F&C Commercial Property Trust Limited

2005

Annual report and accounts
for the period ended
31 December 2005

F&C Investments

Contents

This document is important and relates to certain matters on which voting action is required. Shareholders who are in any doubt as to what action to take should consult an appropriate independent adviser immediately.

If any shareholder has sold or transferred all their shares in the Company, he or she should pass this document to the person through whom the transfer or sale was effected for onwards transmission to the transferee or purchaser.

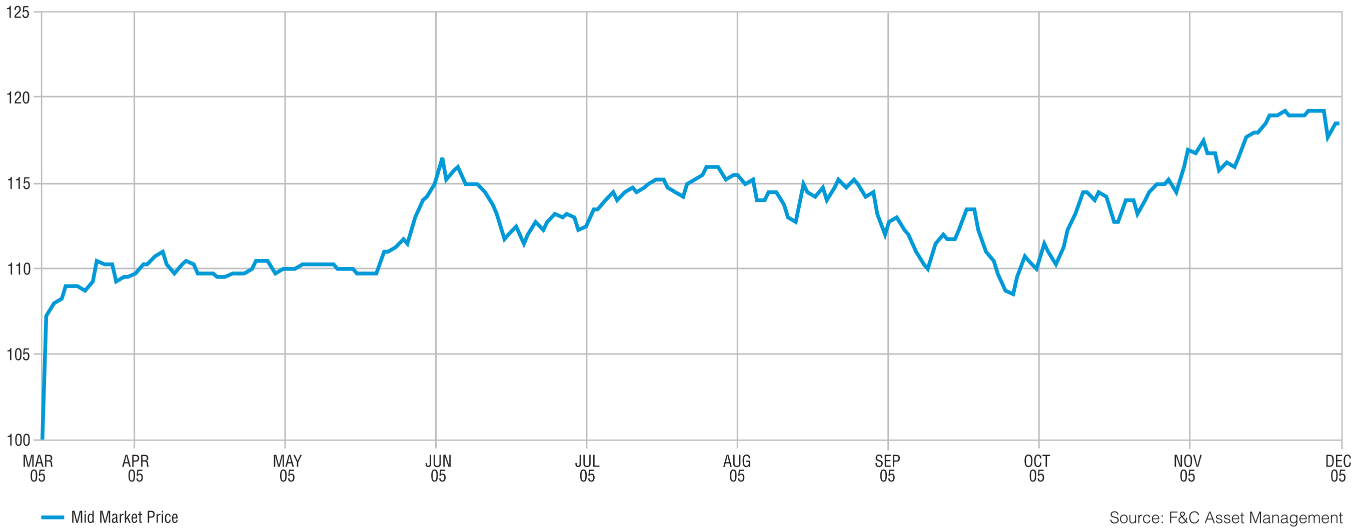
Company Summary

The Company	The Company is a closed-ended Guernsey registered investment company. Its shares are listed on the Official List of the UK Listing Authority and on the Channel Islands Stock Exchange, and traded on the London Stock Exchange and the Channel Islands Stock Exchange. It was incorporated on 21 January 2005 and launched on 18 March 2005. At 31 December 2005 total assets less current liabilities were £1,093 million and shareholders' funds were £863 million.
Objective	The investment objective of the Company is to provide ordinary shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified UK commercial property portfolio.
Management	At launch the Board appointed F&C Asset Management plc as Investment Managers. The investment management agreement is for a fixed initial four year period ending on 18 March 2009 and, with effect from 18 March 2008, may be terminated by either party by giving not less than 12 months' notice. Further details of the management contract are provided in the Notes to the Accounts.
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 per annum 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 Isas and Pep transfers.
Website	The Company's internet address is: www.fccpt.co.uk

Financial Highlights

- Share price increased by 18.5 per cent to 118.5 pence.
- Net asset value per share increased by 21.1 per cent from 97.0 pence at launch.
- Annualised dividend yield of 5.1 per cent.

F&C Commercial Property Trust Limited Share Price from Launch



Reconciliation of net asset value per accounts to published net asset value

	Total £'000	Per share Pence
Net asset value per accounts	863,458	117.5
Adjustments:		
Net profit from ordinary activities after taxation (excluding unrealised gains on revaluations of investments)	(19,034)	(2.6)
Dividends paid	12,863	1.8
Revaluation of the Industrial Property Investment Fund (received post publication of net asset value)	(395)	(0.1)
Costs allocated to capital as permitted by the SORP	(6,269)	(0.9)
Published net asset value	850,623	115.7

The published net asset value ('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 profit for the period (excluding gains on investments) and deduct those costs which would be charged to capital under UK GAAP. Costs allocated to capital for this purpose comprise management fees and 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 (the 'SORP').

From 1 January 2006, in line with developing industry practice and to aid comparison with other members of the Company's peer group, the Company intends to publish its NAV on a total return basis prepared under International Financial Reporting Standards.

Performance Summary

Total Return (from launch on 18 March 2005)

	31 December 2005
Net asset value per share*	**22.9%**
Ordinary Share price	**20.3%**
Investment Property Databank All Monthly Valued Funds†	**16.6%**
FTSE All-Share Index	**17.7%**

Capital Values

	31 December 2005	Launch 18 March 2005	% Change
Total assets less current liabilities (£000's)	**1,092,522**	943,288	+15.8
Net asset value per share (per accounts)*	**117.5p**	97.0p	+21.1
Net asset value per share (as announced)	**115.7p**	97.0p	+19.3
Ordinary Share price	**118.5p**	100.0p	+18.5
FTSE All-Share Index	**2,847.0**	2,476.2	+15.0
Premium to net asset value per share*	**0.9%**	3.1%	–
Gearing‡	**21.0%**	24.4%	–

Earnings and Dividends (from launch on 18 March 2005 to 31 December 2005)

Earnings per Ordinary Share	**20.7p**
Dividends paid per Ordinary Share	**1.75p**
Dividend yield **	**5.1%**

Total Expenses Ratio

As a percentage of average total assets less current liabilities (excluding non-recoverable property expenses of £1,701,000 and set up costs of £9,354,000 expensed under International Financial Reporting Standards)¶	**0.9%**
As a percentage of average total assets less current liabilities (excluding set up costs of £9,354,000 expensed under International Financial Reporting Standards)¶	**1.1%**

Highs/Lows (since launch on 18 March 2005)

	Highs	Lows
Net asset value per share (as announced)	115.7p	97.0p
Ordinary Share price	119.3p	100.0p
Premium (to net asset value per share as announced)	18.0%	0.7%

* Net asset value ('NAV'), net asset value total return, and premium to net asset value 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 on the previous page.

† Calculated from 1 March 2005.

‡ Gearing: Secured Bonds ÷ total assets (less current liabilities).

** Calculated on annualised dividends of 6.0p per share. An analysis of dividend payments is contained in note 6 on page 25.

¶ Calculated on an annualised basis.

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

Chairman's Statement

Peter Niven
Chairman

I would like to re-iterate the comments I made in my interim Chairman's Statement and extend a warm welcome to all Shareholders. I am pleased to be able to report on a successful launch and encouraging results for the first accounting period to 31 December 2005.

The Company was launched on 18 March 2005 with total assets of £965 million and is the largest company in its peer group. Its 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.

Results

The net asset value per share as at 31 December 2005 was 117.5p. This represents an increase of 21.1 per cent compared to the net asset value at launch of 97.0p per share. The net asset value benefited not only from the increase in the value of the property portfolio during the period, but also from the Company's geared structure. The net asset value total return for the period was 22.9 per cent which compares to a return of 16.6 per cent from the Investment Property Databank ('IPD') Monthly Index since 1 March 2005.

The share price as at 31 December 2005 was 118.5p per share, 18.5 per cent higher than the issue price of 100.0p per share, representing a premium to the net asset value of 0.9 per cent. The Company's shares have consistently traded at a premium to net asset value which is a reflection of the demand by investors for the attractive level of dividend and the quality of the property portfolio. There has been a good level of liquidity in the shares since launch despite the peer group now being much larger in size. Prior to the launch, the group comprised seven companies with an aggregate market capitalisation of £1.1 billion. As at 31 December 2005, it comprised nine companies with an aggregate market capitalisation of £2.6 billion. The level of liquidity has also been assisted by the admission of the Company's shares into the FTSE 250 Index.

