F&C Commercial Property Trust Limited

ANNUAL REPORT AND
CONSOLIDATED ACCOUNTS 2018

Contents

Overview
Company Overview 2
Financial Headlines 3
Performance Summary 4

Chairman's Statement 6

Strategic Report
Business Model and Strategy 9
Key Performance Indicators 11
Principal Risks and Future Prospects 12
Manager's Review 15
Responsible Property Investment 20
Property Portfolio 25

Governance Report
Directors 26
Directors' Report 28
Corporate Governance Statement 32
Report of the Audit and Risk Committee 34
Remuneration Report 36
Directors' Responsibilities 38

Independent Auditors' Report 39

Financial Report
Consolidated Statement of Comprehensive Income 44
Consolidated Balance Sheet 45
Consolidated Statement of Changes in Equity 46
Consolidated Statement of Cash Flows 47
Notes on the Accounts 48
AIFM Disclosure 67

Notice of Annual General Meeting 68

Other Information
Shareholder Information 70
Historic Record 71
Alternative Performance Measures 72
Glossary of Terms 74
How to Invest 76
Corporate Information 77

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about 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 transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of shares, you should retain these documents.

Legal Entity Identifier: 213800A2B1H4ULF3K397

Front Cover Photo: Revolution Park, Chorley.

Company Overview

Objective
The investment objective of F&C Commercial Property Trust Limited ('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
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 consolidates the results of its subsidiary undertakings, which collectively are referred to throughout this document as 'the Group', details of which are contained in note 1(b) and note 20 to the accounts.

At 31 December 2018 Group total assets less current liabilities were £1,427 million and Group shareholders' funds were £1,117 million.

Investment Policy
The Company's investment policy is contained on page 9.

Management
The Board has appointed BMO Investment Business Limited (referred to throughout this document as '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. Investment Managers and BMO REP are both part of the BMO Asset Management (Holdings) plc group ('BMO') and, collectively, are referred to in this document as 'the Managers'.

Further details of the management arrangements are provided in note 3 to the accounts.

BMO is wholly owned by Bank of Montreal and is part of the BMO Global Asset Management group of companies.

Capital Structure
The Company's equity capital structure consists of ordinary shares ('Ordinary Shares'). Subject to the solvency test provided for in The Companies (Guernsey) Law, 2008, being satisfied, ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets after repayment of its borrowings and ordinary creditors.

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

Alternative Performance Measures ('APM')
The Company uses a number of alternative performance measures to report its business performance and financial position. Further information is provided on pages 72 and 73 .

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 76. You may also invest through your usual stockbroker.

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

aic
The Association of Investment Companies

PREMIUM MAIN MARKET
LONDON STOCK EXCHANGE

Financial Headlines

-4.3%*

Share Price total return of -4.3% for the year

4.0%*

Portfolio total return of 4.0%

80.2%*

Dividend cover decreased to 80.2% from 83.1%

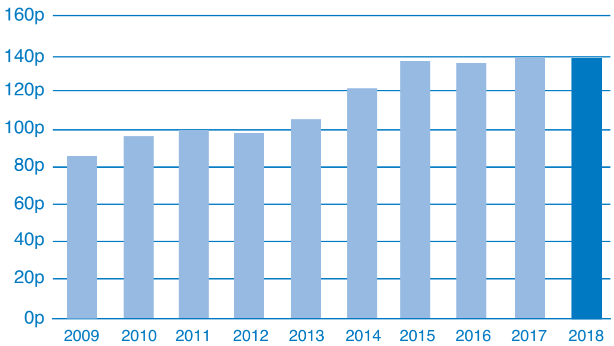
4.8%*

Yield on year-end share price of 4.8%. Maintained dividend at 6.0 pence per share for the 13th successive year

Delivering long-term growth in capital and income

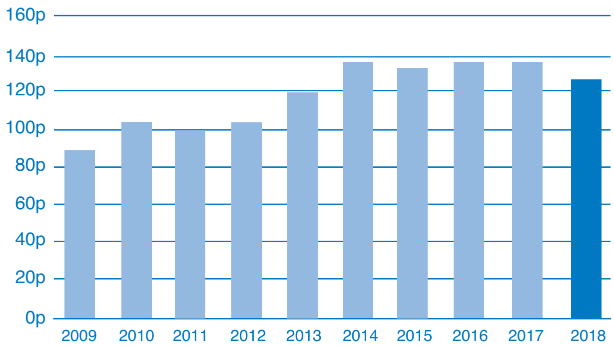
Since launch in 2005 F&C Commercial Property Trust Limited has turned a £1,000 investment, with dividends reinvested*, into £2,606[1].

Net asset value per share at 31 December - pence



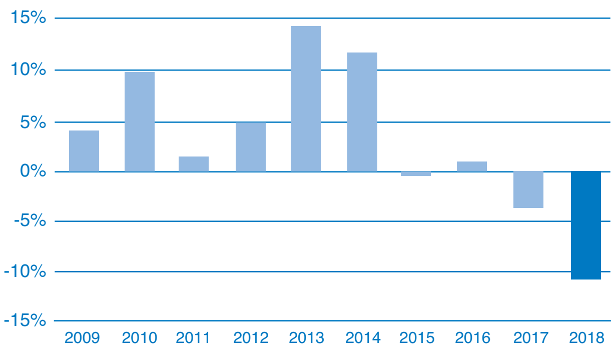
Source: BMO Investment Business

Mid-market price per share at 31 December - pence



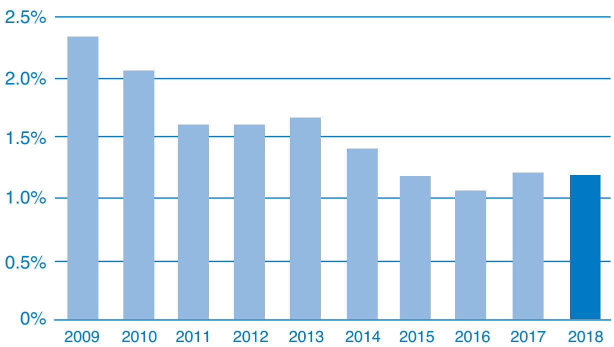
Source: BMO Investment Business

Share price discount to net asset value at 31 December - % *



Source: BMO Investment Business

On-going charges - % *



Source: BMO Investment Business

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. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

* See Alternative Performance Measures on page 72.

[1] based on share price.

Performance Summary

	Year ended 31 December 2018	Year ended 31 December 2017	
Total Returns for the year*			
Net asset value per share	3.3%	8.8%	
Ordinary Share price	(4.3)%	3.9%	
Portfolio	4.0%	8.7%	
MSCI UK Quarterly Property Universe	6.2%	10.3%	
FTSE All-Share Index	(9.5)%	13.1%	

	Year ended 31 December 2018	Year ended 31 December 2017	% change
Capital Values			
Total assets less current liabilities (£'000)	1,427,310	1,438,397	(0.8)
Net asset value per share	139.8p	141.2p	(1.0)
Ordinary Share price	124.6p	135.9p	(8.3)
FTSE All-Share Index	3,675.06	4,221.82	(13.0)
Discount to net asset value per share*	(10.9)%	(3.8)%	
Net Gearing*	21.2%	19.6%	

	Year ended 31 December 2018	Year ended 31 December 2017	
Earnings and Dividends			
Earnings per Ordinary Share	4.6p	11.6p	
Dividends per Ordinary Share	6.0p	6.0p	
Dividend yield*	4.8%	4.4%	

	Year ended 31 December 2018	Year ended 31 December 2017	
Ongoing Charges			
As a percentage of average net assets*	1.18%	1.20%	
As a percentage of average net assets (excluding direct property expenses)*	0.83%	0.82%	


Wigmore Street,
St Christopher's Place

The Company has a strong financial structure and a high quality portfolio where the priority continues to be to invest in and complete asset management initiatives within the portfolio and to exploit any external opportunity to provide a dependable and long-term rental income.

Year's Highs/Lows	Highs 2018	Lows 2018
Net asset value per share	143.2p	139.8p
Ordinary Share price	155.0p	124.0p
Premium/(Discount)*	8.5%	(12.6)%

* See Alternative Performance Measures on page 72.
Sources: BMO Investment Business, MSCI Inc and Refinitiv Eikon.

Chairman's Statement

The Company's net asset value ('NAV'), total return for the year was 3.3 per cent and the share price total return was -4.3 per cent. The total return for the portfolio was 4.0 per cent, compared with the MSCI Quarterly property Universe ('MSCI') which delivered 6.2 per cent.

Chris Russell, Chairman

The UK direct commercial property market as measured by MSCI delivered positive return of 6.2 per cent during 2018, driven primarily by an income return of 4.4 per cent. Total return performance slowed as the year progressed, affected by muted economic growth, the approach of the Brexit deadline and a marked deterioration in the performance of retail property, particularly in the regions. The industrial and distribution sector was again the stand-out performer, delivering another year of double-digit total return. The office market performed broadly in line with the all-property index. Investment activity remained resilient over the year with both UK institutions and overseas buyers being net investors in UK property.

Performance for the Year

The net asset value ('NAV') total return for the year was 3.3 per cent and the share price total return was -4.3 per cent. The total return from the portfolio was 4.0 per cent, lagging the MSCI Index. Performance is lower quartile compared with the MSCI Index over three and five years but the longer-term historic performance of the portfolio remains strong with MSCI rating it top quartile over ten years.

The share price at the year-end was 124.6p, representing a discount of 10.9 per cent to the NAV per share of 139.8p (compared to a 3.8 per cent discount as at 31 December 2017). We continue to monitor the level of discount which we believe reflects both the uncertainties in the market surrounding Brexit and the concerns over the retail sector.

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 2017	141.2
Unrealised decrease in valuation of direct property portfolio	(0.7)
Realised gain on sale of direct property	0.3
Other net revenue	5.0
Dividends paid	(6.0)
NAV per share as at 31 December 2018	**139.8**

During 2018 the loss on capital for the Company was -0.1 per cent, compared to MSCI which recorded a capital return of 1.7 per cent. The strongest contributions came from the Alternatives and Industrial sectors.

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

- Winchester, Student Accommodation, Burma Road – reflecting the increased income to be received following its annual rent review.
- London, St Christopher's Place Estate – continues to benefit from the high number of completed and ongoing initiatives that reached fruition at different stages during the period.
- Camberley, Building B, Watchmoor Park – sold during the year for £5.1 million, significantly ahead of the December 2017 valuation of £2.4 million.
- Manchester, Kings Street – successfully completed a number of leases; the building is now fully let.

Negative contributions came from:

- Reading, Thames Valley One and Two, Thames Valley Park – all of building one and majority of building two are void and were earmarked for sale. These sales completed in January 2019 and the valuations at 31 December 2018 were adjusted to reflect the final sale price. This sale removes the Company's largest void and significantly reduces ongoing non-recoverable costs and capital expenditure.
- Newbury, Newbury Retail Park – reflecting the fact that the park has a number of Company Voluntary Arrangement's ('CVA's') in place. Poundworld has entered administration and the unit is now vacant.
- Solihull, Sears Retail Park – Homebase has a CVA in place which will result in their unit being vacated.

There have been a number of high profile CVA's, administrations and failures in the retail sector over the past year and this has had a direct effect on the Company's retail parks at Newbury and Solihull. New Look, Mothercare and Homebase have all entered CVA's and Poundworld has gone into administration. This has resulted in the downward pressure on rents and, in some cases, the likely vacation of the properties.

The Manager has produced a number of plans to manage this situation which could produce a positive outcome over the longer-term and negotiations are ongoing. There will be a short-term fall in rental income and there has been a fall in the market values of the properties to reflect this.

Borrowings and Loan 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, available until June 2021. The Group's total loan to value, net of cash, was 21.2 per cent at the end of the year. The weighted average interest rate on the Group's total current borrowings is 3.3 per cent.

Dividends and Dividend Cover

Twelve monthly interim dividends, each of 0.5p per share, were paid during the year. This maintains the annual dividend of 6.0p per share since 2006 and provides a dividend yield of 4.8 per cent based on the year-end share price. Barring unforeseen circumstances, the Board intends that dividends in 2019 will continue to be paid monthly at the same rate.

The Company's level of dividend cover for the year (excluding capital gains and losses on properties) was 80.2 per cent. This was lower than the 83.1 per cent cover achieved last year. While the purchase of the office building at Cathedral Square, Bristol in December 2017 increased the level of rental income by £1.4 million in 2018, there have been a number of development initiatives ongoing during the year which have led to a short-term negative impact on the level of rents received, as these buildings have been empty.

The key projects have been at Cassini House in London and an office at Edinburgh Park. The combined reduction in rent against 2017 for these properties amounted to £1.3 million, although the buildings will be income producing once the developments are completed. Another negative factor has been the level of tax payable in the current year which continues to increase.

REIT Conversion

On 23 April 2019, the Company announced a proposal to take the necessary steps to join the UK REIT regime. The Group is now subject to a rising level of taxation and this will increase substantially following policy changes announced in the Autumn Budget 2017. Non-UK resident companies that have UK property income, such as the property holding subsidiaries in the Group, will be charged UK corporation tax from 6 April 2020, rather than being subject to UK income tax as they are at present. In addition, the Board notes that from 6 April 2019 non-resident landlords who invest in UK properties, such as the Group as it is currently structured, will be brought into the UK Capital Gains tax regime.

In the light of the current and continuing increase in tax, the Board has determined that action is necessary to preserve the ongoing effectiveness of the group from a UK tax perspective. Accordingly, the Board has proposed that the Company takes the necessary steps on behalf of the Group in order to achieve real estate investment trust ('REIT') status.

In order to facilitate the Group qualifying as a REIT as per the circular issued to shareholders in April 2019, certain amendments to the Company's articles of incorporation are required. These changes address the REIT rules regarding the payment of dividends to Substantial Shareholders (being a shareholder who holds 10 per cent. or more of the Company as more fully described in the circular) and the requirement that the Company and its Group are UK resident for tax purposes. An extraordinary general meeting will be held on 30 May 2019 immediately prior to the Annual General Meeting, to consider these proposals and, if passed, the Company will enter the REIT regime from 3 June 2019. The adoption of REIT Status by the Group will alter the shareholders's tax positions in respect of the receipt of distributions under the REIT regime. On the basis that REIT Status is achieved with effect from 3 June 2019, the first distribution that the Company could make under the REIT regime would relate to profits earned from 31 May 2019. The amount and payment date of such property income distribution will be announced in October 2019. For more detail, a copy of the Circular can be downloaded from the Company's website at fccpt.co.uk.

Change of Company Name

In 2014 the Company's investment manager, F&C Investment Business Limited, was acquired by BMO ('Bank of Montreal'). BMO transitioned the majority of its remaining F&C branded products and funds to BMO in November 2018. Its savings plans, through which many of our shareholders invest, have also aligned to the BMO brand. The Board is therefore recommending that the Company changes its name from F&C Commercial Property Trust Limited to BMO Commercial Property Trust Limited and is seeking shareholder approval at the Annual General Meeting. If approved, this renaming will take effect on 3 June 2019.

Board Composition

Having served nine years on the Board, I will step down as Chairman of the Company and retire from the Board at the Annual General Meeting. Martin Moore, Senior Independent Director of the Company, will take over as Chairman. Paul Marcuse will take on the role of Senior Independent Director.

If the REIT conversion proposals are approved, Peter Cornell and David Preston, both Guernsey directors, will stand down from the Board with effect from 30 May 2019 and Linda Wilding, who is UK based, will join the Board. Both Peter and David joined the Board in April 2015 and I would like to thank them for their valuable contribution over the last four years.

Linda qualified as a chartered accountant with Ernst & Young, before working in the private equity division of Mercury Asset Management from 1989 to 2001, rising to the position of Managing Director. She has served as a non-executive director (including as Chairman) on a number of boards. She is currently a non-executive director of UDG Healthcare plc and Electra plc. She was a non-executive director and latterly chair of Corin plc from 2006 to 2012 and was a non-executive director of Touchstone Innovations plc until 2017.

