Commercial Property Finance Limited to the Bond Trustee on 10 November 2014 to repay the Secured Bonds which resulted in an irrevocable commitment as at that date. This gave rise to two issues considered by the Audit Committee, namely (a) the requirement to consolidate the

Independent Auditor's Report (continued)

results of F&C Commercial Property Finance Limited, a special purpose vehicle established to issue the Secured Bonds given the consolidation criteria in IFRS 10 'Consolidated Financial Statements' and (b) whether the offsetting requirement in IAS 32 'Offsetting Financial Assets and Financial Liabilities' was met such that the funds held at 31 December 2014 for repayment of the Secured Bonds should be offset against the liability for the Secured Bonds, and the net balance of nil be shown on the face of the Consolidated Balance Sheet. Given that both IFRS 10 and IAS 32 require judgment and interpretation in their application this is considered a significant area of the audit. As highlighted in the Report of Audit Committee, the Directors have assessed and concluded that (a) the Company meets the criteria under IFRS 10 to consolidate the results as at 31 December 2014 of F&C Commercial Property Finance Limited and (b) the offsetting requirement under IAS 32 was met such that the cash held should be offset against the liability for the Secured Bonds as at 31 December 2014 in the consolidated financial statements.

- Our response – Our audit procedures with respect to the application of IFRS 10 and IAS 32 included, but were not limited to, forming an independent evaluation of the relevant facts and circumstances supporting the Directors' assessment that (a) the Company meets the requirements of IFRS 10 in terms of consolidation of F&C Commercial Property Finance Limited as at 31 December 2014 and (b) whether the Group can apply IAS 32 to offset the funds held against the liability for the Secured Bonds. We challenged the Directors' assessment that funds held for repayment of the bonds were under the control of the Bond Trustee, that the Bond Trustee had the power to control the purpose of the cash and that the cash was solely being used for repayment of the Secured Bonds and for no other purpose. We have considered the adequacy of the Group's disclosures in respect of the application of the accounting standards IFRS 10 in Note 1(b) and IAS 32 in Note 13.

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 £30.1 million. This has been calculated using a benchmark of the Group's total assets (of which it represents approximately 2.5 per cent) which we believe is the most appropriate benchmark as investment property values are considered as the prime driver of returns to the members.

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 £1.5 million, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

The Group audit team performed the audit of the Group as if it was a single operating entity based on the aggregated set of financial information for the Group. The audit was performed using the materiality levels set out above and covered 100 per cent of total Group revenue, Group profit before taxation and total Group assets.

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 we plan 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 25 to 26 relating to the Company's compliance with the ten 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 32, 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
Glategny Court
Glategny Esplanade
St. Peter Port
Guernsey GY1 4HP
9 April 2015

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 2014

	Notes	2014 £'000	2013 £'000
Revenue			
Rental Income		**58,528**	52,558
Total revenue		**58,528**	52,558
Gains/(losses) on investment properties			
Unrealised gains on revaluation of investment properties	9	**150,521**	66,765
Losses on sale of investment properties realised	9	**–**	(198)
Total income		**209,049**	119,125
Expenditure			
Investment management fee	2a	**(7,312)**	(6,302)
Other expenses	3	**(5,854)**	(6,802)
Total expenditure		**(13,166)**	(13,104)
Operating profit before finance costs and taxation		**195,883**	106,021
Net finance costs			
Interest receivable	4	**347**	958
Finance costs	5	**(22,165)**	(14,716)
		(21,818)	(13,758)
Profit before taxation		**174,065**	92,263
Taxation	6	**(164)**	(278)
Profit for the year		**173,901**	91,985
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Movement in fair value of interest rate swaps	14	**(52)**	2,317
Total comprehensive income for the year		**173,849**	94,302
Basic and diluted earnings per share	8	**22.5p**	12.2p

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 2014

	Notes	2014 £'000	2013 £'000
Non-current assets			
Investment properties	9	**1,195,593**	914,183
		1,195,593	914,183
Current assets			
Trade and other receivables	10	**21,581**	22,845
Cash and cash equivalents	11,13	**90,497**	160,937
		112,078	183,782
Total assets		**1,307,671**	1,097,965
Current liabilities			
Trade and other payables	12	**(22,125)**	(17,530)
Interest-bearing bonds	13	**–**	–
Non-current liabilities			
Interest-bearing bonds	13	**–**	(229,811)
Interest-bearing loans	14	**(307,111)**	(49,207)
Interest rate swaps	14	**(2,455)**	(2,403)
		(309,566)	(281,421)
Total liabilities		**(331,691)**	(298,951)
Net assets		**975,980**	799,014
Represented by:			
Share capital	15	**7,994**	7,587
Share premium	15	**127,612**	78,566
Reverse acquisition reserve	15	**831**	831
Special reserve	15	**511,933**	556,082
Capital reserve – investments sold	15	**(18,856)**	(18,856)
Capital reserve – investments held	15	**258,944**	108,423
Hedging reserve	15	**(2,455)**	(2,403)
Revenue reserve	15	**89,977**	68,784
Equity shareholders' funds		**975,980**	799,014
Net asset value per share	16	**122.1p**	105.3p

