F&C Commercial Property Trust Limited

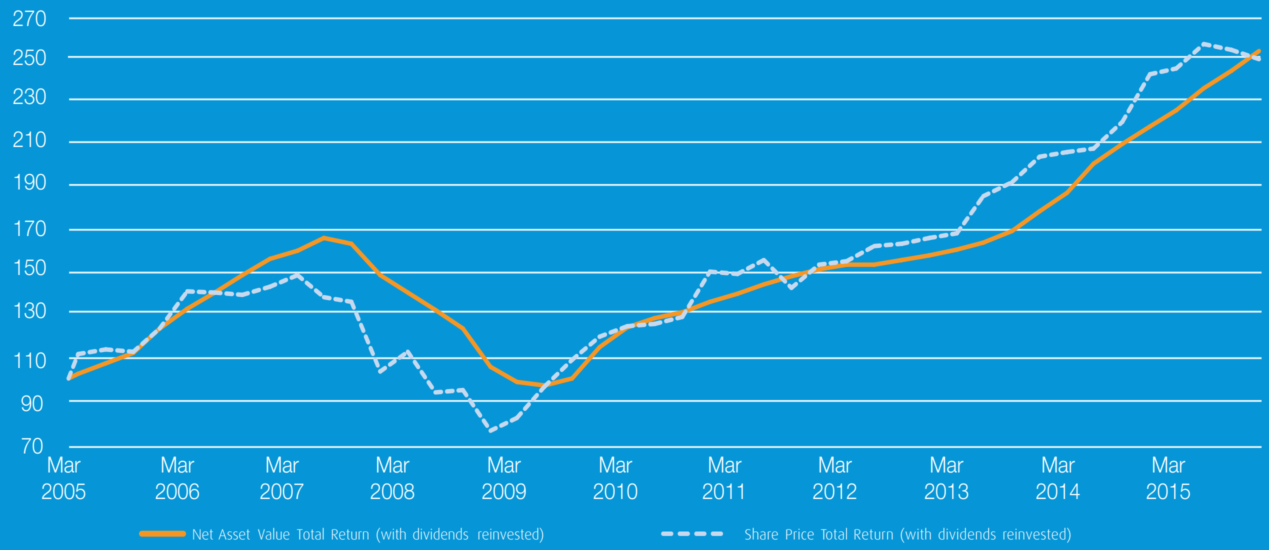
REPORT AND ACCOUNTS 2015

F&C Investments

Contents

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

Net Asset Value Total Return and Share Price Total Return from Launch



Source: F&C Investment Business, Datastream

Since launch in 2005 F&C Commercial Property Trust Limited has turned a £1,000 investment, with dividends reinvested, into £2,503.

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 and note 21 to the accounts.

At 31 December 2015 Group total assets less current liabilities were £1,389 million and Group shareholders' funds were £1,080 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 10.

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 BMO REP Asset Management plc (referred to throughout this document as 'BMO REP' or 'the Property Managers') as the Company's property managers. FCIB and BMO REP 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 the BMO Global Asset Management group of companies.

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

Financial Highlights

14.3
per cent

Portfolio total return

Portfolio total return of 14.3%, compared with a total return of 13.3% from the IPD benchmark.

80.6
per cent

Dividend cover

Dividend cover increased to 80.6% from 50.5%, with net income increasing by £15.4 million in the year.

4.5
per cent

Dividend yield

Maintained dividend at 6.0 pence per share for the 10th successive year, giving a yield of 4.5% on the year end share price.

£45.3m
gross

New investments

The company completed the acquisition of the Leonardo Building located at Manor Royal, Crawley.

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

Performance Summary

	Year ended 31 December 2015	Year ended 31 December 2014	
Total Returns for the year[ø]			
Net asset value per share*	**15.9%**	22.1%	
Ordinary Share price	**2.8%**	18.8%	
Portfolio ungeared return	**14.3%**	20.3%	
Investment Property Databank ('IPD') Quarterly Universe	**13.3%**	17.9%	
FTSE All-Share Index	**1.0%**	1.2%	

	Year ended 31 December 2015	Year ended 31 December 2014	% change
Capital Values			
Total assets less current liabilities (£'000)*	**1,389,389**	1,285,546	8.1
Net asset value per share*	**135.2p**	122.1p	10.7
Ordinary Share price	**134.4p**	136.4p	(1.5)
FTSE All-Share Index	**3,444.26**	3,532.74	(2.5)
(Discount)/Premium to net asset value per share	**(0.6)%**	11.7%	
Net Gearing[¶]	**19.0%**	18.3%	

	Year ended 31 December 2015	Year ended 31 December 2014	
Earnings and Dividends			
Earnings per Ordinary Share	**19.0p**	22.5p	
Dividends per Ordinary Share	**6.0p**	6.0p	
Dividend yield[†]	**4.5%**	4.4%	
Ongoing Charges			
As a percentage of average net assets**	**1.20%**	1.41%	
As a percentage of average net assets (excluding performance fee)**	**0.90%**	1.09%	
As a percentage of average net assets (excluding performance fee and direct property expenses)**	**0.63%**	0.67%	

Solihull,
Sears Retail Park

"2015 was a positive year for the Company as it continued to build on its strong long-term record"

Year's Highs/Lows	Highs 2015	Lows 2015
Net asset value per share	135.2p	122.1p
Ordinary Share price	148.7p	129.6p
Premium/(Discount)	21.1%	(1.7)%

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, Investment Property Databank ('IPD') and Datastream

Chairman's Statement

Chris Russell Chairman

2015 was a positive year for the Company as it continued to build on its strong long term record. With a new ten year loan at a significantly lower interest rate in place and the next continuation vote aligned to the maturity of that loan, the focus for the year was driving income and value creating asset management rather than any further corporate change.

Performance for the Year

The net asset value ('NAV') total return for the year was 15.9 per cent and the share price total return was 2.8 per cent. The total return from the portfolio was 14.3 per cent, which compares favourably with a total return of 13.3 per cent from the Investment Property Databank ('IPD') Quarterly Universe.

The share price at the year-end was 134.4p, representing a discount of 0.6 per cent to the NAV per share of 135.2p.

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 2014	122.1
Unrealised increase in valuation of direct property portfolio	13.8
Realised increase in valuation of direct property portfolio	0.3
Increase in valuation of interest rate swap	0.1
Other net revenue	4.9
Dividends paid	(6.0)
NAV per share as at 31 December 2015	**135.2**

Performance in the year was driven by capital growth in the portfolio of 9.2 per cent. The strongest returns were experienced in the logistics and industrial sector in the South East with the logistics 'big box' properties performing particularly well.

In absolute terms, the most significant contributors to returns were:

- London, St Christopher's Place Estate – reflecting yield compression and rental growth on all elements of the Estate.
- Manchester, 82 King Street - a number of the vacant office floors in the property were refurbished and let.
- London, Cassini House, St James's Street - reflecting the strength of investment demand and strong rental growth.
- Southampton, Upper Northam Road, Hedge End – there was a letting of a vacant unit to Amazon during the first half of 2015 on a new 10 year lease.

The share price, which had been predominantly trading at a double digit premium to NAV for the last two years, fell significantly in the last quarter of the year and was at a discount of 0.6 per cent at the year end. This is consistent with lower expectations for capital growth in UK commercial property values and this trend has been experienced by the other companies in the sector.

The UK commercial property market is continuing to deliver good performance but there are signs that investment momentum may be easing. There are concerns about pricing, particularly in London, and the market is entering a phase of the cycle where yield compression and the rate of rental growth are both expected to level off.

Borrowings and Loan Refinancing

The Company entered into a £260 million ten year loan agreement with Legal & General Pensions Limited ('L&G') on 31 December 2014, refinancing its previous £230 million bonds and a £30 million bank loan. The L&G loan carries a fixed interest rate of 3.32 per cent per annum. The Company also has a £50 million bank loan with a term to 28 June 2017 on which the interest rate is fixed, through an interest rate swap of the same notional value and duration, at 4.88 per cent per annum. The Group's total borrowings amount in aggregate to £310 million with a weighted average interest rate of 3.57 per cent per annum. Gearing, net of cash, at the end of the year was 19.0 per cent.

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 4.5 per cent based on the year-end share price. Barring unforeseen circumstances, the Board intends that dividends in 2016 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 80.6 per cent, significantly ahead of the 50.5 per cent cover achieved last year. This is as a result of net income increasing by £15.4 million in the current year, the majority of which was attributable to the following:

Reduction in interest costs	£10.5 million
Increase in rental income	£4.1 million
Reduction in non-recoverable property expenses	£0.9 million
Exceptional refinancing expenses in 2014	£0.6 million
Increase in Investment Management fee	£(0.7) million

Refinancing the debt has provided the largest contribution towards the increased level of dividend cover. The portfolio has, however, also benefited from additional rental income, with a full year's rent being received from the Prime Four Business Park offices in Aberdeen, significant upward rent reviews at the offices in Cassini House, London and two vacant floors being let in Alhambra House, Glasgow.

Board Composition

As reported last year, the Board is going through a period of change. Two new independent non-executive Directors, Peter Cornell and David Preston, were appointed on 1 May 2015 with Nick Tostevin, who had been a Director since the Company's launch in 2005 and Chairman of the Audit Committee, retiring from the Board at the close of the last Annual General Meeting on 28 May 2015. At the same time, Trudi Clark was appointed as the new Audit Committee Chairman and Martin Moore was appointed as Senior Independent Director.

The Board has consisted of seven Directors since May 2015. In order to facilitate a smooth transition, the stated intention has always been that one further long serving Director would retire at the Annual General Meeting in 2016. Accordingly, Brian Sweetland, who has been a Director since 2005, will retire from the Board at the Annual General Meeting on 2 June 2016. On behalf of the Board, I would like to thank Brian for all the time and effort he has put in over the years; he has made a valuable contribution towards the ongoing success of the Company.

This year the Company conducted an external board review that has helped clarify the optimum approach to board succession and identified areas of potential improvement in board process and performance.

Annual General Meeting

The Annual General Meeting will be held at 12.30pm on Thursday 2 June 2016 at Trafalgar Court, Les Banques, St. Peter Port, Guernsey. The Notice of the Meeting is contained on pages 59 to 61. Shareholders who are unable to attend the Meeting are requested to complete and return their enclosed Forms of Proxy.

Outlook

There are clear signs that investors are adopting a more restrained approach to investing across all asset classes including commercial property, which will have contributed to the re-rating of the Company's shares. This restraint looks set to continue, given the volatility of global financial markets and the international macro-economic and political environment. There is also the forthcoming EU referendum which adds a further level of uncertainty and may lead to inactivity in the investment market and indeed the occupational markets.