The annualised dividend yield as at 31 December 2005 was 5.1 per cent which compares to 6.0 per cent at launch.

Property Market and Portfolio

2005 as a whole was a good year for the commercial property market. Total returns as measured by the IPD Monthly Index were 18.8 per cent. This was a reflection of continued strong investment demand from overseas investors and institutions which led to yield compression and an increase in capital values. There was also rental growth in all of the main property sectors.

In March, the Government announced that it had decided against introducing legislation banning upward only rent reviews. It also abolished stamp duty tax relief in disadvantaged areas.

The year saw progress towards the establishment of a UK Real Estate Investment Trust ('REIT') structure in 2007, although there are important issues still to be resolved.

The portfolio performed well during the period, with its value increasing from £925 million at launch to £1.063 billion as at 31 December 2005, an un-geared increase of 14.9 per cent. The portfolio benefited from yield compression across all the main property sectors and successful asset management activities, which are detailed in the Manager's Review on pages 7 to 8. Of particular note was the property at St Christopher's Place Estate, London, the largest direct property in the portfolio. New lettings and the refurbishment of three office suites helped increase the value of that property by 20.9 per cent to £105.3 million.

The Company's indirect exposure to properties through The Industrial Property Investment Fund and The Mall LP was also an important contributor to the performance of the portfolio. The value of these funds increased by 15.1 per cent during the period.

Dividends

The Company's first dividend of 0.75p per share was paid on 29 July 2005. A second interim dividend of 1.0p per share was paid on 28 October 2005 and a third interim dividend of 1.5p per share was paid on 27 January 2006. The Board has declared a fourth interim dividend of 1.5p per share which will be paid on 28 April 2006 to shareholders on the register on 31 March 2006.

These dividends, which total 4.75p per share, are as stated in the prospectus and represent an equivalent annual yield of 6.0 per cent on the issue price of 100.0p per share.

Chairman's Statement

It is the Board's intention that the Company will continue to pay quarterly interim dividends in January, April, July and October each year.

Gearing

At the time of the launch the Group put in place borrowings in the form of £230 million Secured Bonds due 2017. The bonds are listed on the Official List of the UK Listing Authority and have been admitted to trading on the London Stock Exchange. They have been assigned a 'Aaa' rating by Moody's Investors Services and carry interest at a fixed rate of 5.23 per cent per annum.

At launch, the bonds represented 24.4 per cent of the Company's total assets. As a result of the strong rise in the value of the portfolio since then, the level of gearing as at 31 December 2005 had reduced to 21.0 per cent.

Corporate Governance

As a Guernsey registered Company, the Company is not required to comply with the recommendations of the Combined Code on Corporate Governance. However, as stated in the prospectus, the Directors intend to comply with the Combined Code to the extent applicable to investment companies. During the period, the Board therefore put in place the necessary procedures to ensure the appropriate level of compliance. Our statement on corporate governance can be found on pages 14 and 15.

Shareholder Communication

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

The share price is published daily in 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's website (www.londonstockexchange.com) under the code "FCPT".

Outlook

Following several years of strong returns from the commercial property market, we would expect to see more modest returns in 2006. However, prospects remain attractive, with the potential for improvement in rental growth and a further fall in yields.

The Board believes that property remains attractive for its income characteristics and diversification benefits, and we remain optimistic about the prospects for shareholder returns.

Peter Niven

Chairman

20 March 2006

Investment Managers

Richard Kirby, BSc, MRICS
(Investment Manager)

Richard Kirby joined F&C Asset Management plc in 1990 and is a director of F&C Property Asset Management. He has been a fund manager since 1995 and has experience of running a number of property portfolios. He is a member of the British Council for Shopping Centres.

Investment Managers

F&C Asset Management plc ('F&C') is the diversified asset management business created on 11 October 2004 following the merger of ISIS Asset Management plc and F&C Group (Holdings) Limited. The combined business has £131 billion of funds under management (as at 31 December 2005) and is a leading asset manager in both the UK and Europe. The shares of F&C are traded on the London Stock Exchange. F&C's ultimate parent company is Friends Provident plc, whose shareholding in the Company is disclosed on page 13.

F&C provides investment management and other services to a range of investment companies. In addition, it is one of the top ten property managers in the UK, with property funds under management of £6.5 billion (as at 31 December 2005), and manages property investments on behalf of a wide range of clients including F&C Commercial Property Trust Limited, ISIS Property Trust Limited and ISIS Property Trust 2 Limited.

The F&C property team comprises 31 investment professionals. The team has a strong investment performance track record of achieving out-performance of relevant benchmarks over short, medium and long term periods.

Manager's Review

Property Market Review

The property market performed well in 2005, delivering total returns of 18.8 per cent according to the Investment Property Databank ('IPD') Monthly Index. The market was driven by the strength of investment demand with more than £50 billion invested during the year, with overseas investors and institutions especially active purchasers. This weight of money drove yields to lower levels with IPD initial yields moving in by 71 basis points during the year to 5.16 per cent. The year was characterised by a convergence in sector performance with only 1.1 percentage points separating the three main sectors.

During the period the Company's portfolio increased in value from £925 million at launch on 18 March 2005 to £1.063 billion as at 31 December 2005. This represented an un-geared uplift of 14.9 per cent. Performance was driven by yield compression in all the property sub-sectors and the asset management activity undertaken.

Retail Sector

Retail property was the best performing sector in 2005 according to the IPD Monthly Index, for the fourth consecutive year, delivering a 19.3 per cent return. The retail sector has proved remarkably resilient in the light of the slowdown in consumer spending, pressure on retailer margins and the structural changes to retailing in the United Kingdom.

The Company's retail properties produced a total return of 19.2 per cent during the period (23.4 per cent annualised to December 2005).

St Christopher's Place is the Company's largest direct property asset, representing 9.9 per cent of the portfolio valuation as at 31 December 2005. With in excess of 40 individual buildings and a diversity of income from retail, restaurant, residential and office tenants, the property offers opportunities for active asset management. The period saw new lettings to Olly & Nics, Malini, Kew, Godiva and Noa Noa. These lettings have enhanced the tenant mix on the estate and increased the rent on these lettings over the previous passing rents by 38.8 per cent. The Company completed the refurbishment of three office suites, two of which are now under offer at rents ahead of ERV. Overall the estate saw a net uplift in capital value of 20.9 per cent.

Two rent reviews on Oxford Street were agreed at £1,018,000 per annum reflecting an uplift on the passing rent of 15.8 per cent.

Newbury Retail Park has the benefit of an open A1 planning consent and we are actively seeking to exploit this to enhance the tenant mix by introducing "high street" retailers onto the park to increase rental income and capital value. The park was acquired off an ERV of £19 psf, and a rent review was subsequently settled at £21 psf, an uplift 31.3 per cent over the previous rent passing. A further rent review was settled at £22.50 psf, an uplift over the previous rent passing of 34.3 per cent, setting a new rental tone. Thereafter a surrender of a 10,000 sq ft Carpetright unit was agreed with a back to back letting to New Look contracted at £250,000 per annum compared to the previous rent passing of £172,854 per annum setting a new headline rent of £25 psf.

The Company also completed a 40,000 sq ft development on the park. Pre-lettings had been contracted with Currys (150,000 sq ft at £19.25 psf) and Arcadia (15,000 sq ft at £21 psf). A letting of the final unit is close to being agreed at a rent in excess of £26 psf. Overall the net capital increase at Newbury was 34.3 per cent.

Office Sector

The office market continued its recovery in 2005, delivering returns of 18.4 per cent, according to IPD data, with annualised returns exceeding 23 per cent in the final quarter. Almost £19 billion was invested in offices during the year of which £13 billion was in Central London where overseas investors have been prominent. The Company benefited from its overweight position in Central London offices, where the total return for the period was 20.9 per cent (25.6 per cent annualised to 31 December 2005).