The accounts on pages 36 to 59 were approved by the Board of Directors on 9 April 2015 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 2014

	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 2014		7,587	78,566	831	556,082	(18,856)	108,423	(2,403)	68,784	799,014
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	–	–	173,901	173,901
Movement in fair value of interest rate swap	14	–	–	–	–	–	–	(52)	–	(52)
Transfer in respect of unrealised gains on investment properties	9	–	–	–	–	–	150,521	–	(150,521)	–
Transfer from special reserve	15	–	–	–	(44,149)	–	–	–	44,149	–
Total comprehensive income for the year		**–**	**–**	**–**	**(44,149)**	**–**	**150,521**	**(52)**	**67,529**	**173,849**
Transactions with owners of the Company recognised directly in equity										
Issue of ordinary share capital	15	407	49,046	–	–	–	–	–	–	49,453
Dividends paid	7	–	–	–	–	–	–	–	(46,336)	(46,336)
At 31 December 2014		**7,994**	**127,612**	**831**	**511,933**	**(18,856)**	**258,944**	**(2,455)**	**89,977**	**975,980**

for the year ended 31 December 2013

	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 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

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Cash flows from operating activities			
Profit for the year before taxation		**174,065**	92,263
Adjustments for:			
Finance costs		**22,165**	14,716
Interest receivable		**(347)**	(958)
Unrealised gains on revaluation of investment properties		**(150,521)**	(66,765)
Losses on sale of investment properties realised		**–**	198
Decrease/(increase) in operating trade and other receivables		**1,264**	(7,270)
Increase/(decrease) in operating trade and other payables		**4,299**	(908)
		50,925	31,276
Interest received		**347**	958
Interest paid		**(15,349)**	(14,472)
Tax paid		**(437)**	(180)
		(15,439)	(13,694)
Net cash inflow from operating activities		**35,486**	17,582
Cash flows from investing activities			
Purchase/development of investment properties	9	**(123,737)**	(8,523)
Sale of investment properties	9	**–**	36,000
Capital expenditure	9	**(7,152)**	(5,946)
Net cash (outflow)/inflow from investing activities		**(130,889)**	21,531
Cash flows from financing activities			
Issue of ordinary share capital, net of costs	15	**49,453**	14,094
Dividends paid	7	**(46,336)**	(45,413)
Draw down of Bank Loan 2015, net of costs	14	**29,768**	–
Repayment of Bank Loan 2015	14	**(30,000)**	–
Draw down of L&G Loan, net of costs	14	**257,679**	–
Redemption value of Secured Bonds	13	**(235,601)**	–
Net cash inflow/(outflow) from financing activities		**24,963**	(31,319)
Net (decrease)/increase in cash and cash equivalents		**(70,440)**	7,794
Opening cash and cash equivalents		**160,937**	153,143
Closing cash and cash equivalents		**90,497**	160,937

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 AIC has issued an updated SORP which is applicable for accounting periods commencing on or after 1 January 2015. The recommendations of the revised SORP have not been adopted early.

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 October 2012, the International Accounting Standards Board ('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 do not have any material impact on the consolidated financial statements as presented.
- In December 2011, the International Accounting Standards Board ('IASB') issued an amendment to IAS 32 *'Offsetting Financial Assets and Financial Liabilities'.* The amendment clarified the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The amendment was effective for annual periods beginning on or after 1 January 2014 and is required to be applied retrospectively. The Group has applied offsetting regarding the repayment of its Secured Bonds Due 2017 (see note 13 for details); however this amendment has not had any material impact on net assets or the Consolidated Statement of Comprehensive Income.
- In May 2013, the IASB issued IFRIC Interpretation 21 *'Levies'*, an Interpretation on the accounting for levies imposed by governments. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of this interpretation does not have any material impact on the consolidated financial statements as presented for the current, or comparative, reporting periods.

1. Accounting policies (continued)

(a) Basis of accounting

The following new standard has been issued but is not effective for this accounting period and has not been adopted early:

- In July 2014, the IASB published the final version of IFRS 9 *'Financial Instruments'* which replaces the existing guidance in IAS 39 *'Financial Instruments: Recognition and Measurement'*.

  The IFRS 9 requirements represent a change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

  For financial liabilities, IFRS 9 largely carries forward without substantive amendment the guidance on classification and measurement from IAS 39. 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 in profit or loss.

  The standard introduces new requirements for hedge accounting that align hedge accounting more closely with risk management and establishes a more principles-based approach to hedge accounting. The standard also adds new requirements to address the impairment of financial assets and means that a loss event will no longer need to occur before an impairment allowance is recognised.

  The standard will be effective for annual periods beginning on or after 1 January 2018, and is required to be applied retrospectively with some exemptions. The Group is yet to assess IFRS 9's full impact but it is not currently anticipated that this standard will have any material impact on the Group's financial statements as presented for the current year.

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. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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.

