



F&C UK Real Estate Investments Limited

Interim Report

For the six months ended

31 December 2014

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.

Management

The Company's investment managers and property managers are respectively F&C Investment Business Limited and F&C REIT Property Management Limited. Both of these companies are part of the F&C Asset Management plc group.

Total Assets Less Current Liabilities

£316.8 million at 31 December 2014

Shareholders' Funds

£209.6 million at 31 December 2014

Capital Structure

At launch, on 1 June 2004, the Company had a capital structure comprising approximately 60 per cent ordinary shares and 40 per cent bank debt.

Ordinary shareholders are entitled to all dividends declared by the Company and to all the Company's assets after repayment of its borrowings. As at 31 December 2014

borrowings consisted of a loan drawn down of £102 million on a £115 million revolving credit facility due to expire on 10 January 2017. The loan carries interest at 0.45 per cent over LIBOR for a loan to value ratio less than 40 per cent; this variable rate had been fixed through an interest rate swap on £100 million of the loan drawn down, which matures on 10 January 2017. This swap fixes interest payable on £100 million of the loan at 5.555 per cent per annum.

Alternative Investment Fund

The Company is an Alternative Investment Fund ("AIF") under the European Union's Alternative Investment Fund Managers' Directive ("AIFMD"). Its Alternative Investment Fund Manager ("AIFM") is F&C Investment Business Limited. Further disclosures required under the AIFMD can be found on the Company's website www.fcrc.co.uk or www.fcrc.gg.

ISA

The Company's shares are eligible for Individual Savings Accounts (ISAs).

Website

The Company's internet address is:
www.fcrc.co.uk
www.fcrc.gg

Financial Highlights and Performance Summary

Financial Highlights

- Share price total return of 15.0 per cent for the 6 months
- Portfolio ungeared total return of 8.9 per cent for the 6 months
- Net asset value per share total return of 11.9 per cent for the 6 months
- Net asset value per share total return since launch of 98.4 per cent
- Dividend of 2.5 pence per share for the period
- Dividend yield of 5.3 per cent as at 31 December 2014

Performance Summary

Total Return

Net asset value per share*
Ordinary Share price*
Investment Property Databank UK Quarterly Index
FTSE All-Share Index*

Six months to 31 December 2014

+11.9%
+15.0%
+8.6%
-0.4%

Capital Values

	31 December 2014	30 June 2014	Change
Total assets less current liabilities (£000's)	316,789	307,275	+3.1%
Net asset value per share	90.8p	83.4p	+8.9%
Ordinary Share price	94.0p	84.0p	+11.9%
Investment Property Databank UK Quarterly Index	109.8	103.6	+6.0%
FTSE All-Share Index	3,532.7	3,600.2	-1.9%
Ordinary Share price premium to net asset value per share	3.5%	0.7%	
Net Gearing [†]	30.7%	31.7%	

* Total return assumes that gross dividends are reinvested.

[†] (Bank debt less net current assets, excluding swap liability) ÷ investment properties.

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

Chairman's Statement

The Group has experienced another robust six months with sentiment towards UK commercial property remaining positive. The net asset value ('NAV') total return per share for the period was 11.9 per cent with this return being positively impacted by the effects of gearing and the reduction in the swap liability. The NAV per share at the period end was 90.8 pence.

The share price performance was also strong with a total return of 15.0 per cent over the period and the shares were trading at a premium to the NAV of 3.5 per cent at the period end, compared to a premium of 0.7 per cent as at 30 June 2014.

The shareholders authorised the Company to issue up to 23 million Ordinary Shares without pre-emption rights at the recent Annual General Meeting. Following this authority and with the Company's share price consistently trading at a premium to the NAV, 3 million Ordinary Shares have been issued at a 4 per cent premium to the prevailing NAV since the period end. This has helped to satisfy the continuing demand for the Company's shares. It is expected that a prospectus will be published in the near future, providing the Company with the flexibility to raise additional share capital through a Placing Programme of up to 100 million shares. Once the Annual General Meeting authority has been exhausted, the Company will convene further general meetings to seek shareholder approval for the additional disapplication of pre-emption rights in relation to the issue of New Shares under the Placing Programme.

Property Market

The UK commercial property market continued to deliver a strong performance in the six months to 31 December 2014. Total returns at the all property level for standing investments were 8.6 per cent, according to the Investment Property Databank Quarterly Index ('IPD'). The income return during the period was 2.6 per cent with performance being driven by a 5.9 per

cent rise in capital values. Rental growth improved to 1.7 per cent over the period.