"There exists a number of opportunities within the portfolio to enhance returns further and this remains the focus of management activity, with the objective of enhancing the total return on the existing assets and continuing to build dividend cover"

71-77 Wigmore St, London W1

There is a general consensus that returns will now revert to being more income driven following three years of strong capital performance. Rental growth is expected to be positive at the all-property level, particularly on prime assets, but rates of growth are expected to moderate over the next few years.

The Company has always adopted a prudent, low risk approach to investment and as a consequence, has a high quality portfolio with a modest level of borrowings. There exists a number of opportunities within the portfolio to enhance returns further and this remains the focus of management activity with the objective of enhancing the total return on the existing assets and continuing to build dividend cover.

Finally, while the environment in the last several years has been positive for property investment, your Board and the Managers are mindful that this remains a cyclical business. They are confident that a continued, well integrated corporate and property investment strategy, combined with high quality portfolio and strong financial position, will enable your Company to take advantage of available opportunities that may be expected to emerge.

Chris Russell
Chairman
4 April 2016

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.

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

Objective

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

Investment Policy

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

The Company invests in properties which the Board, on the advice of the Managers, believes will generate a combination of long-term growth in income and capital for shareholders. Investment decisions are based on an analysis of, amongst other things, prospects for future income and capital 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 2015 is contained within the Managers' Review on pages 15 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

Following the adoption of new articles of incorporation in November 2014, the next continuation vote of the Company will be in 2024.

Discount Control

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

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

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

Shareholder Value

The Board and the Managers recognise the importance of both marketing and share buy backs in increasing demand for the Company's shares.


the place
st. christopher's
Café
Creperie
BARRETT
STREET W1
Café
CREPERIE
Café Creperie
Teas
Creperie
Cakes

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.

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 direct investments in UK commercial property and it is therefore exposed to movements and changes in that market.
- Investment and strategic – poor investment decisions 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 London 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

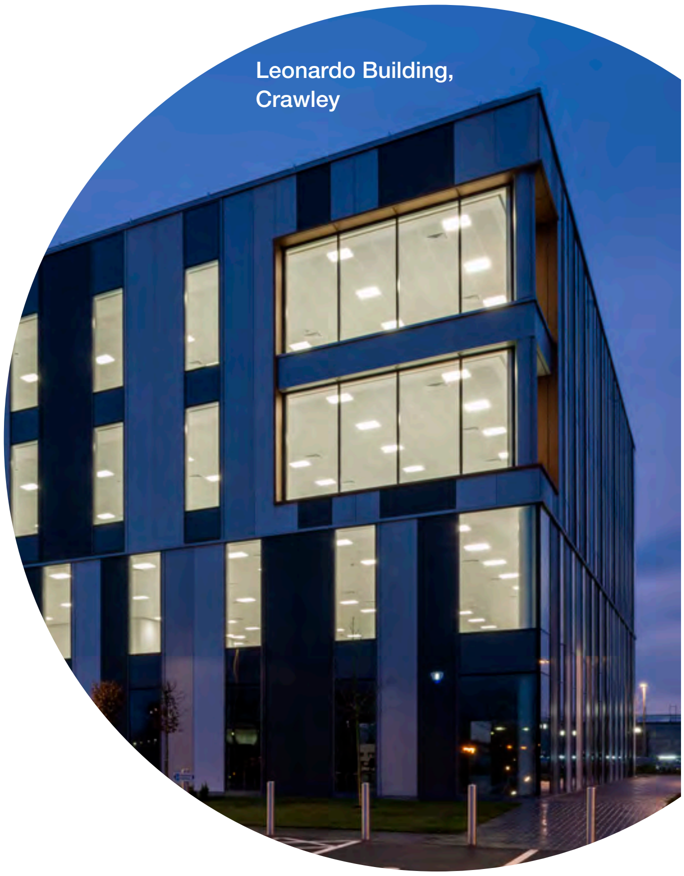
The Board uses a number of performance measures to assess the Company's success in meeting its objectives. The key performance indicators are as follows:

- 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 8 to 9, the Managers' Review on pages 15 to 20 and the Performance Summary on page 6. A historic record of these indicators is contained in the Financial Highlights on page 3 and in the Historic Record on page 62.

The Chairman's Statement on pages 8 to 9, Business Model and Strategy on pages 10 to 12, Viability Assessment and Statement on page 13, Managers' Review on pages 15 to 19, and Property Portfolio on page 20 all form part of this Strategic Report.

Viability Assessment and Statement



Leonardo Building, Crawley

Viability assessment and statement

The 2014 UK Corporate Governance Code requires the Board to make a "viability statement" which considers the Company's current position and principal risks and uncertainties combined with an assessment of the future prospects for the company, in order that the Board can state that the Company will be able to continue in operation over the period of their assessment.

The Board conducted this review over a 5 year time horizon, a period thought to be appropriate for a Company investing in commercial property with a long-term investment outlook; with primary borrowings secured for a further 9 years and a property portfolio with an average unexpired lease length of 6.9 years. The assessment has been undertaken, taking into account the principal risks and uncertainties faced by the Group which could threaten its objective, strategy, future performance, liquidity and solvency. These risks and uncertainties are highlighted in the Business Model and Strategy section of the Report on page 12.

The major risks identified as relevant to the viability assessment were those relating to a downturn in the UK commercial property market and its resultant effect on the valuation of the investment property portfolio, the level of rental income being received and the effect that this would have on cash resources and financial covenants. The Board took into account the illiquid nature of the Company's property portfolio, the existence of the long-term borrowing facility, the effects of any significant future falls in investment property values and property income receipts on the ability to repay and re-negotiate borrowings, maintain dividend payments and retain investors. These matters were assessed over an initial period to March 2021, and the Directors will continue to assess viability over 5 year rolling periods, taking account of foreseeable severe but plausible scenarios.

In the ordinary course of business, the Board reviews a detailed financial model on a quarterly basis, incorporating market consensus forecast returns, projected out to the maturity of its principal loan of £260 million which is due to mature in 2024 and coincides with the next continuation vote. This model uses prudent assumptions and factors in any potential capital commitments. For the purpose of assessing the viability of the Group, the model has been adjusted to look at the next 5 years and is stress tested with projected returns comparable to the commercial property market crash experienced between 2007 and 2009. The model projects a worst case scenario of 45 per cent fall in capital values over the next two years, followed by three years of zero growth. The model demonstrated that even under these extreme circumstances the Company remains viable.

Based on their assessment, and in the context of the Group's business model, strategy and operational arrangements set out above, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the 5 year period to March 2021. For this reason, the Board also considers it appropriate to continue adopting the going concern basis in preparing the Report and Accounts.

On behalf of the Board

C Russell

Director

4 April 2016

St Christopher's Place, London

Managers' Review

Richard Kirby, Fund Manager

Richard Kirby Investment Manager joined the predecessor to 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 BMO REP Asset Management plc ('BMO REP'). 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

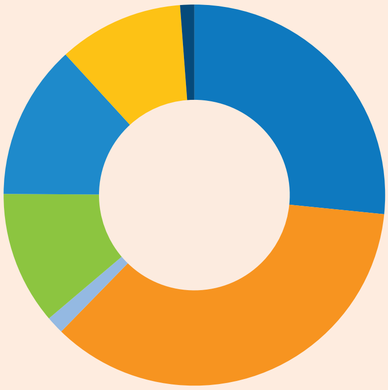
The Board has appointed F&C Investment Business Limited ('FCIB' or 'the Investment Managers') as the Company's investment managers and BMO REP ('the Property Managers') as the Company's property managers. FCIB and BMO REP are, collectively, referred to in this document as 'the Managers' and are both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

Highlights over the Year

- Strong total return from property portfolio of 14.3 per cent compared with 13.3 per cent from the benchmark.
- Capital growth of 9.2 per cent compared with 8.2 per cent from the benchmark.
- Gross rental income increased by £4.1 million per annum.
- Void levels remain low, following a number of successful re-lettings.
- Acquisition of a newly constructed office building in Crawley pre let to Virgin Atlantic at a gross purchase price of £45.3 million.

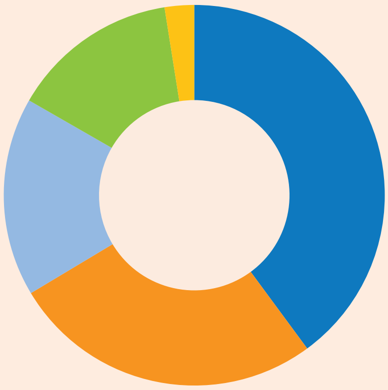
Managers' Review (continued)

Geographical Analysis
as at 31 December 2015, % of total property portfolio



Source: BMO REP Asset Management plc

Sector Analysis
as at 31 December 2015, % of total property portfolio



Source: BMO REP Asset Management plc

Property Market Review for 2015

The market portfolio total return for the year, as measured by the Investment Property Databank ('IPD') Quarterly Universe, was 13.3 per cent. During the second half of the year there was some loss of momentum but performance was supported by continued inflows of capital, especially from overseas investors and positive rental growth.

The property market benefitted from continued economic recovery in the UK, modest inflation, rising employment and a continued regime of low interest rates that kept property pricing attractive against the risk-free rate.

Investment activity exceeded £70 billion to reach record levels, with the value of transactions peaking in the second quarter. Several large hotel portfolio and leisure deals boosted the total but most segments, apart from shopping centres, saw activity levels above the long-run average. Overseas investors continued to be the largest single group of buyers accounting for almost half of all purchases. UK institutions having been net investors since early 2013 adopted a neutral position during the second half of the year. Central London remained in favour but concerns about pricing intensified as the year progressed and there was greater interest and activity in the regions.

Further yield compression was witnessed with the all-property initial yield dipping below 5 per cent to finish the year at 4.8 per cent. IPD data shows all segments of the market recording inward yield shift in the 12-month period. As the year progressed the momentum slowed and the gap between prime and secondary yields showed signs of stabilisation.

Offices were the top performer among the three main property sectors in 2015 with an 18.1 per cent benchmark return. The City and West End were the strongest performing sub-components of the office sector, delivering benchmark total returns of 20.4 per cent and 19.9 per cent respectively. Industrials recorded 16.3 per cent with retail lagging at 9.0 per cent. As in previous years, retail has been polarised with Central London out-performing the regions, delivering a total return of 23.7 per cent versus 6.5 per cent for standard retail outside London and the South East.

The income return for the year was 4.8 per cent. Benchmark capital values rose by 8.2 per cent, driven by double digit growth for offices and industrials in London and the South East. The retail market has seen strong capital growth in Central London but outside London and the South East growth for standard retails has been barely positive at 0.9 per cent.

Rental growth was 4.0 per cent but as in the previous year, it was concentrated in the capital where City and West End offices recorded rental growth of more than 11 per cent and Central London retail 4.7 per cent. The retail market outside the South East has continued to experience rental decline. The occupational market is showing signs of stabilisation and the vacancy rate moved marginally lower to 6.7 per cent by the end of the year at the all-property level. Rent passing rose by a modest 1.2 per cent in the year underscoring the difficulty of capturing rental growth. This is especially pronounced for more secondary stock. The year has seen an increased interest in development, including some speculative development, particularly in the logistics and industrial sector and selective office markets.