For the year ended 31 December 2014 the Company owned 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. On 31 December 2014, the Company transferred, at fair value, ownership of 100 per cent of the issued ordinary share capital of Winchester Burma Limited to FCPT Holdings Limited.

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 2014 this Company was dormant, having previously acted as an investment and property company.

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

Notes to the Accounts (continued)

1. Accounting policies (continued)

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

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

Deferred 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.

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

1. Accounting policies (continued)

(f) Investment properties (continued)

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. 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. 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, are included in Level 3.

(h) Derivative financial instruments

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

Derivative instruments are initially recognised in the Balance Sheet at their fair value. Fair value is determined by 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

	2014 £'000	2013 £'000
(a) Investment management fee		
– base management fee	**4,415**	3,731
– performance fee	**2,897**	2,571
	7,312	6,302

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 £143,000 for administration services provided in respect of the year ended 31 December 2014 (2013: £140,000).

The investment management agreement may be terminated by either party by giving not less than six months' notice. The agreement may be terminated earlier by the Company 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 was for a fixed term to 30 September 2014, continuing thereafter until determined, and an annual fee is payable equal to 0.01 per cent of the aggregate value of the direct property portfolio.

3. Other expenses

	2014 £'000	2013 £'000
Direct operating expenses of let rental property	3,711	5,209
Fees relating to continuation vote and refinancing	636	–
Valuation and other professional fees	633	528
Directors' fees †	251	240
Administration fee	143	140
Auditor's remuneration for:		
– statutory audit	74	65
– audit-related services	11	13
Other	395	607
	5,854	6,802

† An analysis of the Directors' fees is provided in the 'Directors' Emoluments for the Year' table within the Directors' Remuneration Report on page 30.

4. Interest receivable

	2014 £'000	2013 £'000
Deposit interest	347	958

5. Finance costs

	2014 £'000	2013 £'000
Interest on the 5.23 per cent Secured Bonds due 2017	12,218	12,165
Interest on the interest-bearing bank loans	2,823	1,344
Interest in respect of the interest rate swap agreements	1,310	1,207
Interest on the L&G loan	213	–
Early repayment premium on the 5.23 per cent Secured Bonds due 2017	5,601	–
	22,165	14,716

Notes to the Accounts (continued)

6. Taxation

	2014 **£'000**	2013 £'000
Current income tax		
Current income tax charge	**185**	239
Adjustment to provision for prior years	**(21)**	39
Total tax charge	**164**	278

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:

	2014 **£'000**	2013 £'000
Profit before taxation	**174,065**	92,263
UK income tax at a rate of 20 per cent	**34,813**	18,453
Effects of:		
Capital gains on investment properties not taxable	**(30,104)**	(13,313)
Income not taxable, including interest receivable	**(69)**	(192)
Expenditure not allowed for income tax purposes	**4,862**	3,220
Allowable intercompany loan interest paid	**(9,564)**	(8,685)
Losses carried forward to future years	**539**	858
Utilisation of losses brought forward from prior years	**(205)**	–
Capital allowances claimed	**(87)**	(102)
Adjustment to provision for prior years	**(21)**	39
Total tax charge	**164**	278

The Company and its subsidiaries are exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. An annual fee of £600 per company was paid 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 £10,567,000 (2013: £9,731,000) at 31 December 2014. 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

	2014 Total £'000	**2014 Rate (pence)**	2013 Total £'000	2013 Rate (pence)
In respect of the previous period:				
Ninth interim dividend	**3,793**	**0.5**	3,738	0.5
Tenth interim dividend	**3,794**	**0.5**	3,753	0.5
Eleventh interim dividend	**3,793**	**0.5**	3,778	0.5
Twelfth interim dividend	**3,794**	**0.5**	3,794	0.5
In respect of the period under review:				
First interim dividend	**3,793**	**0.5**	3,794	0.5
Second interim dividend	**3,794**	**0.5**	3,794	0.5
Third interim dividend	**3,793**	**0.5**	3,794	0.5
Fourth interim dividend	**3,794**	**0.5**	3,794	0.5
Fifth interim dividend	**3,997**	**0.5**	3,794	0.5
Sixth interim dividend	**3,997**	**0.5**	3,794	0.5
Seventh interim dividend	**3,997**	**0.5**	3,793	0.5
Eighth interim dividend	**3,997**	**0.5**	3,793	0.5
	46,336	**6.0**	45,413	6.0

Two further interim dividends for the year to 31 December 2014, of 0.5 pence per share, were paid on 30 January and 27 February 2015 and a third was paid on 27 March 2015. The twelfth, and last, interim dividend in respect of the year, of 0.5p per share, will be paid on 30 April 2015 to shareholders on the register on 10 April 2015.

Although these payments relate to the year ended 31 December 2014, under IFRS they will be accounted for in the year ending 31 December 2015, 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 £173,901,000 (2013: £91,985,000) and on 771,857,477 (2013: 756,792,414) Ordinary Shares, being the weighted average number of shares in issue during the year.

