

F&C Commercial Property Trust Limited

2005

Interim report for the
period ended
30 June 2005



Company Summary

Objective

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 Manager

F&C Asset Management plc – Richard Kirby

Total Assets Less Current Liabilities

£990.7 million at 30 June 2005

Shareholders' Funds

£761.9 million at 30 June 2005

Capital Structure

At launch, on 18 March 2005, the Company had a capital structure comprising approximately 75 per cent Ordinary Shares and 25 per cent Secured Bonds.

Ordinary shareholders are entitled to all dividends declared by the Company and to all the Company's assets after repayment of its borrowings. Borrowings consist of £230 million Secured Bonds due 2017. The bonds carry interest at a fixed rate of 5.23 per cent and have an expected maturity date of 30 June 2015. If the bonds are not redeemed at this date they will carry interest at 0.60 per cent over LIBOR until the final maturity date of 30 June 2017.

Isa/Pep Status

The Company's shares are eligible for Individual Savings Accounts (Isas) and Pep transfers.

Financial Highlights and Performance Summary

- Share price increased by 12 per cent since launch
- Net asset value per share increased by 6.8 per cent from 97.0 pence at launch
- Dividend of 0.75 pence per share was paid on 29 July 2005

Total Return

	30 June 2005†
Net asset value*	6.8%
Ordinary Share price	13.2%
Investment Property Databank Monthly Index‡	5.3%
FTSE All-Share Index	4.3%

Capital Values

	30 June 2005	Launch 18 March 2005	% Change
Total assets (less current liabilities) £000's	990,742	943,288	5.0
Net asset value per share (per accounts)*	103.6p	97.0p	6.8
Net asset value per share (as announced)	103.5p	97.0p	6.7
Ordinary Share price	112.0p	100.0p	12.0
FTSE All-Share Index	2,560.2	2,476.2	3.4
Premium*	8.1%	3.1%	
Gearing‡	23.1%	24.4%	

* Net asset value (NAV), net asset value total return and (discount)/premium are calculated under International Financial Reporting Standards. A reconciliation between International Financial Reporting Standards and UK Generally Accepted Accounting Principles ("UK GAAP") and practice for investment trust companies is shown in note 5 to the accounts.

† Total return (net dividends reinvested) since launch on 18 March 2005.

§ The Investment Property Databank Monthly Index relates to the period from 1 March 2005.

‡ Gearing: Loans ÷ Total Assets (less Current Liabilities).

Sources: F&C Asset Management, Investment Property Databank (IPD), and Datastream.

Chairman's Statement

This is my first Chairman's Statement since the Company's launch in March 2005 and I extend a warm welcome to all Shareholders. I am pleased to be able to report both a successful launch and an encouraging performance from the property portfolio for the interim period to 30 June 2005.

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". The Company's progress to date in meeting this objective is set out below.

Dividends

The Company's first interim dividend of 0.75p per Ordinary Share was paid on 29 July 2005. The Company has declared a second interim dividend of 1.0p per Ordinary Share which will be paid on 28 October 2005 to Shareholders on the register on 30 September 2005.

The prospectus indicated that the Company expects to make two further dividend payments in respect of its first full accounting period to 31 December 2005, of 1.5p per Ordinary Share during January and April 2006. Dividends are expected to be paid in equal quarterly instalments thereafter. The total dividends in respect of the shortened first period are equivalent to an annual gross dividend yield of 6.0 per cent on the issue price of 100p per share (this is not a profit forecast).

Capital

The Company's net asset value per share as at 30 June 2005 was 103.6p. This represents an increase of 6.8 per cent compared to the net asset value per share at launch of 97.0p. This also compares favourably with returns from the IPD Monthly and FTSE All-Share indices of 5.3 per cent and 4.3 per cent respectively.

I am also pleased to report that since the Company's launch its shares have traded consistently above their issue price of 100p per share. The Company's share price increased to 112p during the period, an increase of 12 per cent since launch, representing a premium to net asset value of 8.1 per cent. The Company's shares have been admitted for inclusion in both the FTSE 250 and the European Public Real Estate Association (EPRA) Global Real Estate Index Series.

Shareholder Information

The Board places a strong emphasis on regular communication with shareholders and to facilitate this process a factsheet will be produced at the end of the two quarters when no accounting statements are produced. These factsheets and the financial statements will be made available on the Company's website (www.fccpt.co.uk).