In Central London, the occupier market has improved significantly with rents moving up as demand recovers and immediate new supply is limited. The Company completed the refurbishment of the first, second and fourth floors at 2-4 King Street, London SW1. Having acquired the property off an ERV of £42 psf, lettings have contracted to Afrinvest, Ferrexpo and Cedar Holdings at between rents of £58.50-£59.50 psf for 10 year leases with breaks at year five. With the settlement of a rent review and some yield compression this property increased in

Manager's Review

value by 89.6 per cent. At Charles House, London SW1, the regearing of two occupational leases completed extending the Company's income for a further two years on one lease. The Company is fully compensated for the breaks in 2008 with dilapidations and rent penalties agreed and an opportunity to refurbish the accommodation in 2008. The property has increased in value by 26.3 per cent. In the City at 7 Birchin Lane, EC3 a tenant fell into liquidation (reflected in the purchase price) vacating five office floors. Lettings were subsequently contracted with an associated company on two floors with three floors currently being refurbished to let.

A notable success in the South East office market was the re-occupation of Thames Valley One by Fujitsu/EDF and the completion of a reversionary lease for a further 3.5 years extending the term from the previous lease expiry in 2012. The property was re-valued and increased in value by 19.2 per cent.

In the Regions, rent reviews and lease renewals have been contracted at 82 King Street, Manchester. With yield compression this property increased in value by 9.0 per cent. At Alhambra House, Glasgow the rent free period on the space occupied by JP Morgan has expired thereby enhancing the income by £850,000 per annum.

Industrial

Industrial property started the year as the top performer and, although it lost its edge as the year progressed, the sector still delivered strong returns of 18.2 per cent. Rental growth was modest at 1.0 per cent but initial yields fell by 0.8 basis points according to the IPD Monthly Index. The Company's industrial properties returned 17.6 per cent during the period (21.4 per cent annualised to 31 December 2005).

The Company's largest holding in the sector is its indirect holding through the Industrial Property Investment Fund, which experienced net asset value growth per unit over the year as a whole of 14.7 per cent. This remains a core holding for the Company. At Hedge End, Southampton, rent reviews were agreed providing an uplift over the previous passing rent of £22,918 per annum.

Asset management was concentrated at Ozalid Works, Colchester where progress has been made with the Local Authority to progress planning for a retail warehouse development. The letting market at International Business Park, Sunbury remains difficult with two buildings proving difficult to let.

Purchases and Disposals

There were no purchases or disposals during the period. However, terms have been agreed for the purchase of a further holding at St Christopher's Place which is hoped will complete shortly. Other opportunistic purchases are under consideration.

Outlook

After several years of strong performance our forecast for all property returns for 2006 is approximately 10 per cent, helped by a modest improvement in rental growth together with a further slight fall in yields. Offices are expected to continue their cyclical recovery while retail may be affected by structural changes such as increased competition from supermarkets and the internet. Secondary property could be vulnerable in any market adjustment. Over the medium term returns are expected to return to more sustainable, yet respectable, levels of around 8 per cent per annum.

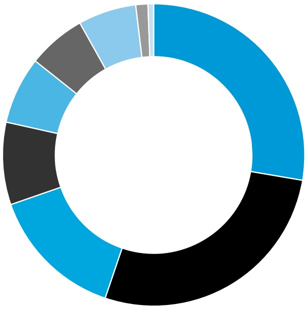
Richard Kirby

Investment Manager

20 March 2006

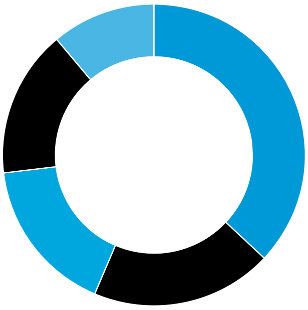
Portfolio Statistics

Geographical Analysis as at 31 December 2005



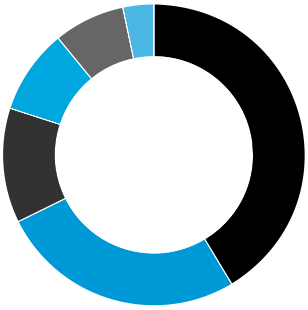
South East	**27.7%**
London – West End	**27.5%**
Indirect	**14.5%**
Eastern	**8.8%**
West Midlands	**7.2%**
Scotland	**6.2%**
North West	**6.2%**
Yorkshire and Humberside	**1.3%**
Rest of London	**0.6%**

Sector Analysis as at 31 December 2005



Offices	**37.0%**
Retail	**19.4%**
Retail Warehouse	**16.7%**
Industrial	**15.8%**
Shopping Centre	**11.1%**

Covenant Strength as at 31 December 2005



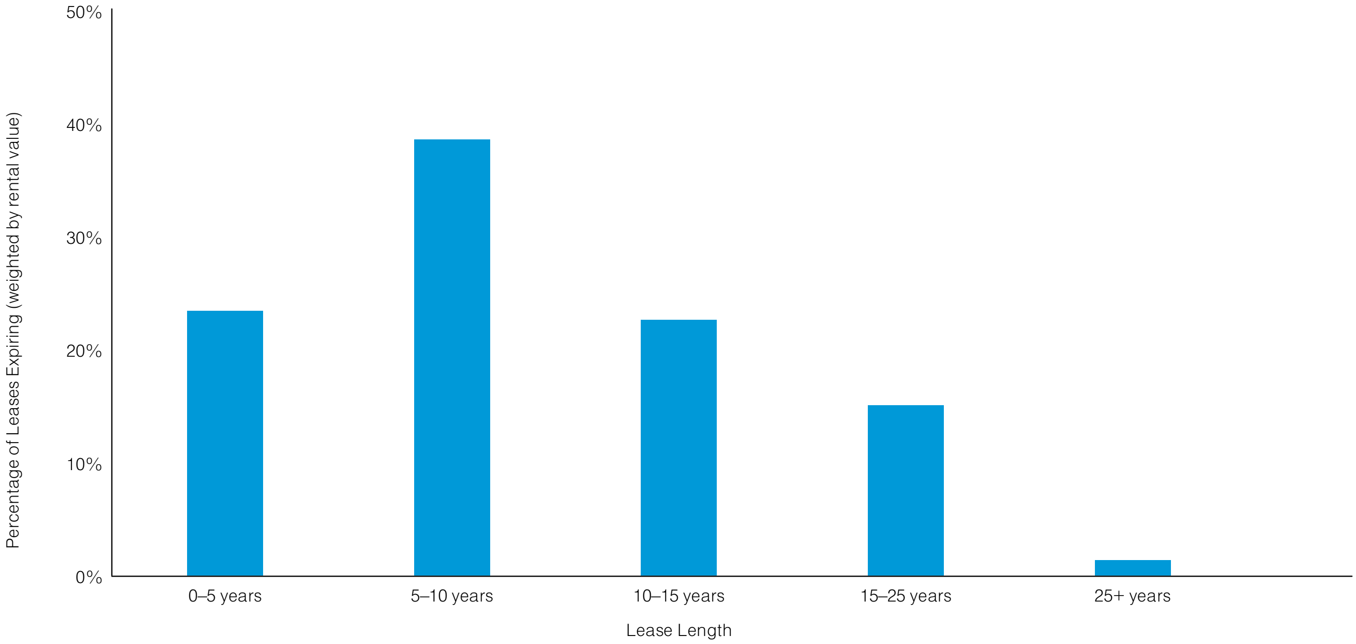
Negligible and Government Risk	**41.4%**
Low Risk	**26.3%**
Low-Medium Risk	**12.3%**
Medium-High Risk	**9.1%**
High Risk	**7.6%**
Unmatched	**3.3%**

As measured by: Investment Property Databank (IPD).

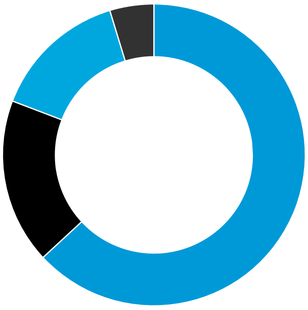
Portfolio Statistics

Lease Expiry Profile

At 31 December 2005 the average lease length for the portfolio, assuming all break options are exercised, was 9.8 years.