Notes to the Accounts (continued)

9. Investment properties	**2014 (Level 3) £'000**	2013 (Level 3) £'000
Freehold and leasehold properties		
Opening book cost	**805,760**	818,145
Opening unrealised appreciation	**108,423**	51,002
Opening fair value	**914,183**	869,147
Purchases/development	**123,737**	8,523
Sales – proceeds	**–**	(36,000)
– gain on sale	**–**	9,146
Capital expenditure	**7,152**	5,946
Unrealised gains realised during the year	**–**	(9,344)
Increase in unrealised appreciation	**150,521**	66,765
	1,195,593	914,183
Closing book cost	**936,649**	805,760
Closing unrealised appreciation	**258,944**	108,423
Closing fair value	**1,195,593**	914,183

There were no properties held for sale at 31 December 2014 (2013: £nil).

All the Group's investment properties were valued as at 31 December 2014 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 2014 on a fair value basis and in accordance with The RICS Valuation – Professional Standards (January 2014). The CBRE valuation report is dated 14 January 2015 (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 £1,212,610,000 (2013: £927,940,000). The difference between the Valuation Report and the closing fair value of investment properties disclosed above of £1,195,593,000 (2013: £914,183,000) consists of capital incentives paid to tenants totalling £5,323,000 and accrued income relating to the pre-payment for rent free periods recognised over the life of the lease totalling £11,694,000, which are both separately recorded in the accounts as current assets within 'trade and other receivables' (see note 10).

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). All of the properties per fair value band are shown on page 20.

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 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	2014 Range*	2014 Weighted Average	2013 Range*	2013 Weighted Average
Retail	**323,900** (2013: 274,975)	All Risks Yield	Current Rental Value per square foot ('psf') per annum	**£18 - £99**	**£41**	£11 - £44	£36
			Estimated Rental Value psf per annum	**£21 - £128**	**£52**	£19 - £98	£43
			Net Initial Yield	**2.1% - 5.6%**	**3.8%**	0.4% - 6.0%	4.4%
			Equivalent Yield	**2.6% - 6.1%**	**4.5%**	3.0% - 6.4%	4.9%
			Estimated Capital Value psf	**£369 - £4,531**	**£1,298**	£267 - £3,030	£1,020
Retail Warehouse	**222,725** (2013: 192,000)	All Risks Yield	Current Rental Value psf per annum	**£14 - £28**	**£24**	£14 - £24	£20
			Estimated Rental Value psf per annum	**£12 - £29**	**£24**	£14 - £28	£24
			Net Initial Yield	**4.4% - 6.8%**	**5.0%**	3.1% - 6.9%	4.8%
			Equivalent Yield	**4.4% - 6.5%**	**5.0%**	5.1% - 6.9%	5.5%
			Estimated Capital Value psf	**£194 - £524**	**£467**	£189 - £449	£407
Office	**463,815** (2013: 296,360)	All Risks Yield	Current Rental Value psf per annum	**£8 - £79**	**£39**	£4 - £62	£38
			Estimated Rental Value psf per annum	**£15 - £91**	**£46**	£15 - £75	£43
			Net Initial Yield	**2.5% - 13.4%**	**4.6%**	1.5% - 12.6%	5.0%
			Equivalent Yield	**3.9% - 8.8%**	**5.7%**	4.1% - 9.2%	5.8%
			Estimated Capital Value psf	**£129 - £1,884**	**£858**	£122 - £1,652	£840
Industrial, logistics and other	**202,170** (2013: 164,605)	All Risks Yield	Current Rental Value psf per annum	**£2 - £13**	**£6**	£0 - £13	£6
			Estimated Rental Value psf per annum	**£4 - £13**	**£6**	£4 - £13	£7
			Net Initial Yield	**2.4% - 10.3%**	**6.0%**	2.7% - 12.6%	5.9%
			Equivalent Yield	**6.1% - 10.8%**	**6.7%**	6.6% - 13.5%	7.5%
			Estimated Capital Value psf	**£61 - £237**	**£102**	£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 net initial yield, although equivalent yield may also be taken into consideration. Where properties are vacant at the date of valuation a comparable capital value per square foot is used. In determining the net initial yield, or 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 does 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 2014 arising from:	Retail £'000	Retail Warehouses £'000	Offices £'000	Industrial, Logistics and other £'000	**Total £'000**
Increase in rental value by 5%	16,195	11,136	23,191	10,109	**60,631**
Decrease in rental value by 5%	(16,195)	(11,136)	(23,191)	(10,109)	**(60,631)**
Increase in net initial yield by 0.25%	(20,062)	(10,634)	(23,763)	(8,068)	**(62,527)**
Decrease in net initial yield by 0.25%	22,899	11,756	26,476	8,767	**69,898**

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 net initial yield by 0.25%	(14,782)	(9,527)	(14,101)	(6,644)	**(45,054)**
Decrease in net initial yield by 0.25%	16,562	10,577	15,584	7,227	**49,950**