John Wythe, who was appointed in September 2018, will stand for election at the Annual General Meeting of the Company. John brings considerable experience of the property market as Chairman of the Trustees of The Portman Estates after a long career with Prudential Property Investment Managers Ltd, now M & G Real Estate.

Following the above changes, the Board will consist of five Directors, three male and two female, four of which will be based in the UK and one in Guernsey.

Responsible Property Investment

I am particularly pleased with the progress that has been made with our Responsible Property Investment (RPI) strategy and the positive engagement we have had with a number of our key shareholders in this area.

The publication of the inaugural RPI Report for the Group for 2017 was a significant milestone in our pledge to drive greater transparency into our performance on material Environmental, Social & related Governance (ESG) factors and we have had some excellent feedback on it from shareholders. We continue to place considerable emphasis on our RPI commitments and are pleased to provide a further summary of progress in the Annual Report, complemented by our RPI Report 2018 which will be available on the Company's website and gives greater detail and insight on our performance against relevant metrics.

Annual General Meeting

The Annual General Meeting will be held at 12.30pm on Thursday 30 May 2019 at Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL. The Notice of the Meeting is contained on pages 68 to 69. Shareholders who are unable to attend the Meeting are requested to complete and return their enclosed Forms of Proxy.

Outlook

Investors have remained cautious given the uncertainty in the macro-economic and political spheres, with income protection a major consideration. We would expect this to persist as Brexit and its aftermath unfolds and should global growth slow and UK interest rates rise. We anticipate further problems in the retail sector which will drive valuations lower. The next two years are therefore predicted to be a period of relative weakness. However, the market is expected to be supported by its income return and continued interest from overseas buyers. Over the longer-term, we are forecasting a modest recovery with total return performance underpinned by the income return.

St Christopher's Place
London

Notwithstanding the uncertainties, the Company has a strong financial structure and a high quality portfolio where the priority continues to be to invest in and complete asset management initiatives within the portfolio and to exploit any external opportunity to provide a dependable and long-term rental income.

I leave your company in the safe and experienced hands of my successor, the rest of the Board and the BMO management team. It only remains for me to express my appreciation to the Board, the manager and shareholders during my time as chairman for their contributions and support.

Chris Russell
Chairman
23 April 2019

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 pages 26 and 27. 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 3 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 an exposure to the alternative sector, including leisure, 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 lower 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 which are subject to covenant tests set out in note 13 on pages 60 and 61, all of which are comfortably met. 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 2018 is contained within the Managers' Review on pages 15 to 19 and a portfolio listing is provided on page 25.

The Group's borrowings are described in note 13 to the accounts.

Responsible Property Investment Strategy

The importance of environmental and social factors, together with the management of those factors through corporate governance and property management, continues to strengthen within the UK commercial property market. The Company, supported by its Property Manager, has continued to make significant progress in developing our approach to ESG factors, as has been evidenced in the publication of our inaugural Responsible Property Investment (RPI) Report last year.

Attendance to ESG matters continues to be an important determinant of the confidence which existing and prospective shareholders place in the Company as an attractive and appropriate vehicle for risk-adjusted returns, and through which their maturing corporate governance and responsible investment requirements and objectives can be satisfied. The positive feedback of shareholders to our enhanced approach to ESG matters has been a notable feature of our engagement with them this year.

Furthermore, certain environmental and social attributes of the assets held by the Company continue to be material to financial performance across the diversified portfolio. This applies in terms of optimising net operating income today and supporting income and capital growth in the long-term. In particular:

- ensuring that properties perform efficiently, support flexible and productive occupancy, and contribute positively to the health and wellbeing of the people that work, shop or live in them is an increasingly important attribute which influences their appeal to the occupier market and thus their ability to retain occupiers and support rental growth.
- ensuring that properties are fit-for-purpose in the context of climate change, a dynamic regulatory environment, and the rapid advancement of technology, helps mitigate their rate of depreciation and reduces their exposure to various forms of risk.
- ensuring that properties make a positive contribution to the local communities in which they are situated, can help to improve patronage, support wider economic performance and enhance the skills and employment prospects of local people, in turn making the local market a more attractive investment location.

Continuation Vote

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 other 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 76. 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.

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.

Performance total return*

	1 Year %	3 Years %	5 Years %	10 Years %	
F&C Commercial Property Trust ordinary share price	(4.3)	5.7	29.1	244.4	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')	3.3	17.7	66.5	180.5	
F&C Commercial Property Trust portfolio	4.0	19.1	63.8	181.9	
MSCI UK Quarterly Property Universe	6.2	21.2	61.8	135.6	
FTSE All-Share Index	(9.5)	19.5	22.1	138.3	

Income* (Compound annual growth rate)

	1 Year %	3 Years %	5 Years %	10 Years %	
F&C Commercial Property Trust portfolio income return	4.1	4.3	4.5	5.4	The income derived from a property during the period as a percentage of the property value, taking account of direct property expenditure.
MSCI UK Quarterly Property Universe	4.4	4.6	4.8	5.4	

Share price premium (discount) to NAV per share*

As at:	31 Dec 2018 %	31 Dec 2017 %	31 Dec 2016 %	31 Dec 2015 %	31 Dec 2014 %	
Premium / (Discount)	(10.9)	(3.8)	0.7	(0.6)	11.7	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 2018 %	31 Dec 2017 %	31 Dec 2016 %	31 Dec 2015 %	31 Dec 2014 %	
Ongoing charges*	1.18	1.20	1.07	1.20	1.41	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 72
Source: BMO Investment Business, MSCI Inc and Refinitiv Eikon

Principal Risks and Future Prospects

Each year the Board carries out a comprehensive, robust assessment of the principal risks and uncertainties that could threaten the Company's success. The consequences for its business model, liquidity, future prospects and viability form an integral part of this assessment.

As stated within the Report of the Audit and Risk Committee on pages 34 and 35, 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.

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.
- Tax structuring and compliance – the Company should ensure compliance with relevant tax rules and thresholds at all time.

  Changes to tax legislation could have an adverse financial impact.

The principal risks encountered during the year, how they are mitigated and actions taken to address these are set out in the table below.

Principal Risks	Mitigation
Valuers have difficulty in valuing the property assets due to lack of market evidence or market uncertainty. Error in the calculation/application of the Company Net Asset Value ('NAV') leads to a material misstatement. **Unchanged in the year under review**	Professional external valuers are appointed to value the portfolio on a quarterly basis. There is regular liaison with the valuers regarding all elements of the portfolio. There is attendance by one or more Directors at the valuation meetings and the Auditors attend the year end valuation meeting.
Unfavourable markets, poor stock selection, inappropriate asset allocation and under-performance against benchmark and/or peer group. This risk may be exacerbated by gearing levels. There is increased volatility at the present time given the uncertainties surrounding Brexit. **Increased in the year under review**	The underlying investment strategy, performance, gearing and income forecasts are reviewed with the Investment Manager at each Board Meeting. The Company's portfolio is well diversified and of a high quality. Gearing is kept at modest levels.
Non-resident landlords will be taxable under the UK corporation tax regime from April 2020. This change could have a material impact on the Company's tax affairs. Additionally, new capital gains tax rules were implemented in April 2019 which will also impact the Company moving forward. **Increased in the year under review**	The Company has announced plans to adopt UK REIT status subject to shareholder approval. Under current tax legislation, the principal tax advantage for the Company in doing this is that the Group's net rental income derived from its property rental business would be exempt from UK taxation. The same treatment would apply to capital gains arising on the disposal of relevant rental properties.
The retail market has witnessed a number of company voluntary arrangements, profit warning announcements and administrations in recent months. There is an increased risk of tenant defaults in this sector which could put the level of dividend cover at risk. **Increased in the year under review**	The Manager provides regular information on the expected level of rental income that will be generated from the underlying properties. The Portfolio is well diversified by geography and sector and the exposure to individual tenants is monitored and managed to ensure there is no over exposure.

- 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.

	Actions taken in the year
	Transactional volumes in 2018 were at very healthy levels, although we have seen volumes fall in the first quarter of 2019. Nevertheless, there has been sufficient transactions to date with trades in all sectors in which the Company invests which provide evidence for our valuations. This level of trading has continued despite the political uncertainty of recent months.
	The Board review the Manager's performance at quarterly Board Meetings against key performance indicators set out on page 11 and is satisfied that the Manager's long-term performance is in line with expectations.
	The changes in taxation were formalised in the UK Chancellor's Budget in November 2017. An extraordinary general meeting is scheduled for 30 May 2019 at which shareholders will vote on the Company adopting UK REIT status.
	The portfolio has been impacted by a number of CVA's and administrations at its retail parks. There is a short-term impact on retail income and the valuation of these assets. The Manager has business plans in place to asset manage these events.

Viability Assessment and Statement

The Board conducted this review over a five 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 six 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.

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 2024, and the Directors will continue to assess viability over five 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 five 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.

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 five year period to March 2024. 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 Directors' Report on page 29.

St Christopher's Place, London

Managers' Review

Richard Kirby, Fund Manager joined the predecessor to BMO REP Asset Management plc ('BMO REP') 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. He is a Chartered Surveyor and a member of the Investment Property Forum, the British Council of Offices and Revo.

Matthew Howard, Deputy Fund Manager joined BMO REP in July 2017. He is fund manager of the Royal Sun Alliance Shareholders Real Estate Fund which is managed by BMO REP while also supporting Richard Kirby on the management of the Company. He sits on the Investment Committee of BMO REP, is a Chartered Surveyor, a member of the Investment Property Forum and also holds a Certificate in Investment Management.

Property Managers

BMO Real Estate Partners ('BMO REP') is a leading UK-based real estate manager focused on real estate investment and asset management. BMO REP has been successfully managing commercial real estate for a wide range of UK clients for over 50 years and currently manages (as at 31.12.2018) £6.2 billion real estate assets. BMO REP employs 140 staff and the team structure provides for fund management, sector specialist asset management teams and research. The senior managers within these teams have on average 17 years of industry experience each. As well as undertaking fund and asset management services, BMO REP has the capability, where appropriate, to provide day to day property management, complemented by a project management team and full accounting and service charge teams.

BMO REPS's sector specific teams offer specialist capabilities across the market, allowing it to establish strong peer to peer and occupier relationships and the sourcing of a wide range of transactional opportunities.

Property headlines over the year

- 12 month total return of 4.0* per cent.
- Significant capital projects at Nevis and Ness House, Edinburgh Park; Cassini House, London and at the St. Christoper's Place Estate.
- Completed the strategic office sales of Building B, Watchmoor Park, Camberley and two office buildings in Reading in January.
- Purchase of an industrial unit in Estuary Business Park, Liverpool.

* See Alternative Performance Measures on pages 72 and 73.

2018 Property Market Review

The market total return for the year, as measured by the MSCI UK Quarterly Property Universe, was 6.2 per cent. A relatively subdued economic growth out-turn, coupled with the uncertainty surrounding Brexit acted to constrain occupier and investor sentiment and as a consequence rental growth and capital growth decelerated in the year, although both remained positive at 0.5 per cent and 1.7 per cent respectively. There was some modest yield compression (signalling market strength) during the year at the all-property level.

Key Benchmark Metrics – All-Property		
	2018 %	2017 %
Total Returns	6.2	10.3
Income Return	4.4	4.6
Capital Return	1.7	5.4
Open Market Rental Value Growth	0.5	2.2
Initial Yield	4.5	4.7
Equivalent Yield	5.5	5.6

Source: MSCI Inc

Investment activity in 2018 was lower than in the previous year but well above the long-term average, supported by overseas buying and net investment by institutions and local authorities.

Performance in 2018 was highly polarized by sector. As in the previous year, performance was driven by industrials and distribution, with a 16.4 per cent total return. This sector has now delivered double-digit performance in five out of the past six years being underpinned by strength in both occupier and investor demand, pushing annual rental growth up to 4.6 per cent and driving the equivalent yield (the UK property markets measure of current yield) to below the all-property average at 5.3 per cent. The reverse was true for retail where a succession of Company Voluntary Arrangements ('CVAs'), store portfolio rationalisations and business failures affected both occupier and investor sentiment. Retail rental growth in the year was negative and yields shifted outwards. Central London retail delivered total returns broadly in line with the all-property average at 6.1 per cent, which is disappointing by recent standards. However, other parts of the retail market were much weaker with regional high streets, shopping centres and retail warehousing all recording negative annual total returns. The weakness in the sector is now affecting many major towns and large retailers. The problems related to the sector are structural, involving elements such as the growth of online sales, high business rates, excess and rising supply, increasing retailer costs and profit margin pressure. This will take time to resolve and pricing will continue to be affected.

The office market delivered a total return of 6.4 per cent with Rest of UK offices out-performing whilst the West End market was relatively weak. City offices surprised positively, with overseas buyers seemingly little troubled by Brexit threats. Alternatives recorded an above average 7.4 per cent total return in the year, supported by strong investor sentiment for longer let leases with a linkage to inflation. This was further strengthened by investment from balanced portfolio's looking to diversify and the growth of specialist single strategy funds.

Overall the year was one of consolidation, which saw all-property total returns broadly in line with the historic norm. Domestic investors remained cautious, focusing on long-term secure income streams often linked to the alternative sector and prime property. The UK commercial property market has delivered ten consecutive years of positive total returns supported by relatively attractive income returns which are not available from UK gilts and in certain sectors from overseas investors. There are headwinds facing this long-lived cycle and a reversion to the longer-term average return dominated by income is in prospect.

Valuation and Portfolio

Total Portfolio Performance		
	2018	2017
No. of properties	38	37
Valuation (£'000)	1,430,190	1,418,612
Average Lot Size (£'m)	37.6	38.3
	Portfolio (%)	Benchmark (%)
Portfolio Capital Return*	(0.1)	1.7
Portfolio Income Return*	4.1	4.4
Portfolio Total Return*	**4.0**	**6.2**

* See Alternative Performance Measures on pages 72 and 73.

The total return from the portfolio over the year was 4.0 per cent compared to the MSCI UK Quarterly Property Universe of 6.2 per cent. The strongest performance in the portfolio was attributable to the student accommodation at Winchester whilst offices and retail in the Rest of UK outperformed their comparative.

The most significant negative impact to returns was due to the valuation movements on the Company's retail warehouses, with the valuation of Solihull falling by 13.0 per cent and Newbury by 22.8 per cent. Initiatives are in place to address the impact of last year's CVA's. There was also a negative impact from the valuation write-downs on the office sales that were undertaken during the year and relative underperformance as a result of an underweight position to Industrial South East.

Reclassification of Sector Weightings

A key theme in the property sector over 2018 was an increase in the number of CVA's or administrations among retail businesses. Historically, the Company's investments in the St. Christopher's Place Estate and at Wimbledon Broadway have been shown as retail in their entirety, consistent with how they are classified within the MSCI property index. At a time when shareholders and analysts are now scrutinising any portfolio's retail exposure, it is important to provide more detail as to the true retail exposure. St. Christopher's Place comprises approximately 150 lettable units made up of over 50 shops and restaurants, 40 office suites and 60 residential apartments. Wimbledon Broadway comprises a number of retail units, a cinema, a gym and some food and beverage units. These assets fall into the following underlying segments:

Sector Analysis St. Christopher Place & Wimbledon	
	% of capital value as at 31 Dec 2018
Retail	47.6
Food & Beverage	20.6
Residential	15.0
Office	10.7
Leisure	6.1

Source: BMO REP Asset Management plc

Residential and leisure will now be more appropriately classified under the alternatives sector category. Food and beverage will remain in the retail category.

