F&C Commercial Property Trust Limited

2006

Interim report for the six months ended 30 June 2006

F&C Investments

Company Summary

Objective

To provide ordinary shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified UK commercial property portfolio.

Investment Managers

F&C Asset Management plc – Richard Kirby

Total Assets Less Current Liabilities

£1,184 million at 30 June 2006

Shareholders' Funds

£955 million at 30 June 2006

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 Individual Savings Accounts (Isas) and Pep transfers.

Financial Highlights and Performance Summary

- Net asset value total return of 13.3 per cent
- Dividend yield of 4.6 per cent

Total Return

	Six months to 30 June 2006
Net asset value per share	**13.3%**
Ordinary Share price	**13.6%**
Investment Property Databank Monthly Index	**9.7%**
FTSE All-Share Index	**6.1%**

Capital Values

	30 June 2006	31 December 2005	% Change
Total assets less current liabilities (£000's)	**1,184,326**	1,092,522	8.4
Net asset value per share	**129.9p**	117.5p	10.6
Ordinary Share price	**131.5p**	118.5p	11.0
FTSE All-Share Index	**2,967.6**	2,847.0	4.2
Premium to net asset value per share	**1.2%**	0.9%	–
Gearing*	**19.3%**	21.0%	–

*Gearing: Secured Bonds ÷ Total assets less current liabilities.

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

Chairman's Statement

I would like to welcome shareholders and present my second interim Chairman's Statement in which I am once again pleased to report that the Company has sustained its good performance over the six months to 30 June 2006. The results continue to achieve the Company's objective to provide ordinary shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified UK commercial property portfolio.

Performance

The commercial property market continued to perform strongly during the first half of 2006 with the latest Investment Property Databank ('IPD') monthly data showing total returns of 9.7 per cent over the period. Property forecasters are revising their projections upwards for 2006 and a third consecutive year of returns in the mid/high teens is in prospect.

The performance has been driven by the continued strength of investment demand. Evidence suggests approximately £19 billion was invested in commercial property over the period with institutions, overseas buyers and private individuals all net investors. Institutions acquired a net £2 billion of property over this period across all sectors, but favouring Central London offices in particular. Indeed over 40 per cent of all investment was in Central London properties.

Yields have continued to compress across all property sectors and types, whether prime or secondary. IPD data shows the all property equivalent yield at 5.63 per cent in June compared with 6.47 per cent a year earlier. The initial yield is lower at 4.81 per cent whilst the Jones Lang LaSalle Prime Index is lower still at 4.61 per cent; initial yields are now below the key borrowing rate – the five year swap rate.

Last year saw a convergence in performance by sector but 2006 has witnessed offices pulling ahead of both retail and industrial property. This is partly due to yield compression driven by the weight of money but also reflects the strengthening of rental growth in the sector. In contrast, retail property has slipped into third place behind industrials over the past quarter with both retail warehousing and town centre retail under-performing the all property range.

Against this background it is encouraging to report that the Company's net asset value total return was 13.3 per cent for the six month period to 30 June 2006. The share price total return for the period was 13.6 per cent, and the share price of 131.5p per share as at 30 June 2006 represented a premium of 1.2 per cent to the net asset value per share.

Portfolio

The portfolio performed well during the period. Its value increased to £1.16 billion, an ungeared uplift of 8.9 per cent. This compares favourably with an increase of 7.0 per cent in the IPD Monthly Index.

Retail

The all retail total return over the period according to the IPD Monthly Index was 9.0 per cent. Investment demand remains strong especially for prime shopping centres and retail warehouse parks with the benefit of Open A1 planning consents. Recent evidence may suggest that prime high street retail units have approached the top of the market. Retailers themselves are becoming more cost conscious and incentives for them to take space have increased markedly.

Newbury Retail Park, Newbury, 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. This letting reflects an average rent of £26.40 psf and is above the evidence set on the letting to New Look at a headline of £25 psf. The park is now fully let with rent reviews on the main body due next year.

At Sears Retail Park, Solihull, the rent review of a unit has been agreed at £852,000 per annum

Chairman's Statement

which is an uplift of 42 per cent over the previous rent passing.