Tenure Analysis as at 31 December 2005



Freehold	**63.1%**
Mixed Freehold/Leasehold	**17.7%**
Indirect	**14.5%**
Leasehold	**4.7%**

Property Portfolio

Property	Sector	Book Value £'000	Initial Yield	Market Value £'000	% of Total Assets (less current liabilities)
Industrial Property Investment Fund	Industrial	93,947	6.25%	107,726	9.9
London W1, St Christopher's Place Estate†	Retail	87,029	5.20%	105,250	9.6
Solihull, Sears Retail Park	Retail Warehouse	70,720	4.81%	76,720	7.0
Colchester, Lion Walk Shopping Centre†	Shopping Centre	69,520	5.52%	71,000	6.5
Newbury, Newbury Retail Park	Retail Warehouse	51,527	3.84%	69,210	6.3
London SW1, Cassini House, St James's Street	Offices	47,400	4.75%	58,700	5.4
London SW19, Wimbledon Broadway	Retail	46,860	5.22%	52,670	4.8
The Mall LP	Shopping Centre	40,000	5.25%	46,498	4.2
London SW1, 84 Eccleston Square	Offices	42,165	6.50%	45,500	4.2
Uxbridge, 3 The Square, Stockley Park	Offices	42,550	5.75%	44,400	4.1
Ten largest property holdings		**£591,718**		**£677,674**	**62.0**
Camberley, Watchmoor Park	Offices	36,950	6.75%	40,280	3.7
Manchester, 82 King Street	Offices	32,400	5.50%	35,300	3.2
Glasgow, Alhambra House, Waterloo Street	Offices	26,950	5.90%	31,800	2.9
Rochdale, Dane Street	Retail Warehouse	28,800	4.65%	31,000	2.9
London SW1, Charles House, 5/11 Regent Street*	Offices	23,825	5.69%	30,100	2.8
Reading, Thames Valley One, Thames Valley Park	Offices	25,075	6.50%	29,900	2.7
Reading, Thames Valley Two, Thames Valley Park	Offices	17,950	6.75%	19,600	1.8
Sunbury, Blocks A,D,E,F,G,&H, International Business Centre	Industrial	18,760	5.10%	19,550	1.8
Edinburgh, 124/125 Princes Street	Retail	17,670	5.68%	18,700	1.7
Colchester, The Cowdray Centre, Cowdray Avenue	Industrial	15,440	6.57%	17,280	1.6
Twenty largest property holdings		**£835,538**		**£951,184**	**87.1**
London W1, 385/389 Oxford Street*	Retail	13,450	4.25%	16,150	1.5
Edinburgh, Nevis/ Ness Houses, 11/12 Lochside Place	Offices	13,600	6.00%	15,020	1.4
London W1, 24/27 Great Pulteney Street	Offices	10,726	6.43%	12,500	1.1
London SW1, 2/4 King Street	Offices	6,304	1.93%	11,950	1.1
Leeds, 27/28 Commercial Street†	Retail	10,650	4.35%	11,775	1.1
Southampton, Upper Northam Road, Hedge End	Industrial	10,300	6.75%	11,025	1.0
London W1, 17A Curzon Street	Offices	7,200	5.09%	8,200	0.7
Camberley, Affinity Point, Glebeland Road	Industrial	6,650	5.75%	7,520	0.7
London EC3, 7 Birchin Lane	Offices	5,151	3.82%	6,600	0.6
Colchester, Ozalid Works, Cowdray Avenue	Industrial	5,300	6.71%	5,675	0.5
Thirty largest property holdings		**£924,869**		**£1,057,599**	**96.8**
London W1, 16 Conduit Street*	Offices	3,150	4.50%	3,775	0.3
Leeds, 40/42 Albion Street	Retail	1,650	5.00%	1,745	0.2
Total property portfolio		**£929,669**		**£1,063,119**	**97.3**
Net current assets				**£29,403**	**2.7**
Total assets (less current liabilities)				**£1,092,522**	**100.0**

*Leasehold property

†Mixed freehold/leasehold property

Board of Directors

Peter Niven

(Chairman)

Aged 51, is a resident of Guernsey. He was Chief Executive of Lloyds TSB's offshore financial services division until 2004 having worked for the Lloyds TSB Group for 30 years. He is a Fellow of the Institute of Bankers, a Chartered Director and is currently the Director, Finance Sector Development for the States of Guernsey and the Chief Executive of GuernseyFinance LBG. He is a non-executive director of several other Guernsey companies including Dexion Trading Limited, a London listed fund of hedge funds.

Donald Adamson

Aged 46, is a resident of Jersey. He currently works for Research & Consulting Associates Limited, a company he established in 1989. From 1990 to 1999 he was a director and subsequently co-owner of Graham Investment Managers Limited. He is a non-executive director of The Lindsell Train Investment Trust plc, Invesco Leveraged High Yield Fund Limited, Equity Partnership Investment Company Ltd, EPIC Reconstruction PLC, Hotel Corporation PLC and other companies.

John Stephen

Aged 56, is a UK resident. He is chairman for England of Jones Lang LaSalle, real estate advisers. He is a Fellow of the Royal Institution of Chartered Surveyors and has over 30 years of property experience with Jones Lang LaSalle. He is also a director of the British Property Federation.

Brian Sweetland

Aged 60, is a UK resident. He is an English solicitor and was, until 26 May 2005, an executive director of Friends Provident plc and a member of its investment committee. He was the company secretary of Friends Provident plc for over 20 years up to the end of 2004 and was formerly a non-executive director of F&C Asset Management plc and Benchmark Group PLC.

Nicholas Tostevin

Aged 53, is a resident of Guernsey. He is an Advocate of the Royal Court of Guernsey and is the senior partner of Babbe Le Pelley Tostevin. He has given legal advice on commercial property transactions in Guernsey for over 25 years. He was a member of the Guernsey legislature, the States of Deliberation, from 1991 to 1997 and was a member of the Guernsey Income Tax Authority for six years. He is a non-executive director of a number of residential and commercial property funds investing in the UK and Europe.

Report of the Directors

The Directors present their report and accounts of the Group for the period from incorporation on 21 January 2005 to 31 December 2005.

Results and Dividends

The results for the period are set out in the attached accounts.

The Company has paid interim dividends related to the period ended 31 December 2005 as follows:

	Payment date	Rate per share
First interim	29 July 2005	0.75p
Second interim	28 October 2005	1.00p

It is the policy of the Directors to declare and pay dividends as interim dividends. The Directors do not therefore recommend a final dividend. A third interim dividend of 1.5p per share was paid on 27 January 2006 and a fourth interim dividend of 1.5p per share will be paid on 28 April 2006 to shareholders on the register on 31 March 2006.

Principal Activity and Status

The Company is a Guernsey registered company and during the period carried on business as a property investment company.

A review of the business during the period is contained in the Chairman's Statement and the Manager's Review.

Listing Requirements

Throughout the period until 30 June 2005 the Company complied with the conditions applicable to property investment companies set out in paragraphs 21.27(e) to 21.27(i) of the Listing Rules in effect at that time. On 1 July 2005, new Listing Rules were brought into effect. The Company considers that it has, since that date, complied (and intends to continue to comply) with the conditions applicable to property investment companies set out in paragraph 15.5.15R of the new Listing Rules.

Directors

The Directors who held office during the period and their interests in the shares of the Company as at 31 December 2005 (all of which were beneficial) were:

	Ordinary Shares
P Niven	20,000
D L Adamson	50,000
J H Stephen	20,000
B W Sweetland	–
N J M Tostevin	20,000

There have been no changes in the above interests between 31 December 2005 and 20 March 2006.

The Directors are also directors of F&C Commercial Property Holdings Limited, the Company's wholly owned subsidiary undertaking and of F&C Commercial Property Finance Limited, a special purpose vehicle incorporated to issue the Secured Bonds.

Biographical details of each of the Directors are shown on page 12. In accordance with the Company's Articles of Association each Director will retire at the Annual General Meeting, being the first such meeting following his appointment and, being eligible, offers himself for re-election.

As stated under Corporate Governance on page 14, an evaluation of the performance of individual Directors was not carried out during the period but will be undertaken during 2006. However, the Board believes that the performance of each Director continues to be effective and demonstrates commitment to the role.