Although performance has been supported by a growing economy and some improvement in the occupational market, total returns have been boosted by strong inflows of investment into the asset class. This contributed to a period of further yield compression in most parts of the market. London has continued to out-perform but the recovery is broadening and industrial property and South East offices have also recorded above average performance. The period has also seen greater interest in more secondary stock and the yield gap between prime and secondary has narrowed. All the IPD standard segments recorded positive total returns and higher capital values during the six month period.

Property Portfolio

The six month period to 31 December 2014 recorded further capital growth in the Company's portfolio, with overall values increasing by 6.0 per cent over the period. Industrial properties witnessed the highest capital returns at 8.7 per cent, followed by Offices which increased in value by 6.9 per cent. Retail performance was rather more lack lustre with Retail Warehouses increasing in value by 5.9 per cent and standard High Street retail by 1.8 per cent. With the benefit of an income return of 2.8 per cent over the period, the portfolio produced an ungeared total return of 8.9 per cent for the six months ended 31 December 2014.

At the property level, 1-2 Lochside Way, Edinburgh produced the largest capital uplift of £1.7 million, or 23.5 per cent, to £9.0 million on the back of an improving market and the lease renewal with the tenant HSBC plc. The property, located in Edinburgh Park, Scotland's premier out of town office location, comprises two linked buildings totalling 42,400 square feet constructed in 1998. The existing lease expired

in August 2014 and terms agreed for a renewal for a period of 10 years, with a break at the fifth year, at a rent that equated to £16.50 per square foot, subject to a rent free period of 12 months but a penalty if the tenant exercises the break.

14 Berkeley Street, London W1, remains the Company's largest asset and is strategically situated in a prime Mayfair location between Berkeley Square and Piccadilly. The property comprises 6 floors of offices, and a Land Rover showroom on the ground and basement floors let to Pendragon. Over the last few years, the property has produced strong rental and capital growth, not only due to its prime West End location, but also due to a programme of upgrading and refurbishment which has been carried out to the property. Over the six months to 31 December 2014 further inward yield movement as well as rental growth, pushing rental values to £95 per square foot, has led to the value increasing by a further £1.6 million over the period to £23.7 million, an increase of 7.6 per cent.

With industrial properties producing the highest sector returns, Echo Park, Banbury, a regional distribution of 195,000 square feet is the Company's second largest asset. Let to the parent company of '3663' and Bidvest for a further 11 years, it increased in value by 8.4 per cent to £20.8 million, an initial yield of 5.6 per cent. At Eastleigh, the value of two prime industrial units totalling 111,000 square feet at Southampton International Park, increased by £1.3 million, or 11.1 per cent, to £13.5 million.

High Street retail remains a mixed picture with a number of the Company's properties located in strong locations producing above average returns. On the flip side, we witnessed further falls in value on some of the shops in poorer locations, where the occupational market is challenging. However, we do see an improving picture which should lead to lettings and the eventual sale of some of these assets.

Following the capital raising, and the acquisition of Rotherham and Bromsgrove earlier in the year, the Company completed the acquisition of Unit A3, Glory Park, Wooburn Green, High Wycombe in July 2014 for £6.97 million, reflecting a yield of 7.0 per cent. The property comprises a Grade A specification, modern business park office building, close to the M40 motorway. Totalling 19,572 square feet on three floors, the building is let to two tenants in the pharmaceutical sector with the majority of the income secured for 10 years.

The portfolio continues to be well and securely let with all of the ten largest tenants by rent paid, either classified as Negligible or Low risk, according to IPD. The vacancy rate stood at 5.0 per cent by estimated rental value as at 31 December 2014, and good progress is being made to let vacant units. The average unexpired weighted lease term stands at 8.1 years, compared to 7.8 years at 30 June 2014.

The Company has continued to sell some of the smaller and poorly performing assets and disposed of three properties with a total value of £5.3 million, during the first half. This brings the number of sales since the merger to 10 properties with total receipts of £22.8 million.

UK REIT Regime

An extraordinary general meeting was held in December 2014, primarily to make the necessary amendments to the Company's articles of incorporation in connection with the proposals for the Company to become tax resident in the UK for the purposes of entering into the UK REIT regime. As previously announced, all resolutions proposed at the general meeting were duly approved by shareholders and the Company entered the UK REIT regime with effect from 1 January 2015.

