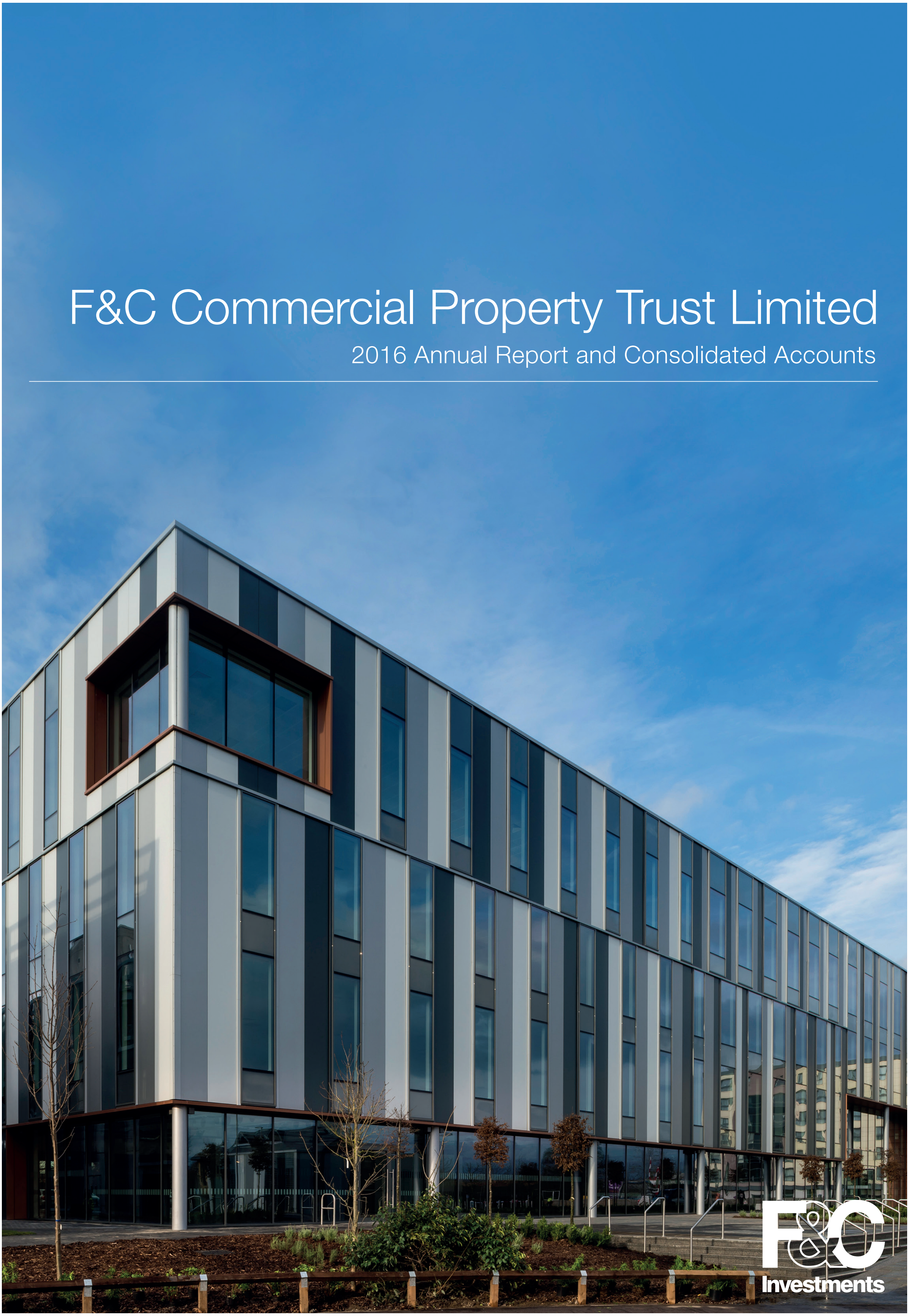
F&C Commercial Property Trust Limited

2016 Annual Report and Consolidated Accounts



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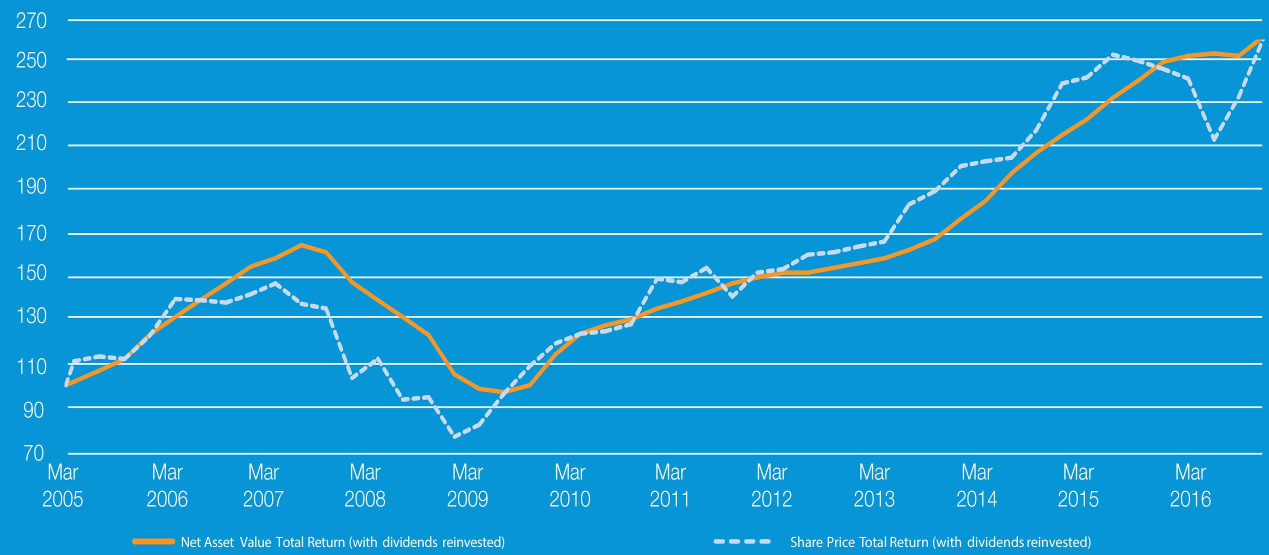
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under 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.

Front Cover photo: Leonardo Building, Crawley

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



Source: F&C Investment Business & Thomson Reuters Eikon

* See Alternative Performance Measures on page 63.

Since launch in 2005 F&C Commercial Property Trust Limited has turned a £1,000 investment, with dividends reinvested, into £2,623.

Company Summary

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.

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. Stock Code : FCPT.

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 20 to the accounts.

At 31 December 2016 Group total assets less current liabilities were £1,393 million and Group shareholders' funds were £1,083 million.

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, (as amended), 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 Investment Managers operate a number of investment plans which facilitate investment in the shares of the Company. Details are contained on page 66. You may also invest through your usual stockbroker.

Alternative Performance Measures ('APM')
The Company uses a number of alternative performance measures in the discussion of its business performance and financial position. Further information is provided on page 63.

Visit our website at: **fccpt.co.uk**

Financial Highlights 2016

5.3
per cent

Portfolio total return*

Portfolio total return of 5.3%, compared with a total return of 3.6% from the MSCI IPD benchmark index.

87.0
per cent

Dividend cover*

Dividend cover increased to 87.0% from 80.6%, with net income increasing by £3.1 million in the year.

4.4
per cent

Dividend yield*

Maintained dividend at 6.0 pence per share for the 11th successive year, giving a yield of 4.4% on the year end share price.

£54.3m
gross

Sale of 25 Great Pulteney Street

On 22 December 2016, the Company completed the sale of 25 Great Pulteney Street, London for £54.3m. The disposal crystallised a £28.5m gain generated since the launch of the Company, reduces its exposure to Central London and allows capital to be deployed into other opportunities.

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.

* See Alternative Performance Measures on page 63.

Performance Summary

	Year ended 31 December 2016	Year ended 31 December 2015	
Total Returns for the year*			
Net asset value per share	**4.8%**	15.9%	
Ordinary Share price	**6.4%**	2.8%	
Portfolio return	**5.3%**	14.3%	
MSCI Investment Property Databank ('IPD') All Quarterly and Monthly Valued Fund Benchmark	**3.6%**	13.3%	
FTSE All-Share Index	**16.8%**	1.0%	

	Year ended 31 December 2016	Year ended 31 December 2015	% change
Capital Values			
Total assets less current liabilities (£'000)	**1,393,072**	1,390,547	0.2
Net asset value per share	**135.5p**	135.2p	0.2
Ordinary Share price	**136.4p**	134.4p	1.5
FTSE All-Share Index	**3,873.22**	3,444.26	12.5
Premium/(Discount) to net asset value per share*	**0.7%**	(0.6)%	
Net Gearing*	**17.2%**	19.0%	

	Year ended 31 December 2016	Year ended 31 December 2015	
Earnings and Dividends			
Earnings per Ordinary Share	**6.3p**	19.0p	
Dividends per Ordinary Share	**6.0p**	6.0p	
Dividend yield*	**4.4%**	4.5%	
Ongoing Charges			
As a percentage of average net assets*	**1.07%**	1.20%	
As a percentage of average net assets (excluding performance fee)*	**0.96%**	0.90%	
As a percentage of average net assets (excluding performance fee and direct property expenses)*	**0.62%**	0.63%	

The Company's portfolio is well diversified, consists of high quality assets and is well positioned to continue to deliver attractive income, combined with capital appreciation in line with the investment objective.

25 Great Pulteney Street (sold December 2016)

Year's Highs/Lows	Highs 2016	Lows 2016
Net asset value per share	135.5p	132.0p
Ordinary Share price	138.4p	102.1p
Premium/(Discount)*	5.3%	(24.1)%

* See Alternative Performance Measures on page 63.

Sources: F&C Investment Business, MSCI Investment Property Databank ('IPD') and Thomson Reuters Eikon

Chairman's Statement

Chris Russell Chairman

The Company's portfolio and UK Commercial Property performed well during 2016, notwithstanding the unstable conditions and uncertainties arising following the result of the EU Referendum vote. The Company's closed-ended structure was of benefit during the period after the vote. Despite an immediate fall in the share price, the Company was not forced to react when some open-ended funds became forced sellers with many having to suspend redemptions as investors tried to sell down their property positions.

Performance for the Year

The net asset value ('NAV') total return for the year was 4.8* per cent and the share price total return was 6.4* per cent. The total return from the portfolio was 5.3* per cent, which compares favourably with a total return of 3.6 per cent from the MSCI Investment Property Databank ('IPD') Quarterly Benchmark Index. The longer term performance of the portfolio remains strong with IPD rating it second quartile over three years and top quartile over five and ten years.

The share price at the year-end was 136.4p, representing a premium of 0.7* per cent to the NAV per share of 135.5p, recovering significantly from a 24 per cent discount experienced in the immediate aftermath of the Brexit vote.

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 2015	135.2
Unrealised increase in valuation of direct property portfolio	1.2
Decrease in valuation of interest rate swap	(0.1)
Other net revenue	5.2
Dividends paid	(6.0)
NAV per share as at 31 December 2016	**135.5**

The Company experienced modest capital growth in the portfolio of 0.8* per cent, ahead of the MSCI IPD index which recorded a negative capital return of 1.1 per cent. As with 2015, the strongest returns were experienced in the logistics and industrial sector.

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.
- Birmingham, Unit10a Hams Hall Distribution Park – reflecting the renewal and extension of lease agreements with the tenants.
- Colchester, Ozalid Works, Cowdray Avenue – The grant of outline planning for a residential development accompanied by a completed s106 agreement with the Local Authority more than doubled the value of the property.

Negative contributions came from:

- The changes to Stamp Duty announced in March 2016 which reduced the value of the portfolio by 0.8 per cent as the rate increase was factored in to property valuations.
- Reading, Thames Valley One, Thames Valley Park – reflecting new void space following the exit of the tenant.

There was one sale during the year of the Company's Freehold interest in 25 Great Pulteney Street, London W1 in December 2016 for £54.3 million. This reflected a net initial yield of 3.95 per cent and crystallised substantial value for the Company, reducing its exposure to Central London.

Borrowings and Loan Refinancing

The Group amended its financing arrangements with Barclays Bank PLC in respect of the existing £50 million term loan facility repayable in June 2017. This included extending the repayment date to June 2021. The Board also agreed an additional revolving credit facility of £50 million over the same period for ongoing working capital purposes and to provide the Group with the flexibility to acquire further property when the opportunity arises.

Following this refinancing, the Group's available borrowings comprise a £260 million term loan with Legal & General Pensions Limited, maturing on 31 December 2024, and both a £50 million term loan facility and an undrawn £50 million revolving credit facility with Barclays. The Group's net gearing was 17.2* per cent at the end of the year.

The Group terminated, at a cost of £1.3 million, the interest rate hedging arrangements linked to the previous Barclays facility. This had been accounted for as a liability, net of accrued interest, of £1.5 million as at 31 December 2015. The Group has entered into a new £50 million interest rate swap to cover the extended Barclays term facility. This has fixed interest payable at 2.5 per cent per annum, a substantial reduction on the previous 4.9 per cent per annum. The weighted average interest rate in the Group's total current borrowings is 3.3 per cent, which is 0.3 per cent lower than before the refinancing.