During the period the Directors received the following emoluments in the form of fees:

P Niven	22,226
D L Adamson	16,003
J H Stephen	16,003
B W Sweetland	16,003
N J M Tostevin	16,003
Total	86,238

There are no service contracts in existence between the Company and any Directors but each of the Directors was appointed by a letter of appointment which sets out the main terms of his appointment.

Management

F&C Asset Management plc provides management services to the Company. A summary of the contract between the Company and F&C Asset Management plc in respect of management services provided is given in note 2 to the accounts.

Since the period end, the Management Engagement Committee has reviewed the appropriateness of the Managers' appointment. In carrying out the review the Committee considered the investment performance of the Company during its first accounting period and the capability and resources of the Managers to deliver satisfactory investment performance. It also considered the length of the notice period of the investment management contract and the fees payable to the Managers, together with the standard of the other services provided.

Following this review, it is the Directors' opinion that the continuing appointment of the Managers on the terms agreed is in the interests of shareholders as a whole.

Substantial Interests in Share Capital

At 20 March 2006 the following holdings representing more than 3 per cent of the Company's issued share capital had been notified to the Company.

	Number of Ordinary Shares Held	Percentage Held
Friends Provident Group	**391,900,000**	**53.3**
Standard Life Investments	**36,049,481**	**4.9**
Scottish Widows Investment Partnership	**23,000,000**	**3.1**

Report of the Directors

Corporate Governance

Guernsey does not have its own corporate governance code and, as a Guernsey registered company, the Company is not required to comply with the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 ('the Code'). However, it is the Company's policy to comply with best practice on good corporate governance that is applicable to investment companies.

Arrangements in respect of corporate governance have therefore been made by the Board, which it believes are appropriate for the Company. Except as disclosed in the following two paragraphs, the Company complied throughout the period with the provisions of the Code. Since all the Directors are non-executive the provisions of the Code in respect of Directors' remuneration are not relevant to the Company except in so far as they relate to non-executive Directors.

In view of its non-executive nature and the requirement of the Articles of Association that all Directors retire by rotation at least every three years, the Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by Code provision A.7.2, for a Senior Independent Director to be appointed as recommended by Code provision A.3.3, nor for there to be a Nomination Committee as recommended by Code provision A.4.1.

In addition, the Board did not consider it appropriate to carry out an evaluation of the Board, Committees and individual Directors during the first accounting period and the Company is therefore not able to provide the disclosure recommended by Code provision A.6.1. However, an evaluation will be undertaken during 2006.

The Board consists solely of non-executive Directors of which Mr P Niven is Chairman. Mr B W Sweetland was, until 26 May 2005, an executive director of Friends Provident plc, which is the ultimate parent company of the Company's Managers, F&C Asset Management plc. He is not therefore considered to be an independent Director and will be subject to annual re-election by shareholders. All other Directors are considered by the Board to be independent of the Company's Managers. New Directors receive an induction from the Managers and Secretary on joining the Board, and all Directors receive other relevant training as necessary.

The Company has no executive directors or employees. A management agreement between the Company and its Managers, F&C Asset Management plc, sets out the matters over which the Managers have authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing, and corporate governance procedures, are reserved for the approval of the Board of Directors. The Board currently 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 period the Audit Committee and the Management Engagement Committee have been in operation.

The Audit Committee, chaired by Mr P Niven, operates within clearly defined terms of reference and comprises all the Directors except for Mr B W Sweetland. The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual and Interim Accounts; the system of internal controls; and the terms of appointment of the auditors together with their remuneration. It is also the forum through which the auditors report to the Board of Directors and will meet at least twice yearly. The objectivity of the auditors is reviewed by the Audit Committee which also reviews the terms under which the external auditors are appointed to perform non-audit services. The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors, with particular regard to non-audit fees. Such fees amounted to £36,000 for the period ended 31 December 2005 and related to a review of the interim financial information and services in connection with the launch of the Company. Notwithstanding such services the Audit Committee considers KPMG Channel Islands Limited to be independent of the Company and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit.

The Management Engagement Committee, chaired by Mr P Niven, comprises the full Board, except for Mr B W Sweetland, and reviews the appropriateness of the Managers' continuing appointment together with the terms and conditions thereof on a regular basis. The Management Engagement Committee held its first meeting in February 2006.

The table below sets out the number of Board and Committee meetings held during the period from the Company's launch to 31 December 2005 and the number of meetings attended by each Director.

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

	Board of Directors		Audit Committee		Management Engagement Committee	
	Held	Attended	Held	Attended	Held	Attended
P Niven	3	3	1	1	–	–
D L Adamson	3	3	1	1	–	–
J H Stephen	3	3	1	1	–	–
B W Sweetland	3	2	–	–	–	–
N J M Tostevin	3	3	1	1	–	–

Report of the Directors

them in the furtherance of their duties. The Company maintains appropriate Directors' and Officers' liability insurance.

After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Environmental Policy

The Managers acquire, develop and manage properties on behalf of the Company. It is recognised that these activities have both direct and indirect environmental impacts. The Board has endorsed the Managers' own environmental policy which is to work in partnership with contractors, tenants and consultants to minimise those impacts, seeking continuous improvements in environmental performance and conducting regular reviews.

Internal Controls

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the guidance provided by the Turnbull Committee. The process is based principally on the Managers' existing risk-based approach to internal control whereby a test matrix is created that identifies the key functions carried out by the Managers and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The test matrix is regularly updated and the Board is provided with regular reports highlighting all material changes to the risk ratings and confirming the action which has been, or is being, taken. A formal annual review of these procedures is carried out by the Audit Committee and includes consideration of FRAG 21 and similar reports issued by the Managers and other service providers.

Such review procedures have been in place throughout the financial period and up to the date of approval of the Annual Report, and the Board is satisfied with their effectiveness. By their nature these procedures can provide reasonable, but not absolute, assurance against material misstatement or loss. At each Board meeting the Board monitors the investment performance of the Company in comparison to its stated objective and against comparable companies. The Board also 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 such policy and guidelines. In addition, at each Board meeting, the Board receives reports from the Secretary in respect of compliance matters and duties performed on behalf of the Company.

The Board has reviewed the need for an internal audit function. The Board has decided that the systems and procedures employed by the Managers and the Secretary, including their internal audit functions and the work carried out by the Company's external auditors, 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.

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. The Board receives regular reports on the views of shareholders and the Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Managers of the Company.

Directors' Authority to Buy Back Shares

The Company did not purchase any shares for cancellation during the period.

The current authority of the Company to make market purchases of up to 14.99 per cent of the issued Ordinary Share Capital expires at the end of the Annual General Meeting and Resolution 9, 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 2007 and 28 October 2007. 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 90p 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 5 per cent above the average of the middle market quotations for the Ordinary Shares for the five business days before the shares are purchased. Any shares purchased under this authority will be cancelled.

It is the intention of the Directors that the share buy back authority will be used to purchase Ordinary Shares (subject to the income and cash flow requirements of the Company) if the share price of an Ordinary Share is more than 5 per cent below the published net asset value for a continuous period of 20 dealing days or more. In the event that such discount is more than 5 per cent for 90 dealing days or more, the Directors will convene an extraordinary general meeting to be held within three months to consider an ordinary resolution for the continuation of the Company. If this continuation resolution is not passed, the Directors will convene a further

Report of the Directors

extraordinary general meeting to be held within six months of the first extraordinary general meeting to consider the winding up of the Company or a reconstruction of the Company which offers all Shareholders the opportunity to realise their investment. If any such continuation resolution is passed, this discount policy, save in respect of share buy backs, would not apply for a period of one year thereafter.

Auditors

KPMG Channel Islands Limited have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

Approved by the Board on 20 March 2006.