As explained in a recent Circular to shareholders, by obtaining UK-REIT status, the Group is no longer subject to UK income tax on

Chairman's Statement

the profits and gains from their qualifying property rental business provided that it meets certain conditions. This will effectively reduce the burden of taxation for most shareholders as the payment of UK income tax on the Group's property rental income was likely to increase significantly moving forward, if UK REIT status had not been obtained.

Board Composition

Following the Company's entry into the UK REIT regime Mr Christopher Sherwell and Mr Graham Harrison have retired from the Board with effect from 31 December 2014.

Christopher has been on the Board since the launch of the Company in 2004, and Graham was an original member of the ISIS Property Trust Board, joining the Board as part of the merger in 2013. We wish them both every success in the future and I would like to record formally our gratitude to them for their significant contribution over the years.

We are currently in the process of recruiting suitable replacements and expect to be in a position to make a formal announcement on Board refreshment in the very near future.

Dividends

The first interim dividend for the year ending 30 June 2015 of 1.25 pence per share was paid in December 2014, with a second interim dividend of 1.25 pence per share to be paid on 31 March 2015 to shareholders on the register on 13 March 2015.

The dividend is currently at a sustainable level and in the absence of unforeseen circumstances, it is expected that the Company will continue to pay quarterly dividends at this rate, the equivalent of 5 pence per share per annum.

Borrowings

The net gearing level as at 31 December 2014 was 30.7 per cent, which compares with

31.7 per cent as at 30 June 2014 and 40.0 per cent at launch on 1 June 2004. The fall in the gearing percentage was a combination of the loan drawn down being reduced to £102.0 million from £109.0 million and the increase in the overall market value of the portfolio.

The Group had £6.1 million of cash available at 31 December 2014 and an undrawn loan facility of £13.0 million. The Company continues to maintain a prudent attitude to gearing.

Outlook

This reporting period has delivered exceptional performance which is unlikely to be sustained, but with property yields remaining attractive against the risk free rate and interest rates expected to stay low for some time, the outlook for property remains favourable. The approaching UK election and possible EU referendum together with global economic and political uncertainty may act to temper performance and at some point the scope for property yields to compress further will end and some outward adjustment is possible. The Manager is predicting a gradual return to more sustainable levels of performance over the coming five years with rental growth becoming a more important factor in performance, and for total returns to be increasingly driven by income return. The portfolio remains robust with 58 per cent by value situated in London and the South East region, and with a varied and balanced portfolio there are further opportunities to identify asset management opportunities to add value. The Company has announced the details of a further placing of shares and the Manager is working to identify suitable properties to purchase.

Quentin Spicer

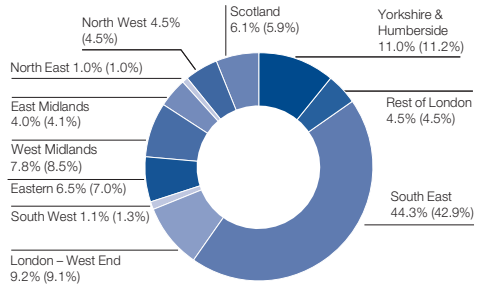
Chairman

23 February 2015

Portfolio Statistics

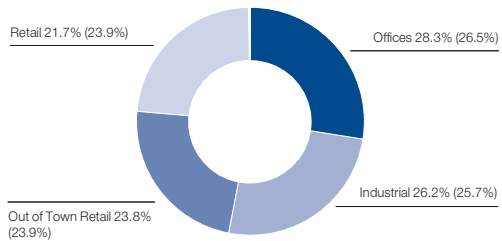
Geographical Analysis

as at 31 December 2014
(figures as at 30 June 2014
in brackets)



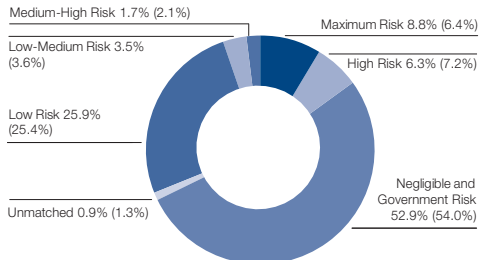
Sector Analysis

as at 31 December 2014
(figures as at 30 June 2014
in brackets)