10. Trade and other receivables

	2014 £'000	2013 £'000
Capital and rental lease incentives	**17,017**	13,757
Cash deposits held for tenants	**2,510**	2,364
Cash deposits held in escrow for property purchases	**–**	5,128
Rents receivable (net of provision for bad debts)	**1,722**	926
Other debtors and prepayments	**328**	648
Accrued income	**4**	22
	21,581	22,845

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 £11,694,000 (2013: £9,473,000) being the prepayment for rent-free periods recognised over the life of the lease and £5,323,000 (2013: £4,284,000) 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

	2014 £'000	2013 £'000
Rental income received in advance	**9,812**	8,164
Rental deposits	**2,510**	2,364
VAT payable	**1,619**	1,209
Managers' fees payable	**4,314**	3,739
Income tax payable	**69**	353
Other payables	**3,801**	1,701
	22,125	17,530

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

13. Interest-bearing bonds

	2014 £'000	2013 £'000
Principal amount outstanding	**230,000**	230,000
Issue costs	**(1,196)**	(1,196)
Amortisation of issue costs	**1,196**	1,007
Early repayment premium	**5,601**	–
Secured cash retained for repayment of Bonds	**(235,601)**	–
	–	229,811

The Group, through F&C Commercial Property Finance Limited, had issued £230,000,000 of Secured Bonds due 2017. The bonds carried interest at a fixed rate of 5.23 per cent per annum and had an expected maturity date of 30 June 2015. If the bonds were not redeemed at this date they would have carried interest at 0.60 per cent over six-month LIBOR until the final maturity date of 30 June 2017. During the year to 31 December 2014, these bonds were secured by means of a fixed and floating charge over the whole of the assets of the Secured Group (which comprised FCPT Holdings Limited, F&C Commercial Property Holdings Limited and F&C Commercial Property Finance Limited).

On 10 November 2014, the Group gave an irrevocable commitment that it would redeem the Secured Bonds in full on 2 January 2015. On 31 December 2014, monies equal to the total redemption value of the bonds were paid into a secured bank account under control of the Bond Trustee and the security over the assets of FCPT Holdings Limited and F&C Commercial Property Holdings Limited was released. The monies held in this secured bank account could not be used for any purpose other than the redemption of the Secured Bonds. The Secured Bonds were redeemed in full, at a capital value of £235,601,000, on 2 January 2015.

As the cash held for the repayment of the Secured Bonds, including the early repayment premium, was held in a secured account as at 31 December 2014 under the control of the Bond Trustee and could not be used for any purpose other than fulfilling the irrevocable commitment given by the Group to repay the Secured Bonds on 2 January 2015, the Group has offset the cash balance against the bond liability at 31 December 2014, as set out in the above table. The Group has not offset any other financial assets and financial liabilities in the Consolidated Balance Sheet.

Under the covenants relating to the bonds the Company had to ensure that for the Secured Group during the year ended 31 December 2014:

- the loan to value percentage remained 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 remained 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 was greater than 1.5 times on any calculation date;
- payments were not made in respect of shares unless the ratio of free cash flow to interest was 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) accounted for more than 15 per cent of the gross asset value;
- the sector weightings (measured by market value) did 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) did not exceed 40 per cent of the gross asset value;
- no single tenant exceeded 15 per cent of the total annual net rental income from the properties;
- the five largest tenants did not exceed 40 per cent of the total annual net rental income from the properties; and
- short leasehold properties (measured by market value) did not exceed 10 per cent of the gross asset value.

The Secured Group complied with all the bond covenants during the year. The fair value of the interest-bearing bonds based on the mid-market price at 31 December 2013 was £241,247,000 and was classified as level 1 under the hierarchy of fair value measurements.

Notes to the Accounts (continued)

14. Interest-bearing loans and interest rate swap liabilities

	2014 £'000	2013 £'000
L&G loan		
Principal amount outstanding	**260,000**	–
Set-up costs	**(2,678)**	–
Amortisation of set-up costs	**–**	–
	257,322	–
Bank loan		
Principal amount outstanding	**50,000**	50,000
Set-up costs	**(727)**	(1,192)
Amortisation of set-up costs	**516**	399
	49,789	49,207
	307,111	49,207

£260 million L&G Loan 2024

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

L&G provided committed funds on 22 December 2014 and the Group drew down the loan in full on 31 December 2014. The loan proceeds were used to repay the £230 million Secured Bonds due 2017 and £30 million bank loan due 2015. Interest is payable on this loan from the commitment date, quarterly in arrears, at a fixed rate of 3.32 per cent per annum for the duration of the loan. The loan is secured by means of a fixed and floating charge over the whole of the assets of the Secured Group (which, at 31 December 2014, comprised FCPT Holdings Limited, F&C Commercial Property Holdings Limited and Winchester Burma Limited).

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

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

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

The fair value of the interest-bearing L&G loan as at 31 December 2014, based on the yield on the Treasury 5% 2025 which would be used as the basis for calculating the early repayment of such loan plus the appropriate margin would be £271,746,000.

£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.