Property delivered another year of double digit total returns driven by investment demand and continued strength in the London market but there is polarisation and some parts of the market remain challenged.

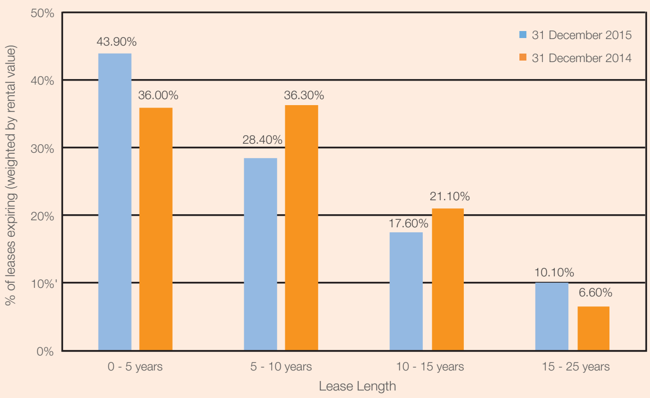
Valuation and Portfolio Growth

The Company invests in a diversified UK commercial real estate portfolio of 37 properties.

CBRE Limited independently valued the portfolio at £1,355.9 million as at 31 December 2015.

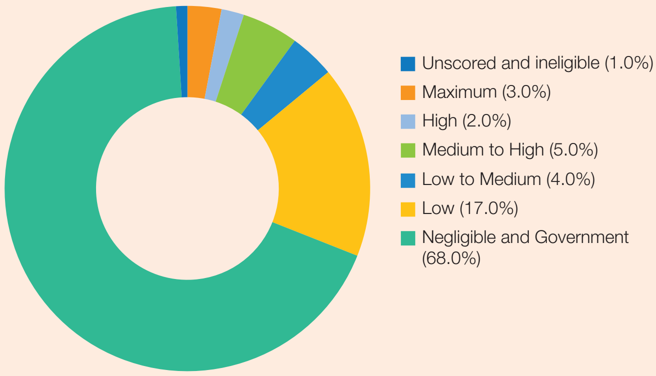
The total return from the portfolio over the year was 14.3 per cent (32nd percentile) compared with the 13.3 per cent benchmark return. The portfolio has delivered a strong track record of longer term performance: top quartile over three years and top decile over five and ten years.

Lease Expiry Profile
At 31 December 2015 the weighted average lease length for the portolio, assuming all break options are exercised, was 6.9 years (2014: 7.5 years)



Source: BMO REP Asset Management plc

Covenant Strength
as at 31 December 2015, % of total property portfolio



Source: IRIS Report, MSCI Inc

Total Return Analysis

Market Segment - Direct Property	Portfolio (%)	Benchmark (%)
St Retails – South East*	18.5	14.2
St Retails – Rest of UK	–	6.5
Shopping Centres	–	9.5
Retail Warehouses	7.8	6.9
Offices – City	23.0	20.4
Offices – West End	12.3	19.9
Offices – South East	10.0	18.0
Offices – Rest of UK	12.5	12.2
Industrials – South East	20.3	17.3
Industrials – Rest of UK	18.4	15.0
Other Commercial	19.2	12.3
All Segments	**14.3**	**13.3**

*Includes West End Retail

Retail Market

The Company's exposure to the "in town" retail sector is restricted to 3 holdings in total, St Christopher's Place Estate, London W1, The Broadway, Wimbledon and a shop in Conduit Street, London W1. The value of these three holdings is £358 million.

Strategically the Company does not own any shopping centres or traditional High Street shops having sold 124 Princes Street, Edinburgh during the year.

St Christopher's Place Estate, London W1 is a conviction holding for the Company and its largest asset. However, underlying this it does comprise 44 individual properties and a diversification of uses ranging from traditional retail, restaurants, offices and a growing residential exposure.

The Estate continues to perform strongly, with a 19.0 per cent increase in its capital value over the year. This was driven by a hardening in capitalisation rates as a consequence of the continued demand for Central London retail properties, and capital investment, particularly the redevelopment of 71-77 Wigmore Street which commenced at the beginning of the year and should be completed by the end of 2016. Improvements in rental values have also been demonstrated by retail lettings in James Street, increasing rents by 5.9 per cent to £180 Zone A, and lettings in St. Christopher's Place increasing the rental by 7 per cent to £200 Zone A. St Christopher's Estate should also benefit from the investment being made into the surrounding area and the improvements being made by adjacent owners. There are currently no retail vacant units on the Estate.

The commercial element of the redevelopment of 71-77 Wigmore Street has already generated a good level of interest and formal marketing has now commenced. Meanwhile, looking ahead, a planning application has now been submitted for the redevelopment of 1-2 Barrett Street, following extensive pre-application consultation with the City of Westminster over the last 12 months.

At 16 Conduit Street, we are still seeing strong rental growth and an agreement was entered into for a surrender of the existing lease, held by Christian Dior, subject to a re-letting of the ground floor retail unit to luxury retailer MCM at a higher rental level. The surrender and re-letting will complete in 2016.

At the Company's retail and leisure holding in Wimbledon, another round of rent reviews with unchanged occupiers has commenced. A number of announcements have been made concerning proposals for Crossrail 2, which will run through Wimbledon, and active consultation has been undertaken with the Manager. The investment value impact is likely to be positive.

Outside London, the focus has been on concluding several key initiatives. Sears Retail Park, Solihull, is now fully let. Unit 5, the former JJB unit, was extensively refurbished and the lease completed to TK Maxx in July at a commencing rent of £380,000 per annum. This new tenant to the Park complements the 2014 letting to Next at Home and since these units opened, the Park has seen a notable increase in footfall.

Managers' Review (continued)

At Newbury Retail Park an agreement to lease has been contracted with TK Maxx at Unit 10 which will be extensively redeveloped on the expiry of the current tenant's lease. The letting to TK Maxx reflects an increase in retail values to £35 psf. The Arcadia Group vacated Unit 13 since the year-end and this has now been let to Boots the Chemist upon their relocation from Unit 10. These new lettings generate an income of £650,000 per annum and will enhance the retail offer on the Park as a whole.

Office Market

The Company's exposure to the office sector amounts in total to £541 million (39.9 per cent of the portfolio) across 17 properties and providing approximately 40 per cent of gross rental income.

The total return on the office portfolio was 12.2 per cent compared with the IPD benchmark total return of 18.1 per cent. This relative underperformance can be attributed to, the Company's West End and South East properties. With regard to the Company's West End properties, analysis suggests the portfolio benefitted from yield compression from its prime assets earlier in the cycle whilst the South East segment has been affected by voids at Watchmoor Park, Camberley and Thames Valley Park, Reading.

The Company owns only one City of London office: 7 Birchin Lane, EC3. Valued at under £20 million, the Company is not overly exposed to the expected increase in supply in 2018. This property outperformed last year and a number of floors are currently the subject of refurbishment. It is expected that on reletting, rents should be achieved in excess of £60 psf, which is significantly ahead of the previous rental level. In the West End, office floors at 2-4 King Street, London SW1 and 17a Curzon Street, London W1 are also being refurbished.

The Company's largest exposure to the Rest of UK Offices is its holdings in Aberdeen. The fall in the price of oil has had an impact on the Aberdeen property market with few leasing or investment transactions taking place. The local market is quiet, but the Company's properties are located on what has now established itself as Aberdeen's prime out of town office location. The buildings, which are all new and let to good covenants on long leases with fixed rental uplifts, continue to provide strong underlying cashflows.

Elsewhere in the regional market 82 King Street, Manchester continues to build upon its recent leasing success with lettings to Zeus Capital, Axa, Channel 4, Odgers Berndtson, Foresight Group and Cognitive Publishing. As a result of these lettings the vacant area in the building has reduced from 36,000 sq. ft. to just under 16,000 sq. ft.

Industrial & Logistics

The Company has an exposure to eleven properties in this sub-sector with a combined value of £193 million. The portfolio is underweight to industrial estates with its main exposure being "big box" distribution units located in core areas. Distribution and logistics had a strong year with significant investor appetite for properties, given the attractions of the sub-sector arising from the structural changes to retail and supportive occupier demand. The Company's portfolio outperformed due to both yield compression and underlying rental growth.

Of particular note was the letting of a vacant 66,700 sq. ft. unit at Hedge End, Southampton to Amazon on a new 10 year lease, with a break at year 5, at an annual rent of £517,000 (£7.75 per sq. ft.). Several of the Company's logistics holdings are subject to shorter lease terms and material negotiations have progressed with their tenants to renew or regear these leases on longer lease terms.

At the Cowdray Centre, Colchester a vacant unit was let at a rent of £75,000 per annum and more significantly, progress has been made regarding the 12 acre development site. An outline planning application was submitted last year to develop the site with 154 residential units. Since the year end, this outline planning application was determined by the local planning authority, which approved a resolution to grant consent, subject to completing a Section 106 Agreement. Securing this consent will enable discussions to start with volume housebuilders on the site's future.

The Alternative Property Sector

The student accommodation block, let in its entirety to the University of Winchester on a long lease, remains the Company's only exposure to this sector. The property produced a total return of 19.2 per cent last year. This lease is subject to annual RPI increases and the annual rent is now £1.725 million.

Acquisitions & Sales

As previously announced, the Company purchased The Leonardo Building on the Manor Royal Business Park, Crawley. The property was acquired part way through its construction and the development was completed in December 2015 comprising 110,545 sq. ft. of Grade A offices. The building was pre-let to Virgin Atlantic Ltd on a 16.5 year lease (18 months' rent free) at an initial rent of £23.5 per sq. ft. The tenant entered into the lease in December and is currently onsite fitting out the offices. The Company paid a total consideration of £45.3 million and the rental income due is £2.54 million per annum, equivalent to a net initial yield of 5.6 per cent. The acquisition provides the Company with an exposure to a new building, located in an area of the South East currently experiencing strong occupational demand with limited new supply off a low rental base. These supportive fundamentals should provide a platform for rental growth.

The Company also completed the disposal of one fully let property at 124/125 Princes Street, Edinburgh at a price of £18.1 million (before costs), reflecting a net initial yield of 5.1 per cent. The sale price exceeded the last external valuation of £15.1 million and realised significant capital growth following the completion of asset management initiatives that included the refurbishment and leasing of office floors.

Property Management

The management of the Company's income remains a key activity and gross income increased by £4.1 million over the year.

During the year we contracted 48 lease events at a total rental income of £1.6 million per annum and the most notable lettings are highlighted elsewhere in this report. Fifteen rent reviews were also documented increasing annual rental income by approximately £722,000.