P Niven
Director

N J M Tostevin
Director

Directors' Responsibility Statement and Independent Auditors' Report

Directors' Responsibility Statement

The Directors are responsible for preparing the Directors' Report and the consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period and which are in accordance with applicable laws. In preparing those 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; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Group will not continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and which enable them to ensure that the financial statements have been properly prepared in accordance with the Companies (Guernsey) Law, 1994. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the Group and parent company financial statements (the ''financial statements'') of F&C Commercial Property Trust Limited for the period ended 31 December 2005 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 64 of The Companies (Guernsey) Law, 1994. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable Guernsey law and International Financial Reporting Standards (IFRSs) as set out in the Statement of Directors' Responsibilities above.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 1994. We also report to you if, in our opinion, the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs, of the state of the Group's and the parent company's affairs as at 31 December 2005 and of the Group's profit for the period then ended; and
- have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

KPMG Channel Islands Limited
Guernsey, Channel Islands

20 March 2006

Consolidated Income Statement

For the period from 21 January 2005 to 31 December 2005

	Notes	Group £'000
Revenue		
Rental income		**39,705**
Income from indirect property funds		**6,166**
Gains on investments		
Unrealised gains on revaluations of investment properties	8	**113,173**
Unrealised gains on revaluations of indirect property funds	8	**20,277**
Total income		**179,321**
Expenditure		
Investment management fee	2a	**(6,111)**
Set up costs		**(9,354)**
Other expenses	3	**(2,728)**
Total expenditure		**(18,193)**
Net operating profit before finance costs		**161,128**
Net finance costs		
Interest revenue receivable		**1,507**
Finance costs	4	**(9,566)**
		(8,059)
Net profit from ordinary activities before taxation		**153,069**
Taxation on profit on ordinary activities	5	**(585)**
Net profit for the period		**152,484**
Earnings per share	7	**20.7p**

The accompanying notes are an integral part of this statement.

Balance Sheets

As at 31 December 2005

	Notes	Company £'000	Group £'000
Non-current assets			
Investment properties	8	–	**908,895**
Investments in indirect property funds held at fair value	8	–	**154,224**
Investment in subsidiary undertaking	9	**933,022**	–
		933,022	**1,063,119**
Current assets			
Trade and other receivables	10	**9,300**	**4,563**
Cash and cash equivalents	11	**27,608**	**41,680**
		36,908	**46,243**
Total assets		**969,930**	**1,109,362**
Current liabilities			
Trade and other payables	12	**(1,388)**	**(16,840)**
Non-current liabilities			
Interest-bearing bonds	13	–	**(228,899)**
Deferred taxation	5	–	**(165)**
Loan from group company	14	**(228,899)**	–
		(228,899)	**(229,064)**
Total liabilities		**(230,287)**	**(245,904)**
Net assets		**739,643**	**863,458**
Represented by:			
Share capital	15	**661,500**	**661,500**
Share premium account	15	–	–
Special distributable reserve	15	**62,337**	**62,337**
Capital reserve	15	**11,115**	**133,450**
Revenue reserve	15	**4,691**	**6,171**
Equity shareholders' funds		**739,643**	**863,458**
Net asset value per share			**117.5p**

The accounts on pages 18 to 30 were approved by the Board of Directors on 20 March 2006 and signed on its behalf by:

P Niven
Director

N J M Tostevin
Director

The accompanying notes are an integral part of this statement.

Consolidated Statement of Changes in Equity

For the period from 21 January 2005 to 31 December 2005

	Share Capital £'000	Share Premium Account £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Group Total £'000
Issue of ordinary share capital, net of issue costs	661,500	62,337	–	–	–	723,837
Conversion of share premium account	–	(62,337)	62,337	–	–	–
Net profit for the period	–	–	–	–	152,484	152,484
Dividends paid	–	–	–	–	(12,863)	(12,863)
Transfer in respect of gains on investment properties	–	–	–	113,173	(113,173)	–
Transfer in respect of gains on indirect property funds	–	–	–	20,277	(20,277)	–
At 31 December 2005	**661,500**	**–**	**62,337**	**133,450**	**6,171**	**863,458**

The accompanying notes are an integral part of this statement.

Consolidated Cash Flow Statement

For the period from 21 January 2005 to 31 December 2005

	Notes	Group £'000
Cash flows from operating activities		
Net operating profit for the period before finance costs		**161,128**
Adjustments for:		
Unrealised gains on revaluation of investment properties		**(113,173)**
Unrealised gains on revaluation of indirect property funds		**(20,277)**
Increase in operating trade and other receivables		**(4,563)**
Increase in operating trade and other payables		**16,420**
		39,535
Interest received		**1,507**
Secured Bonds interest paid		**(9,471)**
		(7,964)
Net cash inflow from operating activities		**31,571**
Cash flows from investing activities		
Purchases of investments	8	**(925,372)**
Development expenditure	8	**(4,297)**
Net cash outflows from investing activities		**(929,669)**
Cash flows from financing activities		
Proceeds from issue of ordinary share capital	15	**735,000**
Issue costs of ordinary share capital	15	**(11,163)**
Proceeds from issue of 5.23 per cent Secured Bonds due 2017	13	**230,000**
Issue costs of 5.23 per cent Secured Bonds due 2017	13	**(1,196)**
Dividends paid	6	**(12,863)**
Net cash inflow from financing activities		**939,778**
Net increase in cash and cash equivalents		**41,680**
Opening cash and cash equivalents		**–**
Closing cash and cash equivalents		**41,680**

The accompanying notes are an integral part of this statement.

Notes to the Accounts

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

(a) Basis of Accounting

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards issued by, or adopted by, the International Accounting Standards Board (the ''IASB''), interpretations issued by the International Financial Reporting Standards Committee, applicable legal and regulatory requirements of Guernsey Law and the Listing Rules of the UK Listing Authority.

The Group does not consider that the future adoption of International Financial Reporting Standards, in the form currently available, will have any material impact on the financial statements as presented.

(b) Basis of Consolidation

The consolidated accounts comprise the accounts of the Company and all of its subsidiaries, including entities controlled by the Company, drawn up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(c) Revenue Recognition

Rental income, excluding VAT, arising on investment properties is accounted for in the Income Statement 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.

Distribution income received from the indirect property funds is recognised in the period to which the payment relates.

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 through the Income Statement.

(e) Taxation

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.

(f) Investment Properties

Investment properties are initially recognised at cost, being the fair value of consideration given, including transaction costs associated with the investment property.

After initial recognition, investment properties are measured at fair value, with unrealised gains and losses recognised in the Income Statement and transferred to the Capital Reserve. Fair value is based on the open market valuation provided by DTZ Debenham Tie Leung Limited, chartered surveyors, at the balance sheet date.

Investment properties held under finance leases and leased out under operating leases are classified as investment property and stated at fair value.

On derecognition, realised gains and losses on disposals of investment properties are recognised in the Income Statement and transferred to the Capital Reserve.

Recognition and derecognition occurs on the exchange of signed contracts between a willing buyer and a willing seller.

(g) Investments

Investments in unquoted indirect property funds are recognised and de-recognised on the trade date, and are initially measured at fair value. Transaction costs on acquisition are included within the initial recognition and the profit or loss on disposal is calculated net of transaction costs on disposal.

Investments in unquoted indirect property funds are classified as fair value through profit or loss. Financial assets designated as fair value through profit or loss are measured at subsequent reporting dates at fair value.

(h) Share Issue Expenses

Incremental external costs directly attributable to the equity transaction that would have otherwise been avoided are written off against the Share Premium Account.

All other expenses relating to the launch of the Company not directly attributable to the issue of equity are expensed through the Income Statement.

(i) Segmental Reporting

The Directors are of the opinion that the Group is engaged in a single segment of business being property investment business and in one geographical area, the United Kingdom.

Notes to the Accounts

1. Accounting policies (continued)

(j) Cash and Cash Equivalents

Cash in banks and short term deposits that are held to maturity 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. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(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 borrowing. After initial recognition, all interest bearing borrowings are subsequently measured at amortised cost using the effective yield method. Amortised cost is calculated by taking into account any loan arrangement costs and any discount or premium on settlement.

2. Fees

	Group £'000
(a) Investment management fee	6,111

The Company's Investment Managers, F&C Asset Management plc, receive a fee from the Group at an annual rate of 0.75 per cent of the total assets less current liabilities, plus an administration fee of £100,000 per annum (which will increase annually in line with inflation), payable quarterly in arrears. The Investment Managers received £79,000 for administration services provided in respect of the financial period to 31 December 2005 (see note 3). The fees of any managing agents appointed by the Investment Managers will be payable out of the investment management fee. The investment management agreement is for a fixed initial four year period ending on 18 March 2009 and, with effect from 18 March 2008, may be terminated by either party by giving not less than 12 months' notice.