The effect that this reclassification had on the weightings reported in 2017 is as follows:

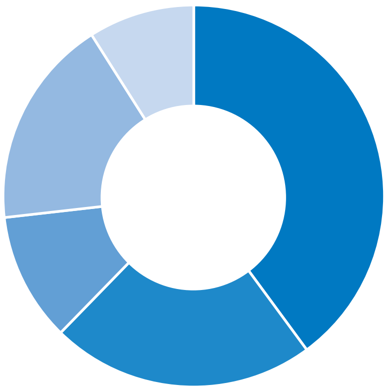
Effect of Sector Reclassification

	% of total property portfolio	
	Reclassified 2017	2017
Offices	39.2	36.2
Retail	22.4	31.0
Retail Warehouses	13.1	13.1
Industrial	16.9	16.9
Alternative	8.4	2.8

Source: BMO REP Asset Management plc

Sector Analysis

as at 31 December 2018, % of total property portfolio (figures as at 31 December 2017 reclassified in brackets)

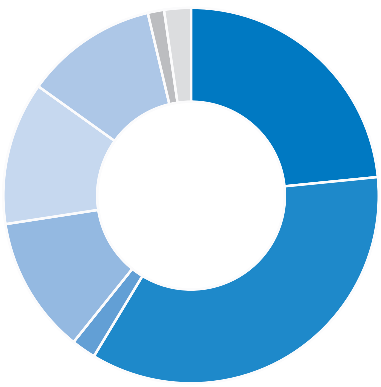


- Offices 39.9% (39.2%)
- Retail 22.4% (22.4%)
- Retail Warehouses 10.9% (13.1%)
- Industrial 17.8% (16.9%)
- Alternative 9.0% (8.4%)

Source: BMO REP Asset Management plc

Geographical Analysis

as at 31 December 2018, % of total property portfolio (figures as at 31 December 2017 in brackets)



- South East 23.4% (25.2%)
- London – West End 35.3% (34.3%)
- Eastern 2.1% (2.0%)
- Midlands 11.8% (12.5%)
- Scotland 12.3% (11.8%)
- North West 11.4% (10.6%)
- Rest of London 1.4% (1.4%)
- South West 2.3% (2.2%)

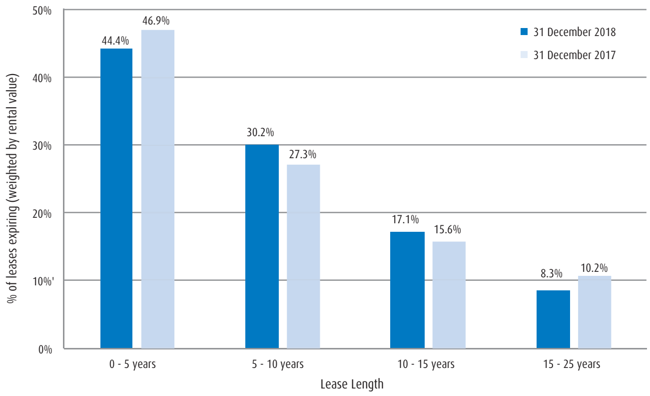
Source: BMO REP Asset Management plc

Income analysis

Although the portfolio has suffered a number of retailer defaults it still benefits from a secure income stream. The void rate, excluding properties being developed or extensively refurbished is 8.5 per cent. However, as a result of the office sales that completed in January 2019, this would equate to 5.1 per cent at year end.

Lease Expiry Profile

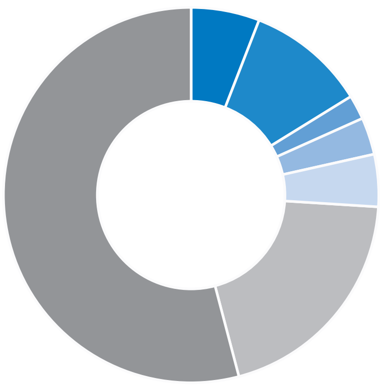
At 31 December 2018 the weighted average lease length for the portfolio, assuming all break options are exercised, was 7.1 years (2017: 7.3 years)



Source: BMO REP Asset Management plc

Covenant Strength

as at 31 December 2018, % of income by risk bands (figures as at 31 December 2017 in brackets)



- Unscored and ineligible 5.9% (5.0%)
- Maximum 10.3% (4.0%)
- High 2.1% (1.8%)
- Medium to High 3.2% (2.5%)
- Low to Medium 4.5% (4.8%)
- Low 19.9% (16.8%)
- Negligible and Government 54.1% (65.1%)

Source: IRIS Report, MSCI Inc

The largest occupiers, based as a percentage of contracted rent, as at 31 December 2018, are summarised as follows:

Income Concentration

Company Name	% of Total Income
Apache North Sea Limited	4.5
GB Gas Holdings Limited	4.4
Virgin Atlantic Limited	4.2
Kimberly-Clark Limited	4.1
Nexan Petroleum UK Limited	3.8
JP Morgan Chase Bank Limited	3.4
Mothercare UK Limited	3.1
University of Winchester	3.0
DHL Supply Chain Limited	2.8
Transocean Drilling UK Limited	2.7
Total	**36.0**

Source: BMO REP Asset Management plc

Retail

Retailers have endured an extremely challenging year because of reasons well publicised in the UK's media. This is resulting in a concentrated period of failures, administrations and CVAs; and as a consequence many retailers are demanding lower rents and flexibility in leasing. The Company has no exposure to shopping centres and limited exposure to the High Street. However, the Company's retail parks in Newbury and Solihull have been impacted by the stress in the sector with New Look, Mothercare and Homebase entering into CVA's and Poundworld into administration. Specifically, at Newbury the CVA's have resulted in New Look occupying one unit at a 20 per cent rent reduction, Homebase on 35 per cent rent reduction, and Mothercare on a 70 per cent rent reduction (with the intention to close the unit within twelve months of the CVA). At Solihull, Homebase have paid the full rent to year end, but the store closed at end of February 2019. In total, the rent at Newbury has reduced by £740,050 per annum and at Solihull by £1.04 million per annum.

We have identified a number of initiatives to attract new retailers to the properties, but these do require planning approvals and advanced negotiations with key retailers are taking place. Planning applications to facilitate new lettings have been submitted but have to date not been determined by the appropriate Local Authorities. It is hoped these consents will be forthcoming during the first half of 2019, which will then allow the commencement of asset management initiatives, including a variety of development, refurbishment and the reconfiguration of units, as well as allowing lettings to contract.

St Christopher's Place

Our asset management strategy continues to drive income growth by way of refurbishment, selective relettings, the repositioning of James Street and the delivery of a carefully curated line up of retail and restaurants. Additionally, a number of apartments and offices have been refurbished during the year, all of which have been successfully re-let.

On James Street, two units have been refurbished with lettings contracted to Caprice Holdings (Harry's Bar) and Homeslice.

Over the next twelve to twenty-four months, there are meaningful opportunities affecting eleven buildings in total, to refurbish and, in some cases, redevelop buildings, subject to securing planning consents and vacant possession.

There have been two CVAs on the Estate, Carluccios and Aldo, but in both cases the units were retained and the contracted rent unaffected.

Industrial Purchase

In May 2018, the Company completed the purchase of Hurricane 47, Estuary Business Park, Liverpool for £3.995 million together with an adjoining 3.6 acre site with planning consent of a further 52,000 sq. ft. unit. This site was purchased for £1.080 million. Hurricane 47 comprises a 47,462 sq. ft. unit which was developed speculatively and completed in April 2018. Hurricane 47 is being formally marketed and there is a reasonable level of occupier interest. The Company has entered into a forward commitment to acquire the second warehouse on completion of construction works for an additional sum of £3 million. It is expected that works will start on site in May 2019 with completion scheduled for March 2020.


Hurricane 47
Liverpool

Industrial Sale Update

The conditional contract for the sale of the former Ozalid Works site in Colchester remains with Persimmon Homes. The sale is conditional upon Persimmon Homes securing a revised planning consent. Progress continues to be made to negotiate and secure an acceptable planning consent which will discharge the conditionality of the sale. The planning process has been slower than expected but it is hoped the planning application will be determined during the second quarter of 2019.

Offices

A significant project for the Company has been the refurbishment of Nevis and Ness House at Edinburgh Park. Diageo committed to this building for their new Scottish headquarters and the property is currently being refurbished in accordance with Diageo's requirements at a cost of £6.5 million. The refurbishment works completed in March 2019 and the new 16-year lease with a break at year 10, contracted at £21 per square foot.

At Cassini House, London SW1, the top three floors have been refurbished and this completes the phased refurbishment of the whole building. Two of the three floors are under offer and the new letting should shortly complete. The remaining floor is being marketed with a good level of interest identified.

The properties at Prime Four, Aberdeen are now due their rent reviews at the agreed minimum uplift of 3 per cent per annum.

Office Sales

It has been the Company's strategy to sell a number of its vacant non-income producing properties where the immediate re-letting prospects were challenging. In November the Company completed the sale of Building B, Watchmoor Park, Camberley for a price of £5.1 million. The property is an entirely vacant, three storey office building totalling 32,641 sq. ft. The sale price was in-line with the external September valuation but significantly ahead of the £2.4 million valuation as at 31 December 2017. In December 2018, the Company exchanged contracts for the sale of its freehold interest in two further office properties, Thames Valley Park One and Thames Valley Park Two. The sale completed in January 2019 at a combined sale price of £24.4 million compared with the previous external valuation of £27.0 million. This is a strategic sale, Thames Valley Park One comprises 75,000 sq. ft. and is entirely vacant and requiring extensive refurbishment. Thames Valley Park Two is a separate building of approximately 55,000 sq. ft. of which 28,900 sq. ft. is vacant. At a time of significant uncertainty these non-core disposals address the Company's largest void exposure by rental value, releases capital to be invested in income producing properties, significantly reduces non-recoverable expenditure and removes a future substantive capital expenditure requirement of approximately £8.0 million.

The Alternative Property Sector

Following the re-classification of sector weightings highlighted above the Company's weighting to alternatives has increased to 9 per cent from approximately 3 per cent. To confirm, the Company's exposure relates to the purpose-built student accommodation block in Winchester, the residential properties within St Christopher's Place and the leisure units at Wimbledon Broadway.

Outlook

The final quarter of 2018 saw a sharp downgrade for retail property and nervousness in the property equity and "open ended" property funds. These elements may well affect the UK commercial property market in 2019 and 2020 as valuers respond to both the weaker trend in retail and pricing evidence from transactions. Brexit and its economic and political ramifications will affect sentiment more widely and it is likely over the first half of 2019 businesses will delay making decisions. Therefore the expected number of capital market and leasing transactions will reduce. In the absence of a clean Brexit a period of market volatility could be in prospect. Possible future increases in interest rates may also affect investment decisions, particularly in areas of the market that are keenly priced and dependent on aggressive rental growth assumptions. Over the longer-term, factors such as property's attractive income return, the constrained supply of stock (outside retail), restrained bank lending, the opportunities offered by demographic and technological change will come to the fore and as the economy adapts to the post-Brexit world.

The portfolio is currently experiencing some stress in the retail sector as highlighted above but asset management initiatives are well underway to address the loss of income and capital value. There are a significant number of projects identified within the portfolio that will be the focus of activity and attention over the next eighteen months timeframe. A number of sales have also been identified and the recycling of capital into an uncertain market may offer timing opportunities to acquire quality assets at more attractive prices. Overall the Company is well positioned to progress the significant number of opportunities available in its own portfolio, as well as other opportunities that may arise in the wider market.

Richard Kirby

Fund Manager

BMO REP Asset Management plc

23 April 2019

Responsible Property Investment

The integration of environmental, social and related corporate governance (ESG) matters into our investment and management approaches, including in relation to our engagement with our key stakeholders, has been a core feature of activity in recent years.

In 2017, we published for the first time a comprehensive suite of commitments to advance the approach of the Company in relation to material ESG factors, and we complemented this with a review of progress and disclosure of our performance against a range of non-financial performance metrics in our 2017 Responsible Property Investment Report. The feedback of shareholders to this enhanced level of focus and transparency has been extremely positive.

The four pillars of the Company's RPI Strategy remain consistent with last year:

1. Leadership & effectiveness – measures through which we will demonstrate effective governance in relation to ESG criteria, a theme that is particularly pertinent to our shareholders in the context of our outsourced investment and property management arrangements.
2. Investment process - Procedures through which we integrate ESG into the investment process, ensuring that material factors are central to investment decision-making and property management so that relevant risks to income and long-term performance are addressed in a timely and efficient manner.
3. Portfolio – attendance to and optimisation of material ESG performance and risk factors across the portfolio, with a particular emphasis on resource efficiency and renewable energy, occupier wellbeing and satisfaction, managing the implications of new regulations concerning minimum energy standards for leased properties, and ensuring that our properties are not used by organisations connected to Controversial Weapons activities.
4. Transparency – approach to investor reporting and public disclosure on relevant ESG factors, including participation in recognised industry reporting initiatives and through alignment to applicable standards of best practice.

A summary of continued progress against our RPI commitments through 2018 is set out below, whilst the 2018 Responsible Property Investment Report, will be available from the Company website to provide greater detail on our activities, performance, and the profile of the portfolio with respect to material ESG factors, including:

- Flood and contamination risk
- Energy Performance Certificate ratings
- Statutory protections for wildlife and freshwater aquifers
- The use of HCFC coolants within air conditioning plant
- Green building certification
- Coverage of the Manager's Environmental Management System, building user guides and the training delivered to building managers on ESG matters.

Key to status symbols

Commitment fulfilled

Commitment not fulfilled

Commitment in progress and on track

New commitment established in 2018

Commitment in progress but behind schedule

ESG Commitment	Status in 2018	What we are doing about it
Leadership & Effectiveness – Measures through which the Company will demonstrate effective governance in relation to environmental, social and governance criteria ('ESG')		
Meet the Hampton-Alexander recommendation of having at least 33% female representation on our Board by 2020.		The Board changes earmarked for 2019 highlighted in the Chairman's Statement will result in 40% female representation.
Participate in the Global Real Estate Sustainability Benchmark (GRESB) from 2018, with the objective thereafter of realising year-on-year improvements in score and peer group ranking.		We participated in the GRESB survey for the first time in 2018, achieving an inaugural score of 47 out of 100. This resulted in a one-star rating and placed us seventh out of nine diversified listed UK participants. This provides a platform on which we will seek to build in future years, having achieved a solid first-time outcome, and many of the measures we have been putting in place during 2018 are expected to result in an improved score in the 2019 GRESB survey. We recognise the important role that GRESB has played in facilitating the advancement of the RPI agenda within the commercial real estate sector globally, and our commitment to participating in the survey remains. However, we are also cognisant of its inherent limitations and the results of all participants in the Survey should be interpreted with these limitations in mind. We would be happy to discuss our observations in this regard with our shareholders and other stakeholders, albeit in full acknowledgement of the fact that we will be continuing to pursue improved scores and rankings in the years ahead.
Investment Process – Procedures through which the Company integrates ESG into the investment process		
Confirm classification of all outstanding assets within the manager's Asset Classification System[1] by procuring Energy Performance Certificate ('EPC') assessments for those assets for which an EPC is not in place. Implement routine of Asset & Property Management actions according to the classification of each asset and the manager's corresponding RPI Requirements for Asset Managers and Property Managers.		Following the completion of the asset classification process in 2017, we have continued to keep records up-to-date and under review. Some assets have been reclassified as a result with 29 now falling into upper (higher materiality) tier of the classification system (2017: 25). The number of assets in the second tier has increased to 27 (2017: 21), whilst those in the lower tier have decreased to 21 (2017: 31). These changes are the result of an increase in reported landlord energy consumption relating to void properties and, in some cases, full annual energy data becoming available for the first time. This means that the routine for monitoring ESG risks and issues at the asset level has been intensified for those properties which have moved up in the classification system this year. One of the driving criteria in the Asset Classification System is the EPC rating of the properties. The distribution of EPC ratings relative to income value and floor area has remained fairly consistent with 2017. Whilst this is an ongoing commitment, our comprehensive and diligent approach has ensured that it has been fulfilled for 2018.
Where assets have been classified, undertake RPI Appraisals of all Tier 1 assets by end of 2017, Tier 2 assets by end of Q2 2018 and Tier 3 assets by end of Q4 2018. Asset Business Plans to be updated to reflect the findings of the RPI Appraisals. Appraisals to be kept updated on an annual basis.		RPI Appraisals have been reviewed and updated for all properties in 2018, with a continued focus on the ESG factors that are considered material to investment performance, either because they could suppress rental growth and/or capital appreciation during the hold period, or because they might impact on future liquidity and the realisation of value at the point of exit. The effect of these updated RPI Appraisals on the profile of ESG characteristics for the portfolio is presented in the 2018 Responsible Property Investment Report. This shows particular advancement in the delivery of Building Manager ESG training and a slight increase in current contamination risk. Greater precision is also provided on the number of directly managed assets in which HCFCs are present, following a more detailed review undertaken by Building Managers.

