F&C Commercial Property Trust Limited

Annual Report and Accounts

2006

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 2006 total assets less current liabilities were £1,269 million and shareholders' funds were £1,040 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
The Board has appointed F&C Investment Business Limited 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

Contents

aic
The Association of Investment Companies

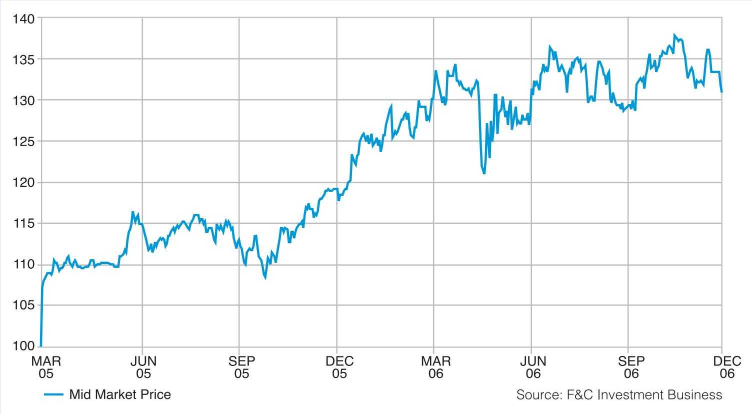
This document is important and relates to certain matters on which voting action is required. Shareholders who are in any doubt as to what action to take should consult an appropriate independent adviser immediately.

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 onward transmission to the transferee or purchaser.

Financial Highlights

- Net asset value total return of 26.0 per cent.
- Dividends of 6.0p per share in respect of the year.

F&C Commercial Property Trust Limited Share Price from Launch



Performance Summary

	Year ended 31 December 2006	Period ended 31 December 2005†	
Total Return			
Net asset value per share*	**26.0%**	22.9%	
Ordinary Share price	**15.8%**	20.3%	
Investment Property Databank All Monthly Valued Funds	**18.1%**	16.6%	
FTSE All-Share Index	**16.8%**	17.7%	
	31 December 2006	31 December 2005	% Change
Capital Values			
Total assets less current liabilities (£'000)	**1,269,122**	1,092,522	+16.2
Net asset value per share*	**141.5p**	117.5p	+20.4
Ordinary Share price	**131.0p**	118.5p	+10.5
FTSE All-Share Index	**3,221.4**	2,847.0	+13.2
(Discount)/premium to net asset value per share*	**(7.4)%**	0.9%	–
Gearing‡	**18.0%**	21.0%	–
	Year ended 31 December 2006	Period ended 31 December 2005†	
Earnings and Dividends			
Earnings per Ordinary Share	**30.0p**	20.7p	
Dividends paid per Ordinary Share	**6.0p**	1.75p	
Dividend yield**	**4.6%**	5.1%	
Total Expenses Ratio			
As a percentage of average total assets less current liabilities (excluding non-recoverable property expenses and set up costs)¶	**0.8%**	0.9%	
As a percentage of average total assets less current liabilities (excluding set up costs)¶	**1.1%**	1.1%	
	Highs 2006	**Lows 2006**	
Year's Highs/Lows			
Net asset value per share	**141.5p**	**117.5p**	
Ordinary Share price	**138.0p**	**118.5p**	
Premium/(discount)	**12.3%**	**(7.4)%**	

* Net asset value ('NAV'), net asset value total return, and premium/(discount) to net asset value are calculated under International Financial Reporting Standards. Net asset value total return is calculated assuming dividends are re-invested.

† 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 7 to the accounts.

¶ Calculated on an annualised basis for the period ended 31 December 2005.

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

Chairman's Statement

Peter Niven Chairman

I am delighted to be reporting the Company's results for its first full accounting year since launch in March 2005. During this time the Company has continued to perform strongly with a net asset value total return for the year ended 31 December 2006 of 26.0 per cent.

The net asset value at the end of the year was 141.5p per share and the share price was 131.0p. Since launch, the share price has increased by 31.0 per cent and shareholders have benefited from a further 9.3 per cent of the issue price in the form of dividends declared up to 31 December 2006.

There continued to be a good level of demand for the Company's shares during the year reflecting its attractive dividend yield and quality property portfolio. The Company's peer group of Guernsey registered property investment companies comprised ten companies as at 31 December 2006 with an aggregate market capitalisation of £3.4 billion. With total assets of £1.3 billion as at 31 December 2006, and a market capitalisation of £963 million, the Company is the largest company within that group.

The Company is also a constituent of the FTSE 250 Index and the FTSE Real Estate Sector. The FTSE Real Estate Sector comprises not only the peer group companies but also those property companies which have recently converted into UK Real Estate Investment Trusts ('REITs'). While the introduction of REITs in the UK has broadened the opportunities open to real estate investors, the Board believes the Company's structure remains attractive. In particular, the Company's dividend yield is significantly higher than that generally available from a UK REIT.

Property Market and Portfolio

For the third year in succession, total returns from the commercial property market, as measured by the Investment Property Databank ('IPD') All Monthly Valued Funds, were in their high teens. The market benefited from continuing strong levels of investment demand from institutions, overseas buyers and private individuals, resulting in yield compression across the main property sectors of Retail, Office and Industrial. The best performing of those was the Office sector where total returns for the year exceeded 20 per cent. The Central London market has been especially strong with valuations being driven upwards by significant yield compression and rental growth.

The valuation of the Company's property portfolio increased to £1.23 billion during the year, representing an ungeared increase of 17.8 per cent and a total return of 23.3 per cent. This compares favourably to the equivalent returns from the IPD All Monthly Valued Funds of 12.4 per cent and 18.1 per cent.

The most notable increase came from Cassini House, St James's Street, London which increased in value by 39.0 per cent to £81.6 million. The valuation of this property has benefited significantly from strong rental growth within the Central London market; the effective rent increasing from £59.50 to £75 per sq. ft. during the year.

The largest direct property in the portfolio, the St Christopher's Place Estate, London, also benefited from strong rental growth following a number of successful rent reviews during the year. Its valuation increased by 17.7 per cent to £123.9 million, which represented 10.1 per cent of the portfolio as at 31 December 2006.

There was also a significant contribution from Newbury Retail Park, which increased by 20.3 per cent to £83.2 million. As I reported at the interim stage, this property has the benefit of an Open A1 food consent and the Company has contracted a letting to Borders Books on the final 10,000 sq. ft. within the recently completed extension to the park which remains fully let with important rent reviews due this year.

The Company acquired one property during the year, at 44 James Street, London, for £975,000, which is an integral property within the St Christopher's Place Estate. One property, Blocks A,D,E,F,G & H at the International Business Centre, Sunbury, was sold in December for £23.3 million net of rental guarantees, representing a premium of 11.3 per cent to the valuation as at 30 September 2006.

The Company's indirect holdings in both the Industrial Property Investment Fund and The Mall LP continued to be an important part of the portfolio where these funds increased in value by 17.9 per cent during the year and accounted for 14.8 per cent of the portfolio at the year end. Since then, the Company has disposed of a small portion (749,264 units) of its holding in The Mall LP for £1.9 million, which represented a small premium of 0.6 per cent to the valuation as at 31 December 2006.

Dividends

First, second and third interim dividends, each of 1.5p per share, were paid on 28 July and 27 October 2006, and 26 January 2007 respectively. The Board has declared a fourth interim dividend of 1.5p per share which will be paid on 27 April 2007 to shareholders on the register on 30 March 2007. This brings the total dividend for the year to 6.0p per share, which is unchanged from that set at the time of the Company's launch in March 2005.

Share Buy Backs

The Board continues to believe it is important to have the ability to buy back shares. The Company will therefore seek to renew its share buy back authority at the forthcoming Annual General Meeting. Subject to the passing of resolution 7 at the Annual General Meeting, any shares bought back may be cancelled or held in treasury for subsequent re-issue. The Company's proposed treasury share guidelines are contained within the Report of the Directors on page 17.

At the time of the Company's launch its was stated that the Directors intended to use the share buy back authority to purchase shares (subject to the income and cash flow requirements of the Company) if the share price was more than five per cent below the published net asset value for a continuous period of 20 dealing days or more. To ensure a fair comparison, the Directors believe that such discount should be calculated by adjusting the published net asset value for any quarterly dividends for which the share price has gone ex-dividend. On this basis, although the discount has, on occasions this year exceeded five per cent, it has not done so continuously for 20 dealing days.