The investment management agreement may be terminated earlier provided that a payment in lieu of notice, equivalent to the amount the Investment Managers would otherwise have received during the notice period, is made.

(b) Valuers' fees

The valuers, DTZ Debenham Tie Leung Limited, have agreed to provide valuation services in respect of the property portfolio. The valuation agreement is for a fixed term up to 31 December 2007 and an annual fee is payable equal to 0.0165 per cent of the aggregate value of the property portfolio.

3. Other expenses

	Group £'000
Direct operating expenses of let rental property	1,701
Provision for bad debts	313
Valuation and other professional fees	271
Directors' fees	86
Administration fee	79
Auditors' remuneration for:	
– audit	30
– other services to the Group	6
Other	242
	2,728

In addition to the above, the auditors received £30,000 for services provided in connection with the launch of the Company. This expense is included within set up costs in the Income Statement.

Notes to the Accounts

4. Finance costs

	Group £'000
Interest on the 5.23 per cent Secured Bonds 2017	9,471
Amortisation of Secured Bonds issue costs	95
	9,566

5. Taxation

	Group £'000
Current income tax charge	420
Deferred income tax relating to origination and reversal of temporary differences	165
Total tax charge	585

A reconciliation of the income tax charge applicable to the results from ordinary activities at the statutory income tax rate to the charge for the period is as follows:

	Group £'000
Net profit from ordinary activities before taxation	153,069
UK income tax at a rate of 22 per cent	33,675
Effects of:	
Capital gains on revaluation of investment properties and indirect property funds not taxable	(29,359)
Income not taxable, including interest receivable	(331)
Expenditure not allowed for income tax purposes (including set-up costs)	3,986
Inter company loan interest	(7,201)
Permanent timing capital allowances	(185)
Total tax charge	585

Under IAS 12, the Group is required to provide at the balance sheet date for deferred income tax on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, regardless of whether or not those temporary differences are expected to reverse.

The Company is exempt from Guernsey taxation on dividend income derived outside Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. A fixed annual fee of £600 is payable to the States of Guernsey in respect of this exemption. No charge to Guernsey taxation will arise on capital gains.

The Directors intend to conduct the Group's affairs such that the 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.

Notes to the Accounts

6. Dividends

	Group £'000
Dividends on Ordinary Shares:	
First interim of 0.75 pence per share paid on 29 July 2005	5,513
Second interim of 1.00 pence per share paid on 28 October 2005	7,350
	12,863

A third interim dividend of 1.5 pence per share was paid on 27 January 2006 and a fourth interim dividend of 1.5 pence per share will be paid on 28 April 2006 to shareholders on the register on 31 March 2006. Although these payments relate to the period ended 31 December 2005, under International Financial Reporting Standards they will be accounted for in the year ending 31 December 2006, being the year during which they are paid.

7. Earnings per share

The earnings per Ordinary Share are based on the net profit for the period of £152,484,000 and on 735,000,000 Ordinary Shares, being the weighted average number of shares in issue during the period.

8. Investments

	Company £'000	Group £'000
Freehold and leasehold properties		
Purchases at cost	791,425	791,425
Development costs	–	4,297
Sales – proceeds	(802,540)	–
– realised gains on sales	11,115	–
Surplus on revaluation to fair value	–	113,173
Closing valuation	–	908,895
Indirect property funds		
Purchases at cost	–	133,947
Surplus on revaluation to fair value	–	20,277
Closing valuation	–	154,224

DTZ Debenham Tie Leung Limited completed a valuation of Group investment properties at 31 December 2005 on an open market basis in accordance with the requirements of the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors, which is deemed to equate to fair value. Fair value is determined by reference to market based evidence, which is the amounts for which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction as at the valuation date. The value of these investment properties amounted to £908,895,000.

The Group has adopted IAS 40 (revised 2003), allowing leasehold properties to be 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.

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 open market valuation, when the Managers advise the presence of such materials.

The Group has entered into leases on its property portfolio as lessor (See note 19 for further information). No one property accounts for more than 15 per cent of the gross assets of the Group. The 10 largest properties per open market value are shown on page 11. All leasehold properties have more than 60 years remaining on the lease term.

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, note 17.

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 its investment properties.

The indirect property funds are valued at fair value, being the net asset value of the underlying holdings.

Notes to the Accounts

9. Investment in subsidiary undertaking

The Company owns 100 per cent of the issued ordinary share capital of F&C Commercial Property Holdings Limited, a company incorporated in Guernsey whose principal business is that of an investment and property company.

The Group also consolidates the results of F&C Commercial Property Finance Limited, a special purpose vehicle incorporated to issue the interest bearing bonds. For further details refer to note 14.

10. Trade and other receivables

	Company £'000	Group £'000
Accrued Income	–	2,150
Rents receivable (net of provision for bad debts)	–	2,178
Other debtors and prepayments	10	235
Due from subsidiary undertaking	9,290	–
	9,300	4,563

Rents receivable, which are generally due for settlement at the relevant quarter end, are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

11. Cash and cash equivalents

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

12. Trade and other payables

	Company £'000	Group £'000
Rental income received in advance	–	10,897
VAT payable	–	1,266
Investment managers' fees payable	–	2,049
Tax payable	201	420
Due to group companies	690	–
Other payables	497	2,208
	1,388	16,840

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

13. Interest bearing bonds

	Group £'000
Principal amount outstanding	230,000
Issue costs	(1,196)
Amortisation of issue costs	95
Total due	228,899

The Group, incorporating F&C Commercial Property Finance Limited, has issued £230,000,000 of Secured Bonds due 2017, carrying interest payable at a fixed rate of 5.23 per cent per annum. These bonds are secured by means of a fixed and floating charge over the assets of the Group. Under the covenants relating to the bonds the Company is to ensure that:

- the loan to value percentage remains less than, or equal to, 50 per cent (defined as financial indebtedness expressed as a percentage of gross secured asset value);
- the secured loan to value percentage remains less than, or equal to, 40 per cent (defined as the principal amount outstanding on the bonds expressed as a percentage of gross secured asset value);
- the interest cover ratio is greater than 1.5 times on any calculation date;
- payments are not made in respect of shares unless the ratio of free cash flow to interest is greater than 2.0 times and, after deduction of an amount equal to the proposed payment, greater than 1.75 times;
- no single property (measured by market value) accounts for more than 15 per cent of the gross asset value;
- the sector weightings (measured by market value) do not exceed the following percentages of the gross asset value:

  All industrial: 40 per cent; All office: 50 per cent: All retail: 65 per cent.
- the five largest properties (measured by market value) do not exceed 40 per cent of gross asset value;
- no single tenant exceeds 15 per cent of the total amount net rental income from the properties;
- the five largest tenants do not exceed 40 per cent of the total annual net rental income from the properties; and
- short leasehold properties (measured by market value) do not exceed 10 per cent of the gross asset value.

The fair value of the interest bearing bonds at 31 December 2005 was £241,896,000.

14. Loan from Group Company

	Company £'000
Principal amount outstanding	230,000
Issue costs paid on behalf of F&C Commercial Property Finance Limited	(1,196)
Amortisation of issue costs	95
	228,899

The Company has borrowed the proceeds of the bond issue detailed in note 13 from F&C Commercial Property Finance Limited, a special purpose vehicle incorporated to be the issuer of the bonds. The interest rate payable on this intercompany loan is the same as the interest payable on the 5.23 per cent bonds issued by F&C Commercial Property Finance Limited. The loan is repayable on 30 June 2015.

Notes to the Accounts

15. Share capital and share premium account and reserves

	Company and Group £'000
Authorised share capital	
1,000,000,000 Ordinary Shares of 90 pence each	900,000
Issued share capital	
735,000,000 Ordinary Shares of 90 pence each, fully paid	661,500
Share premium account	
Received on the placing of Ordinary Shares	73,500
Less: issue costs charged to capital	(11,163)
	62,337
Conversion to special distributable reserve	(62,337)
Closing balance	–
Issued share capital and share premium account	661,500

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 buy back of shares and the payment of dividends.