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

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 2014 was £2,455,000 (2013: £2,378,000), 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 had a final maturity date of 30 June 2015. This facility was drawn down in full on 20 March 2014 in order to partially finance the purchase of Blocks 1 and 2, Prime Four Business Park, Kingswells, Aberdeen. As part of the restructuring of the long-term financing of the Group this loan was repaid in full and the facility cancelled on 31 December 2014. There were no early repayment charges arising on repayment.

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

Under the bank covenants related to this loan, for the period during which the loan was drawn down, the Group had to ensure that for Prime Four Limited:

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

Interest rate exposure was hedged by the purchase of a forward interest rate swap contract which had a commencement date, at the Group's discretion, at any point during the starting window of 22 October 2013 and 31 July 2014. The hedge was achieved by matching the notional amount of the swap with the loan principal and matching the swap term to the loan term. Due to the level of prevailing market interest rates, the Group chose to commence the interest rate swap at the end of the starting window.

From commencement on 31 July 2014, interest on the swap was 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 was closed on 17 December 2014 and therefore there was no liability remaining to be recognised at 31 December 2014. At 31 December 2013, the fair value of the liability in respect of the forward interest rate swap contract was £25,000 based on the marked to market value. The forward interest rate swap was classified as Level 2 under the hierarchy of fair value measurements.

15. Share capital and reserves

	£'000
Allotted, called-up and fully paid	
758,715,702 Ordinary Shares of 1p each in issue at 31 December 2013	**7,587**
Issue of 40,650,406 Ordinary Shares of 1p each	**407**
799,366,108 Ordinary Shares of 1p each in issue at 31 December 2014	**7,994**

Notes to the Accounts (continued)

15. Share capital and reserves (continued)

Share capital

Under the Company's Articles of Incorporation, the Company may issue an unlimited number of Ordinary Shares. The Company issued 40,650,406 Ordinary Shares during the year (2013: 14,000,000) raising net proceeds of £49,453,000 (2013: £14,094,000).

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 2014, the Company did not hold any Ordinary Shares in treasury (2013: 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.

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 122.1p (2013: 105.3p) is based on equity shareholders' funds of £975,980,000 (2013: 799,014,000) and on 799,366,108 (2013: 758,715,702) 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.

The Directors of the Company received fees for their services. Further details are provided in the 'Directors' Emoluments for the Year' table in the Directors' Remuneration Report on page 30. Total fees for the year were £251,000 (2013: £240,000). 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 during the year comprised interest-bearing bonds, interest-bearing loans, 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 Barclays interest-bearing bank loans.

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

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

As at 31 December 2014, the Group had placed monies in a secured bank account sufficient to fully cover the redemption value of the Secured Bonds Due 2017 (see note 13). Whilst the Secured Bonds were not fully redeemed until 2 January 2015, the redemption value was known with certainty as at 31 December 2014, an irrevocable commitment to repay the Secured Bonds had been given and the redemption value was fully covered by a cash balance held in an account under full control of the Bond Trustee and could be used for no other purpose than redemption of the Secured Bonds. The Secured Bonds, and the related cash balance, therefore, did not represent a credit, liquidity, interest rate or market price risk as at 31 December 2014 and have been offset and thereby excluded from the following risk disclosures.

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 2014 was £1,722,000 (2013: 926,000). The maximum credit risk is stated after deducting a bad debt provision of £204,000 (2013: £577,000).

As at 31 December 2014, rent receivable of £204,000 that was greater than three months overdue was fully provided for. As at 31 December 2013 the provision was £577,000. Of this amount £396,000 was subsequently written off, £90,000 is still outstanding and £91,000 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 2014 (2013: 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.

Notes to the Accounts (continued)

18. Financial instruments (continued)

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

Liquidity risk

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

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

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

Financial assets	Within one year £'000	1–2 years £'000	3–5 years £'000	More than 5 years £'000	Total £'000
As at 31 December 2014					
Cash and cash equivalents	90,497	–	–	–	90,497
Cash deposits held for tenants	2,510	–	–	–	2,510
Rents receivable	1,722	–	–	–	1,722
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

Financial liabilities	Within one year £'000	1–2 years £'000	3–5 years £'000	More than 5 years £'000	Total £'000
As at 31 December 2014					
Trade and other payables	22,125	–	–	–	22,125
Interest-bearing bonds	67	–	–	–	67
Interest-bearing £50m bank loan and interest rate swap	2,438	53,658	–	–	56,096
Interest-bearing £260m L&G loan	8,845	8,632	25,896	303,160	346,533
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

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.

In certain circumstances, the terms of the Group's interest-bearing loans entitle the lender to require early repayment and, in such circumstances, the Group's ability to maintain dividend levels and the net asset value attributable to the Ordinary Shares could be adversely affected. As at 31 December 2014 the Group's cash balance was £90,497,000 (2013: £160,937,000).

In the prior year, the total amount due to Barclays under the interest-bearing £30 million bank facility, which was undrawn at 31 December 2013, and the related forward interest rate swap, included 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 assumed the facility remained undrawn for the full period until expiry on 30 June 2015. The £30 million bank facility was drawn and then repaid prior to 31 December 2014.