At the time of the launch it was also stated that, in the event of the discount to the published net asset value being more than five per cent for 90 dealing days or more, the Directors would convene an Extraordinary General Meeting to be held within three months to consider an ordinary resolution for the continuation of the Company. Again, this condition has not yet been met to date.

Borrowings

As a result of the continuing rise in the value of the property portfolio, the level of gearing as at 31 December 2006 was 18.0 per cent. This compares to 21.0 per cent as at 31 December 2005 and 24.4 per cent at launch.

The Company's borrowings are represented by £230 million Secured Bonds due 2017 which have been assigned an 'Aaa' rating by Moody's Investors Services. The Bonds carry interest at a fixed rate of 5.23 per cent per annum. More information about the Bonds is contained within note 14 to the accounts.

Accounts and Annual Report

The Company's primary stock exchange listing is on the London Stock Exchange and it is therefore required to comply with the provisions of the UKLA Listing Rules. As a company incorporated in Guernsey, it is not required to comply with all the reporting requirements that apply to companies incorporated in the UK.

However, the Board has decided to include within the Annual Report additional information which it feels is required to bring the reporting into line with what would be expected from a UK incorporated investment company and which it feels are best practice disclosures. The principal additional disclosures are a Business Review and a Statement of Corporate Governance, which explains how the Company follows the recommendations of the Combined Code. These statements are contained within the Directors' Report on pages 11 to 17.

As with other UK listed companies, the accounts have been prepared in accordance with International Financial Reporting Standards. The accounts and supporting notes can be found on pages 20 to 34.

Dividend Reinvestment Plan

To enable shareholders to reinvest their dividends in additional shares of the Company, the Board has decided to introduce a dividend reinvestment plan. Separate information on the plan is enclosed with the Annual Report and within Shareholder Information on page 36.

Outlook

With IPD data showing all property initial yields at 4.6 per cent compared with a five year swap rate of 5.4 per cent the prospect of any further all property yield compression is remote and further rises in UK interest rates could put valuations under pressure. That said, the climate for rental growth remains favourable and this should help support valuation levels.

The Managers' in-house estimates for 2007 are for total returns of between 9 and 10 per cent which, aside from the Office sector, they expect will be largely income driven. Total returns will be enhanced by successful asset management initiatives and, with its quality portfolio and robust cashflows, the Board believes the Company is well positioned to make further good progress in the year ahead.

Peter Niven

Chairman

9 March 2007

Investment Managers

Richard Kirby, BSc, MRICS
Investment Manager

Richard Kirby Investment Manager joined F&C 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 Commercial Property Trust Limited is managed by F&C Investment Business Limited, a wholly owned subsidiary of F&C Asset Management plc ('F&C'). F&C is a leading asset manager in both the UK and Europe and has approximately £105 billion of funds under management (as at 31 December 2006). The shares of F&C are traded on the London Stock Exchange. F&C's ultimate parent company is Friends Provident plc, which is also the Company's majority shareholder.

The F&C group 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 £5.2 billion (as at 31 December 2006), 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 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 commercial property market continued to perform strongly in 2006, delivering a total return of 18.1 per cent according to the Investment Property Databank ('IPD') Monthly Index. Performance has once again been driven by strong money flow into the sector from a wide range of investors; institutions, private and overseas buyers were all net investors in property last year. It is estimated that more than £55 billion was invested in UK property in 2006 with activity being sustained at these levels throughout the year.

Glasgow, Alhambra House, Wellington Street

This weight of money has led to a continued fall in yields across all property sub-sectors. Yields have now reached very low levels. The initial yield on the IPD Monthly Index closed the year at 4.57 per cent compared with 5.16 per cent a year earlier. This is below both the risk free gilt rate and the key borrowing rate, the five year swap rate.

As highlighted in last year's review the returns from the three major property sectors converged in 2005 recording similar returns. However, 2006 was notable for the improvement in returns seen in the office market, especially Central London offices, which led to this sector pulling ahead of industrials while retail property slipped to third place.

Rental growth in 2006 edged up to 3.6 per cent. The improvement was centred on the office market, and was especially pronounced for Central London offices, but rental growth remains positive in all sectors.

The speed of yield compression moderated in the latter part of 2006 and this contributed to some slowdown in returns over that period, although all sectors still delivered double digit annualised returns.

Performance data for the latter part of the year would indicate that the market is returning to sustainable rates following three years of exceptional performance. In December 2005, the quarterly all property total return was more than 24 per cent per annum; the December 2006 data shows a healthy but more modest 15 per cent per annum.

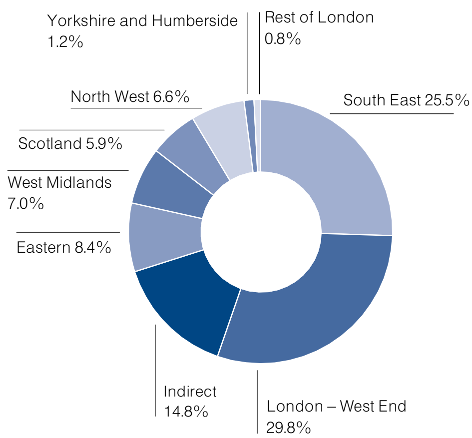
During 2006 the Company's portfolio increased in value from £1.063 billion to £1.229 billion, net of transactions. This represents an ungeared capital uplift of 17.8 per cent. Performance was driven by further yield compression and some strong underlying rental growth especially in Central London offices.

The portfolio as measured by IPD produced a total return of 23.3 per cent recording a significant out performance of the Index.

Retail

The all retail total return in 2006 was 15.7 per cent according to the IPD Monthly Index. Investment activity slowed during the year, from £18 billion to £12.5 billion but yields still moved in further from 4.65 per cent to 4.28 per cent. The retail industry is undergoing a period of transition both in and out of town and both segments under-performed the IPD average last year, hit by interest rate rises and changes to consumer spending patterns. Both

Geographical Analysis
as at 31 December 2006



Manager's Review (continued)

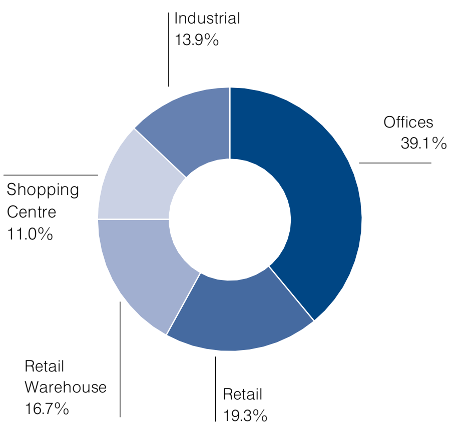
Manchester, 82 King Street

occupiers and investors are becoming more selective in their property choices.

The Company's retail properties produced a total return of 19.5 per cent as measured by IPD. St Christopher's Place Estate, London W1 continued to perform well, benefiting from a number of positive lease events. The offices also benefited from significant rental growth with £50 psf achieved on refurbished accommodation.

At Newbury Retail Park the letting of the final unit on the extension contracted to Borders Books at an average rent of £26.40 psf. As a result of the expiry of the rent free periods the rental income due from this property has increased by £1.2 million per annum. The park is now fully let and the evidence created for the rent reviews due this year.

Sector Analysis
as at 31 December 2006



Offices

The office market pulled ahead of the other sectors in 2006, delivering total returns of 23.8 per cent, up from 18.4 per cent in the previous year. Rental growth moved up sharply to 6.2 per cent from 1.1 per cent and the improvement was probably even more marked on a net effective rent basis. Yields have compressed still further by more than 100 basis points, the largest yield shift among the three sectors. This reflects the strength of investment inflows, more than £23 billion was invested in offices over the year. The upturn was largely due to a stronger performance from Central London offices, helped by improved rental growth and strong investment demand. South East offices have seen some recovery while provincial offices out-performed the all property average.