ESG Commitment	Status in 2018	What we are doing about it
Undertake RPI Appraisals on 100% of new acquisitions prior to transaction closure, with investment critical findings reported to the Property Investment Committee and relevant findings and improvement recommendations incorporated into the Asset Business Plan.	✓	Units 2 & 4 at Estuary Business Park, Liverpool were acquired in May 2018. The RPI appraisals were completed and highlighted low-negligible flood risk, moderate-low contamination risk and strong energy credentials for construction specification.
Portfolio – Attendance to material ESG performance and risk factors across the portfolio		
Using aggregated data from asset-level RPI Appraisals, prepare an annual report to shareholders on the exposure of the portfolio to key ESG risks including those pertaining to energy (including MEES), water, waste, flooding contamination, accessibility and building certification.	✓	The 2017 Responsible Property Investment Report was published and presented to key shareholders. This was the inaugural such report for the Company and is to be followed-up by the 2018 Responsible Property Investment Report, which will be available on the Company website in Q2 2019.
Establish year-on-year intensity-based energy, carbon, water and waste reduction targets for landlord services against an appropriate baseline.	✓	Early in 2018, we set asset-specific energy reduction targets for the portfolio and these were confirmed in the 2018 Interim Report, together with our annual water use reduction target of 1% for directly managed assets. Since then, we have improved our data collection processes for waste, and have set a target for eliminating landlord-managed waste to landfill by the end of 2020. We have set these new targets out separately below so that progress can be evaluated against each individually.
Reduce landlord energy consumption on a like-for-like basis during 2018 by 3.6%.	+	Progress against these new targets will be reported in our 2018 Responsible Property Investment Report, to be published following the completion of independent assurance of our energy data by Lucideon.
Reduce water consumption in directly managed assets by 1.0% on a like-for-like basis during 2018.	+	
Eliminate landlord-managed waste to landfill by the end of 2020.	+	
Set a long-term (2030 or beyond) target for energy (and carbon) reduction according to a recognised science-based targets methodology.	✓	Our long-term target of reducing the energy intensity of the portfolio was confirmed in the 2018 Interim Report. This new target, identified separately below, has been developed in line with the Sectoral Decarbonisation Approach, with the advice of energy and carbon management specialist, Verco Advisory Services. We continue to await formal acceptance of our target from the Science Based Targets Initiative, having submitted our evidence in August 2018.
Reduce the energy intensity of the portfolio by 20% per square meter by 2031, against a 2016 baseline, for landlord-procured energy.	+	Progress against this new target will be reported in our 2018 Responsible Property Investment Report, to be published following the completion of independent assurance of our energy data by Lucideon.
Establish a basis for measuring occupier wellbeing and satisfaction across the portfolio and set targets by 2020 for improved performance in this regard.	✓	We have commenced a pilot occupier satisfaction survey programme with the support of specialist customer experience consultancy, Real Service. However, restrictions imposed under GDPR have resulted in a protracted timetable for occupier engagement. We hope to be able to disclose the results of this initial survey, together with our response to them, later in 2019.
Have in place 100% renewable electricity supplies for all landlord-procured power by the end of 2018.	✓	We renewed landlord electricity supply contracts in Q3 2018 for the vast majority of the portfolio, resulting in >98% of supplies by consumption being from certified renewable energy sources. There are a small number of supply contracts at St Christopher's Place, procured by a third-party intermediary, which have yet to be renewed and which account for ~1.8% of all supplies by consumption for the portfolio. These were not captured in the contract renewal due to the cost of early break penalties, but the Company continues to establish the optimum time to renew such contracts and will provide a status update later in 2019.

ESG Commitment	Status in 2018	What we are doing about it
Prohibit new lease contracts with organisations connected to the production, storage, distribution or use of Controversial Weapons[2]. Monitor the tenant mix of the Company on a regular basis and exercise discretion when considering leasing to organisations involved in other controversial activities and engage regularly with investors on their expectations in this regard.		We continue to monitor our tenant mix as part of our commitment to minimising our leasing exposure to organisations connected to the production, storage, distribution or use of Controversial Weapons. 0% (zero percent) of rental income was attributed to organisations that appear on the exclusions list managed by BMO Global Asset Management for the duration of 2018.
Transparency – Approach to investor reporting and public disclosure on relevant ESG factors		
Submit the Minimum tier questionnaire of the CDP General Climate module in 2019 and the Full tier from 2020 onwards, whilst investigating the potential to submit across the Water and Supply Chain modules.		The Property Manager completed the minimum tier of the CDP General Climate module questionnaire. A full tier submission will be made in 2019 and the outcome reported to shareholders.
Align Non-Financial Reporting to the 3rd Edition of the EPRA Sustainability Best Practice Recommendations. Include summary of performance measures in the 2018 Annual Report, linked to full ESG disclosure on the Company's website.		Our 2017 Responsible Property Investment included a near-comprehensive disclosure of ESG performance for the Company aligned with EPRA Sustainability Best Practice Recommendations, including like-for-like trends for 2016-2017. A 2018 Responsible Property Investment Report is currently being prepared and will be available from Q2 2019. This year, the scope of the Report will be further expanded, and will include waste data where possible. Furthermore, the absolute energy and emissions data will be subject to independent assurance by Lucideon in accordance with ISO-14064-3.
Produce in the 2018 Annual Report a 'routemap' towards financial reporting in line with the recommendations of the Financial Stability Board (FSB) Task Force on Climate-Related Financial Disclosures (TCFD).		We have continued to advance our approach to addressing climate risk across our portfolio and through our investment processes during 2018. Disclosures aligned to the TCFD recommendations are set out in detail in our 2018 Responsible Property Investment Report, along with a statement of intended actions for 2019 and beyond which are intended to further develop the precision of our analysis of, and response to, climate risks and opportunities. In summary, the Company will continue to receive regular progress updates from the Manager on climate related risks, whilst in 2019 it expects to receive an expert consultant's report on the exposure of the portfolio to physical risk and potential financial implications in the short, medium and longer terms. This will include scenario-based risk modelling and an assessment of portfolio resilience, the findings of which will be incorporated into future investment strategy following due consideration by the Board. In the meantime, the Company will continue to incorporate climate risk as part of its management strategy but will look to further enhance its approach to taking longer term climate risk factors into account. The metrics and targets currently being disclosed in the Company's RPI Report may be refined to reflect risk adaptation and migration metric as relevant to expenditures and revenues.
Provide six-monthly dashboard and commentary updates to shareholders on key ESG attributes for the portfolio.		Our 2017 Responsible Property Investment Report established a baseline against which we will report to shareholders, on a six-monthly basis, the evolving profile of ESG characteristics that will occur as a result of portfolio churn, management action and changing external circumstances. The 2017 Report was released towards the end of 2018, with the 2018 Report, due for release in Q2 2019, providing shareholders with an update across the full range of ESG metrics. Thereafter, a summary of notable changes will be presented to shareholders alongside the 2019 Interim Report.

1 An Asset Classification System based on regulatory and performance-related energy risks is used by the manager as a means of prioritising and targeting resources at those assets for which the ESG risks and potential enhancement opportunities are likely to be greatest.

2 Including cluster munitions, anti-personnel mines and biochemical weapons as covered by the 1972 Biological and Toxic Weapons Convention, the 1997 Chemical Weapons Convention, the 1999 Anti-Personnel Mine Ban Convention, and the 2008 Convention on Cluster Munitions.

Spotlight on
Cassini House, London

A multi-million pound refurbishment of prime West End office premises to provide fresh modern communal areas within the building and attractive quality workspace for leasing.

Creative solutions and sympathetic design

With a lease expiry on the horizon, the landlord engaged with its major tenant, Artemis, negotiating a new 15-year lease for over half the space in the building, whilst concurrently implementing a comprehensive refurbishment of the remaining offices and the common parts and facilities.

The design solution focussed on revitalising the asset in modern but classical style. The key objective was to provide superior workspace that felt comfortable and smart, whilst maintaining a level of sophistication throughout the common spaces and circulation areas. The design concepts for the entrance, reception and shared toilet facilities sought to capture a traditional St James's club atmosphere but with a contemporary feel. The selection of materials was inspired by the same aesthetical composition as the Artemis floors and were refurbished using the same design language throughout. The stylistic correlation was greatly achieved by using recurring key features, such as sleek elements of antique brass, polished plaster and fabric panelling.

The top three floors available for lease are designed with adaptability in mind. Each floor provides an individual level access via the secure modern newly replaced lifts, making these areas highly exclusive and personal if required. Raised access flooring provides for easier servicing and a sectional ceiling panel division can easily accommodate any partitioning requirements of a prospective tenant. The highly flexible nature of the landlord fit-out provides endless layout possibilities for any future occupier.

Sustainability and wellbeing

The project included for the full replacement of the mechanical and electrical services, replacement of the passenger lifts, full refurbishment of the reception area and common parts, provision of new showers in the basement together with greatly enhanced bicycle storage and car charging facilities. Sustainability aspects were integral to the design as demonstrated by:

- Adopting a 'slow design' approach.
- Selecting materials with inherent durability to reduce replacement frequencies and repair cycles.
- Use of natural products.
- Sourcing materials locally and ensuring manufacturers adopt responsible procurement practices.

With an increasing focus on improving individual health and wellbeing, the scheme integrates a number of features in support of this trend:

- The property is situated in the heart of a busy London street and the provision of ample cycle facilities, including plentiful racks, a bicycle repair station and generous showering facilities within the basement area should encourage and support staff electing to walk or cycle to their workplace.
- The ventilation air handling units are positioned so that their extract will not contaminate the incoming fresh air.
- All existing ductwork risers were cleaned and sterilised to recognised standards.
- All products used in the finishes are those that emit low quantities of VOC's, formaldehyde and phthalates.

Future proofing

Recognising that modern day prime office occupiers are likely to operate outside of once traditional core hours, significant emphasis was placed on the design solutions to mechanical and electrical equipment from an energy efficiency context. The following key features were realised:

- The Energy Performance Certificate rating has significantly improved from the original E rating to a high C rating.
- New fully addressable LED lighting systems with daylight dimming.
- New efficient chillers.
- Refurbished air handling units with variable speed drives.
- The constant volume 4-pipe fan coil system has been changed to a variable flow system comprising new variable speed pumps and fan coil units incorporating pressure independent control valves to achieve a system that meet the exact load requirements of the building.
- Heat meters have been installed and linked to the Building Management System to enable closer monitoring and measurement of energy usage and to inform interventions.

Property Portfolio

as at 31 December 2018

Property	Sector
Properties valued in excess of £200 million	
London W1, St. Christopher's Place Estate (footnotes 2 and 3)	Retail/Office/Alternative*
Properties valued between £100 million and £150 million	
London SW1, Cassini House, St James's Street	Office
Properties valued between £70 million and £100 million	
Newbury, Newbury Retail Park	Retail Warehouse
Properties valued between £50 million and £70 million	
Solihull, Sears Retail Park	Retail Warehouse
London SW19, Wimbledon Broadway	Retail/Alternative**
Properties valued between £40 million and £50 million	
Crawley, The Leonardo Building, Manor Royal	Office
Winchester, Burma Road	Alternative
Manchester, 82 King Street	Office
Properties valued between £30 million and £40 million	
Uxbridge, 3 The Square, Stockley Park	Office
Aberdeen, Unit 1 Prime Four Business Park, Kingswells	Office
Aberdeen, Unit 2 Prime Four Business Park, Kingswells	Office
Rochdale, Dane Street	Retail
Chorley, Units 6 & 8 Revolution Park	Industrial
Daventry, Site E4, Daventry International Rail Freight Terminal	Industrial
Bristol, One Cathedral Square (footnote 1)	Office
Birmingham, Unit 8 Hams Hall Distribution Park	Industrial
Liverpool, Unit 1, G. Park, Portal Way	Industrial
Properties valued between £20 million and £30 million	
Glasgow, Alhambra House, Wellington Street	Office
Aberdeen, Unit 3 Prime Four Business Park, Kingswells	Office
East Kilbride, Mavor Avenue	Retail Warehouse
Birmingham, Unit 10a Hams Hall Distribution Park	Industrial
London SW1, 2/4 King Street	Office
London W1, 17a Curzon Street	Office
Properties valued between £10 million and £20 million	
Reading, Thames Valley One, Thames Valley Park	Office
London W1, 16 Conduit Street (footnote 1)	Retail
Camberley, Watchmoor Park, Buildings A and C	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 (footnote 1)	Industrial
Birmingham, Unit 6a Hams Hall Distribution Park	Industrial
Southampton, Upper Northam Road, Hedge End	Industrial
Colchester, Ozalid Works, Cowdray Avenue	Industrial
Camberley, Affinity Point, Glebeland Road	Industrial
Edinburgh, Nevis/Ness Houses, 11/12 Lochside Place	Office
Properties valued under £10 million	
Liverpool, Units 2 & 4, Hurricane 47, Estuary Business Park (footnote 1)	Industrial
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 9, St. Christopher's Place Estate is treated as more than one property.

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

** Mixed use property of retail and leisure.

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 the Salters' Management Company and Hanseatic Asset Management LBG.

Other public company directorships: Ruffer Investment Company.

Paul Marcuse FRICS

Status: Independent non-executive Director

Date of appointment: 12 January 2017

Country of residence: UK

Experience: Paul Marcuse has over 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. His non-executive roles currently include non-executive Chairman of the Management Board of the Royal Institution of Chartered Surveyors and non-executive Chairman of BizSpace Holdings Limited.

Other public company directorships: None.

Trudi Clark FCA

Status: Independent non-executive Director and Chairman of the Audit and Risk 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: River and Mercantile UK Micro Cap Investment Company Limited, Alcentra European Floating Rate Income Fund Limited, The Schiehallion Fund Limited and NB Private Equity Partners Limited.

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: Breedon Group plc and Ceiba Investment Limited.

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.

David Preston ACA

Status: Independent non-executive Director and Chairman of the Management Engagement Committee

Date of appointment: 1 May 2015

Country of residence: Guernsey

Experience: David Preston is Managing Director of IQEQ (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.

John Wythe FRICS

Status: Independent non-executive Director

Date of appointment: 11 September 2018

Country of residence: UK

Experience: John Wythe has approximately 40 years' experience in the real estate industry and was until Dec 2010, a Director and Head of Fund Management of Prudential Property Investment Managers Limited, now M&G Real Estate.
He has been a Board member of the Church Commissioners and is currently Chairman of the Trustees of The Portman Estate and has a number of other Non-Executive appointments, primarily involving real estate.

Other public company directorships: None.

Directors' Report

The Directors present their report and accounts of the Group for the year ended 31 December 2018.

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 2018 as follows:

Interim Dividends 2018	Payment date	Rate per shares
Ninth interim for prior year	31 January 2018	0.5p
Tenth interim for prior year	28 February 2018	0.5p
Eleventh interim for prior year	31 March 2018	0.5p
Twelfth interim for prior year	28 April 2018	0.5p
First interim	31 May 2018	0.5p
Second interim	30 June 2018	0.5p
Third interim	31 July 2018	0.5p
Fourth interim	31 August 2018	0.5p
Fifth interim	29 September 2018	0.5p
Sixth interim	31 October 2018	0.5p
Seventh interim	30 November 2018	0.5p
Eighth interim	29 December 2018	0.5p

Three further interim dividends, each of 0.5p per share, were paid on 31 January 2019, 18 February 2019 and 29 March 2019. The twelfth interim dividend in respect of the year, of 0.5p per share, will be paid on 30 April 2019 to shareholders on the register on 12 April 2019.