The middle market share price is published daily within the *Financial Times* under "Investment Companies". Further information, including share prices and all market announcements made by the Company, is freely available through the London Stock Exchange website (www.londonstockexchange.com) under the code "FCPT".

Portfolio

The portfolio valuation increased from £925 million at launch on 18 March 2005 to £966 million as at 30 June 2005, an un-gearred uplift of 4.4 per cent. This compares favourably to a reported index growth figure of 3.2 per cent (Investment Property Databank Annual Index estimate) for the same period. This performance reflected further yield compression in all sectors and the specific asset management activity undertaken by the Managers.

The investment market continues to be buoyant. Almost £44 billion has been invested in property in the past year, 25 per cent higher than in the previous year. Yields have continued to move in with transaction yields falling to 5.7 per cent by the end of June compared to 6.1 per cent at the end of March. The second quarter saw positive rental growth recorded in all three major property sectors.

Retail Sector

Despite the slowdown in consumer spending the retail sector performed well with strong investor appetite from both institutional and private buyers for shopping centres, retail warehouses and unit shops. Total returns from the retail sector are running at 18.7 per cent over a 12 month period.

The best performing retail property in the portfolio was St Christopher's Place Estate, London W1, which saw a net uplift in value of 7.9 per cent since launch. This performance was achieved through the leasing programme and the settlement of rent reviews and lease renewals. Success has been achieved with

Chairman's Statement

realigning the tenant mix to a higher profile fashion offer with lettings to Olly & Nics, Malini, Kew and Godiva being contracted in the period with a further two units under offer. These lettings produce a contracted income of £338,750 per annum against an estimated rental value of £306,100 per annum. Two rent reviews on Oxford Street were agreed at £1,018,000 per annum which reflected an uplift on the passing rent of 15.8 per cent.

At Newbury Retail Park an outstanding rent review has been agreed at £21 per square foot (psf), an uplift of 31.3 per cent on the passing rent which increased the rental tone from £19 psf; with some yield compression the park saw a net uplift in value of 11.9 per cent. Construction has commenced on a 40,000 sq ft extension to the scheme with pre-lettings in place to Currys (15,000 sq ft at £19.25 psf) and Arcadia (15,000 sq ft at £21 psf). With strong occupier interest being shown in the vacant unit, it is hoped terms will be shortly agreed with a high profile retailer. The extension will be completed in mid December. Strong rental growth is expected from this property which is the dominant park in its location and has the benefit of an Open A1 planning consent, allowing flexibility in the leasing of the Park.

Office Sector

The office market improved sharply in 2004 and has narrowed the gap between it and the other sectors during the course of 2005. Total returns in the second quarter of 2005 were running at 17 per cent annualised and rental growth is now positive. Yields have moved in by 50 basis points during the first half of the year.

In Central London the occupier market has seen some improvement and prime locations are set to outperform. At Cassini House, London SW1 all outstanding rent reviews were agreed at between £56.00 psf – £58.50 psf resulting in an increase in rent of £38,350 per annum (£26,000 per annum above estimated rental value). The property increased in value by 11.2 per cent. At Charles House, London SW1 the regearing of two occupational leases was agreed delaying a tenant's break in one lease from June 2006 to June 2008. A co-terminus break was agreed in another lease with rent penalty and dilapidations pre-agreed. This deal extended the Company's income for a further two years, fully compensated the Company for the breaks in 2008 and provides an opportunity to refurbish the

accommodation later in the cycle. The property has increased in value by 10.5 per cent. At 2–4 King Street, London SW1 the refurbishment of the first, third and fourth floors was completed. This property was acquired off an ERV of £42.50 psf. Two floors are under offer at £58.50 and £59.50 psf respectively.

In the regions the lease renewal to Lloyds TSB at 82 King Street, Manchester was completed at a new rental level for the building at £28.50 psf, compared to an ERV of £26.25 psf at acquisition.

Industrial

Industrial property is delivering the strongest sector returns in 2005. The Company's largest holding in the sector is the Industrial Property Investment Fund which experienced second quarter NAV growth of 2.5 per cent. Asset management is focused on the Cowdray Centre, Colchester where there is an opportunity to develop a site for retail warehousing. Negotiations are progressing with a retailer to take a pre-let of this development.

There were no asset purchases or disposals during the quarter. The large tenant base of the portfolio offers opportunities to add value and to enhance income. These initiatives remain the priority for the remainder of the year.