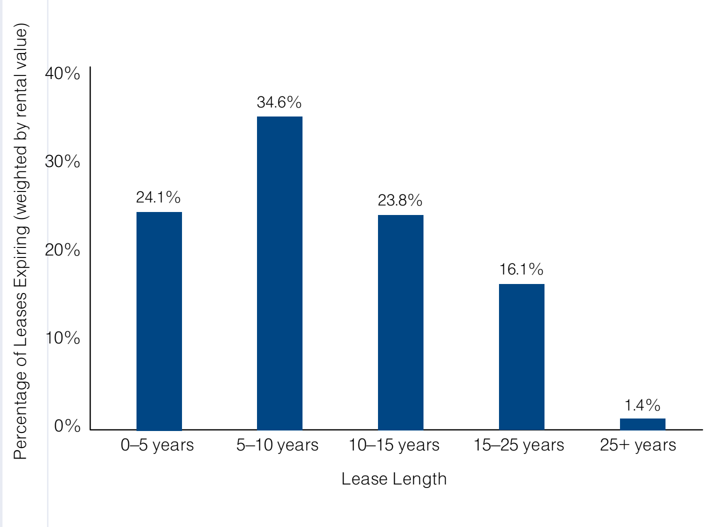
This performance fed through into the portfolio where weightings are aligned to Central London, producing an overall sector return of 28 per cent. Cassini House, St James's St, London SW1 was the Company's best performing asset, producing an underlying capital uplift of 39 per cent driven by yield compression and underlying rental value growth of 30 per cent. The Company completed the refurbishment of two floors at 7 Birchin Lane, London EC3 with lettings contracted at £32.50 psf against a pro-forma rent of £26 psf. A further three floors are expected to be refurbished this year.

The lease expired at 24/27 Great Pulteney Street, London W1, and it is envisaged a planning application will be submitted shortly to seek consent to undertake a comprehensive re-development of this property. This is significant opportunity for the Company to undertake a West End development to create a prime core holding for the portfolio.

Solihull, Sears Retail Park

Lease Expiry Profile

At 31 December 2006 the weighted average lease length for the portfolio, assuming all break options are exercised, was 9.5 years.



Industrials

The industrial market produced a total return of 17.6 per cent according to the IPD monthly Index, slightly below the 2006 all property return of 18.1 per cent and the 2005 industrial property out-turn of 18.2 per cent.

Uxbridge, 3 The Square, Stockley Park

The Company's industrial properties produced a total return of 23.8 per cent. The Company's largest holding in this sector is its indirect holding through the Industrial Property Investment Fund which holds in excess of 100 industrial properties throughout the UK with a bias to the South East. This fund produced net asset value growth per unit over the year of 16.3 per cent.

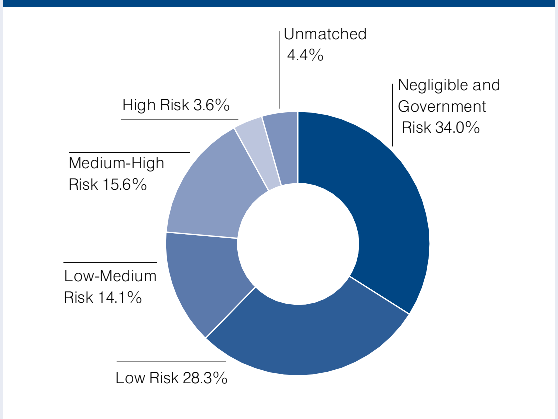
The Cowdray Centre, Colchester suffered a devastating fire In July. The buildings were originally constructed in the 1930's and it is therefore uneconomic to reinstate them. The fire has brought forward a significant development opportunity. A masterplan for the estate is being drawn up and preliminary discussions have been held with the local authority with regard to future redevelopment.

Purchases and Disposals

The Company completed its first acquisition during the year, 44 James Street London W1, at £975,000. This property forms an integral property within St Christopher's Place Estate.

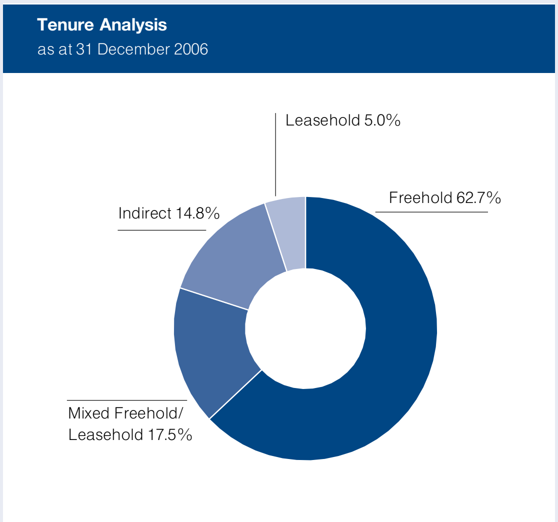
Covenant Strength

as at 31 December 2006



As measured by Investment Property Databank ('IPD').

Manager's Review (continued)



The Company also completed the sale of Blocks A,D,E,F,G & H International Business Centre, Sunbury for a price, net of guarantees, of £23.3 million which represented an increase of 11.3 per cent over the last external valuation. One of the main benefits of selling Sunbury was to reduce non-recoverable expenditure and the void rate from 1.34 per cent in September 2006 to close at 0.5 per cent at the year end.

At the year end, the Company was under contract to sell 749,264 units in The Mall LP to a Dutch investor for a consideration of £1.9 million, representing a premium of 0.6 per cent to the valuation as at 31 December 2006.

London W1, St Christopher's Place Estate

Outlook

Property is continuing to perform well and the appetite for the asset class among investors remains strong. The past three years have been exceptional and we expect total returns to be more modest going forward. Much of the recent performance has reflected yield shift and, at such low levels, there is limited scope for further yield compression especially given the recent changes to base rates. There may be some price adjustment to secondary stock in 2007 as the market adjusts. For the coming year, Central London offices are expected to out-perform. The next few years will see total returns being income driven with capital growth prospects being enhanced by rental growth, superior stock selection and active asset management.

Richard Kirby

Investment Manager
F&C Investment Business Limited

9 March 2007

Property Portfolio

	Sector	Book Value £'000	Initial Yield	Market Value £'000	% of Total Assets (less current liabilities)
Industrial Property Investment Fund	Industrial	93,947	5.20%	125,338	9.9
London W1, St Christopher's Place Estate†	Retail	88,399	4.55%	123,900	9.8
Solihull, Sears Retail Park	Retail Warehouse	70,720	4.31%	86,280	6.8
Newbury, Newbury Retail Park	Retail Warehouse	54,621	3.77%	83,240	6.5
London SW1, Cassini House, St James's Street	Offices	47,400	3.14%	81,575	6.4
Colchester, Lion Walk Shopping Centre†	Shopping Centre	69,525	4.78%	78,350	6.2
London SW19, Wimbledon Broadway	Retail	47,054	4.98%	60,720	4.8
The Mall LP	Shopping Centre	40,000	5.25%	56,539	4.5
London SW1, 84 Eccleston Square	Offices	42,165	5.36%	55,800	4.4
Uxbridge, 3 The Square, Stockley Park	Offices	42,550	5.10%	50,000	3.9
Ten largest property holdings		**£596,381**		**£801,742**	**63.2**
Camberley, Watchmoor Park	Offices	36,950	6.23%	43,800	3.5
Manchester, 82 King Street	Offices	32,400	4.58%	43,050	3.4
London SW1, Charles House, 5-11 Regent Street*	Offices	23,825	4.29%	39,350	3.1
Rochdale, Dane Street	Retail Warehouse	28,800	3.81%	37,875	3.0
Glasgow, Alhambra House, Wellington Street	Offices	26,950	5.00%	37,650	3.0
Reading, Thames Valley One, Thames Valley Park	Offices	25,075	6.00%	32,350	2.5
Reading, Thames Valley Two, Thames Valley Park	Offices	17,950	6.00%	22,050	1.7
Colchester, The Cowdray Centre, Cowdray Avenue	Industrial	15,440	6.16%	19,530	1.5
Edinburgh, 124/125 Princes Street.	Retail	17,670	5.70%	18,575	1.5
London W1, 385/389 Oxford Street*	Retail	13,450	4.26%	17,700	1.4
Twenty largest property holdings		**£834,891**		**£1,113,672**	**87.8**
Edinburgh, Nevis/Ness Houses,11/12 Lochside Place	Offices	13,600	5.40%	16,000	1.2
London SW1, 2/4 King Street	Offices	6,333	3.80%	15,400	1.2
London W1, 24/27 Great Pulteney Street	Offices	11,328	–	15,225	1.2
Leeds, 27/28 Commercial Street†	Retail	10,650	3.80%	13,275	1.0
Southampton, Upper Northam Road, Hedge End	Industrial	10,300	5.85%	12,700	1.0
London W1, 17A Curzon Street	Offices	7,200	2.97%	12,325	1.0
London EC3, 7 Birchin Lane	Offices	5,385	3.09%	9,550	0.7
Camberley, Affinity Point, Glebeland Road	Industrial	6,650	5.09%	8,500	0.7
Colchester, Ozalid Works, Cowdray Avenue	Industrial	5,308	4.20%	5,900	0.5
London W1, 16 Conduit Street*	Offices	3,150	3.90%	4,475	0.4
Thirty largest property holdings		**£914,795**		**£1,227,022**	**96.7**
Leeds, 40/42 Albion Street	Retail	1,650	4.75%	1,835	0.1
Total property portfolio		**£916,445**		**£1,228,857**	**96.8**
Net current assets				**£40,265**	**3.2**
Total assets (less current liabilities)				**£1,269,122**	**100.0**