Dividends and Dividend Cover

Twelve monthly interim dividends, each of 0.5p per share, were paid during the year, maintaining the annual dividend of 6.0p per share and providing a dividend yield of 4.4* per cent based on the year-end share price. Barring unforeseen circumstances, the Board intends that dividends in 2017 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 and loss on redemption of the interest rate swap) was 87.0* per cent, ahead of the 80.6* per cent cover achieved last year. The improved cover is primarily attributable to an enhanced level of rental income which increased by £2.0 million in the current year and a reduced performance fee of £1.9 million.

Management Fees

We have had discussions with the Investment Manager over the management fee and agreed a revised arrangement with effect from 1 January 2017. The performance fee has been removed and in the future, the Investment Manager will be entitled to a base management fee of 0.55 per cent per annum of the Group's gross assets (reduced to 0.525 per cent on assets between £1.5 billion and £2 billion and 0.5 per cent on assets in excess of £2 billion).

The arrangement will be reviewed again formally in three years' time. All other terms and conditions will remain the same including the administration fee and termination notice period of six months. We believe this to be a competitive fee arrangement, being the lowest ad valorem fee rate of the Company's peer group.

Board Composition

The Company employed the services of an independent external search consultant to assist with the recruitment of new Board Member, Paul Marcuse, who was appointed on the 12 January 2017. Paul has approximately 35 years' experience in the real estate and finance sectors. He was Head of Global Real Estate at UBS Global Asset Management between 2007 and 2012. Prior to this, he was Chief Executive of AXA Real Estate Investment Managers.

Peter Niven, who has served the Company since inception as a Non-Executive Director and was the Company's first Chairman from 2005 to 2009 will retire at the 2017 AGM. On behalf of the Board, I would like to thank Peter for all the time and effort he has put in over the years. Peter has made a valuable contribution towards the success of the Company and is the last of the first appointed Directors to retire from the Board.

Following the 2017 AGM, and subject to Shareholders' approval, the Board will consist of six non-executive directors with an average appointment of 4 years' service. No further changes to the Board are anticipated in the near term.

Annual General Meeting

The Annual General Meeting will be held at 12.30pm on Wednesday 31 May 2017 at Trafalgar Court, Les Banques, St. Peter Port, Guernsey. The Notice of the Meeting is contained on pages 60 to 61. Shareholders who are unable to attend the Meeting are requested to complete and return their enclosed Forms of Proxy.

Outlook

Following a turbulent year for the UK, there is greater clarity emerging from Brexit but considerable areas of uncertainty remain and it is probable that this will influence investor sentiment. Investors are expected to de-risk their property holdings and favour prime, well-let assets. Property is still attractively priced against the risk free rate of interest and the search for yield should support the property investment market, with the industrial sector a major beneficiary.

The occupational market may face headwinds from business rates, the imposition of a National Living Wage and higher import costs in the coming year. However, the Company is looking for opportunity in longer-term structural changes such as digitisation, urbanisation, infrastructure and communications to grow capital value and dividend cover in a portfolio of prime assets.

The Company's portfolio is well diversified, consists of high quality assets and is well positioned to continue to deliver attractive income, combined with capital appreciation in line with the investment objective. The Investment Manager will continue to look to invest in interesting and accretive assets, as well as realising the value add potential of the portfolio.

Chris Russell
Chairman
3 April 2017

* See Alternative Performance Measures on page 63.

Forward-looking statements

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

Business Model and Strategy

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

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 2016 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 note 13 to the accounts.

Responsible Property Investment Strategy

The Property Managers acquire, develop and manage properties on behalf of the Company. It is recognised that Environmental, Social and Governance (ESG) factors are relevant at each stage of this property investment management process. The Company and its Property Managers have a fiduciary obligation to make sure that these are attended to properly, in order that relevant risks are managed appropriately and that shareholder returns are optimised.

The Property Managers will work in partnership with contractors, tenants and consultants to minimise negative impacts, manage risks, capture value enhancement and environmental improvement opportunities, and deliver positive societal benefits.

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 per cent 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. 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. In terms of marketing, the Managers offer a range of private investor savings schemes, details of which can be found on page 66. In addition, meetings are held regularly with current and prospective shareholders and stockbroking analysts covering the investment company sector. Communication of quarterly portfolio information is made through the Company's website.

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 17, 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.
- Environmental – inadequate attendance to environmental factors by the Managers, including those of a regulatory and market nature and particularly those relating to energy performance, health and safety, flood risk and environmental liabilities, leading to the reputational damage of the Company, reduced liquidity in the portfolio, and/or negative asset value impacts.
- 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 note 13 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.

Principal risks encountered during the year

- **Tax Structure and Compliance**

A key area of concern relates to the recent change to UK corporation tax legislation regarding restrictions on interest deductibility in tax computations. The UK government have issued a consultation paper on whether non-resident companies should be brought into the UK corporation tax scheme at a point in the future. If such a decision were to be made, the interest rate deductibility rules would have a significant effect on the level of taxation payable by the Company. The Company is in consultation with their tax advisors on this and is monitoring the situation. These changes may result in the Company converting to a UK Real Estate Investment Trust at a future date.

- **Valuation Accuracy**

There was concern over the accuracy of property valuations following the Brexit vote. A caveat on the accuracy of the valuations was included in the June 2016 external valuation but has since been removed, although uncertainty still exists.

- **Discount/Premium to Net Asset Value**

The share price went through a period of instability and fell significantly to a discount of 24 per cent following the Brexit vote. The share price recovered reasonably quickly and has subsequently settled at a small premium.

Key Performance Indicators

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

Total return* performance	1 Year %	3 Years %	5 Years %	10 Years %	
F&C Commercial Property Trust ordinary share price	6.4	29.9	72.5	84.9	This measures the Company's share price and NAV total return, which assumes dividends paid by the Company have been reinvested, relative to the Market benchmark.
F&C Commercial Property Trust net asset value (NAV)	4.8	48.3	74.9	69.4	
F&C Commercial Property Trust portfolio total return	5.3	44.8	73.9	86.9	
MSCI Investment Property Databank ('IPD') All Quarterly and Monthly Valued Fund Benchmark	3.6	38.3	57.7	50.8	
FTSE All-Share Index	16.8	19.3	61.8	71.8	

Income* (Compound annual growth rate)	1 Year %	3 Years %	5 Years %	10 Years %	
F&C Commercial Property Trust portfolio income return	4.4	4.7	5.0	5.5	The income derived from a property during the period as a percentage of the property value, taking account of direct property expenditure.
MSCI Investment Property Databank ('IPD') All Quarterly and Monthly Valued Fund Benchmark	4.7	4.9	5.2	5.5	

Share price premium (discount) to NAV per share As at:	31 Dec 2016 %	31 Dec 2015 %	31 Dec 2014 %	31 Dec 2013 %	31 Dec 2012 %	
Premium / (Discount)*	0.7	(0.6)	11.7	14.4	5.0	This is the difference between the share price and the NAV per share. It can be an indicator of the need for shares to be bought back or, in the event of a premium to NAV per share, issued.

Expenses Year to:	31 Dec 2016 %	31 Dec 2015 %	31 Dec 2014 %	31 Dec 2013 %	31 Dec 2012 %	
Ongoing charges*	1.07	1.20	1.41	1.67	1.62	This data shows whether the Company is being run efficiently. It measures the running costs as a percentage of the average net assets.

*See Alternate Performance Measures on page 63.
Source: F&C Investment Business, MSCI IPD and Thomson Reuters Eikon

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 8 years and a property portfolio with an average unexpired lease length of 7.1 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 11.

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 a period to March 2022, 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 an equivalent fall in capital and income 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.

Alhambra House, Glasgow

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 2022. For this reason, the Board also considers it appropriate to continue adopting the going concern basis in preparing the Annual Report and Consolidated Accounts as disclosed in the Report of the Directors on page 23.

St Christopher's Place, London

Managers' Review

Richard Kirby, Fund Manager

STRATEGIC REPORT

Richard Kirby, Fund 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.

Property Managers

BMO Real Estate Partners is a leading UK-based real estate manager focused on commercial real estate investment management. The team behind BMO Real Estate Partners has been successfully managing commercial property assets for a wide range of UK clients for over 50 years and currently manages (as at 31.12.2016) some £6.4 billion of real estate assets, employing 141 staff. The team structure provides for sector specific teams offering specialist capabilities across the market, establishing strong peer to peer and occupier relationships and sourcing of a range of transactional opportunities.

The fund management team and sector heads have on average 25 years of industry experience each. BMO Real Estate Partners undertakes fund and asset management services as well as, where appropriate, the day-to-day property management, complemented by a project management team and full accounting and service charge teams.

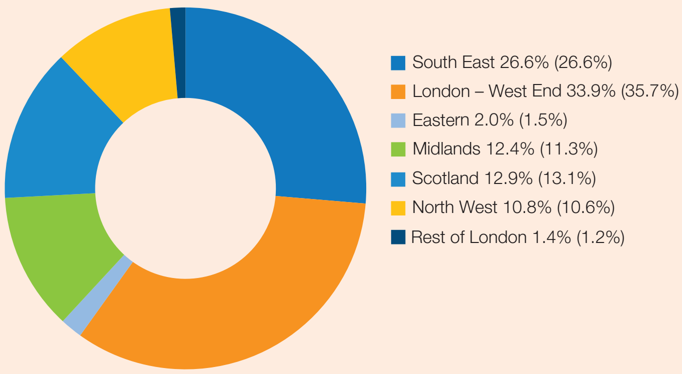
On 8 March 2017, BMO Global Asset Management announced the acquisition by F&C Asset Management plc of the 30% minority interest in BMO Real Estate Partners LLP ('BMO REP'). As part of the transaction a small portion of BMO REP's business will be demerged. This portion of the business is currently responsible for the management of UK value add assets for certain family trusts and investment joint ventures in which these trusts are invested. With effect from August 2017, it will transfer to a new family office. In the UK, BMO REP will retain their specialist sector team focus. There will be no change to the Fund Manager resource or the asset management teams dedicated to the Company.

Highlights over the year

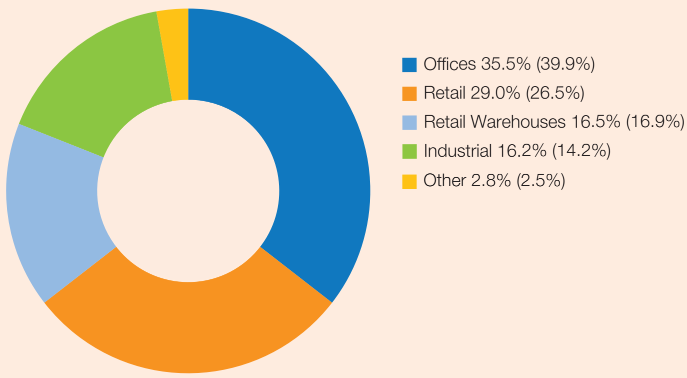
- Strong total return from property portfolio of 5.3* per cent compared with 3.6 per cent from the MSCI IPD benchmark.
- Portfolio capital growth of 0.8* per cent compared with capital falls of 1.1 per cent from the MSCI IPD benchmark.
- Gross rental income increased by £2.0 million per annum.

* See Alternative Performance Measures on page 63.

Geographical Analysis
as at 31 December 2016, % of total property portfolio (figures as at 31 December 2015 in brackets)



Sector Analysis
as at 31 December 2016, % of total property portfolio (figures as at 31 December 2015 in brackets)



Source: BMO REP Asset Management plc

Property Market Review for 2016

The benchmark total return for the year, as measured by the MSCI Investment Property Databank ('IPD') Quarterly Universe was 3.6 per cent. Performance was adversely affected by a change in stamp duty early in the year and by a marked weakening in investor sentiment reflecting, in large part, the perceived impact of Brexit on the UK economy and property market. The final quarter witnessed some rebalancing with a benchmark total return of 2.2 per cent.

The period following the EU referendum result saw a change in the UK's political leadership, a reduction in official interest rates and an expanded quantitative easing programme. Despite initial survey evidence from the Purchasing Managers Index to the contrary, the GDP growth rate remained positive throughout the year. However, sterling fell sharply in the wake of the vote and inflation expectations have risen. Attention has been focused on the exit terms and timing of the withdrawal from the EU, with Article 50 having been triggered on 29 March 2017.

Investment activity in 2016 fell back to its lowest level since 2012. Investors were becoming concerned about pricing ahead of the referendum vote and holding back until the outcome of the result. Once this was known, investment activity fell further. Some deals proceeded, some were aborted and others renegotiated. The fall in sterling may have mitigated the impact on transaction levels to a degree and the fourth quarter saw investment activity revive, boosted by strong net investment from overseas buyers. UK institutions were net sellers of property for most of the year. Reaction to the referendum result also saw open-ended property funds struggle with redemptions. This necessitated moves in pricing, fair value adjustments, suspension of redemptions and some forced sales. However, this period was relatively short lived and all funds had reopened by year-end.

The income return was largely unaffected by the volatility elsewhere in the market and was 4.7 per cent in the year to December. Capital growth resumed in the fourth quarter at 1.0 per cent, but with capital values down by 1.1 per cent for the year, attention has switched more towards income to deliver performance. The year witnessed a marked shift, with investors focusing on long leases and secure income streams, with the focus moving from enhancing to defending and protecting the income stream.