Outlook

Forecasts for 2005 have generally been revised upwards due to the strength of investment demand. Property Market Analysis (PMA) predict a UK all property total return of 13.1 per cent for the year.

The investment fundamentals remain favourable with interest rates expected to remain low and property still favoured for its stability and diversification benefits. The Company's Managers expect some slippage in annualised total returns in the UK commercial property market to around 9 per cent over the next five years. The narrowing of sector performance and a more discriminating market will make stock selection and superior asset management increasingly important drivers of outperformance.

Peter Niven

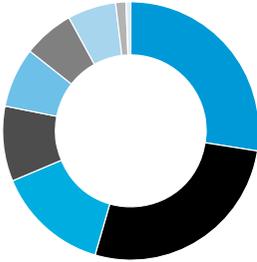
Chairman

6 September 2005

Portfolio Statistics

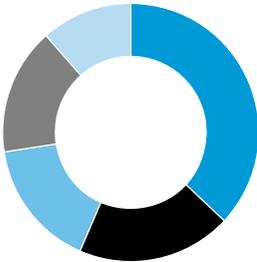
Portfolio by . . .

Geographical Analysis as at 30 June 2005



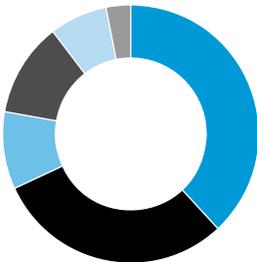
South East	27.4%
West End	26.9%
Indirect	14.4%
Eastern	9.4%
West Midlands	7.5%
North West	6.4%
Scotland	6.1%
Yorkshire and Humberside	1.3%
Rest of London	0.6%

Sector Analysis as at 30 June 2005



Offices	36.9%
Retail	19.4%
Retail Warehouse	16.1%
Industrial	16.1%
Shopping Centre	11.5%

Covenant Strength as at 30 June 2005



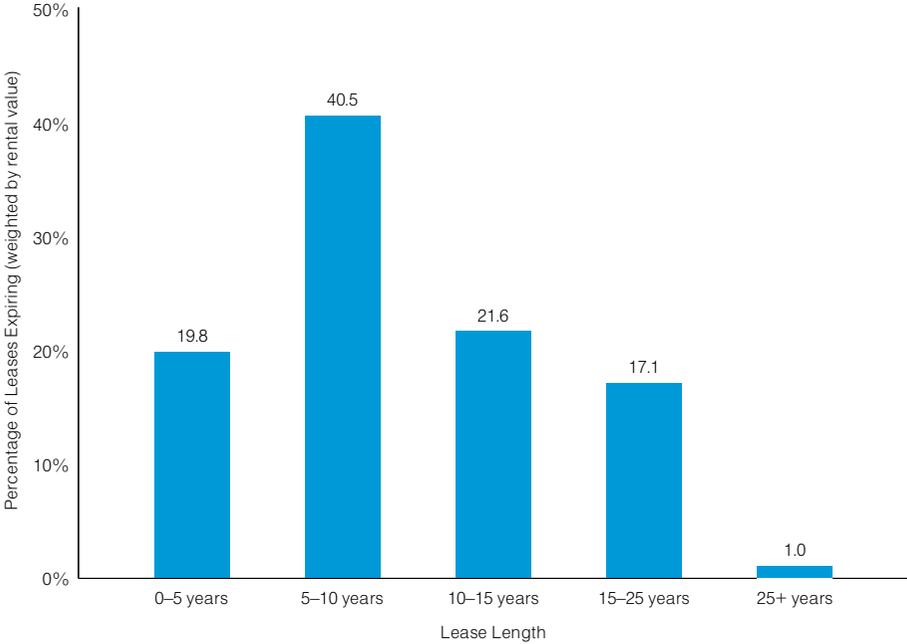
Negligible and Government Risk	38.1%
Low Risk	30.0%
Low-Medium Risk	9.7%
Medium-High Risk	11.8%
High Risk	7.3%
Unmatched	3.1%

Source: Investment Property Databank (IPD).

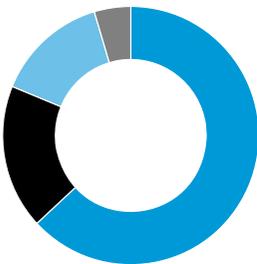
Portfolio Statistics

Lease Expiry Profile

At 30 June 2005 the average lease length for the portfolio, assuming all break options are exercised, was 10.1 years.