*Leasehold property
†Mixed freehold/leasehold property

Board of Directors

Peter Niven*†

Chairman

(age 52) is a resident of Guernsey. He has worked in the financial services industry in the UK and offshore for 32 years, most recently as Chief Executive of Lloyds TSB Group's offshore banking operations, until his retirement from the bank in June 2004. A Fellow of the Institute of Bankers and a Chartered Director, he has served as a director of many Lloyds TSB group companies. He is currently a director of a number of captive insurance companies and Guernsey based investment funds including Dexion Trading Limited, a London listed fund of hedge funds. He is also Director, Finance Sector Development for the States of Guernsey and Chief Executive of Guernsey Finance LBG.

Donald Adamson*†

(age 47) 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, Hotel Corporation plc and other companies.

John Stephen*†

(age 57) 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 non-executive director of Evans Property Group.

Brian Sweetland

(age 61) is a UK resident. He was, until May 2005, an executive director of Friends Provident plc and a member of its investment committee. As a solicitor, 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*†

(age 54) is a resident of Guernsey. He is an Advocate of the Royal Court of Guernsey and is the senior partner of Babbé. 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.

*Member of the Audit Committee

†Member of the Management Engagement Committee

Report of the Directors

The Directors present their report and accounts of the Group for the year ended 31 December 2006.

Results and Dividends

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

The Company has paid interim dividends during the year ended 31 December 2006 as follows:

	Payment date	Rate per share
Third interim for prior year	27 January 2006	1.50p
Fourth interim for prior year	28 April 2006	1.50p
First interim	28 July 2006	1.50p
Second interim	27 October 2006	1.50p

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 26 January 2007 and a fourth interim dividend of 1.5p per share will be paid on 27 April 2007 to shareholders on the register on 30 March 2007.

Principal Activity and Status

The Company is a Guernsey registered company and, during the year, carried on business as a property investment company. The Company's shares are traded on the London Stock Exchange and the Channel Islands Stock Exchange.

Throughout the year the Company complied (and intends to continue to comply) with the conditions applicable to property investment companies set out in paragraph 15.5.15R of the Listing Rules.

The Company is a member of the Association of Investment Companies ('AIC').

Business Review

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, corporate governance, and risk management. Biographical details of the Directors, all of whom are non executive, can be found on page 10.

Objectives and Strategy

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.

As part of its strategy, the Board has contractually delegated the management of the property portfolio, and other services, to F&C Investment Business Limited.

The investment strategy employed by the Managers in meeting the investment objective focuses on investment in a diversified portfolio of freehold and predominantly long leasehold (over 60 years remaining at the time of acquisition) UK commercial properties. The Company invests principally in three commercial property sectors: offices, retail and industrial. The Company is permitted to invest up to 15 per cent of its total assets in indirect property funds (at the time of investment) but not in other listed investment companies.

The Company's performance in meeting its objectives is measured against key performance indicators as set out below. A review of the Company's returns during the financial year, the position of the Company at the year end, and the outlook for the coming year is contained in the Chairman's Statement and the Manager's Review.

Principal Risks and Uncertainties

The Company's assets consist of direct and indirect investments in UK commercial property. Its principal risks are therefore related to the commercial property market in general, but also the particular circumstances of the properties in which it is invested and their tenants. More detailed explanations of these risks and the way which they are managed are contained under the headings of Credit Risk and Liquidity Risk in note 19 to the accounts. The Managers also seek to mitigate these risks through continual review of the portfolio, active asset management initiatives, and carrying out due diligence work on potential tenants before entering into any new lease agreements. All of the properties in the portfolio are insured.

Report of the Directors (continued)

Other risks faced by the Company include the following:

- Economic – inflation or deflation, economic recessions and movements in interest rates could affect property valuations.
- Strategic – incorrect strategy, including sector and geographic allocations and use of gearing, could all lead to poor returns for shareholders.
- Regulatory – breach of regulatory rules could lead to suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.
- Management and control – changes that cause the management and control of the Company to be exercised in the United Kingdom could lead to the Company becoming liable to United Kingdom taxation on income and capital gains.
- Operational – failure of the Managers' accounting systems or disruption to the Managers' business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.
- Financial – inadequate controls by the Managers or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations. Breaching bond covenants could lead to a downgrading of the Secured Bonds, a loss of shareholders' confidence and financial loss for shareholders (see note 14 for details of the principal bond covenants).

The Board seeks to mitigate and manage these risks through continual review, policy setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Company's property portfolio, and applies the principles detailed in the Turnbull Guidance. Details of the Company's internal controls are described in more detail on page 16.

Management of Assets and Shareholder Value

As stated above, the Board has contractually delegated the management of the investment portfolio to F&C Investment Business Limited.

The Company invests in properties which the Managers believe will generate a combination of long-term growth in income and capital for shareholders. Investment decisions are based on analysis of, amongst other things, prospects for future income and capital growth, sector and geographic prospects, tenant covenant strength, lease length, and initial and equivalent yields.

Investment risks are spread through investing in a range of geographical areas and sectors, and through letting properties to low risk tenants. A list of all the properties held as at 31 December 2006 is contained on page 9 and further analysis can be found in the Manager's Review. At each Board meeting, the Board receives a detailed presentation from the Investment Manager together with a comprehensive analysis of the performance of the portfolio during the reporting period.

The Company's borrowings are represented by £230 million Secured Bonds due 2017, which are described in more detail in note 14 to the accounts. The Board receives recommendations on gearing levels from the Managers and it is responsible for setting the gearing range within which the Managers may operate. The Company's gearing level as at 31 December 2006 was 18.0 per cent.

The Board and the Managers recognise the importance of managing the discount of share price to net asset value in enhancing shareholder value. One aspect of this involves marketing, and to this end the Managers meet with current and potential new shareholders, and with stockbroking analysts who cover the investment trust and real estate sectors, on a regular basis. In addition, communication of quarterly portfolio information is provided through the Company's website.

Key Performance Indicators

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

- Net asset value total return and total return of the property portfolio compared to the Investment Property Databank All Monthly Valued Funds.
- Premium/discount of share price to net asset value.
- Dividend per share and dividend yield.
- Total expenses as a ratio of shareholders' funds.

A historical record of these indicators is contained in the Financial Highlights on page 1, the Chairman's Statement on pages 2 to 3, and in the Historical Record on page 36.

Directors

The Directors who held office during the year and their interests in the shares of the Company as at 31 December 2006 (all of which were beneficial) were:

	2006 Ordinary Shares	2005 Ordinary Shares
P Niven	**20,000**	20,000
D L Adamson	**50,000**	50,000
J H Stephen	**20,000**	20,000
B W Sweetland	**–**	–
N J M Tostevin	**20,000**	20,000

There have been no changes in the above interests between 31 December 2006 and 9 March 2007.