Dividend Policy

As a result of the timing of the payment of the Company's monthly dividends, the Company's shareholders are unable to approve a final dividend each year. As an alternative the Board therefore proposes to put the Company's dividend policy to shareholders for approval on an annual basis. Resolution 3 which is an ordinary resolution, relates to the approval of the Company's dividend policy which is as follows: Dividends on the Ordinary Shares are payable 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 that of an investment and property company.

Directors

Biographical details of the Directors, all of whom are non-executive, can be found on pages 26 and 27.

As explained in more detail under Corporate Governance on pages 32 to 33, the Board has agreed that all Directors will retire annually. Mrs T Clark, Mr M R Moore, Mr P Marcuse will retire at the Annual General Meeting and, being eligible, offer themselves for re-election.

As Mr J Wythe has been 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 32 and 33, 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 or 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 BMO Investment Business Limited (referred to throughout this document as '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. The Investment Managers and BMO REP are both part of the BMO Asset Management plc (Holdings) group ('BMO') and, collectively, are referred to in this document as 'the Managers'. The Investment Managers were 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 3 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 comfortable 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.

Taxation

As set out in note 6 of the Accounts, the Company and its subsidiaries are exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989. No charge to Guernsey taxation will arise on capital gains.

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

The 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.

On 23 April 2019, the Company announced a proposal to take the necessary steps to join the UK REIT regime. The Group is now subject to a rising level of taxation and this will increase substantially following the announcement by the UK Government in the Autumn Budget 2017, that non-UK resident companies that have UK property income, such as the property holding subsidiaries in the Group, will be charged UK corporation tax from 6 April 2020, rather than being subject to UK income tax as they are at present.

In the light of the current and continuing increase in corporate tax the Board has determined that change is necessary to preserve the ongoing effectiveness of the group from a UK tax perspective in advance of the above changes. In addition, the Board notes that from 6 April 2019 non-resident landlords who invest in UK properties, such as the Group as it is currently structured, will be brought into the UK Capital Gains tax regime. Accordingly, the Board is proposing that the Company takes the necessary steps on behalf of the Group in order to achieve real estate investment trust ('REIT') status.

In order to facilitate the Group qualifying as a REIT, certain changes are required to the Company's articles of incorporation. These changes take account of the REIT regime, specifically the REIT rules regarding the payment of dividends to Substantial Shareholders (being a shareholder who holds 10 per cent. or more of the Company as more fully described in the circular) and the requirement that the Company and its Group is UK resident for tax purposes. An extraordinary general meeting will be held immediately prior to the Annual General Meeting on 30 May 2019 to consider these proposals, and if passed, the Company will enter the REIT regime from 3 June 2019.

The Board is fully committed to complying with applicable legislation and statutory guidelines, including the UK's Criminal Finance Act 2017, designed to prevent tax evasion in the jurisdictions in which the Company operates.

Share Structure

As at 31 December 2018 there were 799,366,108 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 2018 the Company had received notification of the following holdings of voting rights (under the Financial Conduct Authority's Disclosure and Transparency Rules):

Substantial Shareholdings	Number of Ordinary Shares Held	Percentage Held*
Aviva Group	162,585,829	20.3
Investec Wealth & Investment Limited	78,609,886	9.8

*Based on 799,366,108 Ordinary Shares in issue as at 31 December 2018.

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 the foreseeable future, which is considered 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.

Modern Slavery Act 2015

As an investment vehicle the Company does not provide goods or services in the normal course of business and does not have customers or employees. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015. The Investment Manager, however, does provide goods and services and is required to make a statement under the Modern Slavery Act 2015 which is available on the Managers website at bmogam.com.

Annual General Meeting

The Notice of the Annual General Meeting, to be held on 30 May 2019 is set out on pages 68 to 69.

Directors' Authority to Allot Shares

Resolution 10 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 23 April 2019.

Resolution 11 seeks an authority from shareholders to disapply pre-emption rights in relation to the issue of shares for cash (including by way of a sale of treasury 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 11 gives the Directors, for the period until the conclusion of the Annual General Meeting in 2020 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 23 April 2019.

The Directors will only allot new shares pursuant to the authority granted by Resolutions 10 and 11, 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 12, 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 2020 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.

Change of Name

As noted in the Chairman's Statement, the Board is proposing that the name of the Company be changed from F&C Commercial Property Trust Limited to BMO Commercial Property Trust Limited, effective 3 June 2019. The change of name requires the approval of shareholders in accordance with the Company's Articles of Incorporation. Accordingly, Resolution 13 seeks the approval of shareholders for the name change.

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.

Reappointment of Auditors

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.

Recommendation

The Directors consider that the passing of each of the resolutions to be proposed at the Annual General Meeting is in the best interests of the Company and its Shareholders as a whole and they unanimously recommend that all Shareholders vote in favour of these resolutions.

On behalf of the Board

Chris Russell
Director
23 April 2019

One Cathedral Square,
Bristol

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 July 2016 ('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 April 2016, 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-executive 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.

The following table sets out the Directors' meeting attendance in 2018.

Directors' attendance in 2018

	Board	Audit and Risk Committee	Nomination Committee	Management Engagement Committee
No. of meetings	4	3	1	1
C Russell [(1)]	4	n/a	1	1
T Clark	4	3	1	1
M R Moore	4	2	1	1
J Wythe [(2)]	1	1	n/a	n/a
P Marcuse	4	3	1	1
P Cornell	3	1	1	1
D Preston	4	3	1	1

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

[1)] C Russell is not a member of the audit and risk committee
[(2)] Appointed 11 September 2018

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 9. A management agreement between the Company and Investment Managers 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 and Risk 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 and Risk Committee

The Report of the Audit and Risk Committee is contained on pages 34 to 35.

Management Engagement Committee

The Management Engagement Committee comprises all the Directors and is chaired by Mr D Preston.

The committee reviews the appropriateness of the Managers' continuing appointment together with the terms and conditions thereof on a regular basis. It also reviews the terms and quality of service received from other service providers on a regular basis. As stated in the Remuneration Report on pages 36 to 37, 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 ensuring that plans are in place for orderly succession for appointments to the Board. 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 Committee is mindful of the recommendations of the Hampton Alexander Review "improving gender balance in FTSE Leadership", in particular the recommendation that a Board should have at least 33 per cent female representation by 2020 and this has been addressed during the latest recruitment process for the next Non-Executive Director. Whenever there are new appointments, these Directors receive an induction from the Managers and Company Secretary on joining the Board. All Directors receive other relevant training, collectively or individually, as necessary.

The Committee used an independent recruitment consultant, Cornforth Consulting, for the latest Board appointments identified in the Directors Report on page 28. The Committee interviewed a number of potential candidates after producing a short list from an extensive long list, provided by Cornforth.

The committee evaluated the balance of skills, experience and knowledge that the candidates could bring to the Board as well as giving consideration to diversity.

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

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 30 May 2019 is set out on pages 68 and 69. 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

Chris Russell
Director

23 April 2019

Report of the Audit and Risk Committee

Role of the Committee

During the year the Audit and Risk Committee comprised all the Directors except the Chairman of the Board, Mr C Russell. The Audit and Risk Committee is chaired by Mrs T Clark who is a Chartered Accountant. She qualified in 1985 and was Senior Audit Manager at KPMG. She held the position as Head of European Internal Audit for Bank of Bermuda and in 1995 moved to Schroders (C.I.) Limited as financial controller, before being promoted to Chief Executive in 2003.

The duties of the committee include reviewing the Annual and Interim Accounts, the system of internal controls, the viability of the Company 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 and Risk Committee met on three occasions during the year and the attendance of each of the members is set out on page 32. 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 and Risk 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 and approval of any such changes;
- 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 2017 to 31 October 2018 from the Managers; and
- whether the Annual Report is fair, balanced and understandable.

External Audit Process

As part of its review of the scope and results of the audit, during the year the Audit and Risk Committee considered and approved PwC's plan for the audit of the financial statements for the year ended 31 December 2018. At the conclusion of the audit, PwC did not highlight any issues to the Audit and Risk 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 39 to 43.

Non-audit services

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 and Risk Committee and any special projects must also be approved in advance. In addition to statutory audit fees of £69,000 (2017: £67,000), PwC received audit-related fees of £16,000 for the year (2017: £16,000) which related to a review of the interim financial information. The Audit and Risk 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.

Auditor assessment, independence and appointment

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 and Risk 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.

PwC have been auditor to the Group since the year ended 31 December 2016 following a tender process in November 2015. The current audit engagement partner Evelyn Brady, has now served three years. The Audit and Risk Committee recommends PwC for reappointment at the next Annual General Meeting. PwC performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

Internal Controls and Risk Management

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. The Audit and Risk Committee reviews the risk matrix on a regular basis and reports any issues to the Board. 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 and Risk Committee. The Committee has also reviewed the Managers' Report on "Internal Controls in accordance with AAF (01/06)" for the period 1 November 2017 to 31 October 2018 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 of procedures detailed above have been in place throughout the year and up to the date of approval of the Annual Report and the Audit and Risk Committee 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 Audit and Risk Committee 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.

Committee evaluation

The activities of the Audit and Risk Committee were considered as part of the Board appraisal process completed in accordance with standard governance arrangements as noted on page 32. A full evaluation was undertaken on the effectiveness, roles and responsibilities of the Committee in accordance with the Financial Reporting Council's current guidance. The evaluation found that the Committee functioned well with the right balance of membership and skills.

Trudi Clark

Chairman of the Audit and Risk Committee

23 April 2019

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

Matter	Action
Valuation of the Investment Property Portfolio The Group's property portfolio accounted for 97 per cent of its total assets as at 31 December 2018. 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 and Risk 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 and Risk Committee receives detailed verbal and written reports from PwC on this matter. PwC also attended the year-end valuation meeting.

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 2018, 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 communications from the Company's Shareholders in respect of the levels of Directors' remuneration.

Future Policy Report

The Board reviewed the Director fee levels and agreed to not increase the remuneration for 2019.

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

Annual fees for Board Responsibilities

	2019 £	2018 £
C Russell (retiring 30 May 2019)	27,764	67,000
T Clark#	49,500	49,500
M R Moore*^	59,702	49,500
J Wythe (appointed 11 September 2018)	41,250	12,554
P Marcuse**	46,047	41,250
P Cornell (retiring 30 May 2019)	17,093	41,250
D Preston (retiring 30 May 2019)	17,093	41,250
L Wilding (to be appointed 3 June 2019)	24,128	–
Total	282,577	302,304

* Appointed as Senior Independent Director on 28 May 2015
# Appointed as Chairman of Audit Committee on 25 May 2015
** To be appointed as Senior Independent Director from 30 May 2019
^ To be appointed as Chairman from 30 May 2019

It is the Board's intention that the Directors Remuneration Policy will be put to a shareholder vote at the Annual General Meeting in 2020 unless changes are made to the policy before then.

Annual Report on Directors' Remuneration

Directors' Emoluments for the Year

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

Fees for services to the Company

	2018 £	2017 £
C Russell	67,000	65,000
T Clark	49,500	48,000
M R Moore	49,500	48,000
P Niven (retired 31 May 2017)	–	16,548
J Wythe (appointed 11 September 2018)	12,554	–
P Marcuse (appointed 12 January 2017)	41,250	38,795
P Cornell	41,250	40,000
D Preston	41,250	40,000
Total	302,304	296,341

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:

Actual expenditure	2018 £'000	2017 £'000	% Change
Aggregate Directors' Remuneration	**302**	296	**2.0**
Management fee and other expenses	**14,014**	13,351	**5.0**
Aggregate Shareholder Distributions	**47,962**	47,962	**–**

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:

Directors' share interests	2018	2017
C Russell	**250,000**	250,000
T Clark	**56,200**	56,200
M R Moore	**40,687**	40,687
P Marcuse	**29,753**	–
P Cornell	**–**	–
D Preston	**–**	–
J Wythe	**–**	n/a

The Board has introduced a policy on Directors owning shares in the Company. It is deemed appropriate for all Directors to hold an investment of at least equivalent to one year's fees and Directors should be aiming to achieve this within 18 months of appointment.

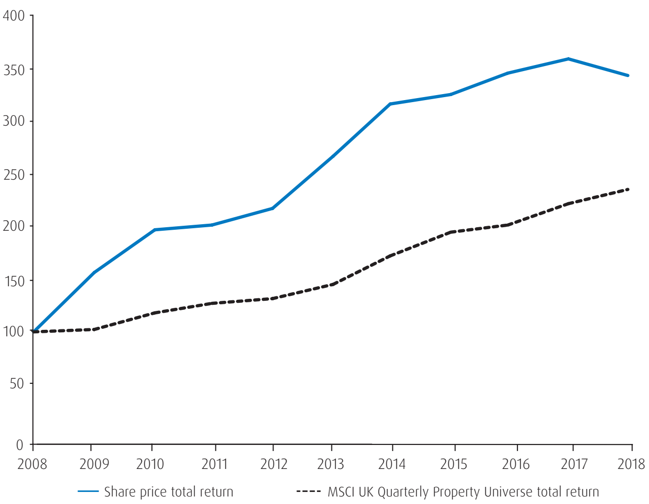
There have been no changes in the above interests since 31 December 2018.

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 9.

The graph below compares, for the ten financial years ended 31 December 2018, the total return (assuming all dividends are reinvested) to ordinary shareholders with the total return on a notional investment from the MSCI UK Quarterly Universe. This index was chosen as it is considered a comparable index. An explanation of the performance of the Company for the year ended 31 December 2018 is given in the Chairman's Statement and Managers' Review.

Share Price Total Return and the MSCI UK Quarterly Property Universe Performance Graph



Voting at Annual General Meeting

At the Company's last Annual General Meeting, held on 6 June 2018, shareholders approved the Annual Report on Directors' Remuneration in respect of the year ended 31 December 2017. 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

Chris Russell
Director

23 April 2019

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 confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate 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. 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

Each of the Directors listed on pages 26 and 27 confirm to the best of their knowledge that:

- 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; and
- the Strategic Report (comprising the Chairman's Statement, Business Model and Strategy, Principal Risks and Future Prospects, 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 financial statements and Directors' Report include details of related party transactions; and

In the opinion of the Directors:

- 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.

On behalf of the Board

Chris Russell
Director

23 April 2019

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

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 2018, 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 2018;
- 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 ethical requirements that are relevant to our audit of the consolidated financial statements of the Group, as required by the Crown Dependencies' Audit Rules and Guidance. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality

- Overall Group materiality was £14.4 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. Our audit opinion covers the consolidated financial statement of the Group.
- We conducted our audit of the consolidated financial statements based on information provided by the appointed service providers to the Group to whom the board of directors has delegated the provision of certain functions, including BMO Investment Business Limited (the "Investment Manager"), BMO REP Asset Management plc (the "Property Manager") and CBRE Limited (the "External Property Valuer" or the "Valuer").
- We carried out our audit work in Guernsey and UK.

Key audit matters

- Valuation of Investment Properties as at 31 December 2018
- 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 the directors 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 Report on Internal Controls available on the Property Manager as well as our enquiries over controls during the audit, however our approach remained predominantly substantive in nature.

The Group is based in Guernsey and the financial statements are a consolidation of the parent company and its subsidiaries. The Group holds investment property through its subsidiaries in England and Scotland. The scope of our audit opinion covers the consolidated financial statements of the Group and not the separate financial statements of the individual subsidiaries.

We engaged our internal PwC Real Estate team to review the valuation of investment properties as internal experts. Our findings are documented in the Key Audit Matter "Valuation of Investment Properties as at 31 December 2018".

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 consolidated 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 consolidated financial statements as a whole.