18. Financial instruments (continued)

Interest rate risk

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

The Group's exposure to interest rate risk relates primarily to its long-term debt obligations. Interest rate risk on long-term debt obligations is managed by fixing the interest rate on such borrowings, either directly or through interest rate swaps for the same notional value and duration. Long-term debt obligations and the interest rate risk they confer to the Group is considered by the Board on a quarterly basis. Long-term debt obligations consist of a £260 million L&G loan on which the rate has been fixed at 3.32 per cent until the maturity date of 31 December 2024. The Group also has a £50 million 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 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 2014						
Financial assets						
Cash and cash equivalents	90,497	5,655	84,842	–	0.33	0.7
Cash deposits held for tenants	2,510	–	–	2,510	–	–
Rents receivable	1,722	–	–	1,722	–	–
Financial liabilities						
L&G loan	257,322	257,322	–	–	3.46	10.0
Bank loan and interest rate swap	52,244	52,244	–	–	4.88	2.5
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

Apart from the L&G loan as at 31 December 2014 as disclosed in note 14, and the Secured Bonds as at 31 December 2013 as disclosed in note 13, the fair value of financial assets and liabilities is not materially different from their carrying value in the financial statements.

Considering the effect on the L&G loan at 31 December 2014, it is estimated that an increase of 150 basis points in interest rates would have decreased its fair value by approximately £31,591,000, and a decrease of 150 basis points would have increased its fair value by approximately £36,802,000. Considering the effect on the Secured Bonds at 31 December 2013, it is estimated that an increase of 150 basis points in interest rates would have decreased their fair value by £5,102,000, and a decrease of 150 basis points would have increased their fair value by approximately £5,291,000. The carrying value of the L&G loan/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 £1,781,000 (2013: £2,403,000), and a decrease of 150 basis points would have increased their fair value by approximately £1,873,000 (2013: £2,562,000). 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)

As at 31 December 2013, 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, and a decrease of 150 basis points would have increased its fair value by approximately £415,000. 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. The forward interest rate swap was exercised and then terminated prior to 31 December 2014.

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 2014 (2013: 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 £1,357,000 (2013: £2,414,000). 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 8. The management of market price risk is part of the investment management process and is typical of commercial property investment. The portfolio is managed with an awareness of the effects of adverse valuation movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders. Investments in property and property-related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. Such risk is minimised through the appointment of external property valuers. The basis of valuation of the property portfolio is set out in detail in the accounting policies and note 9.

Any changes in market conditions will directly affect the 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 20. A 15 per cent increase in the fair value of the direct properties at 31 December 2014 would have increased net assets and income for the year by £179,339,000 (2013: £137,127,000). A decrease of 15 per cent would have had an equal but opposite effect.

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

19. Capital commitments

The Group had capital commitments totalling £1,719,000 as at 31 December 2014 (2013: £17,901,000). These commitments related mainly to contracted development works at the Group's properties at St. Christopher's Place Estate, London W1.

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):

	2014 **£'000**	2013 £'000
Less than one year	**57,976**	51,025
Between two and five years	**185,822**	149,456
Over five years	**215,676**	159,340
Total	**459,474**	359,821

The largest single tenant at the year end accounted for 5.2 per cent (2013: 6.0 per cent) of the current annual rental income.

Unoccupied property expressed as a percentage of estimated total rental value (excluding properties under development) was 4.5 per cent (2013: 6.0 per cent) at the year end.

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

22. Alternative Investment Fund Managers ('AIFM') Directive

In accordance with the AIFM Directive, information in relation to the Group's leverage and the remuneration of the Company's AIFM, F&C Investment Business Limited, is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy is available from F&C Investment Business Limited on request and the numerical remuneration disclosures in relation to the AIFM's first relevant accounting period will be made available in due course.

The Group's maximum and average actual leverage levels at 31 December 2014 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	300%	300%
Actual	128%	137%

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

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

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

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

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 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 on its website which is: www.fccpt.co.uk

Financial Calendar 2015/2016	
28 May 2015	Annual General Meeting
August 2015	Announcement of interim results
	Posting of Interim Report
April 2016	Announcement of annual results
	Posting of Annual Report

Historic Record

	Total assets less current liabilities £'000	Shareholders' funds £'000	Net asset value per Ordinary Share p	Ordinary Share price p	Premium/ (discount) %	Earnings per Ordinary Share p	Dividends per Ordinary Share p	Ongoing charges* %
18 March 2005 (launch)	943,288	713,288	97.0	100.0	3.1	–	–	–
31 December 2005	1,092,522	863,458	117.5	118.5	0.9	20.7	1.75	1.35
31 December 2006	1,269,122	1,039,769	141.5	131.0	(7.4)	30.0	6.00	1.32
31 December 2007	1,175,822‡	946,222‡	129.2‡	90.5	(30.0)‡	(7.7)‡	6.00	1.27
31 December 2008	813,941	584,183	85.8	62.0	(27.7)	(39.8)	6.00	1.35
31 December 2009	819,322	589,388	86.6	90.0	3.9	6.8	6.00	2.36
31 December 2010	934,223	655,081	96.3	105.6	9.7	15.7	6.00	2.06
31 December 2011	967,301	684,243	100.5	101.6	1.1	10.8	6.00	1.62
31 December 2012	1,019,525	736,031	98.8	103.7	5.0	4.2	6.00	1.62
31 December 2013	1,080,435	799,014	105.3	120.5	14.4	12.2	6.00	1.67
31 December 2014	**1,285,546**	**975,980**	**122.1**	**136.4**	**11.7**	**22.5**	**6.00**	**1.41**

* 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**.