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.

Mr P Niven retires from the Board by rotation and, being eligible, offers himself for re-election. Mr B W Sweetland, who is not considered to be an independent Director, retires annually from the Board and, being eligible, offers himself for re-election.

The Board confirms that, following formal performance evaluations, the performance of each of the Directors seeking re-election continues to be effective and demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that these Directors are re-elected.

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

	Year ended 31 December 2006	Period from 21 January 2005 to 31 December 2005
P Niven	**25,000**	22,226
D L Adamson	**18,000**	16,003
J H Stephen	**18,000**	16,003
B W Sweetland	**18,000**	16,003
N J M Tostevin	**18,000**	16,003
Total	**97,000**	86,238

As any further increase in Directors' remuneration could result in the current maximum permitted under the Articles of Association being exceeded, a resolution to increase the maximum aggregate sum to which the Directors would be entitled as remuneration to £200,000 (currently £125,000) will be proposed at the Annual General Meeting. This amendment is proposed to allow for anticipated increases in total Directors' remuneration over a number of years.

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 Investment Business Limited, a wholly owned subsidiary of F&C Asset Management plc, provides management services to the Company. A summary of the contract between the Company and F&C Investment Business Limited in respect of management services provided is given in note 2 to the accounts.

Since the year end, the Management Engagement Committee has reviewed the appropriateness of the Managers' appointment. In carrying out its review the Committee considered the investment performance of the Company 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 9 March 2007 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	393,112,250	53.5
Standard Life Investments	36,049,481	4.9
Scottish Widows Investment Partnership	23,000,000	3.1

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 Combined Code'). However, it is the Company's policy to comply with best practice on good corporate governance that is applicable to investment companies.

The Board has considered the principles and recommendations of the Association of Investment Companies' Code of Corporate Governance issued in February 2006 ('AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies ('AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues which are of specific relevance to the Company.

The Board considers that it is appropriate to report against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code).

Except as disclosed below, the Company complied throughout the year with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code. Since all the Directors are non-executive the provisions of the Combined Code in respect of the role of the chief executive are not relevant to the Company and, likewise, the provisions of the Combined Code relating to Directors' remuneration are not relevant except in so far as they relate specifically to non-executive Directors. For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers that these provisions are not relevant to the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

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 provision A.7.2 of the Combined Code and principle 3 of the AIC Code, nor for a Senior Independent Director to be appointed as recommended by provision A.3.3 of the Combined Code and principle 1 of the AIC Code, nor for there to be a Nomination Committee as recommended by provision A.4.1 of the Combined Code and principle 9 of the AIC Code.

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 Investment Business Limited. 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. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chairman, has therefore been imposed. 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 Investment Business Limited, 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 meets at least quarterly and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings.

Throughout the year 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 meets 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 £4,000 for the year ended 31 December 2006 (period ended 31 December 2005 – £36,000) and related to a review of the interim financial information and certification of bond compliance certificates. 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.

During the year the performance of the Board, committees and individual Directors was evaluated through an assessment process, led by the Chairman. This process involved the completion of questionnaires tailored to suit the nature of the Company, and follow up discussions between the Chairman and each of the Directors. The performance of the Chairman was evaluated by the other Directors.

The table below sets out the number of scheduled Board and Committee meetings held during the year and the number of meetings attended by each Director.

	Board of Directors		Audit Committee		Management Engagement Committee	
	Held	Attended	Held	Attended	Held	Attended
P Niven	4	4	2	1	1	1
D L Adamson	4	4	2	2	1	1
J H Stephen	4	4	4	2	1	1
B W Sweetland	4	4	2	n/a	1	n/a
N J M Tostevin	4	4	2	2	1	1

Report of the Directors (continued)

In addition to the scheduled meetings detailed above, there were a further 5 Board committee meetings held in Guernsey, attended by non-UK resident Directors.

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

Going Concern

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

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 internal control guidance issued by the Financial Reporting Council in October 2005. 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 year and up to the date of approval of the Annual Report, and the Board is satisfied with their effectiveness. These procedures are designed to manage rather than eliminate risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss. 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.

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.

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 year.

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 6, 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 2008 and 16 November 2008. 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 or held in treasury.

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 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.

Treasury Shares

Under Guernsey law the Company is able to buy back its own shares to hold in treasury for re-sale. The Directors consider that this facility gives the Company more flexibility in managing its share capital. The Company currently holds no shares in Treasury.

Such facility, however, requires a change to be made to the Company's Articles of Association and Resolution 7, as set out in the notice of the Annual General Meeting, seeks approval for such a change.

Any buy-back of shares into treasury and re-sale from treasury will operate within the following limits:

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

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.

On behalf of the Board

P Niven	N J M Tostevin
Director	Director

9 March 2007

Directors' Responsibility Statement and Independent Auditors' Report

Directors' Responsibility Statement

The Directors are responsible for preparing the Report of the Directors, Annual Report and Financial Statements for each financial period which give a true and fair view of the state of affairs of the Group as at the end of the financial period and of the profit or loss of the Group for that period in accordance with International Financial Reporting Standards and 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is 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 comply with The Companies (Guernsey) Law, 1994. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for:

- ensuring that the Report of the Directors and other information included in the Annual Report is prepared in accordance with applicable company law;
- ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority; and
- the Group's system of internal controls, which is designed to meet the Group's particular needs and the risks to which it is exposed.

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 year ended 31 December 2006 which comprise the Consolidated and Company Income Statements, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements 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 ('IFRS') as set out in the Directors' Responsibility Statement 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 International Financial Reporting Standards, of the state of the Group's and the parent company's affairs as at 31 December 2006 and of the Group's and Company's profit for the year then ended; and
- have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

KPMG Channel Islands Limited
Guernsey
Channel Islands
9 March 2007

Income Statements

for the year ended 31 December 2006

	Notes	Company: Year ended 31 December 2006 £'000	Company: Period from 21 January 2005 to 31 December 2005 £'000	Group: Year ended 31 December 2006 £'000	Group: Period from 21 January 2005 to 31 December 2005 £'000
Revenue					
Rental Income		–	3,956	53,427	39,705
Income from indirect property funds		–	–	7,747	6,166
Gains on investments					
Unrealised gain on revaluation of investment properties	9	–	–	151,309	113,173
Unrealised gain on revaluation of indirect property funds	9	–	–	27,653	20,277
Realised gain on sale of investment properties	9	–	11,115	4,202	–
Total income		–	15,071	244,338	179,321
Expenditure					
Investment management fee	2a	–	(692)	(9,050)	(6,111)
Set up costs		–	(9,354)	–	(9,354)
Other expenses	3	(389)	(596)	(3,870)	(2,728)
Total expenditure		(389)	(10,642)	(12,920)	(18,193)
Net operating (loss)/profit before finance costs		(389)	4,429	231,418	161,128
Net finance costs					
Interest revenue receivable	4	48,018	34,007	1,573	1,507
Finance costs	5	(12,123)	(9,566)	(12,123)	(9,566)
		35,895	24,441	(10,550)	(8,059)
Net profit from ordinary activities before taxation		35,506	28,870	220,868	153,069
Taxation on profit on ordinary activities	6	–	(201)	(457)	(585)
Net profit for the year/period		35,506	28,669	220,411	152,484
Earnings per share	8	4.8p	3.9p	30.0p	20.7p

The accompanying notes are an integral part of the above statements.