At St Christopher's Place Estate, London W1, which is the Company's largest property, 20 James Street has been let to a Sushi operator further enhancing the food offer now available on James Street.

Offices

The office market continues its recovery and produced a total return of 12.0 per cent according to the IPD Monthly Index, making it the best performing sector during the period. Central London has been especially strong with notable rental growth. Investors have recognised rental growth in Central London and the recovery potential in the South East markets has driven yields down. The Company continues to benefit from its overweight exposure to Central London offices and has continued its programme of the refurbishment or conversion of office space at St Christopher's Place Estate. It has also benefited from the refurbishment of two floors at 7 Birchin Lane, London EC3, with the fifth floor under offer at a headline rent of £32.50 psf against a pro forma rent of £26 psf.

Industrial

The industrial sector produced a total return of 9.4 per cent during the period according to the IPD Monthly Index. The Company's largest holding in the sub-sector is in the Industrial Property Investment Fund which produced a total return of approximately 10 per cent over the half year.

Purchases and Disposals

The Company completed its first acquisition during the period: 44 James Street, London W1, at £975,000, being an integral property within the St Christopher's Place Estate. Terms have also been agreed to forward acquire a retail warehouse which adjoins one of the Company's existing properties.

Dividends

A first interim dividend of 1.5p per share was paid on 28 July 2006. The Board has declared a second interim dividend of 1.5p per share which will be paid on 27 October 2006 to shareholders on the register on 29 September 2006. The current annual rate of dividend, of 6.0p per share, is unchanged from that set at the time of the Company's launch in March 2005.

Borrowings

The Company's borrowings are represented by £230 million Secured Bonds due 2017 which have been assigned an 'Aaa' rating by Moody's Investors Service. The Bonds carry interest at a fixed rate of 5.23 per cent per annum.

As a result of the strong rise in the value of the portfolio, the level of gearing as at 30 June 2006 was 19.3 per cent, which compares to 21.0 per cent as at 31 December 2005 and 24.4 per cent at launch on 18 March 2005.

Outlook

Property is continuing to perform well and the Managers have increased their 2006 house forecast for the sector from 10 per cent at the start of the year to 15.0 per cent. Total returns may begin to revert to more sustainable levels soon. Yields are now at historically low levels and there seems limited scope for further yield falls, especially relative to five year swap rates. Concern is growing that secondary stock is over-bought with prices paid which do not reflect sufficient risk premia. This stock could be vulnerable to any market correction. Looking forward to 2007, it is expected property will revert to its traditional model of being income return driven with the capital return being enhanced by the asset management of the portfolio.

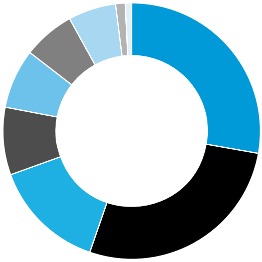
Peter Niven
Chairman

4 August 2006

Portfolio Statistics

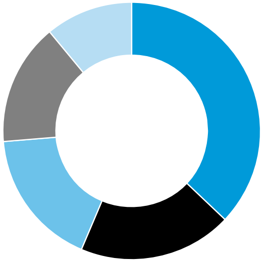
Portfolio by . . .

Geographical Analysis as at 30 June 2006



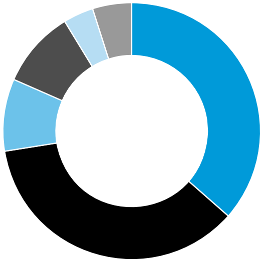
South East	**27.7%**
West End	**27.3%**
Indirect	**14.6%**
Eastern	**8.5%**
West Midlands	**7.4%**
North West	**6.5%**
Scotland	**6.0%**
Yorkshire and Humberside	**1.2%**
Rest of London	**0.8%**

Sector Analysis as at 30 June 2006



Offices	**36.9%**
Retail	**19.2%**
Retail Warehouse	**17.3%**
Industrial	**15.5%**
Shopping Centre	**11.1%**