Covenant Strength

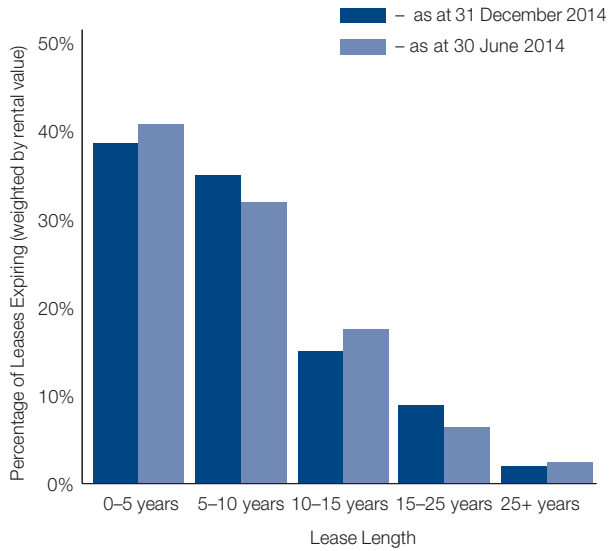
as at 31 December 2014
(figures as at 30 June 2014
in brackets)



As measured by Investment Property Databank (IPD)

Portfolio Statistics

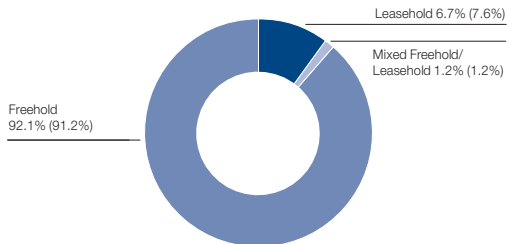
Lease Expiry Profile



As at 31 December 2014 the average lease length for the portfolio, assuming all break options are exercised, was 8.1 years (as at 30 June 2014: 7.8 years).

Tenure Analysis

as at 31 December 2014
 (figures as at 30 June 2014
 in brackets)



Property Portfolio

as at 31 December 2014

Property	Sector	Estimated Market Value £'000	% of Total Assets (less current liabilities)
London W1, 14 Berkeley Street	Offices	23,725	7.5%
Banbury, 3663 Unit, Echo Park	Industrial	20,875	6.6%
Eastleigh, Southampton International Park	Industrial	13,575	4.3%
Colnbrook, Units 1-8 Lakeside Road	Industrial	12,700	4.0%
Rotherham, Northfields Retail Park	Retail Warehouse	12,250	3.9%
York, Clifton Moor Gate*	Retail Warehouse	11,300	3.5%
Leamington Spa, 30-40 The Parade & 47/59a Warwick Street	Retail	10,250	3.2%
Hemel Hempstead, Hemel Gateway	Industrial	10,075	3.2%
Chelmsford, County House, County Square	Offices	10,000	3.1%
Edinburgh, 1-2 Lochside Way, Edinburgh Park	Offices	9,075	2.9%
Ten largest property holdings		133,825	42.2%
Andover, Keens House, Anton Mill Road	Offices	8,700	2.7%
Bracknell, 1-2 Network, Eastern Road	Industrial	8,475	2.7%
Bury, Halls Mill Retail Park, Foundry Street	Retail	8,300	2.6%
Luton, Enterprise Way	Retail Warehouse	8,150	2.6%
Bromsgrove, Brook Retail Park, Sherwood Road	Retail Warehouse	8,125	2.6%
New Malden, 7 Beverley Way	Retail Warehouse	7,850	2.5%
Bellshill, Mercury House, Strathclyde Business Park	Offices	7,500	2.4%
Winchester, 7-8 High St. & 50 Colebrook Street	Retail	7,425	2.4%
Northallerton, Willowbeck Road	Retail Warehouse	7,400	2.3%
High Wycombe, Glory Park	Offices	7,375	2.3%
Twenty largest property holdings		213,125	67.3%
Eastleigh, Wide Lane	Industrial	6,850	2.2%
Theale, Maxi Centre, Brunel Road	Industrial	6,700	2.1%
St Albans, 16, 18 & 20 Upper Marlborough Road	Offices	6,300	2.0%
Guildford, 51-53 High Street	Retail	5,900	1.8%
Brookwood, The Clock Tower	Offices	5,700	1.8%
Nelson, Churchill Way	Retail Warehouse	5,675	1.8%
London SW1, 24 Haymarket & 1/2 Panton Street*	Retail	5,650	1.8%
Nottingham, Standard Hill	Offices	5,175	1.6%
Newbury, The Triangle, Pinchington Lane	Retail Warehouse	4,735	1.5%
Hull, King William House, Market Place*	Offices	4,100	1.3%
Thirty largest property holdings		269,910	85.2%
Nottingham, 21/22 Long Row East and 2/6 King Street	Retail	3,950	1.2%
Rayleigh, 41-55 High Street	Retail	3,800	1.2%
Nottingham, 25-27 Bridlesmith Gate	Retail	3,725	1.2%
Sutton Coldfield, 63-67 The Parade	Retail	3,650	1.2%
Sunningdale, 53/79 Chobham Road, Berkshire	Retail	3,610	1.2%
Kingston upon Thames, 11 Church Street	Retail	3,550	1.1%
Milton Keynes, Site E Chippenham Drive	Industrial	3,550	1.1%
Birmingham, 155a/163 High Street, Kings Heath	Retail	3,225	1.0%
Redhill, 15 London Road	Offices	3,200	1.0%
Croydon, 17, 19 & 21 George Street	Retail	3,000	0.9%
Forty largest property holdings		305,170	96.3%
Edinburgh, 100A Princes Street	Retail	2,975	0.9%
Swindon, 18/19 Regent Street	Retail	2,625	0.8%
Rayleigh, 81/87 High Street	Retail	2,450	0.8%
Gateshead, Sands Road	Retail Warehouse	2,370	0.8%
Guildford, 7/11 Bridge Street	Retail	2,000	0.6%
Swindon, Unit 5, Newcombe Drive	Industrial	1,100	0.4%
Middlesbrough, 47/49 Linthorpe Road	Retail	875	0.3%
Newbury, 25 Northbrook Street*	Retail	450	0.1%
Rochdale, 40 Yorkshire Street	Retail	390	0.1%
Market value of property portfolio		320,405	101.1%
Unamortised lease incentives		(5,482)	(1.7)%
Balance sheet carrying value		314,923	99.4%
Net current assets		1,866	0.6%
Total assets less current liabilities		316,789	100.0%