The industrial/distribution sector and the "other" sector, comprising non-traditional property assets such as student accommodation, drew ahead of the field with both delivering an annual total return of 7.4 per cent. This compares with 2.7 per cent for offices and 1.6 per cent for retail. Within retail, Central London continued to deliver a strong performance but retail warehousing and regional retail under-performed, while shopping centres delivered a negative total return. In 2015, the office market was the strongest performing sector but in 2016 all the main components under-performed the all-property average, with City offices particularly badly affected.

The yield compression that has driven performance in recent years, drew to a close in 2016. The initial yield edged out to 4.9 per cent from 4.8 per cent at the all-property level. Outward yield movement was most pronounced in retail warehousing, shopping centres and South East offices sectors. The alternative property sector recorded an inward yield shift.

Rental growth for standing investments at the all-property level slipped to 2.1 per cent in 2016. The deceleration was widespread but Central London offices were particularly affected. Regional retail assets and supermarkets continued to record rental decline. Gross rent passing rose by only 0.8 per cent in the year, underscoring the difficulty of capturing rental growth. The occupational market has been affected by the Brexit vote, incentives have increased and development activity re-appraised.

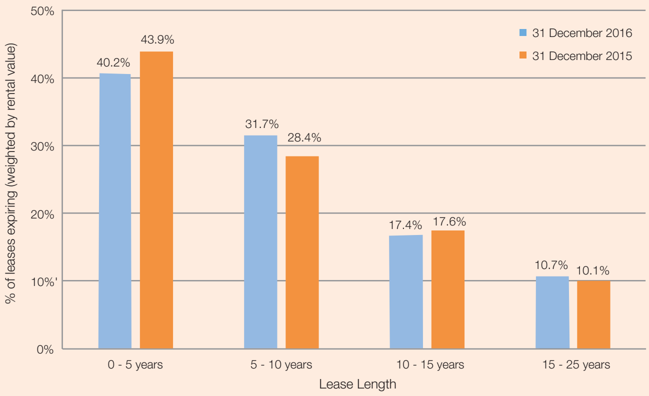
The year was characterised by high levels of uncertainty and a move towards a more defensive strategy by investors, although the final quarter of the year showed some steadying in sentiment. There is significant equity in the market but property owners are holding on to their best assets. This has been a watershed year, where the yield compression and capital growth of earlier years has been replaced by a return to income as the driver of performance and a focus on income security and protection.

Valuation and Portfolio Growth

The Company continues to invest in a diversified UK commercial real estate portfolio of 36 properties.

Lease Expiry Profile

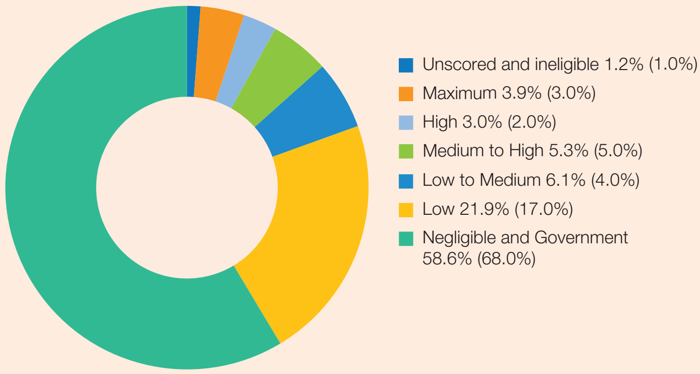
At 31 December 2016 the weighted average lease length for the portfolio, assuming all break options are exercised, was 7.1 years (2015: 6.9 years)



Source: BMO REP Asset Management plc

Covenant Strength

as at 31 December 2016, % of income by risk bands (figures as at 31 December 2015 in brackets)



Source: IRIS Report, MSCI Inc

CBRE are external valuers to the Company and they independently valued the portfolio at £1,322,455 million as at 31 December 2016.

The total return from the portfolio over the year was 5.3* per cent (30th percentile) compared with the benchmark return of 3.6 per cent. The portfolio has delivered a strong track record of longer term performance: Second quartile over three years and top quartile over five and ten years.

Total Return Analysis

Market Segment - Direct Property	Portfolio (%)	Benchmark (%)
St Retails – South East**	9.0	5.8
St Retails – Rest of UK	(5.6)	1.5
Shopping Centres	–	(0.2)
Retail Warehouses	0.2	0.2
Offices – City	1.7	1.7
Offices – West End	(0.2)	3.5
Offices – South East	(1.9)	2.8
Offices – Rest of UK	2.9	1.8
Industrials – South East	24.6	8.3
Industrials – Rest of UK	15.5	5.8
Other Commercial	14.8	7.4
All Segments	**5.3**	**3.6**

**Includes West End Retail

Source: MSCI IPD

Retail Market

The Company's exposure to the "in town" retail sector consists of St Christopher's Place Estate, London W1, The Broadway, Wimbledon and a shop in Conduit Street, London W1. The value of these holdings is £383 million. The total return on the retail portfolio was 5.2* per cent compared with the MSCI IPD benchmark total return of 1.6 per cent.

St Christopher's Place

St Christopher's Place Estate remains a core holding for the Company and the largest asset with a value approaching £300 million. The holding comprises 44 individual properties across a range of uses including traditional retail, restaurants, offices and a growing number of residential units. The Estate performed strongly over the period with an 8.5 per cent increase in its capital value. The rise in capital value was driven by rental growth across the retail, restaurant and office sectors.

The redevelopment of 71-77 Wigmore Street is almost complete. The restaurant is under offer on a new lease to a renowned London restaurant group and although the shop unit, on the corner of St Christopher's Place, has received a number of offers we will be formally marketing the opportunity on completion of the development to ensure optimal market exposure. Elsewhere planning consent has been approved for the redevelopment of 1-2 Barrett Street and several other development opportunities of varying scale have been identified and will be the subject of planning applications for redevelopment or reconfiguration over the next 12 months.

There has been very strong occupier interest in the Estate over the last 12 months, particularly in the food and beverage sector and this is producing interesting opportunities to refresh the occupier line up. As an example, on James Street, Café Rouge surrendered their lease for a premium of £650,000 and the unit has been re-let to Bone Daddies, a Japanese Ramen operator who paid an ingoing premium of £400,000 and the rent reflected an uplift of £80,900 per annum (77 per cent over the previous rent passing). We foresee similar opportunities arising to bring in new operators over the short and medium term.

The opening of the Elizabeth Line (Crossrail 1) in 2018 and the predicted increase of pedestrian traffic to the Oxford Street area, has acted as a catalyst for discussion with other key West End stakeholders to secure further improvements to the public realm and the general visitor experience. In particular we are promoting the opportunities for reduced through traffic on James

Street and we intend that this will form part of the overall strategy for environmental improvements in this part of the West End in the future.

Other Retail

At 16 Conduit Street, Christian Dior surrendered their lease in July 2016 and a new 15-year lease was simultaneously granted to luxury retailer MCM, at a record rental level for their London flagship store. Meanwhile at the Company's retail and leisure holding in Wimbledon, Uniqlo renewed their lease for a term of 10 years at a higher rent, supporting a round of rent reviews and lease renewals that will become due over the next 12 months. A number of announcements have been made concerning Crossrail 2, which it is proposed will run through Wimbledon and active consultation is being undertaken. The longer term impact is likely to be very positive for the Company's ownership.

Key asset management activities in the out of town retail sector included the completion of the letting to Boots the Chemist at Newbury Retail Park, following their agreement to surrender the lease of unit 10. Boots took a new 10-year lease from July 2016 at a rent of £325,000 per annum (£32.50 psf). The valuers pro-forma estimated rental value for this unit was £281,000 per annum (£28.10 psf). Linked to this transaction, the agreement for a lease with T K Maxx for unit 10 became unconditional when both planning consent and vacant possession were achieved. Works started on site in September 2016 to extend the floor area and to modernise the shop front of the unit. The premises were handed over to T K Maxx to fit out in February 2017. This is a new 15 year lease with a tenants break option in the tenth year, at £351,000 per annum (£29.25 psf) in excess of the pro-forma estimated rental value of £27.50 psf.

Terms have also been agreed with Homesense to take a new lease of unit 7, currently occupied by Poundstretcher who will surrender the remaining 5 years of the existing lease. Work will be undertaken to extend the current unit by 2,000 sq ft. Upon completion of these works Homesense will take a new lease of 15 years (tenant break option in year 10) at a commencing rent of £310,000 per annum (£31.00 psf). The existing rent is £212,477 per annum (£26.50 psf).

This new leasing and rent review evidence resulted in the holdings estimated rental value increasing by 4.8 per cent.

Sears Retail Park, Solihull is fully income producing following the expiry of the rent-free period granted to T K Maxx on Unit 5. New totem directory signage for the retail park was erected as part of the ongoing three-year park refurbishment and business plan. The next phase of these works will include the modernisation of the shop fronts and signage zones for those units still to be refurbished.

At Dane Street, Rochdale, Asda has presented to their board for approval for a new reversionary lease. This will extend the existing 5 year term to 20 years, in return for a rent free period.

Office Market

The Company's exposure to the office sector amounts in total to £469 million (35.5 per cent of the portfolio) across 16 properties and provides approximately 39 per cent of gross rental income.

The total return on the office portfolio was 0.5* per cent compared with the MSCI IPD benchmark total return of 2.7 per cent. This relative underperformance can be attributed to the short term income of our West End holdings and void space on our South East out of town properties, particularly TVP One at Thames Valley Park, Reading and Building B at Watchmoor Park, Camberley. Significant transactions are being negotiated at Cassini House, 2-4 King Street, London SW1 and 7 Birchin Lane, London EC3 where refurbishments have now completed. We also sold 25 Great Pulteney Street at £54.3 million reflecting a net initial yield of 3.95 per cent.

Elsewhere in the regions 82 King Street, Manchester has continued its letting success post refurbishment works with leases completed to Lloyds Bank Plc, Arbuthnot Latham and Inflexion Private Equity at £32.50 psf, which is a record for this building. Total rent from new lettings is £319,000. The vacant area in the building has now reduced to 7,381 sq. ft. (9 per cent) compared to 24,352 sq ft (29 per cent) of the building in 2014.

HSBC have now confirmed that they will be vacating Nevis and Ness Houses at Edinburgh Park but, subject to refurbishment, we are in discussion with two other potential occupiers.

Aberdeen remains the Company's largest exposure to Rest of UK Offices. This market remains quiet, which is a general reflection of the sub regional macro economy, but the buildings are high quality and located on Aberdeen's prime office park with strong landlord friendly leases to undoubted covenants.

Industrial & Logistics

2016 saw the "Big Box" logistics sector, where the majority of the eleven properties in this sector are held, deliver another year of strong performance. The total return on the industrial and logistics portfolio was 17.5* per cent compared with the MSCI IPD benchmark total return of 7.4 per cent. The combined value rose from £193 million to £214.5 million, an 11 per cent increase. This was due to further yield compression, owing to the continued demand for core logistics from a wider variety of investors, coupled with the successful conclusion of a number of key asset management initiatives.

At Hams Hall in Birmingham, we both renewed and extended lease agreements with our tenants Arvato and Nestle. These two transactions in isolation provided an increase in value over the period in excess of £8.2 million.

Agreement was also reached to capitalise on the sectors current high level of rental growth with a rent review on the DHL occupied logistics facility in Liverpool. This will be documented at an increase of £275,000 per annum, an uplift of circa 20 per cent over the previous rent. This rewards our historic belief in the potential of the North West as a region.

Post year-end the lease renewal with Mothercare at Plot E4 DIRFT Daventry concluded.

Significant progress has been made in exiting the former Ozalid Works in Colchester. The grant of outline planning for a residential development accompanied by a completed s106 agreement with the Local Authority more than doubled the value of the property. Following the appointed agents marketing campaign we are in advanced contract negotiations with one of the UKs major house builders for the sale of this holding.

Opportunities to invest in prime assets in both the logistics and industrial market remain limited and expensive, but we continue to scour the market for value and genuine reversion.

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 1.1* per cent last year. This lease is subject to annual RPI increases and the annual rent is now £1.748 million per annum.

Acquisitions & Sales

As previously announced the Company completed the sale of its freehold interest in 25 Great Pulteney Street, London W1 for £54.3m, reflecting a net initial yield of 3.95 per cent. The property comprised a seven-storey building providing high quality, contemporary, Grade A office accommodation and was fully let to four tenants. The sale price exceeded the last external valuation of £51.2 million.

25 Great Pulteney Street was a property that the Company fully redeveloped, completing 2011. It was subsequently leased at high rents reflecting the quality of the building. The most recent reletting achieved a rent of £96.50 psf. The property produced an annualised total return of 16.5* per cent since completion of the works. The disposal crystallised substantial value for the Company, reduced its exposure to Central London and allows capital to be employed into other opportunities.

Responsible Property Investment

The principles of Responsible Property Investment (RPI), through which environmental, social and governance (ESG) factors are integrated into investment processes and asset ownership activities, have continued to gain significant traction and momentum in the UK property market. In particular, the emergence of new regulations which target the energy performance of existing buildings, together with the ratification and coming into force of the Paris Agreement on Climate Change during 2016, have been key stimulants of investor engagement on the topic. Increasingly, investment decision-making is influenced by these factors, in terms of capital allocation strategies and commercial property transactions.