Glossary of Terms

Corporate Terms

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

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

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

Benchmark – This is a measure against which an Investment Company's performance is compared. The Company does not have a formal Benchmark but does report its performance against the Investment Property Databank ('IPD') Quarterly Universe, which is used to determine whether a performance fee is payable to the Managers (see note 2 to the Accounts.)

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

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

Discount (or Premium) – If the share price of an Investment Company is less than its Net Asset Value per share, the shares are trading at a discount. If the share price is greater than the Net Asset Value per share, the shares are trading at a premium.

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

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

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

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

Managers – The Company's investment managers are F&C Investment Business Limited, and its property managers are F&C REIT Property Asset Management plc. Further details are set out on pages 1 and 11 and in note 2a to the accounts.

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

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

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

Ongoing Charges – All operating costs incurred by the Company, expressed as a proportion of its average Net Assets over the reporting year. The costs of buying and selling investments and derivatives are

Glossary of Terms (continued)

excluded, as are interest costs, taxation, non-recurring costs and the costs of buying back or issuing Ordinary Shares.

Ordinary Shares – The main type of equity capital issued by conventional Investment Companies. Shareholders are entitled to their share of both income, in the form of dividends paid by the Investment Company, and any capital growth. As at 31 December 2014 the Company had only Ordinary Shares in issue.

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

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

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

Total Return – The return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets.

Property Terms

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

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

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

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

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

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

Lease Incentive – A payment used to encourage a tenant to take on a new Lease, for example by a landlord paying a tenant a sum of money to contribute to the cost of a tenant's fit-out of a property or by allowing a rent free period.

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

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

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

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

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

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

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

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

Voids – The amount of rent relating to properties which are unoccupied and generating no rental income. Stated as a percentage of ERV.

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 the offices of Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St. Peter Port, Guernsey, Channel Islands on Thursday, 28 May 2015 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 2014 be received and approved.

2. That the Annual Report on Directors' Remuneration for the year ended 31 December 2014 be approved.

3. That Mr P C E Cornell, who retires at the first Annual General Meeting following his appointment, be elected as a Director.

4. That Mr D E Preston, who retires at the first Annual General Meeting following his appointment, be elected as a Director.

5. That Mrs T Clark, who retires annually, be re-elected as a Director.

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

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

8. That Mr P Niven, 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 £799,366, being approximately 10 per cent of the nominal value of the issued share capital of the Company as at 9 April 2015 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") for cash, including by way of a sale of ordinary shares held by the Company as treasury shares, as if any pre-emption rights in relation to the issue of shares 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 of £799,366 being approximately 10 per cent of the nominal value of the issued share capital of the Company, as at 9 April 2015.

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:

Notice of Annual General Meeting (continued)

(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 2016, or on 28 November 2016, 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

9 April 2015

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 26 May 2015.

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 26 May 2015. 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 9 April 2015, the latest practicable date prior to publication of this document, the Company had 799,366,108 Ordinary Shares in issue. The number of shares with voting rights was 799,366,108, 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.

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 £15,240 for the 2015/16 tax year with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250 and transfer any existing ISAs to us whilst maintaining all the tax benefits.

F&C Child Trust Fund (CTF)
CTFs are closed to new investors; however, if your child has a CTF with another provider, it is easy to transfer it to F&C. From 6 April 2015, the Registered Contact on a CTF is able to transfer a CTF to a Junior ISA. Additional contributions can be made to the shares account version of the CTF from as little as £25 per month or £100 lump sum – up to a maximum of £4,080 for birthdays in the 2015/16 tax year.

F&C Children's Investment Plan (CIP)
A flexible way to save for a child. With no maximum contributions, the plan can easily be written under bare trust (where the child is noted as the beneficial owner) to help reduce inheritance tax liability or kept in your name if you wish to retain control over the investment. 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 £4,080 for the 2015/16 tax year with all the tax benefits of the CTF. You can invest from £30 a month, or £500 lump sum, or a combination of both. From 6 April 2015, CTF holders are able to transfer a CTF to a JISA.

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
PIP: £40+VAT
JISA/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 for the PIP/CIP/JISA 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/apply**

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
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CM99 2DG

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Chris Russell (Chairman) *
Trudi Clark
Martin Moore
Peter Niven †
Brian Sweetland
Nicholas Tostevin #

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

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