Overall group materiality	£14.4 million (2017: £14.6 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. We believe our overall materiality was of a level sufficient to address the risk of material misstatement in the consolidated 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 as at 31 December 2018 The Group's Investment Properties comprise retail, office and industrial portfolios and, at £1.39 billion, represent the majority of the assets as at 31 December 2018. Please see Note 9 to the consolidated 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 RICS Valuation – Global Professional Standards 2017 (known as the "Red Book"). The Valuer used by the Group is a well-known chartered surveyor, with experience in the markets in which the Group operates.	**Objectivity and experience of the Valuer** We assessed the Valuer's independence, 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. 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 2018.

Key audit matter	How our audit addressed the key audit matter
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. The Valuer then applies 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 Valuer, adjusted for lease incentives.	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 reviewed the property specific information supplied to the Valuer by the Group, on a sample basis, to test whether it reflected the underlying property records held by the Group. We agreed the value of all investment properties included in the consolidated financial statements to the valuation reports prepared by the external Valuer; as at 31 December 2018. **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. No matters were identified in relation to the above procedures that impacted our overall opinion.
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 shareholders. This risk is increased in market traded companies due to market pressure to deliver results in line with market expectations. There are 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 of 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. The Investment Manager, Property Manager or Valuer are not remunerated on a performance basis.	**Substantive testing** We obtained a sample of lease agreements and tested that the associated revenue recognised in the consolidated financial statements was consistent with the contractual terms therein. An assessment was reperformed 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 tested the mathematical accuracy of the rental calculation. We also agreed the tenant turnover to independently verified financial information. We performed testing over vacant leases as at year end by agreeing the vacant properties on the tenancy schedule to supporting documents with no differences noted. We tested a sample of rental income from tenants that have entered into Company Voluntary Arrangements during the year. We tested manual journal entries made in the preparation of the consolidated financial statements at year end and manual journals to revenue nominal accounts throughout the year by agreeing them to supporting documentation to check the accuracy and validity of the journal entry. We performed procedures over cash out flows and expenses during the year to test that service providers are not receiving remuneration other than per agreed terms, therefore reducing the incentive to commit fraud in the revenue recognition process. Our work did not indicate the existence of management bias of material misstatement due to fraud in Revenue Recognition.

Other information

The directors are responsible for the other information. The other information comprises all the information included in the Annual Report and Consolidated Accounts but does not include the consolidated financial statements and our auditor's report thereon.

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 the 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 consolidated 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 Group'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 Group or to cease operations, or have no realistic alternative but to do so.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group and the wider economy.
- 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 29 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 consolidated financial statements. The going concern basis presumes that the Group 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 consolidated 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 Group'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 Group and the directors' statement in relation to the longer-term viability of the Group. 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 parent 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

24 April 2019

a) The maintenance and integrity of the F&C Commercial Property Trust Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website.

b) Legislation in Guernsey governing the preparation and dissemination of consolidated financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of **Comprehensive Income**

for the year ended 31 December

Notes		2018 £'000	2017 £'000
	Revenue		
	Rental Income	64,903	64,775
2	Other Income	1,483	–
	Total revenue	66,386	64,775
	(Losses)/gains on investment properties		
9	Unrealised (losses)/gains on revaluation of investment properties	(6,171)	52,854
9	Gains/(losses) on sale of investment properties realised	2,613	(5)
	Total income	62,828	117,624
	Expenditure		
3	Investment management fee	(7,823)	(7,692)
4	Other expenses	(6,191)	(5,659)
	Total expenditure	(14,014)	(13,351)
	Operating profit before finance costs and taxation	48,814	104,273
	Net finance costs		
	Interest receivable	6	72
5	Finance costs	(10,912)	(10,932)
		(10,906)	(10,860)
	Profit before taxation	37,908	93,413
6	Taxation	(1,510)	(703)
	Profit for the year	36,398	92,710
	Other comprehensive income		
	Items that are or may be reclassified subsequently to profit or loss		
13	Movement in fair value of effective interest rate swaps	362	457
	Total comprehensive income for the year, net of tax	36,760	93,167
7	**Basic and diluted earnings per share**	4.6p	11.6p

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 48 to 66 are an integral part of the above statement.

Consolidated **Balance Sheet**

Notes	as at 31 December	2018 £'000	2017 £'000
	Non-current assets		
9	Investment properties	**1,384,856**	1,398,894
10	Trade and other receivables	**19,344**	20,734
13	Interest rate swap	**102**	–
		1,404,302	1,419,628
	Current assets		
9	Investment properties held for sale	**23,562**	–
10	Trade and other receivables	**6,630**	3,288
11	Cash and cash equivalents	**10,127**	35,156
		40,319	38,444
	Total assets	**1,444,621**	1,458,072
	Current liabilities		
12	Trade and other payables	**(16,282)**	(18,936)
	Taxation payable	**(1,029)**	(739)
		(17,311)	(19,675)
	Non-current liabilities		
12	Trade and other payables	**(1,847)**	(1,812)
13	Interest-bearing loans	**(308,015)**	(307,675)
13	Interest rate swap	**–**	(260)
		(309,862)	(309,747)
	Total liabilities	**(327,173)**	(329,422)
	Net assets	**1,117,448**	1,128,650
	Represented by:		
14	Share capital	**7,994**	7,994
	Special reserve	**589,593**	589,593
	Capital reserve – investments sold	**1,708**	7,063
	Capital reserve – investments held	**410,237**	408,440
	Hedging reserve	**102**	(260)
	Revenue reserve	**107,814**	115,820
	Equity shareholders' funds	**1,117,448**	1,128,650
15	**Net asset value per share**	**139.8p**	141.2p

The accounts on pages 44 to 66 were approved by the Board of Directors on 23 April 2019 and signed on its behalf by:

C Russell, Director

The accompanying notes on pages 48 to 66 are an integral part of the above statement.

Consolidated Statement of **Changes in Equity**

for the year ended 31 December 2018

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 2018	7,994	–	–	589,593	7,063	408,440	(260)	115,820	1,128,650
	Total comprehensive income for the year									
	Profit for the year	–	–	–	–	–	–	–	36,398	36,398
13	Movement in fair value of interest rate swap	–	–	–	–		–	362	–	362
9	Transfer in respect of unrealised losses on investment properties	–	–	–	–	–	(6,171)	–	6,171	–
9	Gains on sale of investment properties realised	–	–	–	–	2,613	–	–	(2,613)	–
	Transfer of prior years' revaluations to realised reserve	–	–	–	–	(7,968)	7,968	–	–	–
	Total comprehensive income for the year	–	–	–	–	(5,355)	1,797	362	39,956	36,760
	Transactions with owners of the Company recognised directly in equity									
8	Dividends paid	–	–	–	–	–	–	–	(47,962)	(47,962)
	At 31 December 2018	7,994	–	–	589,593	1,708	410,237	102	107,814	1,117,448

for the year ended 31 December 2017

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 2017	7,994	127,612	831	461,150	7,068	355,586	(717)	123,921	1,083,445
	Total comprehensive income for the year									
14	Transfer to Special Reserve	–	(127,612)	(831)	128,443	–	–	–	–	–
	Profit for the year	–	–	–	–		–	–	92,710	92,710
13	Movement in fair value of interest rate swap	–	–	–	–	–	–	457	–	457
9	Transfer in respect of unrealised gains on investment properties	–	–	–	–	–	52,854	–	(52,854)	–
9	Losses on sale of investment properties realised	–	–	–	–	(5)	–	–	5	–
	Total comprehensive income for the year	**–**	**(127,612)**	**(831)**	**128,443**	**(5)**	**52,854**	**457**	**39,861**	**93,167**
	Transactions with owners of the Company recognised directly in equity									
8	Dividends paid	–	–	–	–	–	–	–	(47,962)	(47,962)
	At 31 December 2017	**7,994**	**–**	**–**	**589,593**	**7,063**	**408,440**	**(260)**	**115,820**	**1,128,650**

The accompanying notes on pages 48 to 66 are an integral part of the above statement.

Consolidated Statement of **Cash Flows**

for the year ended 31 December

Notes		2018 £'000	2017 £'000
	Cash flows from operating activities		
	Profit for the year before taxation	**37,908**	93,413
	Adjustments for:		
5	Finance costs	**10,912**	10,932
	Interest receivable	**(6)**	(72)
	Unrealised losses/(gains) on revaluation of investment properties	**6,171**	(52,854)
	(Gains)/losses on sale of investment properties realised	**(2,613)**	5
	Increase in operating trade and other receivables	**(2,054)**	(3,204)
	(Decrease)/increase in operating trade and other payables	**(2,317)**	200
	Cash generated from operations	**48,001**	48,420
	Interest received	**6**	72
	Interest and bank fees paid	**(10,551)**	(10,559)
	Taxation paid	**(1,220)**	(203)
	Net cash inflow from operating activities	**36,236**	37,730
	Cash flows from investing activities		
9	Sale of investment properties	**5,100**	–
9	Purchase of investment properties	**(5,754)**	(32,802)
	Capital expenditure on investment properties	**(12,649)**	(6,831)
	Net cash outflow from investing activities	**(13,303)**	(39,633)
	Cash flows from financing activities		
8	Dividends paid	**(47,962)**	(47,962)
13	Draw down of Barclays Loan revolving credit facility	**–**	35,000
13	Repayment of Barclays Loan revolving credit facility	**–**	(35,000)
	Net cash outflow from financing activities	**(47,962)**	(47,962)
	Net decrease in cash and cash equivalents	**(25,029)**	(49,865)
	Opening cash and cash equivalents	**35,156**	85,021
	Closing cash and cash equivalents	**10,127**	35,156

The accompanying notes on pages 48 to 66 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

(i) Statement of compliance

The consolidated accounts have been prepared and approved in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS'), interpretations issued by the International Financial Reporting Standards Committee, applicable legal and regulatory requirements of the Companies (Guernsey) Law, 2008 and the Listing Rules of the UK Listing Authority. The consolidated accounts give a true and fair view and are also in compliance with the Companies (Guernsey) Law, 2008.

Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for investment trust companies issued by the Association of Investment Companies ('AIC') in November 2014 and updated in February 2018 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.

(ii) Basis of preparation

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.

(iii) Use of estimates and judgements

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.

The most significant areas of estimation uncertainty and critical judgement with preparing these financial statements relate to the fair value of investment properties. The Group uses external professional valuers to determine the relevant amounts. The policy for the fair value valuations is set out in notes 1f and 9 and further information on Board procedures is contained in the Report of the Audit and Risk Committee.

(iv) Going concern

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 the foreseeable future, which is considered to be 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.

(v) Changes in accounting policies

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:

- IFRS 9, 'Financial instruments'
- Transfers to Investment Property – Amendments to IAS 40, and
- Annual improvements 2014 – 2016 cycle

The new standards listed above did not have any impact on the amounts and are not expected to significantly affect futures periods.

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes changes to the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

The adoption of IFRS 9 did not result in any change to the classification or measurement of financial instruments in ether the current or prior period. The Group's investments remain classified as fair value through profit or loss. Under IAS 39 the Group's carried its investments at fair value through profit or loss under a designation option; on adoption of IFRS 9, investments are mandatorily classified as fair value through profit or loss.

1. Accounting policies (continued)

(a) Basis of accounting (continued)

(vi) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019, 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:

- IFRS 16, 'Leases' was issued in January 2016 and was endorsed by the EU on 31 October 2017. 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 Directors have assessed the requirements of IFRS 16 and determine that there will be no material impact on its current accounting practices.
- Amendments to IFRS 3, Business Combinations – The IASB published an amendment to the requirements of IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendment clarifies the definition of a business, as well as provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after 1 January 2020 with earlier application permitted. There will be no impact on transition since the amendments are effective for business combinations for which the acquisition date is on or after the transition date.
- IFRIC 23, Uncertainty over Income Tax Treatments - In June 2017, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) Interpretation 23, Uncertainty over Income Tax Treatments, which clarifies the application of recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The Group is in the process of assessing the impact of this new interpretation.

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

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 31 December each year. Subsidiaries are those entities, including special purpose entities, controlled by the Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

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

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

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.

1. Accounting policies (continued)

(b) **Basis of consolidation (continued)**

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 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.

1. Accounting policies (continued)

(f) Investment properties (continued)

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 Comparison Method uses data from recent market transactions and is mainly used for the fair value calculation of residential properties.

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 less selling costs.

(g) Investments

Investment of indirect property funds are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value. After initial recognition, investment of indirect property funds 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.

Financial assets designated as at fair value through the Consolidated Statement of Comprehensive Income are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Unlisted indirect property funds fair value is determined based on the criteria set out in IFRS 9.

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

(h) Fair value measurement

Assets and liabilities within the hierarchy designated as fair value through profit or loss are measured at subsequent reporting dates at fair value. Accounting standards recognise a hierarchy of fair value measurements for assets and liabilities within the hierarchy 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 within the hierarchy 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 hedge the interest 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 are included in Level 3.

The Company measures financial instruments, 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 13. 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.

1. Accounting policies (continued)

(i) **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 Consolidated 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.

(j) **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.

(k) **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. The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all applicable trade receivables.

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

(l) **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.

(m) **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.

(n) **Reserves**

Share capital

Under the Company's Articles of Incorporation, the Company may issue an unlimited number of Ordinary Shares. Subject to the solvency test contained in the Companies (Guernsey) Law, 2008 being satisfied, ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets after repayment of its borrowings and ordinary creditors. Ordinary shareholders have the right to vote at meetings of the Company. All Ordinary Shares carry equal voting rights.

Special reserve

The Special Reserve is a distributable reserve to be used for all purposes permitted under Guernsey Law, including the buy back of shares and payment of dividends.

The surplus of net proceeds received from the issue of Ordinary Shares over the nominal value of such shares, is credited to this account subsequent to its initial recognition in the Share Capital account.

1. Accounting policies (continued)

Capital reserve – investments sold

The following are accounted for in this reserve:

- gains and losses on the disposal of investments in indirect property funds and investment properties, including the transfer of any unrealised gains or losses now realised which were previously recognised through 'Capital Reserve – Investments Held.

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 net profit on ordinary activities after taxation, after adding back capital gains or losses, is taken to this reserve, with any deficit transferred from the Special Reserve.

2. Other Income

The Group wrote back to income an amount of £1,483,000 received from a tenant on termination of their lease on 24 June 2016 at One Thames Valley Park, Reading for dilapidation compensation which the Group did not expend prior to the derecognition as Investment Property. The property was held for sale as at 31 December 2018 and the sale completed on 24 January 2019.

3. Investment Management fee

	2018 £'000	2017 £'000
Base management fee	**7,823**	7,692

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

BMO Investment Business Limited is 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. BMO Investment Business Limited is not entitled to a performance fee.

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 BMO Asset Management plc would otherwise have received during the notice period, is made.

4. Other expenses

	2018 £'000	2017 £'000
Direct operating expenses of rental property	**4,017**	4,128
Surrender payment to lessee	**613**	80
Valuation and other professional fees	**399**	417
Directors' fees †	**302**	296
Administration fee	**151**	148
Depositary fee	**172**	166
Auditor's remuneration for:		
– statutory audit	**69**	67
– audit-related services – interim review	**16**	16
Other	**452**	341
	6,191	5,659

† An analysis of the Directors' fees is provided in the 'Directors' Emoluments for the Year' table within the Remuneration Report on page 36.

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 2018, 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.

Administration fee

BMO Investment Business Limited is entitled to an administration fee which is payable quarterly in arrears. It received £151,000 for administration services provided in respect of the year ended 31 December 2018 (2017: £148,000).