The Company, through the policies and procedures of its Property Manager has taken strides to strengthen its approach to RPI during 2016 including:

- Formalising an ESG Committee with representation from across its investment management teams, with the purpose of leading on, monitoring and overseeing the Property Managers' approach to RPI.
- Establishing a new RPI Strategy for its corporate and investment activities, which is reflective of strengthening market expectations with respect to ESG factors, and which has the mutual goals of ensuring portfolio resilience; driving environmental improvements; and engaging with our stakeholders.
- Putting in place comprehensive RPI requirements for asset and property managers to ensure continued attendance to ESG factors across the property investment lifecycle.
- Introducing Responsible Property Management Guidelines to support property managers in identifying and capturing opportunities for improving the ESG performance and attributes of assets, covering factors such as energy efficiency, water conservation, health and well-being, waste management and procurement.
- Implementing a system for the classification of all assets under management according to their energy performance risk and energy consumption characteristics, which the Company is using as a basis for prioritising actions and determining the frequency of its comprehensive ESG monitoring activities at the property level.
- Installing a market-leading RPI Appraisal system, which is now applied to all acquisitions made by the Company. We are also in the process of applying the Appraisal system to all assets under management, a process which will be completed by Q4 2017.
- Preparing Guidelines for Sustainable Development & Refurbishment, which is to be applied to all significant capital projects undertaken on the portfolio.
- Delivering training to its fund, investment, asset and property management teams to ensure that they are cognisant of the evolving RPI agenda, aware of the expectations which the Company places upon them in relation to ESG factors, and knowledgeable about what needs to be done to implement the new RPI Strategy.
- In carrying out the above, the Property Managers appointed a specialist RPI consulting and training firm, Hillbreak, which will continue to support and advise by taking an independent role on the Property Managers' ESG Committee.

The Company and its Property Managers will remain vigilant of the evolving nature of the RPI agenda and will continue to develop its approach to ESG factors so that it remains on track to realising its RPI goals.

Outlook

Despite some recovery in property performance towards year-end and upward revisions to GDP growth forecasts, market sentiment remains cautious. There is a focus on political issues, with Brexit negotiations to the fore, but the impact of the US election and developments in Europe are also potential areas of concern. Within property, the introduction of new business rates will affect tenants' occupational costs, while margins could be hit by higher prices for imported goods. With interest rates expected to remain low by historic standards and property benefiting from a relatively high and stable income return, the asset class is likely to retain its appeal to income seeking investors. We expect a period of positive single digit total return performance, driven by income in an uncertain environment. We continue to favour quality industrial and distribution, Central London retail and alternative assets on a selective basis. The outlook for Central London offices is still unclear. In the short and medium term, the path of Brexit negotiations is expected to be a major determinant of performance but over the longer-term, the impact of any move towards the normalisation of interest rates also needs to be borne in mind.

Richard Kirby

Fund Manager

BMO REP Asset Management plc

3 April 2017

* See Alternative Performance Measures on page 63.

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
Properties valued between £50 million and £70 million	
Solihull, Sears Retail Park	Retail Warehouse
London SW19, Wimbledon Broadway	Retail
Properties valued between £40 million and £50 million	
Uxbridge, 3 The Square, Stockley Park	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, Unit 2 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	
Aberdeen, Unit 3 Prime Four Business Park, Kingswells	Office
Daventry, Site E4, Daventry International Rail Freight Terminal	Industrial
Birmingham, Unit 8 Hams Hall Distribution Park	Industrial
Liverpool, Unit 1, G. Park, Portal Way	Industrial
East Kilbride, Mavor Avenue	Retail Warehouse
Birmingham, Unit 10a Hams Hall Distribution Park	Industrial
London SW1, 2/4 King Street	Office
Properties valued between £10 million and £20 million	
London W1, 17a Curzon Street	Office
Reading, Thames Valley One, Thames Valley Park	Office
London W1, 16 Conduit Street (note 1)	Retail
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
Colchester, Ozalid Works, Cowdray Avenue	Industrial
Properties valued under £10 million	
Camberley, Affinity Point, Glebeland Road	Industrial
Edinburgh, Nevis/Ness Houses, 11/12 Lochside Place	Office
Solihull, Oakenham Road	Retail Warehouse
Aberdeen, Unit 4 Prime Four Business Park, Kingswells	Office

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, before 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: Ruffer Investment Company, 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 (retiring at AGM)

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 and India Capital Growth 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.

Paul Marcuse FRICS

Status: Independent non-executive director

Date of appointment: 12 January 2017

Country of residence: UK

Experience: Paul Marcuse has approximately 35 years' experience in the real estate and finance sectors. He was Head of Global Real Estate at UBS Global Asset Management between 2007 and 2012. Prior to this, he was Chief Executive of AXA Real Estate Investment Managers. He is currently Chairman of the Management Board of the Royal Institution of Chartered Surveyors and holds several other Senior Adviser roles.

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 ACA

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 2016.

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 2016 as follows:

	Payment date	Rate per share
Ninth interim for prior year	29 January 2016	0.5p
Tenth interim for prior year	29 February 2016	0.5p
Eleventh interim for prior year	31 March 2016	0.5p
Twelfth interim for prior year	29 April 2016	0.5p
First interim	31 May 2016	0.5p
Second interim	30 June 2016	0.5p
Third interim	29 July 2016	0.5p
Fourth interim	31 August 2016	0.5p
Fifth interim	30 September 2016	0.5p
Sixth interim	31 October 2016	0.5p
Seventh interim	30 November 2016	0.5p
Eighth interim	30 December 2016	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 31 January 2017, 28 February 2017 and 31 March 2017. The twelfth, and last, interim dividend in respect of the year, of 0.5p per share, will be paid on 28 April 2017 to shareholders on the register on 7 April 2017. 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 20 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 Niven is not standing for re-election and will therefore retire from the Board at the Annual General Meeting. The Company employed the services of an independent external search consultant, to assist with the recruitment of new Board Member, Mr Paul Marcuse who was appointed on 12 January 2017. 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 C Russell, Mr P Cornell and Mr D Preston will retire at the Annual General Meeting and, being eligible, offer themselves for re-election. As Mr P Marcuse was appointed to the Board since the last Annual General Meeting, he will offer himself for election.

The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company to enable it to provide effective strategic leadership and proper guidance of the Company. The Board confirms that, following the evaluation process set out in the Corporate Governance Statement on pages 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/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.

Share Capital

As at 31 December 2016 there were 799,377,108 Ordinary Shares of 1 pence each in issue. Subject to the Articles of Incorporation, all shares rank equally for dividends and distributions and carry one vote each and there are no restrictions concerning the transfer of Ordinary Shares in the Company. No agreements between the holder of Ordinary Shares regarding their transfer is known to the Company and there is no agreement which the Company is party to that affects its control following a take-over bid.

Substantial Interests in Shareholdings

As at 31 December 2016 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 2016.

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 Board believes it is appropriate to adopt the going concern basis in preparing the financial statements. The Company's longer term viability is considered in the Viability Assessment and Statement on page 13.

Annual General Meeting

The Notice of the Annual General Meeting, to be held on 31 May 2017 is set out on pages 60 to 61.

Directors' Authority to Allot Shares

Resolution 12 seeks an authority from shareholders to allow the Directors to allot shares up to an aggregate nominal amount of £799,366, being equivalent to approximately 10 per cent of the issued ordinary share capital of the Company as at 3 April 2017.

Resolution 13 seeks an authority from shareholders to disapply pre-emption rights in relation to the issue of shares as set out in the Listing Rules made by the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 (as amended). Resolution 12 gives the Directors, for the period until the conclusion of the Annual General Meeting in 2018 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 3 April 2017.

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

Directors' Authority to Buy Back Shares

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

The current authority of the Company to make market purchases of Ordinary Shares expires at the end of the Annual General Meeting and Resolution 14, as set out in the notice of the Annual General Meeting, seeks renewal of such authority until the earlier of the Annual General Meeting in 2018 and 18 months from the passing of the resolution. Any buy back of Ordinary Shares will be made subject to Guernsey law and within any guidelines established from time to time by the Board and the making and timing of any buy backs will be at the absolute discretion of the Board. Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing net asset value of the Ordinary Shares (as last calculated) where the Directors believe such purchases will enhance shareholder value. The price paid will not be less than the nominal value of 1p per share. Such purchases will also only be made in accordance with the rules of the UK Listing Authority which provide that the price to be paid must not be more than the higher of (i) 5 per cent above the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Ordinary Shares for the five business days before the shares are purchased; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue which the purchase is carried out. Any shares purchased under this authority will be cancelled or held in treasury within the following limits:

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

Disclosure of Information to the Auditor

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

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

Auditor

PricewaterhouseCoopers CI LLP has expressed their willingness to continue in office as the Company's auditor and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

Statement Regarding Annual Report and Consolidated Accounts

Following a detailed review of the Annual Report and Consolidated 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 Consolidated 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

3 April 2017

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 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 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.

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

During the year the performance of the Board, Committees and individual Directors was evaluated through an assessment process led by the Chairman. The process involved the completion of questionnaires tailored to suit the nature of the Company, discussions with individual Directors and individual feedback from the Chairman to each of the Directors. The evaluation of the Chairman was led by the Senior Independent Director in consultation with all the other Directors. An external independent board assessment was last carried out in 2015.

The following table sets out the Directors' meeting attendance in 2016.

	Board	Audit Committee	Nomination Committee	Management Engagement Committee
No. of meetings	**5**	**4**	**1**	**1**
C Russell [1]	5	n/a	1	1
T Clark	5	4	1	1
M R Moore	5	4	1	1
P Niven	3	2	1	1
B W Sweetland [2]	2	1	1	1
P Cornell	5	3	–	–
D Preston	5	4	1	1

In addition to the scheduled meetings detailed above, there were a further 15 Board Meetings and 1 Board Committee Meeting held during the year.

[1] C Russell is not a member of the audit committee
[2] Retired 2 June 2016

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 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 31 May 2017 is set out on pages 60 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

3 April 2017

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, PricewaterhouseCoopers CI LLP ('PwC'), including its independence and objectivity. It is also the forum through which PwC reports to the Board of Directors. The committee meets at least three times a year including at least one meeting with PwC.

The Audit Committee met on four 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 PwC, senior members of the Investment Managers' and the Property Managers'. 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 policies 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 PwC, their re-appointment, remuneration and terms of engagement;
- the policy on the engagement of PwC 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 November 2015 to 31 October 2016 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 PwC's plan for the audit of the financial statements for the year ended 31 December 2016. At the conclusion of the audit, PwC 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. PwC issued an unqualified audit report which is included on pages 32 to 35.

In relation to the provision of non-audit services by the auditor, it has been agreed that all non-audit work to be carried out by the auditor must be approved in advance by the Audit Committee and any special projects must also be approved in advance. In addition to statutory audit fees of £65,000 (2015: KPMG £72,000), PwC received audit-related fees of £15,000 for the year (2015: KPMG £11,000) which related principally to a review of the interim financial information. The Audit Committee does not consider that the provision of such audit-related services is a threat to the objectivity and independence of the conduct of the audit.

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

Internal Controls

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

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

A formal annual review of these procedures is carried out by the Audit Committee. The Audit Committee has also reviewed the Managers' "Report on Internal Controls in accordance with AAF (01/06)" for the period 1 November 2015 to 31 October 2016 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

3 April 2017

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 92 per cent of its total assets as at 31 December 2016. 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 all of the quarterly valuation meetings with CBRE Limited during the year, including the meeting in advance of the production of the year end valuation. In addition, this is the main area of audit focus and, accordingly, the Audit Committee receives detailed verbal and written reports from PwC on this matter. PwC also attended the year-end valuation meeting.

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 2016, 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 be subject to election at the first Annual General Meeting after their appointment. However, in accordance with the recommendations of the UK Corporate Governance Code, the Board has agreed that all Directors will retire annually and be subject to re-election at the Annual General Meeting. There is no notice period and no provision for compensation upon early termination of appointment.