Covenant Strength as at 30 June 2006



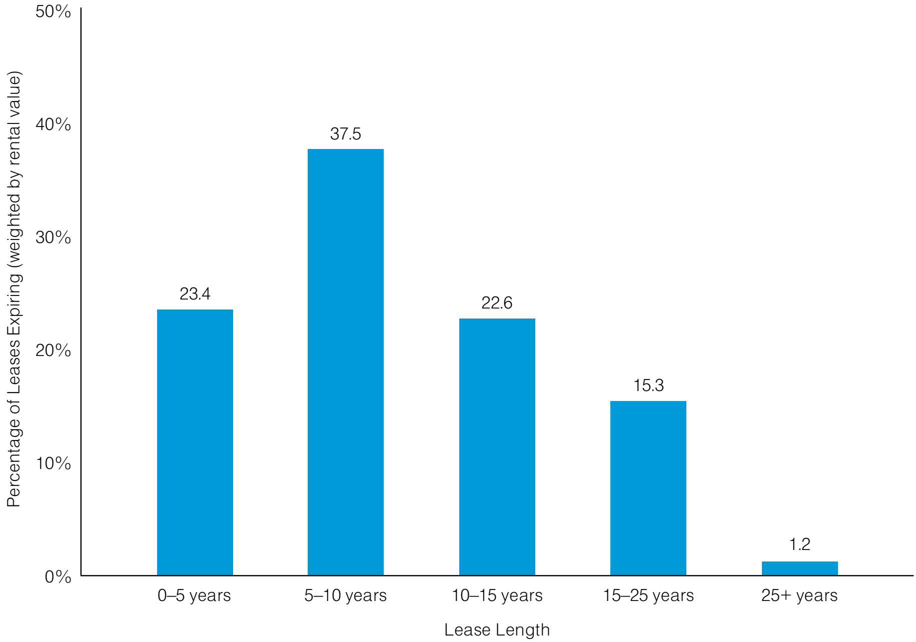
Negligible and Government Risk	**36.5%**
Low Risk	**36.0%**
Low-Medium Risk	**9.1%**
Medium-High Risk	**9.7%**
High Risk	**3.8%**
Unmatched	**4.9%**

Source: Investment Property Databank ('IPD').

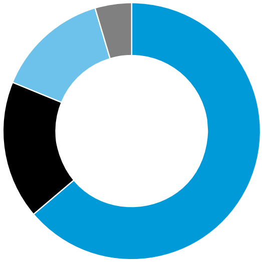
Portfolio Statistics

Lease Expiry Profile

At 30 June 2006 the weighted average lease length for the portfolio, assuming all break options are exercised, was 9.4 years.



Tenure Analysis as at 30 June 2006



	Freehold	**63.5%**
	Mixed Freehold/Leasehold	**17.3%**
	Indirect	**14.6%**
	Leasehold	**4.6%**

Property Portfolio

Property	Market Value £'000	% of Total Assets Less Current Liabilities
Industrial Property Investment Fund	115,712	9.8
London W1, St Christopher's Place Estate	114,125	9.7
Solihull, Sears Retail Park	86,260	7.3
Newbury, Newbury Retail Park	79,690	6.7
Colchester, Lion Walk Shopping Centre	74,750	6.3
London SW1, Cassini House, St James's Street	62,900	5.3
London SW19, Wimbledon Broadway	59,350	5.0
The Mall LP	54,015	4.6
London SW1, 84 Eccleston Square	51,300	4.3
Uxbridge, 3 The Square, Stockley Park	47,425	4.0
Ten largest properties	**745,527**	**63.0**
Camberley, Watchmoor Park	42,700	3.6
Manchester, 82 King Street	40,850	3.5
Glasgow, Alhambra House, Waterloo Street	35,500	3.0
Rochdale, Dane Street	34,625	2.9
London SW1, Charles House, 5/11 Regent Street	32,050	2.7
Reading, Thames Valley One, Thames Valley Park	31,100	2.6
Sunbury, Blocks A, D, E, F, G & H, International Business Centre	20,720	1.7
Reading, Thames Valley Two, Thames Valley Park	20,425	1.7
Edinburgh, 124/125 Princes Street	18,700	1.6
Colchester, The Cowdray Centre, Cowdray Avenue	18,070	1.5
Twenty largest properties	**1,040,267**	**87.8**
London W1, 385/389 Oxford Street	16,500	1.4
Edinburgh, Nevis/Ness Houses, 11/12 Lochside Place	15,700	1.3
London W1, 24/27 Great Pulteney Street	13,600	1.2
London SW1, 2/4 King Street	12,975	1.1
Leeds, 27/28 Commercial Street	12,300	1.1
Southampton, Upper Northam Road, Hedge End	12,000	1.0
London W1, 17A Curzon Street	9,450	0.8
London EC3, 7 Birchin Lane	8,675	0.7
Camberley, Affinity Point, Glebeland Road	8,090	0.7
Colchester, Ozalid Works, Cowdray Avenue	5,900	0.5
Thirty largest properties	**1,155,457**	**97.6**
London W1, 16 Conduit Street	4,375	0.4
Leeds, 40/42 Albion Street	1,780	0.1
Total property portfolio	**1,161,612**	**98.1**
Net current assets	**22,714**	**1.9**
Total assets less current liabilities	**1,184,326**	**100.0**