Special distributable reserve

As noted above, the special distributable reserve was created by the cancellation of the Company's Share Premium Account. It is a distributable reserve to be used for all purposes permitted under Guernsey law, including the buy back of shares and the payment of dividends.

Capital reserve

The following are accounted for in this reserve:

– gains and losses on the disposal of investments and investment properties
– increases and decreases in the fair value of investment properties held at the period end
– increases and decreases in the fair value of investments in indirect property funds held at the period end.

Revenue reserve

Any surplus arising from the net profit on ordinary activities after taxation after payment of dividends is taken to this reserve, with any deficit up to the level of the special distributable reserve being charged to that reserve.

16. Related party transactions

Prior to its launch, the Company entered into a costs commission agreement with the Friends Provident Group, the Company's majority shareholder. Under the agreement, if the costs and commissions in respect of the issue of Ordinary Shares pursuant to the placing and offer, the issue of the bonds, and the acquisition of the initial property portfolio were less than 2.25 per cent of the initial total assets, the Company would pay to the Friends Provident Group a commission equal to the difference. If the amount of such costs and commissions exceeded 2.25 per cent of the initial total assets the Friends Provident Group would pay to the Company such excess. The outcome of this agreement was a payment by the Company to the Friends Provident Group of £2,736,000 of which £350,000 remained payable at the period end.

No Director has an interest in any transactions which are or were unusual in their nature or significant to the nature of the Group.

F&C Asset Management plc received fees for its services as Investment Managers. Further details are provided in note 2 on page 23. The total charge to the Income Statement during the period was £6,111,000 of which £2,049,000 remained payable at the period end.

The Directors of the Company received fees for their services. Further details are provided in the Report of the Directors on page 13 and in note 3 on page 23. Total fees for the period were £86,000. No fees remained payable at the period end.

All of the above transactions were undertaken on an arm's length basis.

17. Financial instruments

The Group'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 comprise interest bearing bonds, cash, receivables and payables that arise directly from its operations. The Group does not have exposure to any derivative instruments.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The Board reviews and agrees policies for managing its risk exposure. These policies are summarised below and have remained unchanged for the period under review.

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 until it is re-let. 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 maximum credit risk from the rent receivables of the Group at 31 December 2005 is £2,178,000. There is no credit risk associated with the financial liabilities of the Group.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents and certain other derivative instruments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying value of these instruments. There are no significant concentrations of credit risk within the Group.

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 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.

17. Financial instruments (continued)

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's long-term debt obligations. These consist of £230 million Secured Bonds due 2017 on which the rate has been fixed at 5.23 per cent until the expected maturity date of 30 June 2015 . If the bonds are not redeemed at this date they will carry interest at 0.6 per cent over LIBOR until the final maturity date of 30 June 2017.

The interest rate profile of the Group as at 31 December 2005 was as follows:

Financial assets

Type	Total £'000	Variable rate £'000	Assets where no interest is received £'000	Weighted average interest rate %	Weighted average period for which rate is fixed (years)
Cash and cash equivalents	41,680	41,680	–	4.18	–
Trade and other receivables	4,563	–	4,563	–	–
	46,243	41,680	4,563	4.18	–

Financial liabilities

Type	Total £'000	Fixed rate £'000	Variable rate £'000	Liabilities where no interest is paid £'000	Weighted average interest rate %	Weighted average period for which rate is fixed (years)
5.23 per cent Secured Bonds due 2017	228,899	228,899	–	–	5.29	9.50

Apart from the 5.23 per cent Secured Bonds 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.

Foreign currency risk

There is no foreign currency risk as assets and liabilities of the Group are maintained in pounds sterling.

18. Capital commitments

The Group has capital commitments totalling £1,921,000 as at 31 December 2005.

19. Lease length

The Group leases out its investment properties under operating leases.

The future income based on the unexpired lessor lease length at the period end was as follows (based on annual rentals):

	Group £'000
Less than one year	1,349
Between two and five years	26,858
Over five years	475,332
Total	503,539

The largest single tenant at the year end accounted for 5.2 per cent of the current annual rental income.

The unoccupied property expressed as a percentage of estimated total rental value (excluding indirect property funds) was 2.8 per cent at the period end.

The Group has entered into commercial property leases on its investment property portfolio. These properties, held under operating leases, are measured under the fair value model as the properties are held to earn rentals. The majority of these non-cancellable leases have remaining non-cancellable lease terms of between 5 and 15 years.

Analyses of the nature of investment properties and leases are provided in 'Portfolio Statistics' on pages 9 and 10.

Notice of Annual General Meeting

Notice is hereby given that the First Annual General Meeting of F&C Commercial Property Trust Limited will be held at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL on Friday 28 April 2006 at 12.30 pm for the following purposes.

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

1. That the accounts and the reports of the Directors and of the Auditors for the period ended 31 December 2005 be received and approved.
2. That Mr P Niven, who retires at the first Annual General Meeting following his appointment, be re-elected as a Director.
3. That Mr D L Adamson, who retires at the first Annual General Meeting following his appointment, be re-elected as a Director.
4. That Mr J H Stephen, who retires at the first Annual General Meeting following his appointment, be re-elected as a Director.
5. That Mr B W Sweetland, who retires at the first Annual General Meeting following his appointment, be re-elected as a Director.
6. That Mr N J M Tostevin, who retires at the first Annual General Meeting following his appointment, be re-elected as a Director.
7. That KPMG Channel Islands Limited be re-appointed as Auditors.
8. That the Directors be authorised to determine the Auditors' remuneration.

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

9. That the Company be authorised, in accordance with section 5 of The Companies (Purchase of Own Shares) Ordinance 1998 (the "Ordinance"), to make market purchases (within the meaning of section 18 of the Ordinance) of ordinary shares of 90p each ("Ordinary Shares"), 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 90p;
   (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be 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
   (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2007, or on 28 October 2007, whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares under such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

By order of the Board
Northern Trust International Fund Administration Services (Guernsey) Limited
Secretary
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

20 March 2006

Notes:

1. A member who is entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company.
2. 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 Computershare Investor Services (CI) Limited, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW not later than 12.30 pm on 26 April 2006.
3. Completing and returning a form of proxy will not prevent a member from attending in person at the Meeting and voting should he or she so wish.
4. 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 12.30 pm on 26 April 2006. 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.
5. The existing Articles of Association and the Directors' letters of appointment will be available for inspection at the Annual General Meeting.

Shareholder Information

Dividends

Ordinary dividends are paid quarterly in January, April, July and October each year. 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 Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL on request. Where dividends are paid directly to shareholders' bank accounts, dividend tax vouchers are sent directly to shareholders' registered addresses.

Share Price

The Company's Ordinary Shares are listed on 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 Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL under the signature of the registered holder.

Financial Calendar

28 April 2006	Payment of fourth interim dividend
28 April 2006	Annual General Meeting
July 2006	Payment of first interim dividend
August 2006	Announcement of interim results
September 2006	Posting of Interim Report
October 2006	Payment of second interim dividend
January 2007	Payment of third interim dividend
March 2007	Announcement of annual results
	Posting of Annual Report

Shareholder Enquiries

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

Historic Record

	Total assets less current liabilities £'000	Shareholders' funds £'000	Net asset value per Ordinary Share p	Ordinary Share price p	Premium %	Earnings per Ordinary Share p	Dividends paid per Ordinary share p
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

*xd for third interim dividend payable on 27 January 2006.

Corporate Information

Directors (all non-executive)
Peter Niven (Chairman)
Donald L Adamson
John H Stephen
Brian W Sweetland
Nicholas J M Tostevin

Registered Office
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Secretary and Registrar
Northern Trust International Fund Administration Services (Guernsey) Limited
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Investment Managers
F&C Asset Management plc
80 George Street
Edinburgh EH2 3BU

Property Valuers
DTZ Debenham Tie Leung Limited
One Curzon Street
London W1A 5PZ

Auditors
KPMG Channel Islands Limited
20 New Street
St Peter Port
Guernsey GY1 4AN

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

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

Bond Trustee
The Bank of New York
One Canada Square
London E14 5AL

Marketing Adviser
G&N Collective Funds Services Ltd
14 Alva Street
Edinburgh EH2 4QG

Website
www.fccpt.co.uk

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