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

Future Policy Report

Directors' remuneration has remained unchanged since 2014 and the Board recruited the services of an independent consultant to review whether the fee levels were still appropriate. The consultant considered the amount of work and responsibility undertaken by each Director and whether the fee levels were consistent with those paid elsewhere in the sector. A detailed report was produced for the Board and, based on the recommendation, Directors' remuneration for the forthcoming financial year will be as follows:

	2017 £	2016 £
C Russell	**65,000**	59,000
T Clark#	**48,000**	45,000
M R Moore*	**48,000**	45,000
P Niven (retiring at AGM)	**16,548**	37,500
B W Sweetland (retired 2 June 2016)	**–**	15,821
P Marcuse (appointed 12 Jan 2017)	**38,795**	–
P Cornell	**40,000**	37,500
D Preston	**40,000**	37,500
Total	**296,343**	277,321

* Appointed as Senior Independent Director on 28 May 2015
\# Appointed as Chairman of Audit Committee on 25 May 2015

Voting at Annual General Meeting

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

Annual Report on Directors' Remuneration

Directors' Emoluments for the Year

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

	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 (retired 2 June 2016)	**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

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:

	2016 £	2015 £	% Changes
Aggregate Directors' Remuneration	**277,321**	285,603	**(2.9)**
Management fee and other expenses	**11,462,000**	12,304,000	**(6.8)**
Aggregate Shareholder Distributions	**47,962,000**	47,962,000	**–**

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:

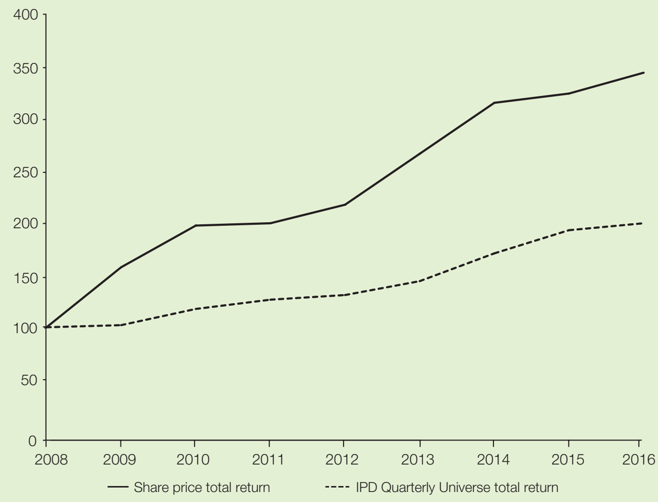
	2016 Ordinary Shares	2015 Ordinary Shares
C Russell	**250,000**	250,000
T Clark	**56,200**	36,790
M R Moore	**40,687**	40,687
P Niven	**43,142**	43,142
P Cornell	**–**	–
D Preston	**–**	–

There have been no changes in the above interests since 31 December 2016.

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 eight financial years ended 31 December 2016, 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 2016 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 2 June 2016, shareholders approved the Annual Report on Directors' Remuneration in respect of the year ended 31 December 2015 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

3 April 2017

Directors' Responsibilities

Directors' Responsibilities for the Annual Report and Accounts

The Directors are responsible for preparing the Annual Report and Consolidated Accounts 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 Group 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 Group and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008 (as amended). They have a general responsibility for taking such steps as reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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 Group and the undertakings included in the consolidation taken as a whole and comply with The Companies (Guernsey) Law, 2008 (as amended); 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 Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy; and
- the financial statements and Directors' Report include details of related party transactions.

On behalf of the Board

C Russell
Director

3 April 2017

Independent Auditor's Report

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of F&C Commercial Property Trust Limited (the "Company") and its subsidiaries (together "the Group") as at 31 December 2016, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

The basis for our opinion

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

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

Materiality

- Overall group materiality was £14.1 million which represents 1% of group total assets.

Audit scope

- Group audit scoping was performed based on total assets held within each of the eight components in the group covering 100% of group total assets.
- We tailored the scope of our audit taking into account the types of Real Estate investments within the Group, the accounting processes and controls.
- The subsidiaries and the parent company are all domiciled in Guernsey.

Key audit matters

- Valuation of Investment Properties
- Risk of fraud in Revenue Recognition

Audit scope

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

Our understanding of the controls environment was informed by our review of the controls report available on BMO REP Asset Management plc ("the property manager") as well as our on site visit to the Dorking office of the property manager, however our approach remained predominately substantive in nature.

We engaged the PwC UK Real Estate team to review the valuation of investment properties as internal experts. Their findings are documented in the Key Audit Matter Valuation of Investment Properties below.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	£14.1 million
How we determined it	1% of Total Assets
Rationale for the materiality benchmark applied	We believe that Total Assets is the primary measure used by the shareholders in assessing the performance of the Group. We did not apply a separate specific materiality to the statement of comprehensive income. Our overall materiality was of a level sufficient to address the risk of material misstatement in the statement of comprehensive income.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.7 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Properties The Group's Investment Properties comprise retail, office and industrial portfolios and, at £1.3 billion, represent the majority of the assets as at 31 December 2016. Please see Note 9 to the financial statements. The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income for that particular property. The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuation assumptions, when aggregated, could result in material misstatement, is why we have given specific audit focus and attention to this area. The valuations of the Group's property portfolio were carried out by the third party valuer CBRE Limited (the "Valuer"). The Valuer was engaged by the Group, and performed its work in accordance with the Global RICS Valuation – Professional Standards January 2014 and the RICS UK valuation standards, appendices and guidance notes December 2014. The Valuer used by the Group is a well-known chartered surveyor, with experience in the markets in which the Group operates In determining a property's valuation, the Valuer takes into account property specific current information such as the current tenancy agreements and rental income earned by the property. They then apply assumptions in relation to capitalisation rates and current market rent and growth, based on available market data and transactions, to arrive at a range of valuation outcomes, from which they derive a point estimate. Due to the unique nature of each property, the assumptions applied take into consideration the individual property characteristics at a tenant level, as well as the qualities of the property as a whole. Comparable market information is available for the Group's properties. The Group has adopted the assessed values determined by the Valuers.	**Objectivity and experience of the Valuer** We assessed the Valuer's qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We found no evidence to suggest that the objectivity of the Valuer in their performance of the valuations was compromised. **External valuations** We attended the initial valuation meeting between the Valuer and the Investment Manager to observe the process and initial discussions covering key developments in the property portfolio. Furthermore, we analysed movements between the draft and final valuation figures to determine where there was evidence of undue influence on the Valuer's conclusions for each property. No evidence of management bias was identified. We read the valuation reports for all properties and discussed the reports with the Valuer. We confirmed that the valuation approach for each property was in accordance with professional valuation standards and suitable for use in determining the fair value of Investment Properties at 31 December 2016. It was evident from our discussions with management and the Valuer and our work surrounding the valuation reports that close attention had been paid to each property's individual characteristics and its overall quality, geographic location and marketability as a whole. We agreed the property specific information supplied to the Valuers by the Group to, on a sample basis, to test whether it reflected the underlying property records held by the Group. No issues were identified. **Assumptions** Our work over the assumptions encompassed all properties in the portfolio. We engaged our own internal valuation expert to critique and challenge the work performed and assumptions used by the Valuer. In particular, we compared the valuation metrics used by the Valuer to recent market activity. We challenged management on significant movements in the valuations. Due to the subjectivity involved in determining valuations for individual properties and the existence of alternative assumptions and valuation methods, we determined a range of values that were considered reasonable to evaluate the independent property valuations used by management. We determined that the assumptions used in the valuations were supportable in light of available and comparable market evidence.

Key audit matter	How our audit addressed the key audit matter
Risk of Fraud in Revenue Recognition There exists a risk that management may be incentivised to manipulate reported revenue in order to artificially overstate the perceived yield of the Group to investors. This risk is increased in market traded companies due to market pressure to deliver results in line with market expectations. There is a large number of individual lease agreements held by the Group with diverse lease terms. This creates a level of inherent complexity in the calculation of lease incentives which may increase the opportunity for a fraud to be committed. The lease population also includes a number of turnover leases which incorporate a higher level of subjectivity in the calculation of rental income. The Group utilises an administrator, which is under common control with the Investment Manager, and hence this implies reduced inherent segregation within the structure, increasing the opportunity for fraud to occur at the property manager and financial reporting level through the posting of manual journal entries.	**Substantive testing** We obtained a sample of lease agreements and checked that the associated revenue recognised in the financial statements was consistent with the contractual terms therein. An assessment was performed of the accuracy of rent straight-lining calculations resulting from rent free periods and other lease incentives. We selected a sample of turnover leases and checked the mathematical accuracy of the rental calculation. We also agreed the tenant turnover to independently audited financial information. We tested manual journal entries made in the preparation of the financial statements at year end and manual journals to revenue nominal accounts throughout the year by agreeing them to supporting to documentation to check the accuracy and validity of the journal entry. Our work did not indicate the existence of management bias of material misstatement due to fraud.

Other information

The directors are responsible for the other information. The other information comprises the Company summary, the Financial Highlights, the Performance Summary, the Chairman's Statement, the Business Model and Strategy, the Viability Assessment and Statement, the Managers' Review, the Property Portfolio, the Board of Directors, the Report of the Directors, the Corporate Governance Statement, the Directors' Remuneration Report, the Director's Responsibilities the Shareholder Information, the Historic Record, the Alternative Performance Measures, the Glossary of Terms, How to Invest and the Corporate Information (but does not include the consolidated financial statements and our auditor's report thereon).

Other than as specified in our report, our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

We have nothing to report in respect of the following matters which we have reviewed:

- the directors' statement set out on page 23 in relation to going concern. As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the company's ability to continue as a going concern;
- the directors' statement that they have carried out a robust assessment of the principal risks facing the company and the directors' statement in relation to the longer-term viability of the company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit; and
- the part of the Corporate Governance Statement relating to the company's compliance with the ten further provisions of the UK Corporate Governance Code specified for our review.

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

Evelyn Brady

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

3 April 2017

Consolidated Statement of Comprehensive Income

for the year ended 31 December

Notes		2016 £'000	2015 £'000
	Revenue		
	Rental Income	64,628	62,613
	Total revenue	64,628	62,613
	Gains on investment properties		
9	Unrealised gains on revaluation of investment properties	9,507	110,314
9	Gains on sale of investment properties realised	215	2,530
	Total income	74,350	175,457
	Expenditure		
2a	Investment management fee	(6,406)	(8,100)
3	Other expenses	(5,056)	(4,204)
	Total expenditure	(11,462)	(12,304)
	Operating profit before finance costs and taxation	62,888	163,153
	Net finance costs		
4	Interest receivable	69	194
5	Finance costs	(11,269)	(11,708)
13	Loss on redemption of interest rate swap	(1,283)	–
		(12,483)	(11,514)
	Profit before taxation	50,405	151,639
6	Taxation	(251)	(142)
	Profit for the year	50,154	151,497
	Other comprehensive income		
	Items that are or may be reclassified subsequently to profit or loss		
	Net change in fair value of swap reclassified to profit and loss	1,546	–
13	Movement in fair value of effective interest rate swaps	(717)	909
	Total comprehensive income for the year, net of tax	50,983	152,406
8	**Basic and diluted earnings per share**	6.3p	19.0p

All of the profit and total comprehensive income for the year is attributable to the owners of the Group.

All items in the above statement derive from continuing operations.

The accompanying notes on pages 40 to 59 are an integral part of the above statement.

Consolidated Balance Sheet

Notes	as at 31 December	2016 £'000	*Restated 2015 £'000
	Non-current assets		
9	Investment properties	**1,306,002**	1,340,061
10	Trade and other receivables	**17,827**	14,431
		1,323,829	1,354,492
	Current assets		
10	Trade and other receivables	**3,093**	5,144
11	Cash and cash equivalents	**85,021**	55,755
		88,114	60,899
	Total assets	**1,411,943**	1,415,391
	Current liabilities		
12	Trade and other payables	**(18,871)**	(24,844)
	Non-current liabilities		
12	Trade and other payables	**(1,565)**	(1,158)
13	Interest-bearing loans	**(307,345)**	(307,419)
13	Interest rate swaps	**(717)**	(1,546)
		(309,627)	(310,123)
	Total liabilities	**(328,498)**	(334,967)
	Net assets	**1,083,445**	1,080,424
	Represented by:		
14	Share capital	**7,994**	7,994
14	Share premium	**127,612**	127,612
14	Reverse acquisition reserve	**831**	831
14	Special reserve	**461,150**	474,529
14	Capital reserve – investments sold	**7,068**	(21,408)
14	Capital reserve – investments held	**355,586**	374,340
14	Hedging reserve	**(717)**	(1,546)
14	Revenue reserve	**123,921**	118,072
	Equity shareholders' funds	**1,083,445**	1,080,424
15	**Net asset value per share**	**135.5p**	135.2p

The accounts on pages 40 to 59 were approved by the Board of Directors on 3 April 2017 and signed on its behalf by:

C Russell, Director

The accompanying notes on pages 40 to 59 are an integral part of the above statement.

*See Notes 10 and 12.

FINANCIAL REPORT

Consolidated Statement of Changes in Equity

for the year ended 31 December

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 2016	**7,994**	**127,612**	**831**	**474,529**	**(21,408)**	**374,340**	**(1,546)**	**118,072**	**1,080,424**
	Total comprehensive income for the year									
	Profit for the year	–	–	–	–	–	–	–	50,154	50,154
13	Movement in fair value of interest rate swap	–	–	–	–	–	–	829	–	829
9	Transfer in respect of unrealised gains on investment properties	–	–	–	–	–	9,507	–	(9,507)	–
9	Gains on sale of investment properties realised	–	–	–	–	215	–	–	(215)	–
9	Transfer of prior years' revaluation to realised reserve	–	–	–	–	28,261	(28,261)	–	–	–
14	Transfer from special reserve	–	–	–	(13,379)	–	–	–	13,379	–
	Total comprehensive income for the year	–	–	–	(13,379)	28,476	(18,754)	829	53,811	50,983
	Transactions with owners of the Company recognised directly in equity									
7	Dividends paid	–	–	–	–	–	–	–	(47,962)	(47,962)
	At 31 December 2016	**7,994**	**127,612**	**831**	**461,150**	**7,068**	**355,586**	**(717)**	**123,921**	**1,083,445**

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
13	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 realised reserve	–	–	–	–	(5,082)	5,082	–	–	–
14	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	**7,994**	**127,612**	**831**	**474,529**	**(21,408)**	**374,340**	**(1,546)**	**118,072**	**1,080,424**

The accompanying notes on pages 40 to 59 are an integral part of the above statement.