Void levels were largely unchanged over the year at 4.5 per cent of estimated rental value (excluding properties held for development). The vacant accommodation mainly relates to office floors at 7 Birchin Lane, London EC3, which are now being refurbished, and small office suites at St Christopher's Place Estate.

The provision for overdue debt (90 days) at the year-end was 0.5 per cent of gross annualised rents which is low in comparison with the size of the Company's rent roll.

Outlook

UK property is performing well, and the Governor of the Bank of England's announcement in January 2016 that he believes that there is no need to raise interest rates imminently bodes well for both the investment and occupational property markets. However, there are clear headwinds with the economic effects of the slowdown in China, higher US interest rates, sluggish growth in the Eurozone and lower oil prices all potential issues; especially if they lead to reduced or reversed investment and capital flows from Asia and the Middle East in particular. The outcome of the EU referendum is unclear and this could lead to uncertainty and inactivity, with investors holding back until the result is known. In the occupational markets tenants may also delay making important decisions until the result. As a generality the EU referendum may be disruptive to the markets.

Within property, the reforms to the rating system are a further area of uncertainty. We believe that the era of double digit total returns has drawn to a close and the market has entered a period when income is the main driver of total returns. The Property Managers are forecasting a market total return of circa 6.5 per cent for 2016 and that total returns in the five years to 2020 will average 5.0 per cent per annum. In light of such an outlook, the ability to deliver on opportunities within the portfolio that grow the income stream will be critical. We continue to favour Central London retail, quality logistics and South East offices but also recognise the importance of stock-specific selection. We remain wary of secondary stock in weaker or non-established locations.

Solihull,
Sears Retail Park

Richard Kirby

Investment Manager

BMO REP Asset Management plc

4 April 2016

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
Crawley, The Leonardo Building, Manor Royal	Office
Properties valued between £30 million and £40 million	
Aberdeen, Unit 1 Prime Four Business Park, Kingswells	Office
Aberdeen, Units 3 & 4 Prime Four Business Park, Kingswells	Office
Rochdale, Dane Street	Retail Warehouse
Glasgow, Alhambra House, Wellington Street	Office
Winchester, Burma Road	Other
Chorley, Units 6 & 8 Revolution Park	Industrial
Manchester, 82 King Street	Office
Properties valued between £20 million and £30 million	
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
London SW1, 2/4 King Street	Office
Properties valued between £10 million and £20 million	
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
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 10, 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 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 Chairman of 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 and Chairman of the Audit Committee

Date of appointment: 4 February 2014

Country of residence: Guernsey

Experience: Trudi Clark is a former Chief Executive Officer of Schroders (C.I.) Limited and has over 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 General Counsel and Group Secretary of the FP Group for over 20 years.

Other public company directorships: None

Martin Moore MRICS

Status: Independent non-executive director and Senior independent 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.

Peter Cornell

Status: Independent non-executive director

Date of appointment: 1 May 2015

Country of residence: Guernsey

Experience: 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 non-executive Director of Circle Holdings PLC from 2011 to 2013. He is a founding partner of Metric Capital Partners and has a wealth of legal and commercial experience.

Other public company directorships: None.

David Preston

Status: Independent non-executive director

Date of appointment: 1 May 2015

Country of residence: Guernsey

Experience: 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, unlisted 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.

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 2015.

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 2015 as follows:

	Payment date	Rate per share
Ninth interim for prior year	30 January 2015	0.5p
Tenth interim for prior year	27 February 2015	0.5p
Eleventh interim for prior year	31 March 2015	0.5p
Twelfth interim for prior year	30 April 2015	0.5p
First interim	29 May 2015	0.5p
Second interim	30 June 2015	0.5p
Third interim	31 July 2015	0.5p
Fourth interim	31 August 2015	0.5p
Fifth interim	30 September 2015	0.5p
Sixth interim	30 October 2015	0.5p
Seventh interim	30 November 2015	0.5p
Eighth interim	31 December 2015	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. Three further interim dividends, each of 0.5p per share, were paid on 29 January 2016, 29 February 2016 and 31 March 2016. The twelfth, and last, interim dividend in respect of the year, of 0.5p per share, will be paid on 29 April 2016 to shareholders on the register on 8 April 2016. 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 and note 21 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, Mr Peter Cornell and Mr David Preston were appointed as independent non-executive Directors with effect from 1 May 2015 and Mr Nick Tostevin retired at the close of the last AGM. There were no other changes to the composition of the Board during the year.

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 P Niven, Mr C Russell, Mr P Cornell and Mr D Preston will retire at the Annual General Meeting and, being eligible, offer themselves for re-election. Mr B W Sweetland 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 BMO REP Asset Management plc (referred to throughout this document as 'BMO REP' or 'the Property Managers') as the Company's property managers. FCIB and BMO REP 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 acts as the Company's depositary in accordance with the AIFM Directive. The depositary's responsibilities which are set out in an Investor Disclosure Document on the Company's website, include cash monitoring, segregation and safe keeping of the Company's financial instruments and monitoring the Company's compliance with investment limits and leverage requirements.

Substantial Interests in Share Capital

As at 31 December 2015 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*
Aviva Group	181,308,005	22.7
Investec Wealth & Investment Limited	78,609,886	9.8

*Based on 799,366,108 Ordinary Shares in issue as at 31 December 2015.

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 reviewed detailed cash flow, income and expense projections in order to assess the Company's ability to pay its operational expenses, bank interest and dividends. The Directors have examined significant areas of possible financial risk including cash and cash requirements and the debt covenants, in particular those relating to loan to value and interest cover. They have not identified any material uncertainties which cast significant doubt on the ability to continue as a going concern for a period of not less than 12 months from the date of the approval of the financial statements. The Directors have satisfied themselves that the Company has adequate resources to continue in operational existence for the foreseeable future and the Board believes it is appropriate to adopt the going concern basis in preparing the financial statements.

Annual General Meeting

The Notice of the Annual General Meeting, to be held on 2 June 2016 is set out on pages 59 to 61.

Directors' Authority to Allot Shares

Resolution 11 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 4 April 2016.

Resolution 12 seeks an authority from shareholders to disapply pre-emption rights in relation to the issue of shares as set out in the Listing Rules made by the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 (as amended). Resolution 12 gives the Directors, for the period until the conclusion of the Annual General Meeting in 2017 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 4 April 2016.

The Directors will only allot new shares pursuant to the authority granted by Resolutions 11 and 12, Guernsey law and the authority to allot shares contained in the articles of incorporation of the Company if they believe it is advantageous to the Company's shareholders to do so and in no circumstances that would result in a dilution to the net asset value per share.

Directors' Authority to Buy Back Shares

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

The current authority of the Company to make market purchases of Ordinary Shares expires at the end of the Annual General Meeting and Resolution 13, as set out in the notice of the Annual General Meeting, seeks renewal of such authority until the earlier of the Annual General Meeting in 2017 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

Report of the Directors (continued)

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.

Amendments to the Articles of Incorporation

Resolution 14 seeks shareholder approval to make certain changes to the Company's articles of incorporation (the 'Articles'). These amendments have been proposed to reflect the recent changes that have been made to the Companies (Guernsey) Law, 2008 by the Companies (Guernsey) Law, 2008 (Amendment) Ordinance, 2015 and to include provisions regarding the reporting requirements applicable to the Company under FATCA and the Organisation for Economic Co-operation and Development's Common Reporting Standard ('CRS').

The principal changes introduced to the Articles include the following amendments: (i) clarifying the conflict of interest provisions which mean that a Director will no longer be required to determine the monetary value of such interest; (ii) the updating of the notice provisions to set limits on when shareholders will be deemed to have received notices sent by post or by email; and (iii) the inclusion of a definition of 'FATCA/CRS' and provisions relating to the reporting requirements in connection therewith. There are also additional minor amendments to reflect minor changes made to the Guernsey Company Law and to conform certain language throughout the Articles.

A copy of the existing Articles and the proposed new Articles marked to show the changes will be available during normal business hours (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and the offices of F&C Asset Management plc, Exchange House, Primrose Street, London EC2A 2NY up to and including close of business on 2 June 2016 and at the venue of the Annual General Meeting for at least 15 minutes prior to the start of the meeting and up to the close of the meeting.

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

As explained on page 27, it is proposed that PricewaterhouseCoopers CI LLP ('PwC') be appointed as auditors to the Company following a tender process carried out towards the end of 2015. PwC has expressed their willingness to take office as the Company's auditor and a resolution proposing their 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
4 April 2016

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 2015 ('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 2014, 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.

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 Directors, including the Chairman, has been imposed.

During the year the performance of the Board, Committees and individual Directors was assessed by Condign Board Consulting Limited ('Condign'), that carried out an independent board evaluation. This process involved Condign attending and observing at a Board meeting and interviewing the individual Directors and representatives of the Managers. A comprehensive report was produced which provided valuable feedback.

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

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

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

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

	Board of Directors		Audit Committee		Management Engagement Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
C Russell	5	5	n/a	n/a	1	1	1	1
T Clark	5	5	3	3	1	1	1	1
M R Moore	5	5	3	2	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 (retired 28 May 2015)	2	2	1	1	1	1	1	1
P Cornell (appointed 1 May 2015)	4	4	2	2	–	–	–	–
D Preston (appointed 1 May 2015)	4	4	2	2	–	–	–	–

Corporate Governance Statement (continued)

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 28.

Management Engagement Committee

The Management Engagement Committee comprises all 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 29 to 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 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. 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 2 June 2016 is set out on pages 59 and 61. 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

4 April 2016

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 Mrs T Clark.

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 three times a year 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 Report on Internal Controls in accordance with AAF (01/06) for the period 1 January 2015 to 31 October 2015 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 2015. 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 32 to 34.

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 £72,000 (2014: £74,000), KPMG received audit-related fees of £11,000 for the year (2014: £11,000) which related principally to a review of the interim financial information. They also received non-audit fees of £2,500 relating to tax guidance on FATCA. 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.

KPMG have been the Company's auditor since its launch in 2005. In accordance with best practice, the Audit Committee decided to put the appointment out to tender. Four audit firms (including the incumbent) tendered and were asked to submit a detailed tender document covering a number of key areas. The Audit Committee reviewed these before asking three audit firms to give a presentation to an interview panel comprised of members of the Audit Committee and representatives of the Manager.

There was very little to choose between the parties involved. All firms were independently scored on numerous criteria by the interview panel covering that firm's experience, team structure and audit methodology, amongst other things. Given that the decision was so close, the deciding factor was the Board's approach to Corporate Governance and perceived benefit from rotating audit firms after a period of ten years. The Committee has therefore recommended that PwC be appointed as the company's auditor for the 2016 year end and a resolution proposing their appointment will be submitted at the Annual General Meeting.

We would like to take this opportunity to thank KPMG for the audit work they have performed for the Company over the years, which has always been of the highest standard.