Tenure Analysis as at 30 June 2005



Freehold	63.0%
Mixed Freehold/Leasehold	18.0%
Indirect	14.4%
Leasehold	4.6%

Property Portfolio

Property	Market Value £'000	% of Total Assets (less current liabilities)
Industrial Property Investment Fund	97,395	9.8
London W1, St Christopher's Place Estate	93,500	9.4
Solihull, Sears Retail Park	72,240	7.3
Colchester, Lion Walk Shopping Centre	69,500	7.0
Newbury, Newbury Retail Park	54,210	5.5
London SW1, Cassini House, St James's St	52,700	5.3
London SW19, Wimbledon Broadway	48,660	4.9
Uxbridge, 3 The Square, Stockley Park	43,275	4.4
London SW1, 84 Eccleston Square	42,165	4.3
The Mall LP	41,974	4.2
Ten largest properties	615,619	62.1
Camberley, Watchmoor Park	38,200	3.9
Manchester, 82 King Street	33,100	3.3
Rochdale, Dane Street	28,650	2.9
Glasgow, Alhambra House, Wellington Street	27,700	2.8
London SW1, Charles House, 5-11 Regent Street	26,325	2.7
Reading, Thames Valley One, Thames Valley Park	25,900	2.6
Sunbury, Blocks A, D, E, F, G & H, Int Bus Centre	18,970	1.9
Reading, Thames Valley Two, Thames Valley Park	18,250	1.8
Edinburgh, 124/125 Princes Street	17,670	1.8
Colchester, The Cowdray Centre, Cowdray Ave	16,140	1.6
Twenty largest properties	866,524	87.4
London W1, 385/389 Oxford Street	15,250	1.6
Edinburgh, Nevis/Ness Houses, 11/12 Lochside Pl	13,600	1.4
London W1, 24/27 Great Pulteney Street	11,300	1.2
Leeds, 27/28 Commercial Street	10,800	1.1
Southampton, Upper Northam Road, Hedge End	10,650	1.1
London SW1, 2/4 King Street	8,000	0.8
London W1, 17A Curzon Street	7,225	0.7
Camberley, Affinity Point, Glebeland Road	6,920	0.7
Colchester, Ozalid Works, Cowdray Avenue	5,300	0.5
London EC3, 7 Birchin Lane	5,300	0.5
Thirty largest properties	960,869	97.0
London W1, 16 Conduit Street	3,150	0.3
Leeds, 40/42 Albion Street	1,590	0.2
Total property portfolio	965,609	97.5
Net current assets	25,133	2.5
Total assets (less current liabilities)	990,742	100.0

Consolidated Income Statement

(unaudited) for the period from 21 January 2005 to 30 June 2005

	Notes	2005 £'000
Revenue		
Rental income		13,551
Distribution income		228
Unrealised gain on revaluation of investment properties		39,436
Total income		53,215
Expenditure		
Set up costs		(9,440)
Investment management fee		(2,136)
Administrative fee		(27)
Valuers' and other professional fees		(143)
Directors' fees		(39)
Non-recoverable property expenses		(393)
Other expenses		(264)
Total expenditure		(12,442)
Net operating profit before finance costs		40,773
Finance costs		
Interest receivable		709
Interest payable		(3,468)
		(2,759)
Net operating profit from ordinary activities before taxation		38,014
Taxation on profit on ordinary activities		–
Net operating profit on ordinary activities after taxation		38,014
Net profit for the period		38,014
		Pence
Earnings per Ordinary Share	2	5.2

This financial information has been prepared on the basis of the accounting standards and policies set out in the placing document.

The Company was incorporated on 21 January 2005 and commenced operations on 18 March 2005.