Balance Sheets

as at 31 December 2006	Notes	Company 2006 £'000	Company 2005 £'000	Group 2006 £'000	Group 2005 £'000
Non-current assets					
Investment properties	9	**–**	–	**1,046,980**	908,895
Investments in indirect property funds held at fair value	9	**–**	–	**181,877**	154,224
Investment in subsidiary undertaking	10	**934,611**	933,022	**–**	–
		934,611	933,022	**1,228,857**	1,063,119
Current assets					
Trade and other receivables	11	**6,365**	9,300	**6,217**	4,563
Cash and cash equivalents	12	**19,866**	27,608	**53,291**	41,680
		26,231	36,908	**59,508**	46,243
Total assets		**960,842**	969,930	**1,288,365**	1,109,362
Current liabilities					
Trade and other payables	13	**(800)**	(1,388)	**(19,243)**	(16,840)
Non-current liabilities					
Interest-bearing bonds	14	**–**	–	**(228,993)**	(228,899)
Deferred taxation		**–**	–	**(360)**	(165)
Loan from group company	15	**(228,993)**	(228,899)	**–**	–
		(228,993)	(228,899)	**(229,353)**	(229,064)
Total liabilities		**(229,793)**	(230,287)	**(248,596)**	(245,904)
Net assets		**731,049**	739,643	**1,039,769**	863,458
Represented by:					
Share capital	16	**661,500**	661,500	**661,500**	661,500
Special reserve	16	**58,434**	62,337	**58,434**	62,337
Capital reserve – realised	16	**11,115**	11,115	**4,202**	–
Capital reserve – unrealised	16	**–**	–	**312,412**	133,450
Revenue reserve	16	**–**	4,691	**3,221**	6,171
Equity shareholders' funds		**731,049**	739,643	**1,039,769**	863,458
Net asset value per share				**141.5p**	117.5p

The accounts on pages 20 to 34 were approved by the Board of Directors on 9 March 2007 and signed on its behalf by:

P Niven, Director

N J M Tostevin, Director

The accompanying notes are an integral part of the above statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2006

	Share Capital £'000	Special Reserve £'000	Capital Reserve – Realised £'000	Capital Reserve – Unrealised £'000	Revenue Reserve £'000	Total £'000
At 1 January 2006	**661,500**	**62,337**	**–**	**133,450**	**6,171**	**863,458**
Net profit for the year	–	–	–	–	220,411	220,411
Dividends paid	–	–	–	–	(44,100)	(44,100)
Transfer from special reserve	–	(3,903)	–	–	3,903	–
Transfer in respect of gains on investment properties	–	–	–	151,309	(151,309)	–
Transfer in respect of gains on indirect property funds	–	–	–	27,653	(27,653)	–
Realised gain on sale of investment properties	–	–	4,202	–	(4,202)	–
At 31 December 2006	**661,500**	**58,434**	**4,202**	**312,412**	**3,221**	**1,039,769**

for the period from 21 January 2005 to 31 December 2005

	Share Capital £'000	Share Premium Account £'000	Special Reserve £'000	Capital Reserve – Unrealised £'000	Revenue Reserve £'000	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**

Company Statement of Changes in Equity

for the year ended 31 December 2006

	Share Capital £'000	Special Reserve £'000	Capital Reserve – Realised £'000	Capital Reserve – Unrealised £'000	Revenue Reserve £'000	Total £'000
At 1 January 2006	**661,500**	**62,337**	**11,115**	**–**	**4,691**	**739,643**
Net profit for the year	–	–	–	–	35,506	35,506
Dividends paid	–	–	–	–	(44,100)	(44,100)
Transfer from special reserve	–	(3,903)	–	–	3,903	–
At 31 December 2006	**661,500**	**58,434**	**11,115**	**–**	**–**	**731,049**

for the period from 21 January 2005 to 31 December 2005

	Share Capital £'000	Share Premium Account £'000	Special Reserve £'000	Capital Reserve – Realised £'000	Revenue Reserve £'000	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	–	–	–	–	28,669	28,669
Dividends paid	–	–	–	–	(12,863)	(12,863)
Realised gain on sale of investment properties	–	–	–	11,115	(11,115)	–
At 31 December 2005	**661,500**	**–**	**62,337**	**11,115**	**4,691**	**739,643**

The accompanying notes are an integral part of the above statements.

Cash Flow Statements

for the year ended 31 December 2006	Notes	Company Year ended 31 December 2006 £'000	Company Period from 21 January 2005 to 31 December 2005 £'000	Group Year ended 31 December 2006 £'000	Group Period from 21 January 2005 to 31 December 2005 £'000
Cash flows from operating activities					
Net operating (loss)/profit for the period before finance costs		**(389)**	4,429	**231,418**	161,128
Adjustments for:					
Unrealised gain on revaluation of investment properties		**–**	–	**(151,309)**	(113,173)
Unrealised gain on revaluation of indirect property funds		**–**	–	**(27,653)**	(20,277)
Realised gain on sale of investment properties		**–**	(11,115)	**(4,202)**	–
Increase in operating trade and other receivables		**(15)**	(10)	**(1,654)**	(4,563)
(Decrease)/increase in operating trade and other payables		**(387)**	1,187	**2,452**	16,420
		(791)	(5,509)	**49,052**	39,535
Interest received		**50,968**	24,717	**1,573**	1,507
Interest paid		**(12,029)**	(9,471)	**(12,029)**	(9,471)
Taxation paid		**(201)**	–	**(311)**	–
		38,738	15,246	**(10,767)**	(7,964)
Net cash inflow from operating activities		**37,947**	9,737	**38,285**	31,571
Cash flows from investing activities					
Purchase of investments	9	**–**	(791,425)	**(975)**	(925,372)
Sale of investments	9	**–**	802,540	**23,237**	–
Capital expenditure	9	**–**	–	**(4,836)**	(4,297)
Net cash inflow/(outflow) from investing activities		**–**	11,115	**17,426**	(929,669)
Cash flows from financing activities					
Proceeds from issue of ordinary share capital	16	**–**	735,000	**–**	735,000
Issue costs of ordinary share capital	16	**–**	(11,163)	**–**	(11,163)
Proceeds from issue of 5.23% Secured Bonds	14	**–**	–	**–**	230,000
Issue costs of 5.23% Secured Bonds	14	**–**	(1,196)	**–**	(1,196)
Proceeds of loan from F&C Commercial Property Finance Limited	15	**–**	230,000	**–**	–
Investment in subsidiary		**(1,589)**	(933,022)	**–**	–
Dividends paid	7	**(44,100)**	(12,863)	**(44,100)**	(12,863)
Net cash (outflow)/inflow from financing activities		**(45,689)**	6,756	**(44,100)**	939,778
Net (decrease)/increase in cash and cash equivalents		**(7,742)**	27,608	**11,611**	41,680
Opening cash and cash equivalents		**27,608**	–	**41,680**	–
Closing cash and cash equivalents		**19,866**	27,608	**53,291**	41,680

The accompanying notes are an integral part of the above statements.

Notes to the Accounts

1. Accounting policies

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

(a) Basis of accounting

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by, or adopted by, the International Accounting Standards Board (the 'IASB'), interpretations issued by the International Financial Reporting Standards Committee, guidelines set out in the Statement of Recommended Practice ('SORP') for Investment Companies issued by the Association of Investment Companies, applicable legal and regulatory requirements of Guernsey Law and the Listing Rules of the UK Listing Authority.

The following new standards have been issued but are not effective for 2006 and have not been early adopted:

In August 2005, the IASB issued IFRS 7 *Financial Instruments: Disclosures* which becomes effective for periods commencing on or after 1 January 2007. The standard requires disclosures about the significance of financial instruments for an entity's financial position and performance. These disclosures incorporate many of the requirements of IAS 32 *Financial Instruments: Disclosure and Presentation*. IFRS 7 also requires information about the extent to which the entity is exposed to risks arising from financial instruments, and a description of management's objectives, policies and processes for managing those risks. The Group will apply IFRS 7 for its accounting period commencing 1 January 2007.

In November 2006, the IASB issued IFRS 8 *Operating Segments* which becomes effective for periods commencing on or after 1 January 2009. This standard requires disclosure on the financial performance of the Group's operating segments. The Group will apply IFRS 8 for its accounting period commencing 1 January 2009.

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 drawn up to 31 December each year. Subsidiaries are those entities, including special purpose entities, controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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 property consists of land and buildings held to earn rental income together with the potential for capital and income growth.

Investment properties are initially recognised at cost, being the fair value of consideration given, including transaction costs associated with the investment property. Any subsequent capital expenditure incurred in improving investment properties is capitalised in the period during which the expenditure is incurred and included within the book cost of the 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 – Unrealised. Fair value is based on the open market valuation provided by DTZ Debenham Tie Leung Limited, chartered surveyors, at the balance sheet date.

1. Accounting policies (continued)

(f) Investment properties (continued)

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

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

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 derecognised 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) 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.

(i) 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.