Consolidated Statement of Cash Flows

for the year ended 31 December

Notes		2016 £'000	2015 £'000
	Cash flows from operating activities		
	Profit for the year before taxation	**50,405**	151,639
	Adjustments for:		
5	Finance costs	**11,269**	11,708
4	Interest receivable	**(69)**	(194)
	Unrealised gains on revaluation of investment properties	**(9,507)**	(110,314)
	Gains on sale of investment properties realised	**(215)**	(2,530)
	Loss on redemption of interest rate swap	**1,283**	–
	(Increase)/decrease in operating trade and other receivables	**(888)**	2,006
	(Decrease)/increase in operating trade and other payables	**(5,566)**	3,877
		46,712	56,192
4	Interest received	**69**	194
	Interest and bank fees paid	**(10,778)**	(11,395)
6	Tax paid	**(251)**	(147)
		(10,960)	(11,348)
	Net cash inflow from operating activities	**35,752**	44,844
9	**Cash flows from investing activities**		
9	Purchase/development of investment properties	**(4,099)**	(44,914)
9	Sale of investment properties	**54,291**	18,007
	Capital expenditure	**(6,411)**	(4,717)
	Net cash inflow/(outflow) from investing activities	**43,781**	(31,624)
	Cash flows from financing activities		
7	Dividends paid	**(47,962)**	(47,962)
13	Draw down of Bank Loan, net of costs	**49,489**	–
13	Repayment of Bank Loan	**(50,000)**	–
13	Revolving credit facility arrangement costs	**(511)**	–
13	Swap breakage costs	**(1,283)**	–
	Net cash outflow from financing activities	**(50,267)**	(47,962)
	Net increase/(decrease) in cash and cash equivalents	**29,266**	(34,742)
	Opening cash and cash equivalents	**55,755**	90,497
	Closing cash and cash equivalents	**85,021**	55,755

The accompanying notes on pages 40 to 59 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 (as amended).

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 17.

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 next twelve months. In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. They have considered the current cash position of the Group, forecast rental income and other forecast cash flows. 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:

- Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11
- Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38
- Annual improvements to IFRSs 2012 – 2014 cycle
- Disclosure Initiative: Amendments to IAS 1, and
- Investment Entities – providing an exemption from consolidation of subsidiaries – Amendments to IFRS 10, IFRS 12 and IAS 27.

The adoption of these amendments did not have any impact on the financial statements of the Group for the current period or any prior period and is not likely to affect future periods.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IAS 12, 'Income taxes' was amended to clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that: (i) a temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period; (ii) an entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit; (iii) where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type; and, (iv) tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets. This amendment is effective for annual periods beginning on or after 1 January 2017. The Group does not expect the amendment to have a material impact on its financial statements since fair value exceeds the cost for almost all of its investment properties as at 1 January 2015 and 31 December 2015 and 2016. The group is monitoring fair value movements below cost to assess the impact of the amendment in future periods.

1. Accounting policies (continued)

(a) Basis of accounting (continued)

- IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and was endorsed by the EU on 2 November 2016. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI with no recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in a company’s own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group expects IFRS 9 to have an immaterial impact on the accounting for available-for-sale financial assets and derivatives.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue' and IAS 11, 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group expects IFRS 15 to have an immaterial impact on the provision of services and management income that fall under the scope of IFRS 15.
- IFRS 16, ‘Leases’ was issued in January 2016. For lessees, it will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases will be removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Group expects IFRS 16 to have an immaterial impact on its current accounting practices.

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.

1. Accounting policies (continued)

(b) Basis of consolidation (continued)

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.

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 arrangements classified as assets 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.

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

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

1. Accounting policies (continued)

(f) Investment properties (continued)

provided by Property 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 Property Valuers is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments. This accrued income is separately recorded in the accounts within current assets.

Techniques used for valuing investment properties
The Traditional Method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and application of investor yield or return requirements. One approach to value the property on this basis is to capitalise net rental income on the basis of an Initial Yield, generally referred to as the 'All Risks Yield' approach or 'Net Initial Yield' approach.

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series an appropriate market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash 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 17. 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**

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

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

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

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

(i) **Cash and cash equivalents**

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

(j) **Trade and other receivables**

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

(l) **Segmental information**

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

2. Fees

	2016 £'000	2015 £'000
(a) **Investment management fee**		
– base management fee	**5,280**	5,090
– performance fee	**1,126**	3,010
	6,406	8,100

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.

2. Fees (continued)

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.

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 MSCI 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 £148,000 for administration services provided in respect of the year ended 31 December 2016 (2015: £145,000).

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.

The Company and FCIB have entered into a revised investment management agreement, to reflect amended fee arrangements, with an effective date from 1 January 2017. FCIB will be entitled to a base management fee of 0.55 per cent per annum of the Group's gross assets (reduced to 0.525 per cent per annum on assets between £1.5 billion and £2 billion and 0.5 per cent per annum in excess of £2 billion) and reduced to 0.25 per cent per annum on cash net of gearing in excess of 5 per cent of net assets, payable quarterly in arrears. FCIB will not be entitled to a performance fee. All other terms and conditions will remain the same including the administration fee and termination notice.

(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 31 December 2017, 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

	2016 **£'000**	2015 £'000
Direct operating expenses of let rental property	**3,607**	2,826
Valuation and other professional fees	**393**	351
Directors' fees †	**277**	286
Administration fee	**148**	145
Depositary fee	**168**	143
Auditor's remuneration for:		
– statutory audit	**65**	76
– audit-related services	**15**	11
– non-audit-related services	**–**	3
Other	**383**	363
	5,056	4,204

† 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

	2016 £'000	2015 £'000
Deposit interest	**69**	194

5. Finance costs

	2016 £'000	2015 £'000
Interest on the 5.23 per cent Secured Bonds	**–**	53
Interest on the interest-bearing bank loans	**1,539**	1,340
Interest in respect of the interest rate swap agreements	**591**	1,176
Interest on the L&G loan	**8,869**	8,869
Facility agent/monitoring fee	**270**	270
	11,269	11,708

6. Taxation

	2016 £'000	2015 £'000
Current income tax		
Current income tax charge	**219**	142
Adjustment to provision for prior years	**32**	–
Total tax charge	**251**	142

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:

	2016 £'000	2015 £'000
Profit before taxation	**50,405**	151,639
UK income tax at a rate of 20 per cent (2015: 20 per cent)	**10,081**	30,328
Effects of:		
Capital gains on investment properties not taxable	**(1,944)**	(22,569)
Income not taxable, including interest receivable	**(14)**	(39)
Expenditure not allowed for income tax purposes	**2,707**	2,447
Allowable intercompany loan interest paid	**(8,914)**	(8,659)
Losses carried forward to future years	**76**	199
Utilisation of losses brought forward from prior years	**(1,181)**	(1,011)
Capital allowances claimed	**(592)**	(554)
Adjustment to provision for prior years	**32**	–
Total tax charge	**251**	142

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.

6. Taxation (continued)

The Group had unutilised tax losses carried forward of £6,090,000 (2015: £9,616,000) at 31 December 2016. No deferred tax asset has been recognised on this amount as it is uncertain that there will be taxable profits arising within the relevant subsidiary from which the future reversal of the deferred tax asset could be deducted.

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

7. Dividends

	2016 Total £'000	2016 Rate (pence)	2015 Total £'000	2015 Rate (pence)
In respect of the previous period:				
Ninth interim dividend	3,997	0.5	3,997	0.5
Tenth interim dividend	3,997	0.5	3,997	0.5
Eleventh interim dividend	3,996	0.5	3,996	0.5
Twelfth interim dividend	3,997	0.5	3,997	0.5
In respect of the period under review:				
First interim dividend	3,997	0.5	3,997	0.5
Second interim dividend	3,996	0.5	3,996	0.5
Third interim dividend	3,997	0.5	3,997	0.5
Fourth interim dividend	3,997	0.5	3,997	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	47,962	6.0

Three further interim dividends for the year to 31 December 2016, all of 0.5 pence per share, were paid on 31 January 2017, 28 February 2017 and 31 March 2017. The twelfth, and last, interim dividend in respect of the year, of 0.5p per share, will be paid on 28 April 2017 to shareholders on the register on 7 April 2017.

Although these payments relate to the year ended 31 December 2016, under IFRS they will be accounted for in the year ending 31 December 2017, 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 £50,154,000 (2015: £151,497,000) and on 799,366,108 (2015: 799,366,108) Ordinary Shares, being the weighted average number of shares in issue during the year.

9. Investment properties

	2016 £'000	2015 £'000
Freehold and leasehold properties		
Opening book cost	965,721	936,649
Opening unrealised appreciation	374,340	258,944
Opening fair value	1,340,061	1,195,593
Purchases/development	4,099	3,344
Acquisition through subsidiary other than through business combination	–	41,570
Sales – proceeds	(54,291)	(18,007)
– gain/(loss) on sale	28,476	(2,552)
Capital expenditure	6,411	4,717
Unrealised (gains)/losses realised during the year	(28,261)	5,082
Unrealised gains on investment properties	48,079	114,689
Unrealised losses on investment properties	(38,572)	(4,375)
	1,306,002	1,340,061
Closing book cost	950,416	965,721
Closing unrealised appreciation	355,586	374,340
Closing fair value	1,306,002	1,340,061

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

	2016 £'000	2015 £'000
Appraised value of CBRE	1,322,455	1,355,915
Lease incentives held as debtors (note 10)	(16,453)	(15,854)
Closing fair value	1,306,002	1,340,061

There were no properties held for sale at 31 December 2016 (2015: none).

All the Group's investment properties were valued as at 31 December 2016 by RICS Registered Valuers working for the company 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 2016 on a fair value basis and in accordance with The RICS Valuation – Professional Standards (December 2014). The CBRE valuation report is dated 26 January 2017 (the 'Valuation Report'). Fair value is defined by IFRS 13 as *'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'*.

CBRE has been carrying out valuations for the Group for a continuous period since December 2011. CBRE also values properties held by other companies for which the 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 19 for further information). All of the properties per fair value band are shown on page 20.

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 17.

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

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

Sector	Valuation £'000	Valuation Technique	Significant Assumption	2016 Range*	2016 Weighted Average	2015 Range*	2015 Weighted Average
Retail	**382,975** (2015: 358,000)	All Risks Yield	Current Rental Value per square foot ('psf') per annum	**£23 - £107**	**£50**	£22 - £99	£44
			Estimated Rental Value psf per annum	**£22 - £118**	**£64**	£21 - £147	£57
			Net Initial Yield	**2.6% - 5.3%**	**3.4%**	1.9% - 5.3%	3.4%
			Equivalent Yield	**2.9% - 5.3%**	**3.9%**	2.8% - 5.2%	4.0%
			Estimated Capital Value psf	**£399 - £3,789**	**£1,721**	£394 - £4,881	£1,609
Retail Warehouse	**218,055** (2015: 229,550)	All Risks Yield	Current Rental Value psf per annum	**£14 - £30**	**£24**	£14 - £31	£25
			Estimated Rental Value psf per annum	**£13 - £29**	**£25**	£12 - £28	£24
			Net Initial Yield	**3.3% - 6.8%**	**4.4%**	4.2% - 6.8%	5.0%
			Equivalent Yield	**3.2% - 6.5%**	**4.6%**	4.4% - 6.5%	5.0%
			Estimated Capital Value psf	**£193 - £526**	**£460**	£193 - £548	£483
Office	**469,375** (2015: 541,025)	All Risks Yield	Current Rental Value psf per annum	**£0 - £81**	**£32**	£0 - £79	£37
			Estimated Rental Value psf per annum	**£15 - £105**	**£40**	£15 - £101	£49
			Net Initial Yield	**0% - 13.0%**	**4.2%**	0% - 12.4%	4.3%
			Equivalent Yield	**4.0% - 8.7%**	**5.9%**	3.7% - 8.3%	5.5%
			Estimated Capital Value psf	**£134 - £1,847**	**£775**	£163- £2,009	£914
Industrial, logistics and other	**252,050** (2015: 227,340)	All Risks Yield	Current Rental Value psf per annum	**£3 - £14**	**£7**	£3 - £13	£7
			Estimated Rental Value psf per annum	**£4 - £15**	**£7**	£4 - £15	£7
			Net Initial Yield	**3.3% - 7.8%**	**5.4%**	4.7% - 8.1%	6.0%
			Equivalent Yield	**4.8% - 10.4%**	**5.9%**	5.2% - 10.5%	6.1%
			Estimated Capital Value psf	**£74 - £294**	**£129**	£69 - £268	£114

* The ranges are based on averages per property and include properties which were vacant at the date of valuation. Individual tenancies within properties may fall outside these ranges.

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.