5. Finance costs

	2018 £'000	2017 £'000
Interest on the Barclays loan	**1,584**	1,443
Net interest in respect of the interest rate swap agreements	**173**	342
Interest on the L&G loan	**8,885**	8,877
Facility agent/monitoring fee	**270**	270
	10,912	10,932

6. Taxation

	2018 £'000	2017 £'000
Current income tax		
Current income tax charge	**1,510**	1,118
Adjustment to provision for prior years	**–**	(415)
Total tax charge	**1,510**	703

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:

	2018 £'000	2017 £'000
Profit before taxation	**37,908**	93,413
UK income tax at a rate of 20 per cent (2017: 20 per cent)	**7,582**	18,683
Effects of:		
Capital losses/(gain) on investment properties not taxable	**712**	(10,570)
Income not taxable, including interest receivable	**(298)**	(13)
Expenditure not allowed for income tax purposes	**2,508**	2,350
Allowable intercompany loan interest paid	**(8,445)**	(8,580)
Losses carried forward to future years	**107**	66
Utilisation of losses brought forward from prior years	**(38)**	(216)
Capital allowances claimed	**(618)**	(602)
Adjustment to provision for prior years	**–**	(415)
Total tax charge	**1,510**	703

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

The Group had unutilised tax losses carried forward of £6,149,000 (2017: £5,554,000) at 31 December 2018. 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. Earnings per share

	2018	2017
Net profit attributable to ordinary shareholders (£'000)	**36,398**	92,710
Return per share – pence	**4.6p**	11.6p
Weighted average of ordinary shares in issue during year	**799,366,108**	799,366,108

8. Dividends

	2018 Total £'000	2018 Rate (pence)	2017 Total £'000	2017 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

Dividends paid/announced subsequent to the year end were:

	Record date	Payment date	Rate (pence)
Ninth interim dividend	18 January 2019	31 January 2019	0.5
Tenth interim dividend	15 February 2019	28 February 2019	0.5
Eleventh interim dividend	14 March 2019	29 March 2019	0.5
Twelfth interim dividend	12 April 2019	30 April 2019	0.5

Although these payments relate to the year ended 31 December 2018, under IFRS they will be accounted for in the year ending 31 December 2019, being the period during which they are declared.

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

9. Investment properties

	2018 £'000	2017 £'000
Freehold and leasehold properties		
Opening fair value	1,398,894	1,306,002
Sales – proceeds	(5,100)	–
– losses on sale	(5,355)	(5)
Capital expenditure	12,649	6,831
Purchase of investment properties	5,533	33,212
Unrealised losses realised during the year	7,968	–
Unrealised gains on investment properties	37,468	68,267
Unrealised losses on investment properties	(43,639)	(15,413)
Transfer to assets classified as held for sale	(23,562)	–
Closing fair value	1,384,856	1,398,894
Historic cost at the end of the year	951,155	990,454

9. Investment properties (continued)

	2018 £'000	2017 £'000
Losses on sale	(5,355)	(5)
Unrealised losses realised during the year	7,968	–
Gains/(losses) on sales of investment properties realised	**2,613**	(5)

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

	2018 £'000	2017 £'000
Appraised value prepared by CBRE excluding assets classified as held for sale	1,405,790	1,418,612
Lease incentives held as debtors (note 10)	(20,934)	(19,718)
Closing fair value	**1,384,856**	1,398,894

The assets classified as held for sale reconciled to the appraised value as follows:

	2018 £'000	2017 £'000
Appraised value prepared by CBRE of assets classified as held for sale	24,400	–
Lease incentives held as debtors (note 10)	(538)	–
Selling costs of assets held for sale	(300)	–
Closing fair value	**23,562**	–
Historic cost at the end of the year	47,026	–

As at 31 December 2018 the Group exchanged contracts with a third party for the sale of One and Two Thames Valley Park, Reading for a price of £24.4 million. The sale completed on 24 January 2019.

All the Group's investment properties were valued as at 31 December 2018 by RICS Registered Valuers working for the company CBRE Limited ('CBRE'), commercial real estate advisors, acting in the capacity of a valuation adviser to the AIFM. 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 2018 on a fair value basis and in accordance with The RICS Valuation – Global Standards 2017. The CBRE valuation report is dated 16 January 2019 (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'. The critical assumptions made in valuing the properties are detailed in note 1(f).

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 BMO 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 BMO Asset Management plc group. The proportion of total fees payable by the BMO 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. In arriving at their estimate of appraisal values, the valuer have used their market knowledge and professional judgement and not only relied on historical transactional comparables.

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 25.

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 16.

9. Investment properties (continued)

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. The sector allocation have been reclassified as highlighted on page 16 of the Managers' Review. There has been no change to the valuation or significant unobservable inputs of the investment properties due to the reclassification.

Sector	Valuation £'000	Significant Assumption	2018 Range*	2018 Weighted Average	Reclassified 2017 Range*	Reclassified 2017 Weighted Average
Retail	**287,900** (2017: 407,550) (2017: Reclassified 285,000)	Current Rental Value per square foot ('psf') per annum	**£30 - £110**	**£87**	£30 - £102	£77
		Estimated Rental Value psf per annum	**£30 - £128**	**£102**	£30 - £120	£98
		Net Initial Yield	**2.5% - 5.1%**	**3.3%**	2.6% - 5.1%	3.1%
		Equivalent Yield	**2.9% - 5.1%**	**3.8%**	2.9% - 5.1%	3.7%
		Estimated Capital Value psf	**£552 - £3,579**	**£2,640**	£552 - £3,600	£2,555
Retail Warehouse	**188,000** (2017: 218,850) (2017: Reclassified 218,850)	Current Rental Value psf per annum	**£14 - £31**	**£23**	£14 - £30	£26
		Estimated Rental Value psf per annum	**£12 - £29**	**£24**	£12 - £29	£25
		Net Initial Yield	**4.7% - 6.8%**	**5.6%**	4.6% - 7.0%	5.3%
		Equivalent Yield	**5.4% - 7.5%**	**5.6%**	4.8% - 6.9%	5.2%
		Estimated Capital Value psf	**£193 - £477**	**£386**	£193 - £547	£467
Office	**570,740** (2017: 513,562) (2017: Reclassified 556,312)	Current Rental Value psf per annum	**£0 - £83**	**£24**	£0 - £83	£27
		Estimated Rental Value psf per annum	**£15 - £100**	**£48**	£15 - £102	£48
		Net Initial Yield	**0% - 8.1%**	**3.7%**	0% - 6.7%	4.2%
		Equivalent Yield	**3.8% - 9.1%**	**5.4%**	3.8% - 8.9%	5.6%
		Estimated Capital Value psf	**£136 - £2,200**	**£952**	£139 - £2,045	£888
Industrial	**254,850** (2017: 278,650) (2017: Reclassified 239,350)	Current Rental Value psf per annum	**£0 - £9**	**£6**	£2 - £8	£6
		Estimated Rental Value psf per annum	**£4 - £9**	**£6**	£4 - £9	£6
		Net Initial Yield	**0% - 6.6%**	**4.9%**	4.6% - 6.8%	5.3%
		Equivalent Yield	**4.8% - 10.1%**	**5.4%**	4.8% - 10.4%	5.6%
		Estimated Capital Value psf	**£84 - £187**	**£116**	£79 - £184	£111
Alternatives	**128,700** (2017: nil) (2017: Reclassified 119,100)	Current Rental Value psf per annum**	**£15 - £17**	**£15**	£14 - £17	£15
		Estimated Rental Value psf per annum**	**£15 - £16**	**£15**	£15 - £15	£15
		Net Initial Yield**	**3.9% - 5.9%**	**4.6%**	4.3% - 5.9%	4.9%
		Equivalent Yield**	**4.8% - 5.5%**	**5.0%**	5.4% - 5.5%	5.4%
		Estimated Capital Value psf**	**£271 - £1,125**	**£694**	£271 - £1,021	£633

* 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.

** Excluding residential property – valuation technique for residential property is on a comparison basis.

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 2018 arising from:	**Retail £'000**	**Retail Warehouses £'000**	**Offices £'000**	**Industrial £'000**	**Alternatives £'000**	**Total £'000**
Increase in passing rental value by 5%	**14,395**	**9,400**	**28,537**	**12,743**	**6,435**	**71,510**
Decrease in passing rental value by 5%	**(14,395)**	**(9,400)**	**(28,537)**	**(12,743)**	**(6,435)**	**(71,510)**
Increase in net initial yield by 0.25%	**(20,369)**	**(8,009)**	**(35,747)**	**(12,278)**	**(3,559)**	**(79,962)**
Decrease in net initial yield by 0.25%	**23,726**	**8,756**	**40,866**	**13,587**	**3,968**	**90,903**

Estimated movement in fair value of investment properties at 31 December 2017 arising from:	Retail £'000	Retail Warehouses £'000	Offices £'000	Industrial £'000	Alternatives £'000	Total £'000
Increase in passing rental value by 5%	14,250	10,943	27,816	11,968	5,955	70,932
Decrease in passing rental value by 5%	(14,250)	(10,943)	(27,816)	(11,968)	(5,955)	(70,932)
Increase in net initial yield by 0.25%	(21,513)	(9,903)	(31,572)	(10,777)	(3,082)	(76,847)
Decrease in net initial yield by 0.25%	25,338	10,889	35,614	11,844	3,413	87,098

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	**2018 £'000**	2017 £'000
Capital and rental lease incentive	**17,449**	18,771
Cash deposits held for tenants	**1,847**	1,812
Other debtors and prepayments	**48**	151
	19,344	20,734
Current		
Capital and rental lease incentives	**4,023**	947
Cash deposits held for tenants	**701**	508
Rents receivable (net of provision for bad debts)	**1,246**	742
Other debtors and prepayments	**660**	576
Accrued income	**–**	515
	6,630	3,288

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 £16,934,000 (2017: £14,770,000) being the prepayments for rent-free periods recognised over the life of the lease and £4,538,000 (2017: £4,948,000) 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	2018 £'000	2017 £'000
Rental deposits	**1,847**	1,812
Current		
Rental income received in advance	**9,688**	9,924
Rental deposits	**701**	508
VAT payable	**1,378**	1,477
Managers' fees payable	**2,011**	2,221
Other payables	**2,504**	4,806
	16,282	18,936

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

13. Interest-bearing loans and interest rate swap

	2018 £'000	2017 £'000
L&G loan		
Principal amount outstanding	**260,000**	260,000
Set-up costs	**(2,683)**	(2,683)
Amortisation of set-up costs	**965**	712
	258,282	258,029
Barclays loan		
Principal amount outstanding	**50,000**	50,000
Set-up costs	**(511)**	(511)
Amortisation of set-up costs	**244**	157
	49,733	49,646
Total interest-bearing loans	**308,015**	307,675

Analysis of movement in net debt

	2018 Cash and Cash equivalents £'000	2018 Interest-bearing loans £'000	2018 Net debt £'000	2017 Cash and Cash equivalents £'000	2017 Interest-bearing loans £'000	2017 Net debt £'000
Opening balance	**35,156**	**307,675**	**272,519**	85,021	307,345	222,324
Cash movement	**(25,029)**	**–**	**25,029**	(49,865)	–	49,865
Amortisation of loan set-up costs	**–**	**340**	**340**	–	330	330
Closing balance	**10,127**	**308,015**	**297,888**	35,156	307,675	272,519

£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 2018, 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;

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

£260 million L&G loan (continued)

- 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 2018, 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 £287,016,000 (2017: £292,234,000). 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

The Group entered into a £50 million five year loan facility agreement with Barclays Bank PLC ('Barclays'). The loan has a 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 was not drawn down as at 31 December 2018 (2017: £nil). The combined loan arrangement costs for the term and revolving loan facility was £1,022,000.

Interest accrues on the bank loan at a variable rate, based on 3 month LIBOR plus margin and is payable quarterly in arrears. 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 of the properties held at St. Christopher's Place Estate, London W1.

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

- the loan to value percentage does not exceed 50 per cent; and
- the interest cover is greater than 1.40 times on any calculation date.

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

Interest Rate Swap

The Group entered into a £50 million interest rate swap in connection with the 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 asset/(liabilities) in respect of the interest rate swap contract at 31 December 2018 was £102,000 (2017: £(260,000)), 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 capital risk management

Share Capital	2018 £'000	2017 £'000
Allotted, called-up and fully paid		
799,366,108 Ordinary Shares of 1p each in issue	7,994	7,994

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 (2017: nil) raising net proceeds of £nil (2017: £nil).

The Company did not repurchase any Ordinary Shares during the year (2017: £nil).

At 31 December 2018, the Company did not hold any Ordinary Shares in treasury (2017: nil).

Transfer to Special Reserve

The Share Premium reserve was the surplus of net proceeds received from the issue of new shares over the par value of such shares. As at 31 December 2017, the Share Premium reserve was cancelled and the balance credited to the Special reserve. The Reverse Acquisition reserve was created as a result of the Group reconstruction in July 2009 to reflect the differences arising between the total of the issued share capital (including the Capital Redemption reserve) immediately before and after the reconstruction. As at 31 December 2017, the Reserve Acquisition reserve was cancelled and the balance credited to the Special reserve.

The transfer and cancellation of these reserves are permitted under Guernsey Law.

14. Share capital and capital risk management (continued)

Capital risk management

The Group's capital is represented by the Ordinary Shares, 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 8 to the accounts and borrowings are set out in note 13.

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 9. 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 2018 or 31 December 2017.

15. Net asset value per share

	2018	2017
Net asset value per ordinary share – pence	139.8p	141.2p
Net assets attributable at the year end (£'000)	1,117,448	1,128,650
Number of ordinary shares in issue at the year end	799,366,108	799,366,108

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 Remuneration Report on page 37.

The Directors of the Company received fees for their services. Further details are provided in the 'Directors' Emoluments for the Year' table in the Remuneration Report on pages 36 to 37. Total fees for the year were £302,000 (2017: £296,000). No fees remained payable at the year end.

Transactions between the Company and the Manager are detailed in note 3 on management fees and note 12 on fees owed to the Manager at the balance sheet date. The existence of an independent Board of Directors demonstrates that the Company is free to pursue its own financial and operating policies and therefore, under the AIC SORP, the Manager is not considered to be a related party.

17. Financial instruments and investment properties

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 2018 was £1,246,000 (2017: £742,000). The maximum credit risk is stated after deducting an impairment provision of £41,000 (2017: £67,000).

17. Financial instruments and investment properties (continued)

As at 31 December 2018, rent receivable of £41,000 that was greater than three months overdue was fully provided for. Of this amount £nil was subsequently written off and £nil has been recovered. As at 31 December 2017 the provision was £67,000. Of this amount £25,000 was subsequently written off, £26,000 is still outstanding and £17,000 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 2018 (2017: 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.

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 2018					
Cash and cash equivalents	**10,127**	**–**	**–**	**–**	**10,127**
Cash deposits held for tenants	**701**	**213**	**478**	**1,156**	**2,548**
Rents receivable	**1,246**	**–**	**–**	**–**	**1,246**
As at 31 December 2017					
Cash and cash equivalents	35,156	–	–	–	35,156
Cash deposits held for tenants	508	357	701	754	2,320
Rents receivable	742	–	–	–	742

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 2018					
Trade and other payables	**16,282**	**213**	**478**	**1,156**	**18,129**
Interest-bearing £50m Barclays loan, interest rate swap and commitment fee	**1,581**	**1,581**	**50,746**	**–**	**53,908**
Interest-bearing £260m L&G loan	**8,882**	**8,882**	**26,646**	**268,882**	**313,292**
As at 31 December 2017					
Trade and other payables	18,936	357	701	754	20,748
Interest-bearing £50m Barclays loan, interest rate swap and commitment fee	1,581	1,581	52,327	–	55,489
Interest-bearing £260m L&G loan	8,882	8,882	26,646	277,764	322,174

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.

The table above details the total payment due to L&G, the terms of the interest-bearing loan 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 2018 the Group's cash balance was £10,127,000 (2017: £35,156,000).