Internal Controls

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

As part of this process, a matrix has been created that identifies the Company's key functions, including those carried out by the Managers and other service providers, and the individual activities undertaken within those functions. From this, the Board has identified the Company's principal risks and the controls employed to manage those risks. These are reviewed at each quarterly Board Meeting. The Board also monitors the investment performance of the Company against its stated objective and comparable companies and reviews the Company's activities since the last Board meeting to ensure that the Managers adhere to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to the guidelines. In addition, the Board receives quarterly reports from the Company Secretary in

Report of the Audit Committee (continued)

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 Internal Controls in accordance with AAF (01/06)" for the period 1 January 2015 to 31 October 2015 that has been prepared for their investment company clients. Containing a report from independent external accountants, the report sets out the Managers' control policies and procedures with respect to the management of their clients' investments. The effectiveness of these controls is monitored by the Managers' group audit committee which receives regular reports from the Managers' audit, risk and compliance department. Procedures are in place to capture and evaluate failings and weaknesses and ensure that action would be taken to remedy any significant issues identified from this monitoring, which would be reported to the Board. No significant failings or weaknesses in respect of the Company were identified in the year under review nor to the date of this report. The depositary provides quarterly reports to the Board and carries out daily independent checks on all cash and investment transactions and is liable for any loss of assets.

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

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

T Clark

Chairman of the Audit Committee

4 April 2016

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 95 per cent of its total assets as at 31 December 2015. 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.
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. Further to this, the Committee also considered the viability of the Company as detailed in the Viability Assessment and Statement on page 13.

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 2015, 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, 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.

Future Policy Report

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

	2016 £	2015 £
C Russell	**59,000**	59,000
T Clark[#]	**45,000**	41,875
M R Moore*	**45,000**	41,327
P Niven	**37,500**	37,500
B W Sweetland	**15,821**	37,500
N J M Tostevin (retired 28 May 2015)	**–**	18,401
P Cornell (appointed 1 May 2015)	**37,500**	25,000
D Preston (appointed 1 May 2015)	**37,500**	25,000
Total	**277,321**	285,603

* Appointed as Senior Independent Director on 28 May 2015
[#] Appointed as Chair of Audit Committee on 25 May 2015

At the Company's 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 as fees:

	2015 £	2014 £
C Russell	**59,000**	59,000
T Clark (appointed 4 February 2014)	**41,875**	34,000
M R Moore	**41,327**	37,500
P Niven	**37,500**	37,500
B W Sweetland	**37,500**	37,500
N J M Tostevin (retired 28 May 2015)	**18,401**	45,000
P Cornell (appointed 1 May 2015)	**25,000**	–
D Preston (appointed 1 May 2015)	**25,000**	–
Total	**285,603**	250,500

Directors' Remuneration Report (continued)

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:

	2015 £	2014 £	% Changes
Aggregate Directors' Remuneration	**285,603**	250,500	**+14.0***
Management fee and other expenses	**12,304,000**	13,166,000	**-6.5**
Aggregate Shareholder Distributions	**47,962,000**	46,336,000	**+3.4**

* The Board currently has 7 directors in the short term as part of the Board refreshment process.

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:

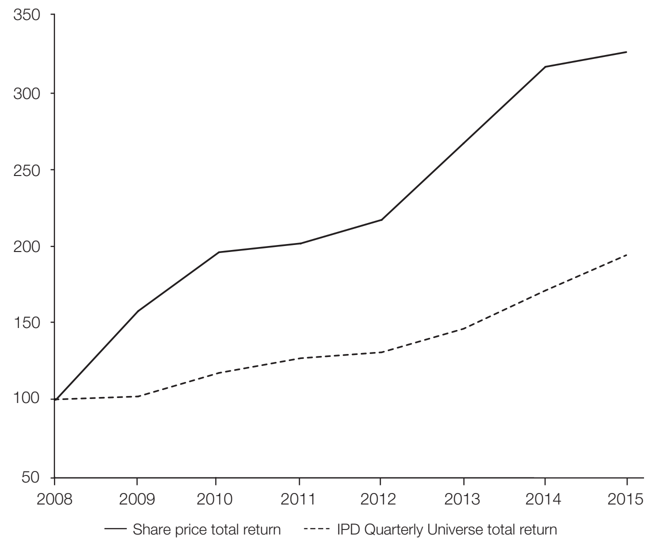
	2015 Ordinary Shares	2014 Ordinary Shares
C Russell	**250,000**	250,000
T Clark	**36,790**	–
M R Moore	**40,687**	40,687
P Niven	**43,142**	43,142
B W Sweetland	**100,000**	100,000
P Cornell (appointed 1 May 2015)	**–**	–
D Preston (appointed 1 May 2015)	**–**	–

There have been no changes in the above interests since 31 December 2015.

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Managers through the investment management agreement, as referred to on page 10. The graph opposite compares, for the seven financial years ended 31 December 2015, 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 2015 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 28 May 2015, shareholders approved the Annual Report on Directors' Remuneration in respect of the year ended 31 December 2014 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

4 April 2016

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. They are also responsible for ensuring that the Annual Report includes information required by the Rules of the UK Listing Authority.

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

The financial statements are required by law to give a true and fair view of the state of affairs of the 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.

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

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the 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, Viability Assessment and Statement, 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.
- the directors are responsible for the maintenance and integrity of the corporate and financial information indicated on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

C Russell
Director

4 April 2016

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 2015 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 2015 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 was as follows:

Valuation of Investment Property (£1,340.1 million)

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 investment property accounted for 94.7 per cent of the Group's total assets as at 31 December 2015. The fair value of the investment property at 31 December 2015 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 investment property, 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 property included, but were not limited to, testing the design, implementation and operating effectiveness of the relevant controls, involvement of our own 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 reviewing general market information and undertaking discussions on key findings with the external valuer.

  We challenged the external valuer's assumptions by comparing key inputs used to derive 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 property 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.

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 £13.6 million. This has been calculated using a benchmark of the Group's total assets (of which it represents approximately 1%) 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 £680,000, 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% 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.

Disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement of Viability Assessment and Statement on page 13, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the company's continuing in operation over the 5 years to 31 March 2021; or
- the disclosures in note 1a of the financial statements concerning the use of the going concern basis of accounting.

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 eleven provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Independent Auditor's Report

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 31, 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 1WR

4 April 2016

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

Notes		2015 £'000	2014 £'000
	Revenue		
	Rental Income	62,613	58,528
	Total revenue	62,613	58,528
	Gains/(losses) on investment properties		
9	Unrealised gains on revaluation of investment properties	110,314	150,521
9	Gains on sale of investment properties realised	2,530	–
	Total income	175,457	209,049
	Expenditure		
2a	Investment management fee	(8,100)	(7,312)
3	Other expenses	(4,204)	(5,854)
	Total expenditure	(12,304)	(13,166)
	Operating profit before finance costs and taxation	163,153	195,883
	Net finance costs		
4	Interest receivable	194	347
5	Finance costs	(11,708)	(22,165)
		(11,514)	(21,818)
	Profit before taxation	151,639	174,065
6	Taxation	(142)	(164)
	Profit for the year	151,497	173,901
	Other comprehensive income		
	Items that are or may be reclassified subsequently to profit or loss		
14	Movement in fair value of interest rate swaps	909	(52)
	Total comprehensive income for the year	152,406	173,849
8	**Basic and diluted earnings per share**	19.0p	22.5p

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 on pages 39 to 58 are an integral part of the above statement.

Consolidated Balance Sheet

as at 31 December 2015

Notes		2015 £'000	2014 £'000
	Non-current assets		
9	Investment properties	**1,340,061**	1,195,593
		1,340,061	1,195,593
	Current assets		
10	Trade and other receivables	**19,575**	21,581
11	Cash and cash equivalents	**55,755**	90,497
		75,330	112,078
	Total assets	**1,415,391**	1,307,671
	Current liabilities		
12	Trade and other payables	**(26,002)**	(22,125)
	Non-current liabilities		
14	Interest-bearing loans	**(307,419)**	(307,111)
14	Interest rate swaps	**(1,546)**	(2,455)
		(308,965)	(309,566)
	Total liabilities	**(334,967)**	(331,691)
	Net assets	**1,080,424**	975,980
	Represented by:		
15	Share capital	**7,994**	7,994
15	Share premium	**127,612**	127,612
15	Reverse acquisition reserve	**831**	831
15	Special reserve	**474,529**	511,933
15	Capital reserve – investments sold	**(21,408)**	(18,856)
15	Capital reserve – investments held	**374,340**	258,944
15	Hedging reserve	**(1,546)**	(2,455)
15	Revenue reserve	**118,072**	89,977
	Equity shareholders' funds	**1,080,424**	975,980
16	**Net asset value per share**	**135.2p**	122.1p

The accounts on pages 35 to 58 were approved by the Board of Directors on 4 April 2016 and signed on its behalf by:

C Russell, Director

The accompanying notes on pages 39 to 58 are an integral part of the above statement.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

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 2015	7,994	127,612	831	511,933	(18,856)	258,944	(2,455)	89,977	975,980
	Total comprehensive income for the year									
	Profit for the year	–	–	–	–	–	–	–	151,497	151,497
14	Movement in fair value of interest rate swap	–	–	–	–	–	–	909	–	909
9	Transfer in respect of unrealised gains on investment properties	–	–	–	–	–	110,314	–	(110,314)	–
9	Gains on sale of investment properties realised	–	–	–	–	2,530	–	–	(2,530)	–
9	Transfer of prior years' revaluation to realise reserve	–	–	–	–	(5,082)	5,082	–	–	–
15	Transfer from special reserve	–	–	–	(37,404)	–	–	–	37,404	–
	Total comprehensive income for the year	**–**	**–**	**–**	**(37,404)**	**(2,552)**	**115,396**	**909**	**76,057**	**152,406**
	Transactions with owners of the Company recognised directly in equity									
7	Dividends paid	–	–	–	–	–	–	–	(47,962)	(47,962)
	At 31 December 2015	**7,944**	**127,612**	**831**	**474,529**	**(21,408)**	**374,340**	**(1,546)**	**118,072**	**1,080,124**

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
14	Movement in fair value of interest rate swap	–	–	–	–	–	–	(52)	–	(52)
9	Transfer in respect of unrealised gains on investment properties	–	–	–	–	–	150,521	–	(150,521)	–
15	Transfer from special reserve	–	–	–	(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									
15	Issue of ordinary share capital	407	49,046	–	–	–	–	–	–	49,453
7	Dividends paid	–	–	–	–	–	–	–	(46,336)	(46,336)
	At 31 December 2014	**7,944**	**127,612**	**831**	**511,933**	**(18,856)**	**258,944**	**(2,455)**	**89,977**	**975,980**

The accompanying notes on pages 39 to 58 are an integral part of the above statement.