Consolidated Balance Sheet

(unaudited) as at 30 June 2005

	Notes	30 June 2005 £'000
Investment properties		965,609
Current assets		
Trade and other receivables		2,189
Cash and cash equivalents		40,885
		43,074
Current liabilities		
Trade and other payables		(17,941)
Non-current liabilities		
Interest bearing bonds		(228,891)
Total liabilities		(246,832)
Net assets	5	761,851
Represented by:		
Share capital		661,500
Share premium		62,337
Reserves		38,014
Equity shareholders' funds		761,851
Net asset value per Ordinary Share	5	103.6p

The Interim Report was approved by the Board of Directors on 6 September 2005 and signed on its behalf by



Peter Niven
Chairman

Consolidated Statement of Changes in Equity

(unaudited) for the period from 21 January 2005 to 30 June 2005

	Notes	2005 £'000
Net profit for the period		38,014
Issue of ordinary share capital, net of issue costs		723,837
Net assets as at 30 June 2005		761,851

Consolidated Statement of Cash Flows

(unaudited) for the period from 21 January 2005 to 30 June 2005

	Notes	2005 £'000
Cash flows from operating activities		
Net operating profit for the period before finance costs		40,773
Adjustments for:		
Increase in operating trade and other receivables		(2,189)
Increase in operating trade and other payables		17,213
Increase in unrealised gain on investment properties		(39,436)
		16,361
Income tax paid		–
Interest received		709
Bank loan interest paid		(3,468)
		(2,759)
Net cash inflow from operating activities		13,602
Cash flows from investing activities		
Purchases of investment properties		(925,445)
Net cash outflow from investing activities		(925,445)
Cash flows from financing activities		
Proceeds from issue of ordinary share capital		735,000
Proceeds from issue of 5.23% Secured Bonds due 2017		230,000
Issue costs		(12,272)
Net cash inflow from investing activities		952,728
Net increase in cash and cash equivalents		40,885
Opening cash and cash equivalents		–
Closing cash and cash equivalents		40,885

Notes to the Interim Report

for the period from 21 January 2005 to 30 June 2005

1. The unaudited interim results have been prepared on the basis of International Financial Reporting Standards and the accounting policies which will be set out in the statutory accounts of the Group for the period ending 31 December 2005.
2. Earnings per Ordinary Share are based on 735,000,000 shares, being the weighted average number of shares in issue during the period.
3. Earnings for the period from 21 January 2005 to 30 June 2005 should not be taken as a guide to the results of the period to 31 December 2005.
4. A first interim dividend of 0.75p per share, equivalent to £5,512,500, was declared on 13 June 2005. The dividend was paid on 29 July 2005 to shareholders on the register at close of business on 1 July 2005. The ex-dividend date was 29 June 2005.

A second interim dividend of 1.0p per share, equivalent to £7,350,000, has been declared. The dividend will be paid on 28 October 2005 to shareholders on the register at close of business on 30 September 2005. The ex-dividend date will be 28 September 2005.

5. Reconciliation of consolidated net asset value to published net asset value

	30 June 2005 £'000	30 June 2005 Pence per share
Consolidated net asset value per accounts	761,851	103.6
Adjustments:*		
Result after taxation (excluding gains on properties)	1,422	0.2
Cash allocated to capital as permitted by SORP	(2,241)	(0.3)
Published net asset value	761,032	103.5

*The published NAV is calculated on a capital basis under UK Generally Accepted Accounting Principles ('UK GAAP') and practice for investment trust companies. In order to reconcile this to the published accounts it is necessary to add back the Company's result for the period (excluding gains on properties) and deduct those costs which would be charged to capital under UK GAAP. Costs allocated to capital for this purpose comprise management fees and bank loan interest payable, charged 60 per cent to revenue and 40 per cent to capital in recognition of the long term expected returns of the Group, as permitted by the UK Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' published in January 2003.

6. On 29 July 2005 the Royal Court of Guernsey confirmed the reduction of capital by way of a cancellation of the Company's share premium account. The amount cancelled, being £62,337,000, has been credited as a distributable reserve established in the Company's books of account and shall be available as distributable profits to be used for all purposes permitted under Guernsey law, including the buyback of shares and the payment of dividends.
7. The Group results consolidate those of F&C Commercial Property Holdings Limited, a wholly owned subsidiary which invests in properties, and F&C Commercial Property Finance Limited, a special purpose company which has issued the £230 million Secured Bonds.

Independent Review Report to F&C Commercial Property Trust Limited

Introduction

We have been engaged by the Company to review the financial information set out on pages 7 to 11 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or the conclusions we have reached.

Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those which will be applied in preparing the annual accounts.

Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 "Review of interim financial information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the period ended 30 June 2005.

KPMG Channel Islands Limited

Guernsey

6 September 2005

Corporate Information

Directors

Peter Niven (Chairman)
Donald L Adamson
John H Stephen
Brian W Sweetland
Nicholas J M Tostevin

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