Sensitivity analysis

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

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

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

Estimated movement in fair value of investment properties at 31 December 2016 arising from:	Retail £'000	Retail Warehouses £'000	Offices £'000	Industrial, Logistics and other £'000	Total £'000
Increase in passing rental value by 5%	**19,149**	**10,903**	**23,469**	**12,603**	**66,124**
Decrease in passing rental value by 5%	**(19,149)**	**(10,903)**	**(23,469)**	**(12,603)**	**(66,124)**
Increase in net initial yield by 0.25%	**(26,387)**	**(11,635)**	**(26,475)**	**(11,133)**	**(75,630)**
Decrease in net initial yield by 0.25%	**30,604**	**13,025**	**29,842**	**12,211**	**85,682**

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 passing rental value by 5%	17,900	11,478	27,051	11,367	67,796
Decrease in passing 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

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

10. Trade and other receivables

Non-current	**2016 £'000**	Restated 2015 £'000
Capital and rental lease incentive	**16,010**	13,273
Cash deposits held for tenants	**1,565**	1,158
Other debtors and prepayments	**252**	–
	17,827	14,431

Current		
Capital and rental lease incentives	**443**	2,581
Cash deposits held for tenants	**959**	1,195
Rents receivable (net of provision for bad debts)	**1,198**	1,068
Other debtors and prepayments	**493**	297
Accrued income	**–**	3
	3,093	5,144

10. Trade and other receivables (continued)

In the previously issued financial statements of the Company for the year ended 31 December 2015, lease incentives of £15,854,000 and cash deposits held for tenants of £2,353,000 were classified as current assets. In the comparative figures of the current year financial statements, £13,273,000 for lease incentives and £1,158,000 for tenant deposits has been reclassified to non-current assets. The directors have considered the impact on the previously issued financial statements of the Company and have noted that no adjustment is required to the previously reported total assets, liabilities or equity of the Company. On this basis, the directors do not consider the above reclassification between current and non-current assets to be material to the users of the financial statements.

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. (see Note 17 – Credit Risk).

Capital and rental lease incentives consist of £12,013,000 (2015: £11,424,000) being the prepayments for rent-free periods recognised over the life of the lease and £4,440,000 (2015: £4,430,000) relating to capital incentives paid to tenants.

11. Cash and cash equivalents

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

12. Trade and other payables

Non-current	2016 £'000	Restated 2015 £'000
Rental deposits	**1,565**	1,158
Current		
Rental income received in advance	**8,945**	10,143
Rental deposits	**959**	1,195
VAT payable	**1,392**	531
Managers' fees payable	**2,566**	5,756
Income tax payable	**240**	3,054
Other payables	**4,769**	4,165
	18,871	24,844

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

In the previously issued financial statements of the Company for the year ended 31 December 2015, rental deposits of £2,353,000 were classified as current liabilities. In the comparative figures of the current year financial statements, £1,158,000 of this balance has been reclassified as non-current liabilities. The directors have considered the impact on the previously issued financial statements of the Company and have noted that no adjustment is required to the previously reported total assets, liabilities or equity of the Company. On this basis, the directors do not consider the above reclassification between current and non-current assets to be material to the users of the financial statements.

13. Interest-bearing loans and interest rate swap liability

	2016 £'000	2015 £'000
L&G loan		
Principal amount outstanding	**260,000**	260,000
Set-up costs	**(2,683)**	(2,683)
Amortisation of set-up costs	**466**	229
	257,783	257,546
Barclays loan		
Principal amount outstanding	**50,000**	50,000
Set-up costs	**(511)**	(727)
Amortisation of set-up costs	**73**	600
	49,562	49,873
	307,345	307,419

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

£260 million L&G loan

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

Interest is payable on this loan from the commitment date, quarterly in arrears, at a fixed rate of 3.32 per cent per annum for the duration of the loan. The loan is secured by means of a fixed and floating charge over the whole of the assets of the Secured Group (which, at 31 December 2016, comprised FCPT Holdings Limited, F&C Commercial Property Holdings Limited and Winchester Burma Limited – see Note 20).

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

- the loan to value percentage does not exceed 50 per cent;
- the interest cover is greater than 1.50 times on any calculation date;
- the sector weightings (measured by market value) do not exceed the following percentages of the gross secured asset value; Industrial: 40 per cent; Offices: 60 per cent; Retail: 40 per cent; Retail Warehouses: 40 per cent; Other: 25 per cent;
- the combined holding in London and the South East of England exceeds a minimum of 40 per cent of gross secured asset value;
- the combined holding in Northern Ireland, Scotland, Wales, North East of England and Yorkshire and Humberside does not exceed a maximum of 30 per cent of gross secured asset value; and
- 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 2016, based on the yield on the Treasury 2.75% 2024 which would be used as the basis for calculating the early repayment of such loan plus the appropriate margin would be £294,459,000 (2015: £282,153,000). 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.

£100 million Barclays loan

On 21 June 2016, the Group amended the financing arrangements with Barclays Bank PLC ('Barclays') in respect of its £50 million term loan facility which was repayable 28 June 2017. The amended arrangements extend the repayment date of the £50 million term loan facility to 21 June 2021 and changed the maximum loan to value percentage to 50 per cent from 60 per cent. The Group has agreed an additional revolving credit facility of £50 million with Barclays over the same period, which has not been drawn down as at 31 December 2016. The loan arrangement costs for both the term and revolving loan facility was £1,022,000.

Interest accrues on the new bank loan at a variable rate, based on 3 month LIBOR plus margin and is payable quarterly. The margin is 1.50 per cent per annum for the duration of the loan. The revolving credit facility pays an undrawn commitment fee of 0.60 per cent per annum.

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

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

On 21 June 2016, the Group terminated its existing interest rate hedging arrangements with Barclays at a cost of £1,283,000. On the same day, the Group entered into a new £50 million interest rate swap in connection with the extended Barclays term facility. 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 1.022 per cent per annum. This fixes the interest rate for the £50 million term loan at 2.522 per cent. The interest rate swap is due to expire on 21 June 2021.

The fair value of the liability in respect of the new interest rate swap contract at 31 December 2016 was £717,000, which is based on the marked to market value. The interest rate swap is classified as Level 2 under the hierarchy of fair value measurements.

14. Share capital and reserves

	£'000
Allotted, called-up and fully paid	
799,366,108 Ordinary Shares of 1p each in issue at 31 December 2016	7,994

14. Share capital and reserves (continued)

Share capital

Under the Company's Articles of Incorporation, the Company may issue an unlimited number of Ordinary Shares. The Company issued nil Ordinary Shares during the year (2015: nil) raising net proceeds of £nil (2015: £nil).

The Company did not repurchase any Ordinary Shares during the year.

Subject to the solvency test contained in the Companies (Guernsey) Law, 2008 (as amended) 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 2016, the Company did not hold any Ordinary Shares in treasury (2015: 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.

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 risk management

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

The objective of the Company is to provide ordinary shareholders with an attractive level of income together with the potential for income and capital growth from investing in a diversified UK commercial property portfolio. In pursuing this objective, the Board has responsibility for ensuring the Company's ability to continue as a going concern. This involves the ability to issue and buy back share capital within limits set by shareholders in a general meeting; borrow monies in the short and long term; and pay dividends out of reserves all of which are considered and approved by the Board on a regular basis. Dividends are set out in note 7 to the accounts and borrowings are set out in note 13.

14. Share capital and reserves (continued)

The capital of the Group is managed in accordance with its investment policy, in pursuit of its investment objective, which is detailed in the Business Model and Strategy on page 10. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares, manage the Group's discount to net asset value and monitor the Group's gearing level. No changes were made to the objectives, policies or processes during the years ended 31 December 2016 or 31 December 2015.

15. Net asset value per share

The Group's net asset value per Ordinary Share of 135.5p (2015: 135.2p) is based on equity shareholders' funds of £1,083,445,000 (2015: 1,080,424,000) and on 799,366,108 (2015: 799,366,108) Ordinary Shares, being the number of shares in issue at the year end.

16. Related party transactions

The Directors are considered to be the Group's key management personnel. No Director has an interest in any transactions which are, or were, unusual in their nature or significant to the nature of the Group. Directors' shareholdings in the Ordinary Shares of the Company are provided in the Directors' Remuneration Report on pages 29 to 30.

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 £277,000 (2015: £286,000). No fees remained payable at the year end.

17. 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 2016 was £1,198,000 (2015: £1,068,000). The maximum credit risk is stated after deducting a bad debt provision of £133,000 (2015: £335,000).

As at 31 December 2016, rent receivable of £133,000 that was greater than three months overdue was fully provided for. As at 31 December 2015 the provision was £335,000. Of this amount £3,000 was subsequently written off, £74,000 is still outstanding and £258,000 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 2016 (2015: 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.

17. 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 2016					
Cash and cash equivalents	**85,021**	**–**	**–**	**–**	**85,021**
Cash deposits held for tenants	**959**	**313**	**565**	**687**	**2,524**
Rents receivable	**1,198**	**–**	**–**	**–**	**1,198**
As at 31 December 2015					
Cash and cash equivalents	55,755	–	–	–	55,755
Cash deposits held for tenants	1,195	295	371	492	2,353
Rents receivable	1,068	–	–	–	1,068

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 2016					
Trade and other payables	**18,871**	**313**	**565**	**687**	**20,436**
Interest-bearing £50m bank loan, interest rate swap and commitment fee	**1,581**	**1,581**	**53,908**	**–**	**57,070**
Interest-bearing £260m L&G loan	**8,882**	**8,882**	**26,646**	**286,646**	**331,056**
As at 31 December 2015					
Trade and other payables	24,844	295	371	492	26,002
Interest-bearing £50m bank loan and interest rate swap	2,460	51,207	–	–	53,667
Interest-bearing £260m L&G loan	8,882	8,882	26,646	295,528	339,938

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 13.

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 2016 the Group's cash balance was £85,021,000 (2015: £55,755,000).

Interest rate risk

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

The Group's exposure to interest rate risk relates primarily to its long-term debt obligations. Interest rate risk on long-term debt obligations is managed by fixing the interest rate on such borrowings, either directly or through interest rate swaps for the same notional value and duration. Long-term debt obligations and the interest rate risk they confer to the Group is considered by the Board on a

17. Financial instruments (continued)

Interest rate risk (continued)

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 2.522 per cent per annum until the maturity date of 21 June 2021. The Group has agreed an additional revolving credit facility of £50 million with Barclays over the same period, which has not been drawn down as at 31 December 2016. The revolving credit facility pays an undrawn commitment fee of 0.60 per cent per annum.

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

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 2016						
Financial assets						
Cash and cash equivalents	**85,021**	**–**	**–**	**85,021**	**–**	**–**
Cash deposits held for tenants	**2,524**	**–**	**–**	**2,524**	**–**	**–**
Rents receivable	**1,198**	**–**	**–**	**1,198**	**–**	**–**
Financial liabilities						
L&G loan	**257,783**	**257,783**	**–**	**–**	**3.53**	**8.0**
Bank loan and interest rate swap	**50,279**	**49,562**	**717**	**–**	**4.25**	**4.5**
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

Apart from the L&G loan as at 31 December 2016 as disclosed in note 13, the fair value of financial assets and liabilities is not materially different from their carrying value in the financial statements.

Considering the effect on the L&G loan at 31 December 2016, it is estimated that an increase of 150 basis points in interest rates would have decreased its fair value by approximately £29,110,000 (2015: £30,413,000), and a decrease of 150 basis points would have increased its fair value by approximately £33,087,000 (2014: £34,998,000).

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 £3,067,000 (2015: £1,083,000), and a decrease of 150 basis points would have increased their fair value by approximately £3,320,000 (2015: £1,123,000). 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.

When the Group retains cash balances, they are ordinarily held on interest-bearing deposit accounts. The benchmark which determines the interest income received on interest-bearing cash balances is the bank base rate of Bank of England which was 0.25 per cent as at 31 December 2016 (2015: 0.5 per cent). The Company's policy is to hold cash in variable rate or short-term fixed rate bank accounts and not usually in fixed rate securities with a term greater than three months.

Considering the effect on cash balances, an increase of 150 basis points in interest rates would have increased net assets and income for the year by £1,275,000 (2015: £836,000). 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.

17. Financial instruments (continued)

Market price risk

The Group's strategy for the management of market price risk is driven by the investment policy as outlined within the 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 10 per cent increase in the fair value of the direct properties at 31 December 2016 would have increased net assets and income for the year by £132,246,000 (2015: £135,592,000). A decrease of 10 per cent would have had an equal but opposite effect.

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

18. Capital commitments

The Group had capital commitments totalling £4,271,000 as at 31 December 2016 (2015: £8,852,000). These commitments related mainly to contracted development works at the Group's properties at St. Christopher's Place Estate, London W1.