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

Notes		2015 £'000	2014 £'000
	Cash flows from operating activities		
	Profit for the year before taxation	151,639	174,065
	Adjustments for:		
5	Finance costs	11,708	22,165
4	Interest receivable	(194)	(347)
	Unrealised gains on revaluation of investment properties	(110,314)	(150,521)
	Gains on sale of investment properties realised	(2,530)	–
	Decrease in operating trade and other receivables	2,006	1,264
	Increase in operating trade and other payables	3,877	4,299
		56,192	50,925
4	Interest received	194	347
	Interest and bank fees paid	(11,395)	(15,349)
6	Tax paid	(147)	(437)
		(11,348)	(15,439)
	Net cash inflow from operating activities	44,844	35,486
	Cash flows from investing activities		
9	Purchase/development of investment properties	(44,914)	(123,737)
9	Sale of investment properties	18,007	–
9	Capital expenditure	(4,717)	(7,152)
	Net cash outflow from investing activities	(31,624)	(130,889)
	Cash flows from financing activities		
15	Issue of ordinary share capital, net of costs	–	49,453
7	Dividends paid	(47,962)	(46,336)
14	Draw down of Bank Loan, net of costs	–	29,768
14	Repayment of Bank Loan	–	(30,000)
14	Draw down of L&G Loan, net of costs	–	257,679
13	Redemption value of Secured Bonds	–	(235,601)
	Net cash (outflow)/inflow from financing activities	(47,962)	24,963
	Net decrease in cash and cash equivalents	(34,742)	(70,440)
	Opening cash and cash equivalents	90,497	160,937
	Closing cash and cash equivalents	55,755	90,497

The accompanying notes on pages 39 to 58 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 November 2014 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

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

The notes and financial statements are presented in pounds sterling (being the functional currency of the Company and 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:

- Annual Improvements to IFRSs – 2010-2012 Cycle and 2011 – 2013 Cycle. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

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.

Notes to the Accounts (continued)

1. Accounting policies (continued)

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

- The IASB has issued a new standard for the recognition of revenue, IFRS 15 'Revenue from Contracts with Customers'. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

  The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 January 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

  The standard will be effective for annual periods beginning on or after 1 January 2018. The Group is yet to assess IFRS 15'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.

- The IASB has issued a new standard for leases, IFRS 16 'Leases'. This will replace IAS 17 'Leases', and related Interpretations. The new standard sets out the principles for the recognition, measurement, presentation and disclosures of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor').

  IFRS 16 changes fundamentally the accounting for leases by lessees. It eliminates the current IAS 17 dual accounting model, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases and, instead, introduces a single, on-balance sheet accounting model where for lessees, the lease becomes an on-balance sheet liability that attracts interest, together with a new lease asset.

  Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. Accordingly, for companies with material off balance sheet leases, there will be a change to key financial metrics derived from the company's assets and liabilities (for example, leverage ratios).

  The standard will be effective for annual periods beginning on or after 1 January 2019. The Group is yet to assess IFRS 16's full impact but it is not currently anticipated that this standard will have any material impact on the Group 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.

Business combinations – the Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents an acquisition of a business or an acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired together with the property. More specifically, the following criteria, which indicate the acquisition of a business, are considered: the number of properties acquired, the extent to which strategic management processes and operational processes are acquired and the complexity of the processes acquired.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

On the acquisition of subsidiaries and operations that do not constitute a business, the acquisition consideration is allocated between the acquired identifiable assets and liabilities based on their relative fair values on the acquisition date without attributing any amount to goodwill or deferred taxes. Non-controlling interests, if any, participate at their relative share of the fair value of the net identifiable assets on the acquisition date. Directly attributable costs are recognised as part of the acquisition cost.

Business combinations are accounted for using the acquisition method. The acquisition is recognised at the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

1. Accounting policies (continued)

(b) Basis of consolidation (continued)

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. All contingent consideration arrangement classified as asset or liabilities arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

(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 fund 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 year during which the expenditure is incurred and included within the book cost of the properties.

After initial recognition, investment properties are measured at fair value, with unrealised gains and losses recognised in the Consolidated Statement of Comprehensive Income and transferred to the Capital Reserve – Investments Held. Fair value is based on valuations provided by 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

Notes to the Accounts (continued)

1. Accounting policies (continued)

(f) Investment properties (continued)

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 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.

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.

1. Accounting policies (continued)

(h) Derivative financial instruments (continued)

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.

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

	2015 £'000	2014 £'000
(a) Investment management fee		
– base management fee	5,090	4,415
– performance fee	3,010	2,897
	8,100	7,312

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 BMO REP 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 with the exception of managing agents fees on residential properties which are paid for by the Company.

Notes to the Accounts (continued)

2. Fees (continued)

FCIB is also entitled to a performance fee equal to 20 per cent of the amount by which the total return (whether positive or negative) on the directly held properties exceeds 110 per cent of the total return (90 per cent if the total return is negative) on the benchmark and multiplied by the Group's average total assets (excluding any indirect property holdings). The benchmark for measuring the comparative performance of directly held properties is the total return from the IPD Quarterly Universe. The performance fee payable in each financial year is capped at an amount which, when taken with the aggregate base management fee payable in each financial year, equals 0.60 per cent of the gross assets of the Group.

Performance fees in excess of this capped return can be carried forward for up to two subsequent financial years subject to the annual 0.60 per cent cap. The performance fee is measured over a rolling three year period and the performance fee payable in respect of any one financial year is equal to the total performance fee earned over that three year period less any performance fees already paid in the previous two years. In the event that the amount already paid in the previous two years is in excess of the amount earned over the rolling three year period, such excess shall be repaid to the Group by FCIB.

The performance fee 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 £145,000 for administration services provided in respect of the year ended 31 December 2015 (2014: £143,000).

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 2015, 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

	2015 £'000	2014 £'000
Direct operating expenses of let rental property	**2,826**	3,711
Fees relating to continuation vote and refinancing	**–**	636
Valuation and other professional fees	**351**	633
Directors' fees †	**286**	251
Administration fee	**145**	143
Depositary fee	**143**	71
Auditor's remuneration for:		
– statutory audit	**76**	74
– audit-related services	**11**	11
– non-audit-related services	**3**	–
Other	**363**	324
	4,204	5,854

† An analysis of the Directors' fees is provided in the 'Directors' Emoluments for the Year' table within the Directors' Remuneration Report on page 29.

4. Interest receivable

	2015 £'000	2014 £'000
Deposit interest	**194**	347

5. Finance costs

	2015 £'000	2014 £'000
Interest on the 5.23 per cent Secured Bonds	**53**	12,218
Interest on the interest-bearing bank loans	**1,340**	2,823
Interest in respect of the interest rate swap agreements	**1,176**	1,310
Interest on the L&G loan	**8,869**	213
Facility agent/monitoring fee	**270**	–
Early repayment premium on the 5.23 per cent Secured Bonds	**–**	5,601
	11,708	22,165

6. Taxation

	2015 £'000	2014 £'000
Current income tax		
Current income tax charge	**142**	185
Adjustment to provision for prior years	**–**	(21)
Total tax charge	**142**	164

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:

	2015 £'000	2014 £'000
Profit before taxation	**151,639**	174,065
UK income tax at a rate of 20 per cent (2014: 20 per cent)	**30,328**	34,813
Effects of:		
Capital gains on investment properties not taxable	**(22,569)**	(30,104)
Income not taxable, including interest receivable	**(39)**	(69)
Expenditure not allowed for income tax purposes	**2,447**	4,862
Allowable intercompany loan interest paid	**(8,659)**	(9,564)
Losses carried forward to future years	**199**	539
Utilisation of losses brought forward from prior years	**(1,011)**	(205)
Capital allowances claimed	**(554)**	(87)
Adjustment to provision for prior years	**–**	(21)
Total tax charge	**142**	164

The Company and its subsidiaries are exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. An annual fee of £1,200 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 £9,616,000 (2014: £10,567,000) at 31 December 2015. 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.

Notes to the Accounts (continued)

7. Dividends

	2015 Total £'000	2015 Rate (pence)	2014 Total £'000	2014 Rate (pence)
In respect of the previous period:				
Ninth interim dividend	3,997	0.5	3,793	0.5
Tenth interim dividend	3,997	0.5	3,794	0.5
Eleventh interim dividend	3,996	0.5	3,793	0.5
Twelfth interim dividend	3,997	0.5	3,794	0.5
In respect of the period under review:				
First interim dividend	3,997	0.5	3,793	0.5
Second interim dividend	3,996	0.5	3,794	0.5
Third interim dividend	3,997	0.5	3,793	0.5
Fourth interim dividend	3,997	0.5	3,794	0.5
Fifth interim dividend	3,997	0.5	3,997	0.5
Sixth interim dividend	3,997	0.5	3,997	0.5
Seventh interim dividend	3,997	0.5	3,997	0.5
Eighth interim dividend	3,997	0.5	3,997	0.5
	47,962	6.0	46,336	6.0

Three further interim dividends for the year to 31 December 2015, all of 0.5 pence per share, were paid on 29 January 2016 and 29 February 2016 and a third was paid on 31 March 2016. The twelfth, and last, interim dividend in respect of the year, of 0.5p per share, will be paid on 29 April 2016 to shareholders on the register on 8 April 2016.

Although these payments relate to the year ended 31 December 2015, under IFRS they will be accounted for in the year ending 31 December 2016, 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 £151,497,000 (2014: £173,901,000) and on 799,366,108 (2014: 771,857,477) Ordinary Shares, being the weighted average number of shares in issue during the year.

9. Investment properties

	2015 £'000	2014 £'000
Freehold and leasehold properties		
Opening book cost	**936,649**	805,760
Opening unrealised appreciation	**258,944**	108,423
Opening fair value	**1,195,593**	914,183
Purchases/development	**3,344**	123,737
Acquisition through subsidiary other than through business combination	**41,570**	–
Sales – proceeds	**(18,007)**	–
– gain on sale	**(2,552)**	–
Capital expenditure	**4,717**	7,152
Unrealised losses realised during the year	**5,082**	–
Unrealised gains on investment properties	**114,689**	151,154
Unrealised losses on investment properties	**(4,375)**	(633)
	1,340,061	1,195,593
Closing book cost	**965,721**	936,649
Closing unrealised appreciation	**374,340**	258,944
Closing fair value	**1,340,061**	1,195,593

There were no properties held for sale at 31 December 2015 (2014: none).

All the Group's investment properties were valued as at 31 December 2015 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 2015 on a fair value basis and in accordance with The RICS Valuation – Professional Standards (January 2014). The CBRE valuation report is dated 19 January 2016 (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 £1,355,915,000 (2014: £1,212,610,000). The difference between the Valuation Report and the closing fair value of investment properties disclosed above of £1,340,061,000 (2014: £1,195,593,000) consists of capital incentives paid to tenants totalling £4,430,000 and accrued income relating to the pre-payment for rent free periods recognised over the life of the lease totalling £11,424,000, 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.