* Leasehold Property.

Consolidated Statement of Comprehensive Income

	Notes	Six months to 31 December 2014 (unaudited) £'000	Six months to 31 December 2013 (unaudited) £'000	Year to 30 June 2014 (audited) £'000
Revenue				
Rental income		9,523	10,159	19,603
Gains on investment properties	2	17,851	8,569	21,253
Total income		27,374	18,728	40,856
Expenditure				
Investment management fee		(1,007)	(839)	(1,707)
Expenses of merger		–	(32)	(32)
Direct operating expenses of let rental property		(396)	(385)	(733)
Direct operating expenses of vacant property		(121)	(137)	(259)
Provision for bad debts		(24)	3	(15)
Administrative fee		(51)	(52)	(102)
Valuation and other professional fees		(211)	(82)	(170)
Directors' fees		(72)	(66)	(131)
Other expenses		(168)	(142)	(287)
Total expenditure		(2,050)	(1,732)	(3,436)
Net operating profit before finance costs		25,324	16,996	37,420
Net finance costs				
Interest receivable		9	26	49
Finance costs		(2,951)	(3,102)	(6,016)
		(2,942)	(3,076)	(5,967)
Net profit from ordinary activities before taxation		22,382	13,920	31,453
Taxation on profit on ordinary activities		(136)	(320)	(540)
Net profit for the period		22,246	13,600	30,913
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net gain on cash flow hedges, net of tax		524	3,090	5,198
Total comprehensive income for the period, net of tax		22,770	16,690	36,111
Basic and diluted earnings per share	3	9.6p	6.4p	14.4p

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 year ended 30 June 2014.

All items in the above statement derive from continuing operations.

All of the profit for the period is attributable to the owner.