(j) Trade and other receivables

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

(k) Interest-bearing borrowings

All non-current borrowings are initially recognised as 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

	Company		Group	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
(a) Investment management fee	**–**	692	**9,050**	6,111

Throughout the year the Company's investment managers were F&C Asset Management plc ('F&C'). On 16 February 2007 the investment management agreement was novated to F&C Investment Business Limited, a wholly owned subsidiary of F&C. F&C Investment Business Limited receives 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 increases annually in line with inflation), payable quarterly in arrears. The investment managers received £102,000 for administration services provided in respect of the year ended 31 December 2006 (2005: £79,000). 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.

Notes to the Accounts (continued)

3. Other expenses

	Company		Group	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Direct operating expenses of let rental property	**–**	115	**3,156**	1,701
Provision for bad debts	**(23)**	57	**(127)**	313
Valuation and other professional fees	**186**	122	**388**	271
Directors' fees	**20**	18	**97**	86
Administration fee	**102**	79	**102**	79
Auditors' remuneration for:				
– audit	**18**	17	**33**	30
– other services	**2**	1	**4**	6
Other	**84**	187	**217**	242
	389	596	**3,870**	2,728

4. Interest revenue receivable

	Company		Group	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Intercompany loan interest	**46,495**	32,451	**–**	–
Amortisation of arrangement fee	**375**	281	**–**	–
Deposit interest	**1,148**	1,275	**1,573**	1,507
	48,018	34,007	**1,573**	1,507

5. Finance costs

	Company		Group	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Interest on the 5.23 per cent Secured Bonds 2017	**–**	–	**12,029**	9,471
Amortisation of Secured Bonds issue costs	**–**	–	**94**	95
Interest on the intercompany loan	**12,029**	9,471	**–**	–
Amortisation of intercompany loan issue costs	**94**	95	**–**	–
	12,123	9,566	**12,123**	9,566

6. Taxation

	Company		Group	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Current income tax charge	**–**	201	**262**	420
Deferred income tax relating to origination and reversal of temporary differences	**–**	–	**195**	165
Total tax charge	**–**	201	**457**	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 year is as follows:

	Company		Group	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Net profit from ordinary activities before taxation	**35,506**	28,870	**220,868**	153,069
UK income tax at a rate of 22 per cent	**7,811**	6,351	**48,591**	33,675
Effects of:				
Capital gains on investment properties and indirect property funds not taxable	**–**	(2,445)	**(40,296)**	(29,359)
Income not taxable, including interest receivable	**(10,564)**	(7,482)	**(346)**	(331)
Expenditure not allowed for income tax purposes (including set-up costs)	**18**	3,962	**2,820**	3,986
Inter company loan interest	**–**	–	**(10,312)**	(7,201)
Permanent timing capital allowances	**–**	(185)	**–**	(185)
Excess management expenses	**2,735**	–	**–**	–
Total tax charge	**–**	201	**457**	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 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 (continued)

7. Dividends

	Company		Group	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
In respect of the previous period:				
Third interim dividend	**11,025**	–	**11,025**	–
Fourth interim dividend	**11,025**	–	**11,025**	–
In respect of the year under review:				
First interim dividend	**11,025**	5,513	**11,025**	5,513
Second interim dividend	**11,025**	7,350	**11,025**	7,350
	44,100	12,863	**44,100**	12,863

A third interim dividend of 1.5 pence per share was paid on 26 January 2007 and a fourth interim dividend of 1.5 pence per share will be paid on 27 April 2007 to shareholders on the register on 30 March 2007. Although these payments relate to the year ended 31 December 2006, under International Financial Reporting Standards they will be accounted for in the year ending 31 December 2007, being the year during which they are paid.

8. Earnings per share

The Group earnings per Ordinary Share are based on the net profit for the year of £220,411,000 (2005: £152,484,000) and on 735,000,000 (2005: 735,000,000) Ordinary Shares, being the weighted average number of shares in issue during the year.

The Company earnings per Ordinary Share are based on the net profit for the year of £35,506,000 (2005: £28,669,000) and on 735,000,000 (2005: 735,000,000) Ordinary Shares, being the weighted average number of shares in issue during the year.

9. Investments

	Company		Group	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Freehold and leasehold properties				
Opening book cost	**–**	–	**795,722**	–
Opening unrealised appreciation	**–**	–	**113,173**	–
Opening valuation	**–**	–	**908,895**	–
Purchases	**–**	791,425	**975**	791,425
Sales – proceeds	**–**	(802,540)	**(23,237)**	–
– gain on sale	**–**	11,115	**4,202**	–
Capital expenditure	**–**	–	**4,836**	4,297
Movement in unrealised appreciation	**–**	–	**151,309**	113,173
	–	–	**1,046,980**	908,895
Closing book cost	**–**	–	**782,498**	795,722
Closing unrealised appreciation	**–**	–	**264,482**	113,173
Closing valuation	**–**	–	**1,046,980**	908,895

	Company		Group	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Indirect property funds				
Opening book cost	**–**	–	**133,947**	–
Opening unrealised appreciation	**–**	–	**20,277**	–
Opening valuation	**–**	–	**154,224**	–
Purchases	**–**	–	**–**	133,947
Movement in unrealised appreciation	**–**	–	**27,653**	20,277
	–	–	**181,877**	154,224
Closing book cost	**–**	–	**133,947**	133,947
Closing unrealised appreciation	**–**	–	**47,930**	20,277
Closing valuation	**–**	–	**181,877**	154,224

DTZ Debenham Tie Leung Limited completed a valuation of the Group's investment properties at 31 December 2006 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 £1,046,980,000 (2005: £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.

All leasehold properties have more than 60 years remaining on the lease term.

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.

Notes to the Accounts (continued)

9. Investments (continued)

The Group has entered into leases on its property portfolio as lessor (See note 21 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 9.

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 19.

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

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

10. 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. Further details are contained in note 15.

11. Trade and other receivables

	Company		Group	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Accrued Income	**38**	–	**2,609**	2,150
Rents receivable (net of provision for bad debts)	**–**	–	**2,099**	2,178
Other debtors and prepayments	**25**	10	**1,509**	235
Due from subsidiary undertaking	**6,302**	9,290	**–**	–
	6,365	9,300	**6,217**	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.

12. 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 year end.

The cash balance at 31 December 2006 includes £3,097,000 (2005: £2,291,000) of client monies and therefore a corresponding creditor is included within trade and other payables.

13. Trade and other payables

	Company		Group	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Rental income received in advance	**–**	–	**11,489**	10,897
VAT payable	**–**	–	**1,246**	1,266
Investment managers' fees payable	**–**	–	**2,412**	2,049
Tax payable	**–**	201	**371**	420
Due to group companies	**712**	690	**–**	–
Other payables	**88**	497	**3,725**	2,208
	800	1,388	**19,243**	16,840

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

14. Interest bearing bonds

	Company		Group	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Principal amount outstanding	**–**	–	**230,000**	230,000
Issue costs	**–**	–	**(1,196)**	(1,196)
Amortisation of issue costs	**–**	–	**189**	95
Total due	**–**	–	**228,993**	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 covenant 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 of 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 2006 was £229,777,000 (2005: £241,896,000).

Notes to the Accounts (continued)

15. Loan from group company

	Company	
	2006	2005
	£'000	£'000
Principal amount outstanding	**230,000**	230,000
Issue costs paid on behalf of F&C Commercial Property Finance Limited	**(1,196)**	(1,196)
Amortisation of issue costs	**189**	95
	228,993	228,899

The Company has borrowed the proceeds of the bond issue detailed in note 14 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.

16. Share capital and share premium account and reserves

	Company and Group	
	2006	2005
	£'000	£'000
Authorised share capital		
1,000,000,000 Ordinary Shares of 90 pence each	**900,000**	900,000
Issued share capital		
735,000,000 Ordinary Shares of 90 pence each, fully paid	**661,500**	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 reserve	**–**	(62,337)
Closing balance	**–**	–
Issued share capital and share premium account	**661,500**	661,500

Special reserve

The special reserve was created by the cancellation of the Company's Share Premium Account by the Royal Court of Guernsey in July 2005. 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 – realised

The following are accounted for in this reserve:

– gains and losses on the disposal of investments and investment properties.