Notes to the Accounts (continued)

9. Investment properties (continued)

There are no restrictions on the realisability of the Group's investment properties or on the remittance of income or proceeds of disposal. However, the Group's investments comprise UK commercial property, which may be difficult to realise as described in Liquidity Risk in note 18.

Other than the capital commitments 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	2015 Range*	2015 Weighted Average	2014 Range*	2014 Weighted Average
Retail	**358,000** (2014: 323,900)	All Risks Yield	Current Rental Value per square foot ('psf') per annum	**£22 - £99**	**£44**	£18 - £99	£41
			Estimated Rental Value psf per annum	**£21 - £147**	**£57**	£21 - £128	£52
			Net Initial Yield	**1.9% - 5.3%**	**3.4%**	2.1% - 5.6%	3.8%
			Equivalent Yield	**2.8% - 5.2%**	**4.0%**	2.6% - 6.1%	4.5%
			Estimated Capital Value psf	**£394 - £4,881**	**£1,609**	£369 - £4,531	£1,298
Retail Warehouse	**229,550** (2014: 222,725)	All Risks Yield	Current Rental Value psf per annum	**£14 - £31**	**£25**	£14 - £28	£24
			Estimated Rental Value psf per annum	**£12 - £28**	**£24**	£12 - £29	£24
			Net Initial Yield	**4.2% - 6.8%**	**5.0%**	4.4% - 6.8%	5.0%
			Equivalent Yield	**4.4% - 6.5%**	**5.0%**	4.4% - 6.5%	5.0%
			Estimated Capital Value psf	**£193 - £548**	**£483**	£194 - £524	£467
Office	**541,025** (2014: 463,815)	All Risks Yield	Current Rental Value psf per annum	**£0 - £79**	**£37**	£8 - £79	£39
			Estimated Rental Value psf per annum	**£15 - £101**	**£49**	£15 - £91	£46
			Net Initial Yield	**0% - 12.4%**	**4.3%**	2.5% - 13.4%	4.6%
			Equivalent Yield	**3.7% - 8.3%**	**5.5%**	3.9% - 8.8%	5.7%
			Estimated Capital Value psf	**£163 - £2,009**	**£914**	£129 - £1,884	£858
Industrial, logistics and other	**227,340** (2014: 202,170)	All Risks Yield	Current Rental Value psf per annum	**£3 - £13**	**£7**	£2 - £13	£6
			Estimated Rental Value psf per annum	**£4 - £15**	**£7**	£4 - £13	£6
			Net Initial Yield	**4.7% - 8.1%**	**6.0%**	2.4% - 10.3%	6.0%
			Equivalent Yield	**5.2% - 10.5%**	**6.1%**	6.1% - 10.8%	6.7%
			Estimated Capital Value psf	**£69 - £268**	**£114**	£61 - £237	£102

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

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 2015 arising from:	Retail £'000	Retail Warehouses £'000	Offices £'000	Industrial, Logistics and other £'000	Total £'000
Increase in rental value by 5%	17,900	11,478	27,051	11,367	67,796
Decrease in rental value by 5%	(17,900)	(11,478)	(27,051)	(11,367)	(67,796)
Increase in net initial yield by 0.25%	(24,633)	(10,896)	(29,662)	(9,148)	(74,339)
Decrease in net initial yield by 0.25%	28,563	12,039	33,315	9,949	83,866

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

10. Trade and other receivables

	2015 £'000	2014 £'000
Capital and rental lease incentives	15,854	17,017
Cash deposits held for tenants	2,353	2,510
Rents receivable (net of provision for bad debts)	1,068	1,722
Other debtors and prepayments	297	328
Accrued income	3	4
	19,575	21,581

Rents receivable, which are generally due for settlement at a 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 £11,424,000 (2014: £11,694,000) being the prepayment for rent-free periods recognised over the life of the lease and £4,430,000 (2014: £5,323,000) 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.

Notes to the Accounts (continued)

12. Trade and other payables

	2015 £'000	2014 £'000
Rental income received in advance	**10,143**	9,812
Rental deposits	**2,353**	2,510
VAT payable	**531**	1,619
Managers' fees payable	**5,756**	4,314
Income tax payable	**3,054**	69
Other payables	**4,165**	3,801
	26,002	22,125

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

13. Interest-bearing bonds

	2015 £'000	2014 £'000
Principal amount outstanding	–	230,000
Issue costs	–	(1,196)
Amortisation of issue costs	–	1,196
Early repayment premium	–	5,601
Secured cash retained for repayment of Bonds	–	(235,601)
	–	–

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.

14. Interest-bearing loans and interest rate swap liabilities

	2015 £'000	2014 £'000
L&G loan		
Principal amount outstanding	260,000	260,000
Set-up costs	(2,683)	(2,678)
Amortisation of set-up costs	229	–
	257,546	257,322
Bank loan		
Principal amount outstanding	50,000	50,000
Set-up costs	(727)	(727)
Amortisation of set-up costs	600	516
	49,873	49,789
	307,419	307,111

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

£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"). 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 2015, 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 2015, 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 £282,153,000 (2014: £271,746,000). The exercise of early repayment approximates the carrying amount of the loan. Secured Group loan is classified as Level 2 under the hierarchy of fair value measurement.

£50 million bank loan 2017

The Group has a £50 million facility with Barclays Bank plc ('Barclays') which remained fully drawn throughout the year.

The loan facility is repayable on 28 June 2017.

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

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

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

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

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

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

The fair value of the liability in respect of the interest rate swap contract at 31 December 2015 was £1,546,000 (2014: £2,455,000), which is based on the marked to market value. The interest rate swap is classified as Level 2 (2014: Level 2) under the hierarchy of fair value measurements.

Notes to the Accounts (continued)

15. Share capital and reserves

	£'000
Allotted, called-up and fully paid	
799,366,108 Ordinary Shares of 1p each in issue at 31 December 2015	**7,994**

Share capital

Under the Company's Articles of Incorporation, the Company may issue an unlimited number of Ordinary Shares. The Company issued nil Ordinary Shares during the year (2014: 40,650,406) raising net proceeds of £nil (2014: £49,453,000).

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 2015, the Company did not hold any Ordinary Shares in treasury (2014: 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.

15. Share capital and reserves (continued)

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 135.2p (2014: 122.1p) is based on equity shareholders' funds of £1,080,424,000 (2014: 975,980,000) and on 799,366,108 (2014: 799,366,108) 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 pages 29 to 30. Total fees for the year were £286,000 (2014: £251,000). 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 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 swap entered into to hedge the interest paid on the Barclays interest-bearing bank loan.

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

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

Credit risk

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

In the event of default by an occupational tenant, the Group will suffer a rental shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. The Board receives regular reports on concentrations of risk and any tenants in arrears. The Managers monitor such reports in order to anticipate, and minimise the impact of, defaults by occupational tenants.

The Group has a diversified tenant portfolio. The maximum credit risk from the rent receivables of the Group at 31 December 2015 was £1,068,000 (2014: £1,722,000). The maximum credit risk is stated after deducting a bad debt provision of £335,000 (2014: £204,000).

As at 31 December 2015, rent receivable of £335,000 that was greater than three months overdue was fully provided for. As at 31 December 2014 the provision was £204,000. Of this amount £90,000 was subsequently written off, £64,000 is still outstanding and £50,000 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 2015 (2014: 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)

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 2015					
Cash and cash equivalents	55,755	–	–	–	55,755
Cash deposits held for tenants	2,353	–	–	–	2,353
Rents receivable	1,068	–	–	–	1,068
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

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 2015					
Trade and other payables	26,002	–	–	–	26,002
Interest-bearing £50m bank loan and interest rate swap	2,460	51,207	–	–	53,667
Interest-bearing £260m L&G loan	8,822	8,882	26,646	295,528	339,938
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

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 2015 the Group's cash balance was £55,755,000 (2014: £90,497,000).

Interest rate risk

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

18. Financial instruments (continued)

Interest rate risk (continued)

The Group's exposure to interest rate risk relates primarily to its long-term debt obligations. Interest rate risk on long-term debt obligations is managed by fixing the interest rate on such borrowings, either directly or through interest rate swaps for the same notional value and duration. Long-term debt obligations and the interest rate risk they confer to the Group is considered by the Board on a quarterly basis. Long-term debt obligations consist of 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 2015						
Financial assets						
Cash and cash equivalents	55,755	6,678	49,077	–	0.29	0.8
Cash deposits held for tenants	2,353	–	–	2,353	–	–
Rents receivable	1,068	–	–	1,068	–	–
Financial liabilities						
L&G loan	257,546	257,546	–	–	3.44	9.0
Bank loan and interest rate swap	51,419	49,873	1,546	–	4.88	1.5
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	49,789	2,455	–	4.88	2.5

Apart from the L&G loan as at 31 December 2015 as disclosed in note 14, 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 2015, it is estimated that an increase of 150 basis points in interest rates would have decreased its fair value by approximately £30,413,000 (2014: £31,591,000), and a decrease of 150 basis points would have increased its fair value by approximately £34,998,000 (2014: £36,802,000).

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 £1,083,000 (2014: £1,781,000), and a decrease of 150 basis points would have increased their fair value by approximately £1,123,000 (2014: £1,873,000). 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)

Interest rate risk (continued)

When the Group retains cash balances, they are ordinarily held on interest-bearing deposit accounts. The benchmark which determines the interest income received on interest-bearing cash balances is the bank base rate which was 0.5 per cent as at 31 December 2015 (2014: 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 £836,000 (2014: £1,357,000). A decrease of 150 basis points would have had an equal but opposite effect. The calculations are based on the cash balances at the respective balance sheet dates.