Consolidated Balance Sheet

	Notes	31 December 2014 (unaudited) £'000	31 December 2013 (unaudited) £'000	30 June 2014 (audited) £'000
Non-current assets				
Investment properties	2	314,923	278,195	295,387
Current assets				
Trade and other receivables		6,435	6,389	6,061
Cash and cash equivalents		6,093	8,471	16,773
		12,528	14,860	22,834
Total assets		327,451	293,055	318,221
Non-current liabilities				
Interest-bearing bank loan		(102,988)	(109,940)	(109,930)
Interest rate swap		(4,234)	(6,784)	(4,776)
		(107,222)	(116,724)	(114,706)
Current liabilities				
Trade and other payables		(5,992)	(7,187)	(6,110)
Income tax payable		(193)	(467)	(377)
Interest rate swap		(4,477)	(4,560)	(4,459)
		(10,662)	(12,214)	(10,946)
Total liabilities		(117,884)	(128,938)	(125,652)
Net assets		209,567	164,117	192,569
Represented by:				
Share capital		2,309	2,131	2,309
Special distributable reserve		169,327	157,222	170,704
Capital reserve		39,864	9,329	22,013
Other reserve		(1,933)	(4,565)	(2,457)
Equity shareholders' funds		209,567	164,117	192,569
Net asset value per share	4	90.8p	77.0p	83.4p

Consolidated Statement of Changes in Equity

	Notes	Six months to 31 December 2014 (unaudited) £'000	Six months to 31 December 2013 (unaudited) £'000	Year to 30 June 2014 (audited) £'000
Opening net assets				
Net profit for the period		192,569	149,115	149,115
Dividends paid		22,246	13,600	30,913
Movement in other reserve	5	(5,772)	(5,326)	(10,840)
Issue of ordinary shares		524	3,090	5,198
		–	3,638	18,183
Closing net assets		209,567	164,117	192,569

Consolidated Cash Flow Statement

	Six months to 31 December 2014 (unaudited) £'000	Six months to 31 December 2013 (unaudited) £'000	Year to 30 June 2014 (audited) £'000
Cash flows from operating activities			
Net profit for the period before taxation	22,382	13,920	31,453
Adjustments for:			
Gains on investment properties	(17,851)	(8,569)	(21,253)
(Increase)/decrease in operating trade and other receivables	(374)	(20)	301
(Decrease)/increase in operating trade and other payables	(118)	1,006	(71)
Interest received	(9)	(26)	(49)
Finance costs	2,951	3,102	6,016
	6,981	9,413	16,397
Taxation paid	(320)	(325)	(636)
Net cash inflow from operating activities	6,661	9,088	15,761
Cash flows from investing activities			
Purchase of investment properties	(6,935)	–	(18,812)
Capital expenditure	(22)	(38)	(48)
Sale of investment properties	5,272	1,475	15,789
Interest received	9	26	49
Net cash (outflow)/inflow from investing activities	(1,676)	1,463	(3,022)
Cash flows from financing activities			
Shares issued (net of costs)	–	3,638	18,183
Dividends paid	(5,772)	(5,326)	(10,840)
Bank loan interest paid	(479)	(860)	(1,467)
Payments under interest rate swap arrangement	(2,414)	(2,307)	(4,617)
Bank loan repaid	(7,000)	(3,000)	(3,000)
Net cash outflow from financing activities	(15,665)	(7,855)	(1,741)
Net (decrease)/increase in cash and cash equivalents	(10,680)	2,696	10,998
Opening cash and cash equivalents	16,773	5,775	5,775
Closing cash and cash equivalents	6,093	8,471	16,773

Notes to the Interim Report

for the six months to 31 December 2014

1. The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), IAS 34 'Interim Financial Reporting' and the accounting policies set out in the statutory accounts of the Group for the year ended 30 June 2014. The condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the Group for the year ended 30 June 2014 which were prepared under full IFRS requirements.

The Group has adopted the following new amendments effective as of 1 January 2014. The following changes are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2015.

- In October 2012, the IASB issued amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interests in other entities' and IAS 27 'Separate financial statements' – Investment entities. The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 'Financial Instruments' in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. These amendments do not have any material impact on the consolidated financial statements as presented.

2. Investment properties

	Six month period to 31 December 2014 £'000
Opening market value	300,590
Capital expenditure and purchases	6,957
Sales	(5,272)
Gains on investment properties	17,851
Movement in lease incentive receivable	279
Closing market value	320,405
Adjustment for lease incentives	(5,482)
Balance sheet carrying value	314,923

All the Group's investment properties were valued as at 31 December 2014 by qualified professional valuers working in the company of DTZ Debenham Tie Leung Limited ('DTZ'), Chartered Surveyors. All such valuers are chartered surveyors, being members of the Royal Institute of Chartered Surveyors ('RICS'). There were no significant changes to the valuation techniques used during the period and these valuation techniques are detailed in the consolidated financial statements as at and for the year ended 30 June 2014. The market value of these investment properties amounted to £320,405,000 (31 December 2013: £283,695,000; 30 June 2014: £300,590,000), however an adjustment has been made for lease incentives of £5,482,000 that are already accounted for as an asset.