Capital reserve – unrealised

The following are accounted for in this reserve:

– increases and decreases in the fair value of investment properties held at the year end; and

– increases and decreases in the fair value of investments in indirect property funds held at the year 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 reserve being charged to that reserve.

17. Net asset value per share

The Group's net asset value per Ordinary Share of 141.5p (2005: 117.5p) is based on the equity shareholders' funds of £1,039,769,000 (2005: £863,458,000) and on 735,000,000 (2005: 735,000,000) Ordinary Shares, being the number of shares in issue at the year end.

18. Related party transactions

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

The Company's ultimate parent company is Friends Provident plc which, through a number of subsidiaries, held a majority shareholding in the Company as at 31 December 2006. Friends Provident plc is also the ultimate parent company of the Company's investment managers, F&C Investment Business Limited.

F&C Investment Business Limited received fees for its services as investment managers. Further details are provided in note 2 on page 25. The total charge to the Income Statement during the year was £9,050,000 (2005: £6,111,000) of which £2,412,000 (2005: £2,049,000) remained payable at the year 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 26. Total fees for the year were £97,000 (2005: £86,000). No fees remained payable at the year end.

19. 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 year 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 2006 is £2,099,000 (2005: £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, 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 both direct and indirect holdings in 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.

The Group's investments include investments in indirect property funds which are not traded in an organised public market and which generally may be illiquid. As a result the Group may not be able to liquidate quickly some of its investments in these instruments in order to meet its liquidity requirements.

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.

Notes to the Accounts (continued)

19. Financial instruments (continued)

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

Type	Total £'000	Fixed rate £'000	Variable rate £'000	Assets/ liabilities where no interest is received £'000	Weighted average interest rate %	Weighted average period for which rate is fixed (years)
As at 31 December 2006						
Financial assets						
Cash and cash equivalents	53,291	–	53,291	–	4.54	–
Trade and other receivables	6,217	–	–	6,217	–	–
Financial liabilities						
5.23 per cent Secured Bonds due 2017	228,993	228,993	–	–	5.29	8.5
As at 31 December 2005						
Financial assets						
Cash and cash equivalents	41,680	–	41,680	–	4.18	–
Trade and other receivables	4,563	–	–	4,563	–	–
Financial liabilities						
5.23 per cent Secured Bonds due 2017	228,899	228,899	–	–	5.29	9.5

Apart from the 5.23 per cent Secured Bonds as disclosed in note 14, the fair value of financial assets and liabilities is not materially different from their carrying value in the financial statements.

Foreign currency risk

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

20. Capital commitments

The Group has capital commitments totalling £186,000 as at 31 December 2006 (2005: £1,921,000).

As at 31 December 2006 the Group had entered into an agreement to sell 749,264 units in The Mall LP for a consideration of £1,875,000, representing a premium of 0.6 per cent to the carrying value at 31 December 2006. The sale concluded on 15 January 2007.

The Company did not have any capital commitments at 31 December 2006 (2005: nil).

21. Lease length

The Group leases out its investment properties under operating leases.

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

	Company		Group	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Less than one year	**–**	–	**607**	1,349
Between two and five years	**–**	–	**32,071**	26,858
Over five years	**–**	–	**452,016**	475,332
Total	**–**	–	**484,694**	503,539

The largest single tenant at the year end accounted for 5.3 per cent (2005: 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 2.1 per cent (2005: 2.8 per cent) at the year end.

The Group has entered into commercial property leases on its investment property portfolio. These properties, held under operating leases, are measured under the fair value model as the properties are held 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 the Manager's Review on pages 5 to 8.

Notice of Annual General Meeting

Notice is hereby given that the Second 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 Thursday 17 May 2007 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 year ended 31 December 2006 be received and approved.
2. That Mr P Niven, who retires by rotation, be re-elected as a Director.
3. That Mr B W Sweetland, who retires annually, be re-elected as a Director.
4. That KPMG Channel Islands Limited be re-appointed as Auditors.
5. That the Directors be authorised to determine the Auditors' remuneration.

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

6. 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'') (either for retention as treasury shares for future resale or transfer, or cancellation), provided that:

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

   (b) the minimum price which may be paid for an Ordinary Share shall be 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 2008, or on 16 November 2008, 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.

7. That the Company be authorised, in accordance with section 1 of The Companies (Purchase of Own Shares) (Treasury Shares) Ordinance, 2006, to hold any shares, purchased by it in accordance with the Companies (Purchase of Own Shares) Ordinance, 1998, and out of distributable profits, as treasury shares, by way of an amendment to the Company's articles of association as set out in the proposed articles of association to be tabled at the Annual General Meeting which will replace the Company's existing articles of association.
8. That the limit of the remuneration payable to directors of the Company be changed from £125,000 to £200,000, by way of an amendment to the Company's articles of association as set out in the proposed articles of association to be tabled at the Annual General Meeting which will replace the Company's existing articles of association.
9. That the articles of association of the Company be amended to reflect the changes requested pursuant to resolutions 7 and 8 by deleting the existing articles of association in their entirety and replacing them with the articles of association as tabled at the Annual General Meeting.

By order of the Board

Northern Trust International Fund Administration Services (Guernsey) Limited

Secretary

Trafalgar Court

Les Banques

St Peter Port

Guernsey GY1 3QL

9 March 2007

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 15 May 2007.
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 15 May 2007. 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 for 15 minutes prior to, and at, the Annual General Meeting.
6. In the opinion of the Directors it is beneficial for the Company to be able to hold treasury shares as permitted under the Companies (Purchase of Own Shares) (Treasury Shares) Ordinance, 2006. The proposed amendments to the articles of association will allow the Company to retain any shares bought back as treasury shares for future re-issue and re-sale or transfer or to cancel any such shares. During the period when the Company holds shares as treasury shares the rights and obligations in respect of those shares may not be exercised or enforced by or against the Company. In particular, the Company may not exercise any voting rights or make or receive any dividend or other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) in respect of those shares. The maximum number of shares of any class that can be held as treasury shares by the Company is 10 per cent of the aggregate nominal value of all of the issued shares in that class.

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 Computershare Investor Services (Channel Islands) Limited, PO Box 83, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW on request. Where dividends are paid directly to shareholders' bank accounts, dividend tax vouchers are sent directly to shareholders' registered addresses.

Dividend Reinvestment Plan

Shareholders who wish to use their dividends to purchase further shares in the Company by participating in the Dividend Reinvestment Plan can complete a Mandate Form which may be obtained from Computershare Investor Services (Channel Islands) Limited, PO Box 83, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW on request.

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 Computershare Investor Services (Channel Islands) Limited, PO Box 83, Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW under the signature of the registered holder.

Shareholder Enquiries

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

Financial Calendar 2007/08

27 April 2007	Payment of fourth interim dividend
17 May 2007	Annual General Meeting
July 2007	Payment of first interim dividend
August 2007	Announcement of interim results
September 2007	Posting of Interim Report
October 2007	Payment of second interim dividend
January 2008	Payment of third interim dividend
March 2008	Announcement of annual results
	Posting of Annual Report

Historic Record

	Total assets less current liabilities £'000	Shareholders' funds £'000	Net asset value per Ordinary Share p	Ordinary Share price p	Premium/ (discount) %	Earnings per Ordinary Share p	Dividends paid per Ordinary share p	Total expenses ratio %
18 March 2005 (launch)	943,288	713,288	97.0	100.0	3.1	–	–	–
31 December 2005	1,092,522	863,458	117.5	118.5†	0.9	20.7	1.75	1.1*
31 December 2006	**1,269,122**	**1,039,769**	**141.5**	**131.0†**	**(7.4)**	**30.0**	**6.00**	**1.1**

*Excluding set up costs.

†Ex-dividend for third interim dividend payable in January each year.

Corporate Information

Directors
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 Registrars
Northern Trust International Fund Administration Services (Guernsey) Limited
Trafalgar Court
Les Banques
St. Peter Port
Guernsey GY1 3QL

Investment Managers
F&C Investment Business Limited
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 4LD

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

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

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

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

Website
www.fccpt.co.uk

Registered Office

Trafalgar Court
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Registrars

Northern Trust International Fund Administration Services (Guernsey) Limited
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