Consolidated Income Statement

(unaudited) for the six months to 30 June 2006

	Notes	Six months to 30 June 2006 £'000	Period to 30 June 2005 £'000	Period to 31 December 2005* £'000
Revenue				
Rental income		**25,982**	13,551	39,705
Income from indirect property funds		**4,354**	228	6,166
Gains on investments				
Unrealised gains on revaluation of investment properties		**79,618**	34,014	113,173
Unrealised gains on revaluation of indirect property funds		**15,503**	5,422	20,277
Total income		**125,457**	53,215	179,321
Expenditure				
Investment management fee		**(4,277)**	(2,136)	(6,111)
Direct operating expenses of let rental property		**(1,287)**	(393)	(1,701)
Valuation and other professional fees		**(151)**	(143)	(271)
Administrative fee		**(50)**	(27)	(79)
Directors' fees		**(49)**	(39)	(86)
Other expenses		**(393)**	(264)	(591)
Set up costs		**–**	(9,440)	(9,354)
Total expenditure		**(6,207)**	(12,442)	(18,193)
Net operating profit before finance costs		**119,250**	40,773	161,128
Finance costs				
Interest revenue receivable		**855**	709	1,507
Interest payable		**(6,062)**	(3,468)	(9,566)
		(5,207)	(2,759)	(8,059)
Net operating profit from ordinary activities before taxation		**114,043**	38,014	153,069
Taxation on profit on ordinary activities		**(333)**	–	(585)
Net profit for the period		**113,710**	38,014	152,484
		Pence	Pence	Pence
Earnings per Ordinary Share	2	**15.5**	5.2	20.7

This financial information has been prepared on the basis of the accounting standards and policies set out in the Annual Report and Accounts for the period ended 31 December 2005.

All items in the above statement derive from continuing operations.

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

*Audited

Consolidated Balance Sheet

(unaudited) as at 30 June 2006

	Notes	30 June 2006 £'000	30 June 2005 £'000	31 December 2005* £'000
Non-current assets				
Investment properties		**991,885**	826,240	908,895
Investments in indirect property funds held at fair value		**169,727**	139,369	154,224
		1,161,612	965,609	1,063,119
Current assets				
Trade and other receivables		**4,084**	2,189	4,563
Cash and cash equivalents		**35,397**	40,885	41,680
		39,481	43,074	46,243
Total assets		**1,201,093**	1,008,683	1,109,362
Current liabilities				
Trade and other payables		**(16,767)**	(17,941)	(16,840)
Non-current liabilities				
Interest bearing bonds		**(228,946)**	(228,891)	(228,899)
Deferred taxation		**(262)**	–	(165)
		(229,208)	(228,891)	(229,064)
Total liabilities		**(245,975)**	(246,832)	(245,904)
Net assets		**955,118**	761,851	863,458
Represented by:				
Share capital		**661,500**	661,500	661,500
Share premium account		**–**	62,337	–
Special distributable reserve		**62,337**	–	62,337
Other reserves		**231,281**	38,014	139,621
Equity shareholders' funds		**955,118**	761,851	863,458
Net asset value per Ordinary Share	5	**129.9p**	103.6p	117.5p