Market price risk

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

Any changes in market conditions will directly affect the 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 2015 would have increased net assets and income for the year by £201,009,000 (2014: £179,339,000). 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 £8,852,000 as at 31 December 2015 (2014: £1,719,000). 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):

	2015 £'000	2014 £'000
Less than one year	**56,885**	57,976
Between two and five years	**199,714**	185,822
Over five years	**244,744**	215,676
Total	**501,343**	459,474

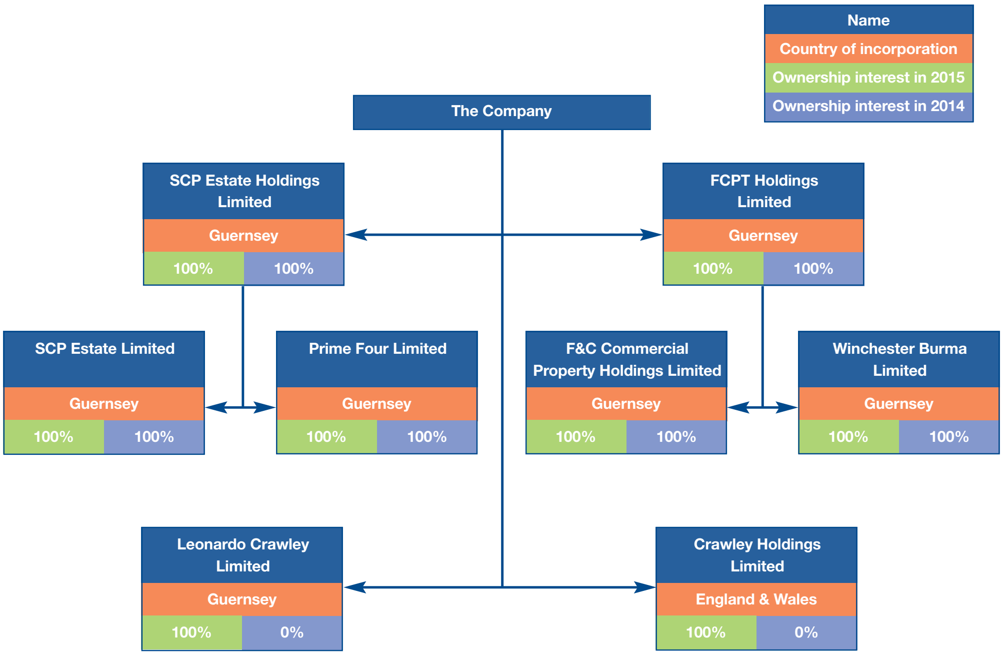
The largest single tenant at the year end accounted for 4.3 per cent (2014: 5.2 per cent) of the current annual rental income.

Unoccupied property expressed as a percentage of estimated total rental value (excluding properties under development) was 4.5 per cent (2014: 4.5 per cent) at the year end.

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

21. List of Subsidiaries

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



On 19 January 2016, the Company dissolved Accede Limited, a company incorporated in England and Wales. This Company was dormant, having previously acted as an investment and property company.

On 1 September 2015, FCPT Holdings Limited dissolved F&C Commercial Property Finance Limited, a special purpose vehicle incorporated in Guernsey, having previously acted as a vehicle to issue the interest-bearing bonds which were repaid in full on 2 January 2015.

On 23 July 2015, the Company incorporated Leonardo Crawley Limited, a company registered in Guernsey whose principal business is that of an investment and property company.

On 31 July 2015, the Company acquired Crawley Holdings Limited, a company registered in England and Wales whose principal business is that of an investment and property company (see note 22 for further details).

22. Asset acquisition

On 31 July 2015, the Company acquired 100% of the share capital of Crawley Holdings Limited, a company incorporated in England and Wales, which was developing a 110,000 sq. ft. grade A office building occupying a prime location within Crawley Business Park. Total gross consideration was £45,300,000. Following the acquisition the Group completed the development (excluding tenant fit-out) and the property is let.

Management considers that at acquisition of Crawley Holdings Limited it was constituted as an asset, rather than a business as defined in IFRS 3, “Business combinations”, as prior to acquisition the subsidiary was holding the single development property with a view to selling.

As the acquisition of Crawley Holdings Limited was not accounted for as business combinations, neither accounting profit nor taxable profit were affected at the time of the transaction, the initial recognition exemption in IAS 12, “Income taxes” applies, and the Group does not recognise deferred tax that would otherwise have arisen on temporary differences associated with the acquired assets and liabilities at initial recognition.

Notes to the Accounts (continued)

23. 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, BMO REP Asset Management plc.

24. 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 are available at **www.bmogam.com**.

The Group's maximum and average actual leverage levels at 31 December 2015 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	300%	300%
Actual	153%	158%

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.

25. Subsequent events

There are no material subsequent events that need to be disclosed.

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, 2 June 2016 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 2015 be received and approved.
2. That the Annual Report on Directors' Remuneration for the year ended 31 December 2015 be approved.
3. That Mr P C E Cornell, who retires annually, be re-elected as a Director.
4. That Mr D E Preston, who retires annually, be re-elected as a Director.
5. That Mrs T Clark, who retires annually, be re-elected as a Director.
6. That Mr M R Moore, who retires annually, be re-elected as a Director.
7. That Mr P Niven, who retires annually, be re-elected as a Director.
8. That Mr C Russell, who retires annually, be re-elected as a Director.
9. That PricewaterhouseCoopers CI LLP be appointed as auditor.
10. That the Directors be authorised to determine the auditor's remuneration.
11. That, to the extent required by sections 292 and 293 (or otherwise) of The Companies (Guernsey) Law, 2008 (as amended from time to time):

    (i) the Directors be generally and unconditionally authorised to allot shares comprised in the share capital of the Company as described in the Company's articles of incorporation (or grant options, warrants or other rights in respect of shares in the Company (the "Rights")) provided that this authority shall be limited to the allotment of shares or Rights to be granted in respect of shares with an aggregate nominal value of up to £799,366, being approximately 10 per cent of the nominal value of the issued share capital of the Company as at 4 April 2016 and further provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on expiry of 15 months from the passing of this resolution, whichever is earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of such offer or agreement; and

    (ii) this authority is in substitution for all previous authorities conferred on the Directors in accordance with sections 292 or 293 (or otherwise) of The Companies (Guernsey) Law, 2008 (as amended from time to time) but without prejudice to any allotment of shares or grant of Rights already made or offered or agreed to be made pursuant to such authorities.

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

12. That the Directors of the Company be and they are hereby generally empowered, to allot ordinary shares in the Company or grant rights to subscribe for, or to convert securities into, ordinary shares in the Company ("equity securities") 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:

Notice of Annual General Meeting (continued)

(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 4 April 2016.

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

that:

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

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

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

(d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2017, or on 2 December 2017, 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.

14. That the articles of incorporation containing amendments proposed to reflect the recent changes to the Companies (Guernsey) Law, 2008 by the Companies (Guernsey) Law, 2008 (Amendment) Ordinance 2015 presented at the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the articles of incorporation of the Company in substitution for, and to the exclusion of, the existing articles of incorporation.

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

4 April 2016

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 31 May 2016.
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 31 May 2016. 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 4 April 2016, 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 Directors' letters of appointment will be available for inspection from 15 minutes prior to, and at, the Annual General Meeting.
9. A copy of the existing Articles and the proposed new Articles marked to show the changes will be available during normal business hours (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and the offices of F&C Asset Management plc, Exchange House, Primrose Street, London EC2A 2NY up to and including close of business on 2 June 2016 and at the venue of the Annual General Meeting for at least 15 minutes prior to the start of the meeting and up to the close of the meeting.

Shareholder Information

Dividends

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

Website

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 2016/2017

2 June 2016	Annual General Meeting
August 2016	Announcement of interim results
	Posting of Interim Report
April 2017	Announcement of annual results
	Posting of Annual Report

Historic Record

	Total assets less current liabilities £'000	Shareholders' funds £'000	Net asset value per Ordinary Share p	Ordinary Share price p	Premium/ (discount) %	Earnings per Ordinary Share p	Dividends per Ordinary Share p	Ongoing charges* %
18 March 2005 (launch)	943,288	713,288	97.0	100.0	3.1	–	–	–
31 December 2005	1,092,522	863,458	117.5	118.5	0.9	20.7	1.75	1.35
31 December 2006	1,269,122	1,039,769	141.5	131.0	(7.4)	30.0	6.00	1.32
31 December 2007	1,175,822‡	946,222‡	129.2‡	90.5	(30.0)‡	(7.7)‡	6.00	1.27
31 December 2008	813,941	584,183	85.8	62.0	(27.7)	(39.8)	6.00	1.35
31 December 2009	819,322	589,388	86.6	90.0	3.9	6.8	6.00	2.36
31 December 2010	934,223	655,081	96.3	105.6	9.7	15.7	6.00	2.06
31 December 2011	967,301	684,243	100.5	101.6	1.1	10.8	6.00	1.62
31 December 2012	1,019,525	736,031	98.8	103.7	5.0	4.2	6.00	1.62
31 December 2013	1,080,435	799,014	105.3	120.5	14.4	12.2	6.00	1.67
31 December 2014	1,285,546	975,980	122.1	136.4	11.7	22.5	6.00	1.41
31 December 2015	**1,389,389**	**1,080,424**	**135.2**	**134.4**	**(0.6)**	**19.0**	**6.00**	**1.20**

* 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 as adopted in the European Union.

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

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

Managers – The Company's investment managers are F&C Investment Business Limited, and its property managers are BMO REP Asset Management plc. Further details are set out on pages 4 and 22 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 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 2015 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.

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 Investment Trust ISA

Use your ISA allowance to make an annual tax-efficient investment of up to £15,240 for 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 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 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. Since 6 April 2015, CTF holders can choose to transfer an existing CTF to a Junior ISA.

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. Since 6 April 2015, the Registered Contact on a CTF can choose to transfer an existing 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 2015/16 tax year.

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 Children's Investment Plan (CIP)

A flexible way to save for a child. With no maximum contributions, the plan can easily be set-up 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.

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 instruction £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 2 switches are carried out in one year.

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

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

How to Invest

You can invest in all our savings plans online.

New Customers

Contact our Investor Services Team

Call: **0800 136 420** (8:30am – 5:30pm, weekdays, calls may be recorded for training and quality purposes)
Email: **info@fandc.com**
Investing online: **www.fandc.com/apply**

Existing Plan Holders

Contact our Investor Services Team

Call: **0345 600 3030** (*9:00am – 5:00pm, weekdays, calls may be recorded for training and quality purposes)
Email: **investor.enquiries@fandc.com**
By post: F&C Plan Administration Centre
PO Box 11114
Chelmsford
CM99 2DG

BMO A part of BMO Financial Group

F&C Investments CLIENTS FIRST RESPECT ACCOUNTABILITY INNOVATION

Corporate Information

Directors
Chris Russell (Chairman) *
Trudi Clark #
Martin Moore ‡
Peter Niven †
Brian Sweetland
Peter Cornell
David Preston

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

Alternative Investment Fund Manager (‘AIFM’) and Investment Managers
F&C Investment Business Limited
80 George Street
Edinburgh EH2 3BU

Property Managers
BMO REP Asset Management plc
5 Wigmore Street
London W1U 1PB

Property Valuers
CBRE Limited
St. Martin’s Court
10 Paternoster Row
London EC4M 7HP

Auditor
KPMG Channel Islands Limited
Glategny Court
Glategny Esplanade
St. Peter Port
Guernsey GY1 1WR

Guernsey Legal Advisers
Mourant Ozannes
1 Le Marchant Street
St. Peter Port
Guernsey GY1 4HP

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

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

Depositary
JPMorgan Europe Limited
25 Bank Street
Canary Wharf

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

Website
www.fccpt.co.uk

F&C Commercial Property Trust Limited

REPORT AND ACCOUNTS 2015

Registered Office

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

Registrars

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

FCCPT/Ann/15