17. Financial instruments and investment properties (continued)

Interest rate risk

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

The Group's exposure to interest rate risk relates primarily to its long-term debt obligations. Interest rate risk on long-term debt obligations is managed by fixing the interest rate on such borrowings, either directly or through interest rate swaps for the same notional value and duration. Long-term debt obligations and the interest rate risk they confer to the Group is considered by the Board on a quarterly basis. Long-term debt obligations consist of a £260 million L&G loan on which the rate has been fixed at 3.32 per cent until the maturity date of 31 December 2024. The Group also has a £50 million Barclays 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 was not drawn down as at 31 December 2018. 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:

	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 2018						
Financial assets						
Cash and cash equivalents	**10,127**	**–**	**–**	**10,127**	**–**	**–**
Cash deposits held for tenants	**2,548**	**–**	**–**	**2,548**	**–**	**–**
Rents receivable	**1,246**	**–**	**–**	**1,246**	**–**	**–**
Interest rate swap	**102**	**102**	**–**	**–**	**1.022**	**2.5**
Financial liabilities						
L&G loan	**258,282**	**258,282**	**–**	**–**	**3.32**	**6.0**
Barclays loan	**49,733**	**49,733**	**–**	**–**	**2.52**	**2.5**
As at 31 December 2017						
Financial assets						
Cash and cash equivalents	35,156	10,013	–	25,143	0.3	–
Cash deposits held for tenants	2,320	–	–	2,320	–	–
Rents receivable	742	–	–	742	–	–
Financial liabilities						
L&G loan	258,029	258,029	–	–	3.32	7.0
Barclays loan and interest rate swap	49,906	49,906	–	–	2.52	3.5

Apart from the L&G loan as at 31 December 2018 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 2018, it is estimated that an increase of 150 basis points in interest rates would have decreased its fair value by approximately £22,184,000 (2017: £25,831,000), and a decrease of 150 basis points would have increased its fair value by approximately £24,534,000 (2017: £28,966,000).

Considering the effect on the £50 million Barclays loan and related interest rate swap combined, it is estimated that an increase of 150 basis points in interest rates as at the balance sheet date would have decreased their fair value by approximately £1,673,000 (2017: £2,405,000), and a decrease of 150 basis points would have increased their fair value by approximately £1,915,000 (2017: £2,567,000). The carrying value of the interest rate swap asset 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 the Bank of England which was 0.75 per cent as at 31 December 2018 (2017: 0.50 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.

17. Financial instruments and investment properties (continued)

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 £152,000 (2017: £527,000). A decrease of 150 basis points would have had an equal but opposite effect. The calculations are based on the cash balances at the respective balance sheet dates.

Market price risk

The Group's strategy for the management of market price risk is driven by the investment policy as outlined within the Business Model and Strategy on page 9. 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 25. A 10 per cent increase in the fair value of the direct properties at 31 December 2018 would have increased net assets and income for the year by £143,190,000 (2017: £141,862,000). 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 £3,600,000 as at 31 December 2018 (2017: £6,800,000). These commitments related mainly to contracted development work at the Group property at Nevis and Ness Houses, Edinburgh Park.

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):

	2018 £'000	2017 £'000
Less than one year	**60,026**	60,455
Between two and five years	**206,051**	221,233
Over five years	**231,428**	262,310
Total	**497,505**	543,998

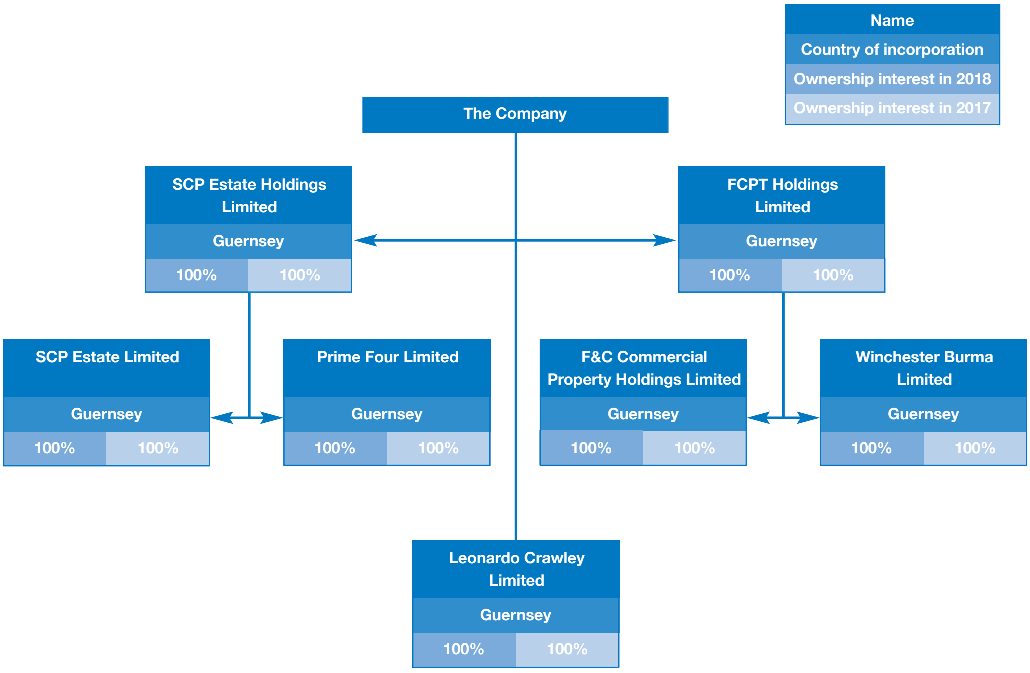
The largest single tenant at the year end accounted for 4.4 per cent (2017: 6.2 per cent) of the current annual rental income.

Unoccupied property expressed as a percentage of estimated total rental value (excluding properties under development) was 8.5 per cent (2017: 6.9 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.



The results of the above entities are consolidated within the Group financial statements.

21. Securities financing transactions (“SFT”)

The Company has not, in the year to 31 December 2018 (2017: same), participated in any: repurchase transactions; securities lending or borrowing; buy-sell back transaction; margin lending transaction; or total return swap transactions (collectively called SFT). As such, it has no disclosure to make in satisfaction of the EU resolutions on transparency of SFT, issued in November 2015.

22. Subsequent events

i) On 24 January 2019, the Group completed the sale of One and Two Thames Valley Park, Reading for a price of £24.4 million.

ii) An Extraordinary General Meeting of the Company has been called on 30 May 2019 to approve the adoption of amended articles which are required for the purposes of entry into the REIT regime (with effective date of 3 June 2019).

AIFM Disclosure

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, BMO Investment Business Limited, is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy is available from BMO 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 2018 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	300%	300%
Actual	154%	155%

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

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

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

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of F&C Commercial Property Trust Limited will be held at the offices of Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands on Thursday, 30 May 2019 at 12.30 pm for the following purposes.

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 2018 be received and adopted.
2. That the Annual Report on Directors' Remuneration for the year ended 31 December 2018 be approved.
3. That the dividend policy as set out in the Annual Report be approved.
4. That Mr J Wythe, be elected as a Director.
5. That Mrs T Clark, who retires annually, be re-elected as a Director.
6. That Mr M R Moore, who retires annually, be re-elected as a Director.
7.. That Mr P Marcuse, who retires annually, be re-elected as a Director.
8. That PricewaterhouseCoopers CI LLP be re-appointed as auditor.
9. That the Directors be authorised to determine the auditor's remuneration.
10. That, to the extent required by sections 291 (or otherwise) of The Companies (Guernsey) Law, 2008 the Directors be generally and unconditionally authorised to issue and 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:

    (a) this authority shall be limited to the allotment and issuance 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 23 April 2019 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 and issued or Rights to be granted and the Directors may allot and issue shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this ordinary resolution has expired; and

    (b) this authority is in substitution for all previous authorities conferred on the Directors in accordance with sections 291 (or otherwise) of The Companies (Guernsey) Law, 2008 but without prejudice to any allotment or issuance 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:

11. That the Directors of the Company be and they are hereby generally empowered, to allot and issue 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 contained in Article 6.2 of the Company's articles of incorporation 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 23 April 2019.

12. That the Company be authorised, in accordance with section 315 of The Companies (Guernsey) Law 2008, to make market acquisitions (within the meaning of section 316(1) of The Companies (Guernsey) Law 2008 of ordinary shares of 1p each ("Ordinary Shares") (either for retention as treasury shares for future resale or transfer, or cancellation), provided that:
    - (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 14.99 per cent of the issued Ordinary Shares on the date on which this resolution is passed;
    - (b) the minimum price which may be paid for an Ordinary Share shall be 1p (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 next Annual General Meeting of the Company after the passing of this resolution, or on 30 November 2020, 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.
13. That the name of the Company be changed to BMO Commercial Property Trust Limited, effective 3 June 2019.

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

23 April 2019

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 28 May 2019.
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 28 May 2019. Changes to entries in the register after that time shall be disregarded in determining the rights of any member to attend and vote at such Meeting.
6. As at 23 April 2019, 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 5 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 Guidance 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

Common reporting standards

Tax legislation requires investment fund companies to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated Shareholders and corporate entities who have purchased shares in investment companies. All new Shareholders, excluding those whose shares are held in CREST, who are entered onto the share register are sent a certification form for the purpose of collecting this information.

Key Information Document

The Key Information Document relating to the Company's shares can be found on its website at fccpt.co.uk. This document has been produced in accordance with EU's PRIIPs Regulations.

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 receive unsolicited investment advice or requests:

- Check the Financial Services Register from **fca.org.uk** to see if the person or firm contacting you is authorised by the FCA
- Call the Financial Conduct Authority ("**FCA**") on **0800 111 6768** if the firm does not have contact details on the Register or you are told they are out of date
- Search the list of unauthorised firms to avoid at **fca.org.uk/scams**
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme
- Think about getting independent financial and professional advice

If you are approached by fraudsters please tell the 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**.

Financial Calendar 2019/2020

30 May 2019	Annual General Meeting
September 2019	Announcement of interim results
	Posting of Interim Report
April 2020	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
31 December 2017	1,438,397	1,128,650	141.2	135.9	(3.8)	11.6	6.00	1.20
31 December 2018	**1,427,310**	**1,117,448**	**139.8**	**124.6**	**(10.9)**	**4.6**	**6.00**	**1.18**

* Includes performance fee for years 2005 to 2016. From 2017 the investment manager is not entitled to a performance fee.

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

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. This price is not identical to the NAV. If the share price is lower than the NAV per share, the shares are trading at a discount. This could indicate that there are more sellers than buyers. Shares trading at a price above the NAV per share, are said to be at a premium.

		2018 pence	2017 pence
Net Asset Value per share	(a)	139.8	141.2
Share price per share	(b)	124.6	135.9
(Discount) or Premium (c = (b-a)/a)	(c)	-10.9%	-3.8%

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

A reconciliation of dividend cover is shown below:

		2018 £'000	2017 £'000
Profit for the year		36,398	92,710
Add back: Unrealised losses / (gains) on revaluation of investment properties		6,171	(52,854)
(Gains) / losses on sales of investment properties realised		(2,613)	5
Other income		(1,483)	–
Profit before investment gains and losses	(a)	38,473	39,861
Dividends	(b)	47,962	47,962
Dividend Cover percentage (c = a/b)	(c)	80.2%	83.1%

Dividend Yield – The annualised dividend divided by the share price at the year end. An analysis of dividends is contained in note 8 to the accounts.

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

		2018 £'000	2017 £'000
Loans		310,000	310,000
Less cash and cash equivalents		10,127	35,156
Total	(a)	299,873	274,844
Total assets less current liabilities and cash	(b)	1,417,183	1,403,241
Net Gearing (c = a/b)	(c)	21.2%	19.6%

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. An additional Ongoing Charge figure is calculated which excludes direct operating property costs as these are variable in nature and tend to be specific to lease events occurring during the period.

		2018 £'000	2017 £'000
Investment management fee		7,823	7,692
Other expenses		6,191	5,659
Less surrender payment to lessee (note 4)		613	80
Total	(a)	13,401	13,271
Average net assets	(b)	1,133,347	1,108,840
Ongoing Charges (c = a/b)	(c)	1.18%	1.20%

		2018 £'000	2017 £'000
Investment management fee		7,823	7,692
Other expenses		6,191	5,659
Less direct operating property costs (note 4)		4,017	4,128
Less surrender payment to lessee (note 4)		613	80
Total (a)	(a)	9,384	9,143
Average net assets (b)	(b)	1,133,347	1,108,840
Ongoing Charges excluding direct operating property costs (c = a/b)	(c)	0.83%	0.82%

Portfolio (Property) Capital Return – The change in property value during the period after taking account of property purchases and sales and capital expenditure, calculated on a quarterly time-weighted basis. The calculation is carried out by MSCI Inc.

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. The calculation is carried out by MSCI Inc.

Portfolio (Property) Total Return – Combining the Portfolio Capital Return and Portfolio Income Return over the period, calculated on a quarterly time-weighted basis. The calculation is carried out by MSCI Inc.

Total Return – The theoretical 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.

	Net asset value	Share price
NAV/Share price per share at 31 December 2017 (pence)	141.2	135.9
NAV/Share price per share at 31 December 2018 (pence)	139.8	124.6
Change in the year	-1.0%	-8.3%
Impact of dividend reinvestments	4.3%	4.0%
Total return for the year	3.3%	-4.3%

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 UK Quarterly Property Universe.

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 BMO Investment Business Limited, and its property managers are BMO REP Asset Management plc. Further details are set out on page 15 and in note 3 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 2018 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.

Dilapidation – Repairs required during or at the end of a tenancy or 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 BMO.

BMO Investment Trust ISA
You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the 2019/20 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

BMO Junior ISA (JISA)*
You can invest up to £4,368 for the tax year 2019/20 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 BMO or another provider) to a BMO JISA

BMO Child Trust Fund (CTF)*
If your child has a CTF you can invest up to £4,368 for the 2019/20 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 a BMO CTF. Please note, the CTF has been replaced by the JISA and is only available to investors who already hold a CTF.

BMO General Investment Account (GIA)
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.

BMO Junior Investment Account (JIA)
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.

Charges
Annual management charges and other charges apply according to the type of plan.

Annual account charge
ISA: £60+VAT
GIA: £40+VAT
JISA/JIA/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%
GIA/JIA/JISA: 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 GIA, JIA and JISA.
There are no dealing charges on a CTF but a switching charge of £25 applies if more than 2 switches are carried out in one year.
Government stamp duty of 0.5% also applies on 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.
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 ensure you have read the full Terms and Conditions, Privacy Policy and relevant Key Features documents before investing. For regulatory purposes, please ensure you have read the Pre-sales cost disclosures related to the product you are applying for, and the relevant Key Information Documents (KIDs) for the investment companies you are wanting to invest into.

How to Invest
To open a new BMO plan, apply online at **bmogam.com/apply**
Note, this is not available if you are transferring an existing plan with another provider to BMO, 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@bmogam.com**

Existing Plan Holders
Call: **0345 600 3030**** (9.00am – 5.00pm, weekdays)
Email: **investor.enquiries@bmogam.com**
By post: BMO 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, The Share Centre**

BMO | A part of BMO Financial Group

BMO Asset Management Limited

Corporate Information

Directors (all non-executive)
Chris Russell (Chairman) *
Trudi Clark #
Martin Moore ‡
Peter Cornell
David Preston †
Paul Marcuse
John Wythe (appointed 11 September 2018)

Secretary
Northern Trust International Fund
Administration
Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St. Peter Port
Guernsey
Channel Islands GY1 3QL
+44 1481 745001

Alternative Investment Fund Manager ('AIFM') and Investment Managers
BMO Investment Business Limited
6th Floor
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG
+44 207 628 8000

Property Managers
BMO REP Asset Management plc
7 Seymour Street
London W1H 7BA

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

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

Guernsey Legal Advisers
Carey Olsen (Guernsey) LLP
Carey House
Les Banques
St. Peter Port
Guernsey GY1 4BZ

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

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

F&C Commercial Property Trust Limited

Annual Report and Consolidated Accounts 2018

Registered office:

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

+44 1481 745001

fccpt.co.uk

info@bmogam.com

Registrars:

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

+44 370 7020003

computershare.com

FCCPT/Ann/18