*Audited

Consolidated Statement of Changes in Equity

(unaudited) for the six months to 30 June 2006

	Notes	Six months to 30 June 2006 £'000	Period to 30 June 2005 £'000	Period to 31 December 2005* £'000
Opening net assets		**863,458**	–	–
Net profit for the period		**113,710**	38,014	152,484
Issued ordinary share capital, net of issue costs		**–**	723,837	723,837
Dividends paid	4	**(22,050)**	–	(12,863)
Closing net assets		**955,118**	761,851	863,458

*Audited

Consolidated Cash Flow Statement

(unaudited) for the six months to 30 June 2006

	Notes	Six months to 30 June 2006 £'000	Period to 30 June 2005 £'000	Period to 31 December 2005* £'000
Cash flows from operating activities				
Net operating profit for the period before finance costs		**119,250**	40,773	161,128
Adjustments for:				
Decrease/(increase) in operating trade and other receivables		**479**	(2,189)	(4,563)
(Decrease)/increase in operating trade and other payables		**(26)**	17,213	16,420
Increase in unrealised gains on investment properties		**(79,618)**	(34,014)	(113,173)
Increase in unrealised gains on indirect property funds		**(15,503)**	(5,422)	(20,277)
		24,582	16,361	39,535
Income tax paid		**(283)**	–	–
Interest received		**855**	709	1,507
Bond interest paid		**(6,015)**	(3,468)	(9,471)
		(5,443)	(2,759)	(7,964)
Net cash inflow from operating activities		**19,139**	13,602	31,571
Cash flows from investing activities				
Purchases of investments		**(975)**	(925,372)	(925,372)
Development expenditure		**(2,397)**	(73)	(4,297)
Net cash outflow from investing activities		**(3,372)**	(925,445)	(929,669)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**–**	735,000	735,000
Proceeds from issue of 5.23 per cent Secured Bonds		**–**	230,000	230,000
Issue costs		**–**	(12,272)	(12,359)
Dividends paid	4	**(22,050)**	–	(12,863)
Net cash (outflow)/inflow from financing activities		**(22,050)**	952,728	939,778
Net (decrease)/increase in cash and cash equivalents		**(6,283)**	40,885	41,680
Opening cash and cash equivalents		**41,680**	–	–
Closing cash and cash equivalents		**35,397**	40,885	41,680

*Audited

Notes to the Interim Report

for the six months to 30 June 2006

1. The unaudited interim results have been prepared on the basis of International Financial Reporting Standards and the accounting policies set out in the statutory accounts of the Group for the period ended 31 December 2005.

2. Earnings per Ordinary Share are based on 735,000,000 shares, being the weighted average number of shares in issue during the period.

3. Earnings for the six months to 30 June 2006 should not be taken as a guide to the results for the year to 31 December 2006.

4. Dividends

	Period to 30 June 2006	
	Rate (pence)	£'000
Third interim dividend for the period to 31 December 2005, paid 27 January 2006	**1.50**	**11,025**
Fourth interim dividend for the period to 31 December 2005, paid 28 April 2006	**1.50**	**11,025**
	3.00	**22,050**

A first interim dividend for the year to 31 December 2006, of 1.5p per share, was paid on 28 July 2006 to shareholders on the register at close of business on 30 June 2006.

A second interim dividend of 1.5p per share will be paid on 27 October 2006 to shareholders on the register at close of business on 29 September 2006. The ex-dividend date will be 27 September 2006.

5. There were 735,000,000 Ordinary Shares in issue at 30 June 2006 (30 June 2005 and 31 December 2005 – 735,000,000).

6. The Group results consolidate the results of F&C Commercial Property Holdings Limited, a wholly owned subsidiary which invests in properties, and F&C Commercial Property Finance Limited, a special purpose company which has issued the £230 million Secured Bonds.

Independent Review Report to F&C Commercial Property Trust Limited

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes 1 to 6. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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

Directors' Responsibilities

The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the UK. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Statements on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

KPMG Channel Islands Limited

Guernsey

4 August 2006

Corporate Information

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

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