3. Earnings per Ordinary Share are based on 230,855,539 Ordinary Shares, being the weighted average number of shares in issue during the period (31 December 2013: 212,603,916 and 30 June 2014: 214,347,657). Earnings for the six months to 31 December 2014 should not be taken as a guide to the results for the year to 30 June 2015.

4. The net asset value per Ordinary Share is based on net assets of £209,567,000 (31 December 2013: £164,117,000 and 30 June 2014: £192,569,000) and 230,855,539 Ordinary Shares (31 December 2013: 213,050,491 and 30 June 2014: 230,855,539), being the number of shares in issue at the period end.

5. Dividends paid

	Six months to 31 December 2014		Six months to 31 December 2013		Year ended 30 June 2014	
	£'000	Rate (pence)	£'000	Rate (pence)	£'000	Rate (pence)
Fourth interim dividend	2,886	1.25	2,663	1.25	2,663	1.25
First interim dividend	2,886	1.25	2,663	1.25	2,663	1.25
Second interim dividend					2,663	1.25
Third interim dividend					2,851	1.25
	5,772	2.50	5,326	2.50	10,840	5.0

A second interim dividend for the year to 30 June 2015, of 1.25 pence per share, will be paid on 31 March 2015 to shareholders on the register at close of business on 13 March 2015.

Notes to the Interim Report

for the six months to 31 December 2014

6. The fair value measurements for financial assets and financial liabilities are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Examples of such instruments would be investments listed or quoted on any recognised stock exchange.
- Level 2 – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be those for which the quoted price has been suspended, forward interest rate contracts and certain other derivative instruments. The interest rate swap entered into in order to hedge the interest rate on the £100 million bank loan is included in Level 2. The fair value of the interest rate swap at 31 December 2014 was £8,711,000 (31 December 2013: £11,344,000; 30 June 2014: £9,235,000).
- Level 3 – External inputs are unobservable. Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instrument. All investments in direct property are included in Level 3.

There were no transfers between levels of the fair value hierarchy during the six month period ended 31 December 2014.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2014.

7. The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the view that the Group is engaged in a single segment of business, being property investment, and in one geographical area, the United Kingdom, and that therefore the Group has only a single operating segment. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Group. The key measure of performance used by the Board to assess the Group's performance is the total return on the Group's net asset value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the condensed consolidated financial statements.

8. No Director has an interest in any transactions which are or were unusual in their nature or significant to the Group. F&C Investment Business Limited received fees for its services as Investment Managers. The total charge to the Income Statement during the period was £1,007,000 of which £nil remained payable at the period end.

The Directors of the Company received fees for their services totalling £72,000, of which £nil remained payable at the period end.

9. The accounts have not been audited nor reviewed under the requirements of ISRE 2410 'Review of interim financial information performed by the independent auditor of the Company'.

10. The Group results consolidate those of F&C UK Real Estate Finance Limited, which owns 100 per cent of the issued share capital of IRP Holdings Limited ('IRPH') and IPT Property Holdings Limited ('IPTH'). IRPH and IPTH are companies incorporated in Guernsey whose principal business is that of an investment and property company.

Statement of Principal Risks and Uncertainties

The Group's assets consist of direct investments in UK commercial property. Its principal risks are therefore related to the UK commercial property market in general but also the particular circumstances of the properties in which it is invested and their tenants. Other risks faced by the Group include market, investment and strategic, regulatory, tax efficiency, financial, reporting and operational risks. The Group is also exposed to risks in relation to its financial instruments. These risks, and the way in which they are mitigated and managed, are described in more detail under the heading 'Principal Risks and Risk Management' within the Business Model and Strategy in the Group's Annual Report for the year ended 30 June 2014. The Group's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Group's financial year.

Directors' Responsibility Statement in Respect of the Half-yearly Financial Report

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS34 'Interim Financial Reporting';
- the Chairman's Statement constituting the Interim Management Report together with the Statement of Principal Risks and Uncertainties include a fair review of the information required by the Disclosure and Transparency Rules ('DTR') 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and
- the Chairman's Statement together with the consolidated financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board

Quentin Spicer

Chairman

23 February 2015

Corporate Information

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Quentin Spicer (Chairman)
Andrew E G Gulliford
Vikram Lall†

Secretary

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