19. 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):

	2016 **£'000**	2015 £'000
Less than one year	**55,278**	56,885
Between two and five years	**195,660**	199,714
Over five years	**228,884**	244,744
Total	**479,822**	501,343

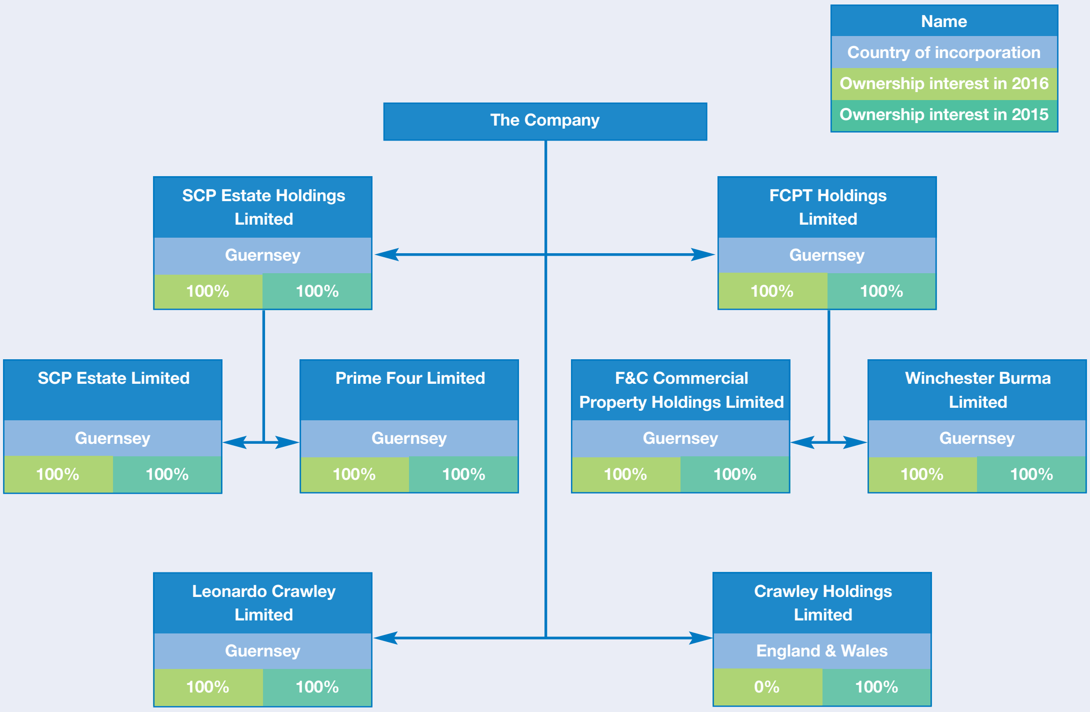
The largest single tenant at the year end accounted for 4.3 per cent (2015: 4.3 per cent) of the current annual rental income.

Unoccupied property expressed as a percentage of estimated total rental value (excluding properties under development) was 6.9 per cent (2015: 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.

20. List of Subsidiaries

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



On 11 October 2016, the Company placed Crawley Holdings Limited into a members' voluntary wind up appointing Derek Hyslop and Colin Dempster of Ernst & Young LLP as liquidators.

21. 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 **bmogam.com**.

The Group's maximum and average actual leverage levels at 31 December 2016 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	300%	300%
Actual	149%	157%

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.

21. Alternative Investment Fund Managers ('AIFM') Directive (continued)

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.

22. Subsequent events

The Company and FCIB have entered into a revised investment management agreement, to reflect amended fee arrangements, with an effective date from 1 January 2017. FCIB will be entitled to a base management fee of 0.55 per cent per annum of the Group's gross assets (reduced to 0.525 per cent per annum on assets between £1.5 billion and £2 billion and 0.5 per cent per annum in excess of £2 billion) and reduced to 0.25 per cent per annum on cash net of gearing in excess of 5 per cent of net assets, payable quarterly in arrears. FCIB will not be entitled to a performance fee. All other terms and conditions will remain the same including the administration fee and termination notice.

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 Wednesday, 31 May 2017 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 Consolidated Accounts for the year ended 31 December 2016 be received and adopted.
2. That the Directors' Remuneration Policy be approved.
3. That the Annual Report on Directors' Remuneration for the year ended 31 December 2016 be approved.
4. That Mr P C E Cornell, who retires annually, be re-elected as a Director.
5. That Mr D E Preston, who retires annually, be re-elected as a Director.
6. That Mrs T Clark, who retires annually, be re-elected as a Director.
7. That Mr M R Moore, 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 Mr P Marcuse, be elected as a Director.
10. That PricewaterhouseCoopers CI LLP be re-appointed as auditor.
11. That the Directors be authorised to determine the auditor's remuneration.
12. That, to the extent required by sections 292 and 293 (or otherwise) of The Companies (Guernsey) Law, 2008 (as amended from time to time):
    (i) the Directors be generally and unconditionally authorised to allot shares comprised in the share capital of the Company as described in the Company's articles of incorporation (or grant options, warrants or other rights in respect of shares in the Company (the "Rights")) provided that this authority shall be limited to the allotment of shares or Rights to be granted in respect of shares with an aggregate nominal value of up to £799,366, being approximately 10 per cent of the nominal value of the issued share capital of the Company as at 3 April 2017 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 notwithstanding that the authority conferred by this ordinary resolution has expired; and

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

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

13. That the Directors of the Company be and they are hereby generally empowered, to allot ordinary shares in the Company or grant rights to subscribe for, or to convert securities into, ordinary shares in the Company ("equity securities") for cash, including by way of a sale of ordinary shares held by the Company as treasury shares, as if any pre-emption rights in relation to the issue of shares as set out in the listing rules made by the Financial Conduct Authority under part VI of the Financial Services and Markets Act 2000 (as amended) did not apply to any such allotment of equity securities, provided that this power:
    (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

    (b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £799,366 being approximately 10 per cent of the nominal value of the issued share capital of the Company, as at 3 April 2017.

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

    that:

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

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

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

    (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2018, or on 30 November 2018, whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares under such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

By order of the Board

Northern Trust International Fund Administration

Services (Guernsey) Limited

Secretary

PO Box 255, Trafalgar Court, Les Banques, St. Peter Port

Guernsey, Channel Islands GY1 3QL

3 April 2017

Notes:

1. A member who is entitled to attend, speak and vote at the Meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him or her. A proxy need not be a member of the Company.
2. More than one proxy may be appointed provided each proxy is appointed to exercise the rights attached to different shares.
3. A form of proxy is enclosed for use at the Meeting. The form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach the Company's registrars Computershare Investor Services (Guernsey) Limited, c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 12.30 pm on 26 May 2017.
4. Completing and returning a form of proxy will not prevent a member from attending in person at the Meeting should he or she so wish.
5. To have the right to attend and vote at the Meeting (and also for the purposes of calculating how many votes a member may cast on a poll) a member must first have his or her name entered on the register of members not later than close of business on 26 May 2017. 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 3 April 2017, 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.

Shareholder Information

Dividends

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

Share Price

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

Change of Address

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

Shareholder Enquiries

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

Financial Calendar 2017/2018

31 May 2017	Annual General Meeting
August 2017	Announcement of interim results
	Posting of Interim Report
April 2018	Announcement of annual results
	Posting of Annual Report

Historic Record

	Total assets less current liabilities £'000	Shareholders' funds £'000	Net asset value per Ordinary Share p	Ordinary Share price p	Premium/ (discount) %	Earnings per Ordinary Share p	Dividends per Ordinary Share p	Ongoing charges* %
18 March 2005 (launch)	943,288	713,288	97.0	100.0	3.1	–	–	–
31 December 2005	1,092,522	863,458	117.5	118.5	0.9	20.7	1.75	1.35
31 December 2006	1,269,122	1,039,769	141.5	131.0	(7.4)	30.0	6.00	1.32
31 December 2007	1,175,822‡	946,222‡	129.2‡	90.5	(30.0)‡	(7.7)‡	6.00	1.27
31 December 2008	813,941	584,183	85.8	62.0	(27.7)	(39.8)	6.00	1.35
31 December 2009	819,322	589,388	86.6	90.0	3.9	6.8	6.00	2.36
31 December 2010	934,223	655,081	96.3	105.6	9.7	15.7	6.00	2.06
31 December 2011	967,301	684,243	100.5	101.6	1.1	10.8	6.00	1.62
31 December 2012	1,019,525	736,031	98.8	103.7	5.0	4.2	6.00	1.62
31 December 2013	1,080,435	799,014	105.3	120.5	14.4	12.2	6.00	1.67
31 December 2014	1,285,546	975,980	122.1	136.4	11.7	22.5	6.00	1.41
31 December 2015	1,390,547	1,080,424	135.2	134.4	(0.6)	19.0	6.00	1.20
31 December 2016	**1,393,072**	**1,083,445**	**135.5**	**136.4**	**0.7**	**6.3**	**6.00**	**1.07**

* 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 **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**.

Alternative Performance Measures

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

Discount or Premium – the share price of an Investment Company is derived from buyers and sellers trading their shares on the stock market. If the share price is lower than the NAV per share, the shares are trading at a discount. This usually indicates that there are more sellers than buyers. Shares trading at a price above the NAV per share, are said to be at a premium.

Dividend Cover – The percentage by which Profits for the year (less Gains/losses on investment properties and loss on redemption on interest rate swaps) cover the dividend paid.

A reconciliation of dividend cover is shown below:

		2016 £'000	2015 £'000
Profit for the year		**50,154**	151,497
Add back:	Unrealised gains	**(9,507)**	(110,314)
	Realised gains	**(215)**	(2,530)
	Loss on redemption of swap	**1,283**	–
Profit before investment gains and losses		**41,715**	38,653
Dividends		**47,962**	47,962
Dividend Cover percentage		**87.0**	80.6

Dividend Yield – The annualised dividend divided by the share price at the year end. An analysis of dividends is contained in note 7 to the accounts.

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

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.

Portfolio (Property) Capital Return – The change in property value during the period after taking account of property purchase and sales and capital expenditure, calculated on a quarterly time-weighted basis.

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

Portfolio (Property) Total Return – Combining the Portfolio Capital Return and Portfolio Income Return over the period, calculated on a quarterly time-weighted basis.

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, respectively, on the date on which they were quoted ex-dividend.

Glossary of Terms

Corporate Terms

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

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

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

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

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 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.

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

Ordinary Shares – The main type of equity capital issued by conventional Investment Companies. Shareholders are entitled to their share of both income, in the form of dividends paid by the Investment Company, and any capital growth. As at 31 December 2016 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.

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 or Vacancy – 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 Investments.

F&C Investment Trust ISA

You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the 2017/18 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. You can also transfer any existing ISAs to us whilst maintaining the tax benefits

F&C Junior ISA (JISA)*

You can invest up to £4,128 for the tax year 2017/18 from £500 lump sum or £30 a month per Trust, or a combination of both. Please note, if your child already has a Child Trust Fund (CTF), then you cannot open a separate JISA, however you can transfer the existing CTF (held either with F&C or another provider) to an F&C JISA

F&C Child Trust Fund (CTF)*

If your child has a CTF you can invest up to £4,128 for the 2017/18 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. You can also transfer a CTF from another provider to an F&C CTF. Please note, the CTF has been replaced by the JISA and is only available to investors who already hold a CTF.

F&C Private Investor Plan (PIP)

This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £500 lump sum or £50 a month per Trust. You can also make additional lump sum top-ups at any time from £250 per Trust.

F&C Children's Investment Plan (CIP)

This is a flexible way to save for a child in our range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) or kept in your name if you wish to retain control over the investment. Investments can be made from a £250 lump sum or £25 a month per Trust. You can also make additional lump sum top-ups at any time from £100 per Trust.

*The CTF and JISA accounts are opened in the child's name and they have access to the money at age 18.

**Calls may be recorded or monitored for training and quality purposes.

BMO | A part of BMO Financial Group

Charges

Annual management charges and other charges 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 charges

ISA: 0.2%
JISA/CIP/PIP: postal instructions £12, online instructions £8 per Trust
Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits for the PIP, CIP and JISA.

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

Government stamp duty of 0.5% also applies on the purchase of shares (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 our savings plans and charges, please read the Key Features and Terms and Conditions of the plan – available on our website fandc.co.uk.

HOW TO INVEST

To open a new F&C savings plan, apply online at fandc.com/apply

Note, this is not available if you are transferring an existing plan with another provider to F&C, or if you are applying for a new plan in more than one name.

New Customers:
Call: **0800 136 420****
(8:30am – 5:30pm, weekdays.)
Email: **info@fandc.com**

Existing Plan Holders:
Call: **0345 600 3030****
(9:00am – 5:00pm, weekdays)
Email: **investor.enquiries@fandc.com**
By post: F&C Plan Administration Centre
PO Box 11114
Chelmsford CM99 2DG

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: Alliance Trust Savings, Barclays Stockbrokers, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, LLoyds Bank, Selftrade, TD Direct Investing, The Share Centre.

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please read our Key Features Document before you invest and this can be found on our website fandc.co.uk. F&C cannot give advice on the suitability of investing in our investment trust or savings plans. If you have any doubt as to the suitability of an investment, please contact a professional financial adviser.

Corporate Information

Directors (all non-executive)
Chris Russell (Chairman) *
Trudi Clark #
Martin Moore ‡
Peter Niven †
Brian Sweetland (retired 2 June 2016)
Peter Cornell
David Preston
Paul Marcuse (appointed 12 January 2017)

Secretary
Northern Trust International Fund
Administration
Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St. Peter Port
Guernsey
Channel Islands GY1 3QL
Tel: 01481 745001

Alternative Investment Fund Manager (‘AIFM’) and Investment Managers
F&C Investment Business Limited
80 George Street
Edinburgh EH2 3BU
Tel: 0207 628 8000

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

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

Website
fccpt.co.uk

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

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
London E14 5JP

F&C Commercial Property Trust Limited

2016 Annual Report and Consolidated Accounts

Registered Office

PO Box 255
Trafalgar Court
Les Banques
St. Peter Port
Guernsey
Channel Islands GY1 3QL
Tel: 01481 745001

Registrars

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

F&C Investments