F&C Commercial Property Trust Limited

Annual Report and Accounts

2010

Contents

aic
The Association of
Investment Companies

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in F&C Commercial Property Trust Limited, please forward this document together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Company Summary

The Company

F&C Commercial Property Trust Limited ('the Company') is an Authorised Closed-Ended Guernsey incorporated investment company. Its shares have a premium listing on the Official List of the UK Listing Authority and are traded on the main market of the London Stock Exchange.

The Annual Report and Accounts of the Company also consolidate the results of its subsidiary undertakings, which collectively are referred to throughout this document as 'the Group', details of which are contained in note 1(b) to the accounts.

At 31 December 2010 Group total assets less current liabilities were £934 million and Group shareholders' funds were £655 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.

Investment Policy

The Company's investment policy is contained within the Report of the Directors on pages 15 and 16.

Management

The Board has appointed F&C Investment Business Limited (referred to throughout this document as 'FCIB' or 'the Investment Managers') as the Company's investment managers and F&C REIT Property Asset Management plc (referred to throughout this document as 'F&C REIT' or 'the Property Managers') as the Company's property managers. FCIB and F&C REIT are both part of the F&C Asset Management plc group ('F&C') and, collectively, are referred to in this document as 'the Managers'.

Further details of the management arrangements are provided on page 7 and in note 2 to the accounts.

Capital Structure

The Company's equity capital structure consists of ordinary shares ('Ordinary Shares').

Subject to the solvency test provided for in The Companies (Guernsey) Law, 2008 being satisfied, ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets after repayment of its borrowings and ordinary creditors.

Guernsey Regulatory Status

The Company is an Authorised Closed-Ended Investment Scheme domiciled in Guernsey and was granted an authorisation declaration in accordance with section 8 of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended and rule 6.02 of the Authorised Closed-Ended Investment Schemes Rules 2008, on 9 June 2009.

How to Invest

The Managers operate a number of investment plans which facilitate investment in the shares of the Company. Details are contained on page 52.

You may also invest through your usual stockbroker.

ISA Status

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

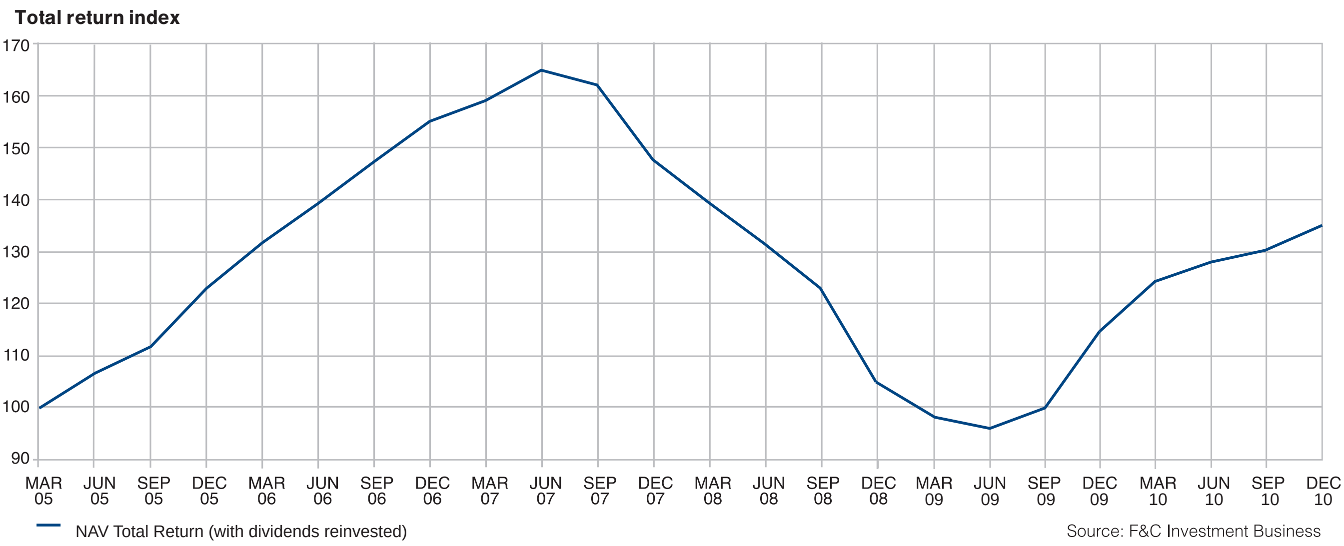
Website

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

Highlights

- Investment Week award for best property investment trust of 2010
- Net asset value total return of 18.4 per cent for the year
- Share price total return of 25.1 per cent for the year
- Dividend level maintained at 6.0p per Ordinary Share, providing a yield of 5.7 per cent at the year end
- Portfolio total return of 17.7 per cent for the year, compared with a return of 15.1 per cent from the IPD benchmark
- Top quartile performance of the portfolio over 1, 3 and 5 years within the IPD benchmark
- Continuing low levels of voids and bad debts
- Reduction in expenses through a revision of management fee terms
- Increased investment resources following drawdown of new £50 million bank loan

F&C Commercial Property Trust Limited Net Asset Value Total Return from Launch



Source: F&C Investment Business

Performance Summary

	Year ended 31 December 2010	Year ended 31 December 2009	
Total Return			
Net asset value per share*	**18.4%**	8.7%	
Ordinary Share price	**25.1%**	57.5%	
Investment Property Databank ('IPD') All Quarterly and Monthly Valued Funds	**15.1%**	2.8%	
FTSE All-Share Index	**14.5%**	30.1%	

	31 December 2010	31 December 2009	% Change
Capital Values			
Total assets less current liabilities (£'000)*	**934,223**	819,322	+14.0
Net asset value per share*	**96.3p**	86.6p	+11.2
Ordinary Share price	**105.6p**	90.0p	+17.3
FTSE All-Share Index	**3,062.85**	2,760.80	+10.9
Premium to net asset value per share	**9.7%**	3.9%	
Gearing‡	**29.9%**	28.0%	
Net Gearing¶	**20.4%**	18.5%	

	Year ended 31 December 2010	Year ended 31 December 2009
Earnings and Dividends		
Earnings per Ordinary Share	**15.7p**	6.8p
Dividends per Ordinary Share	**6.0p**	6.0p
Dividend yield†	**5.7%**	6.7%
Total Expenses Ratio		
As a percentage of average total assets less current liabilities (excluding performance fee, reconstruction/aborted merger costs and non-recoverable property expenses)	**0.7%**	0.7%
As a percentage of average total assets less current liabilities	**1.5%**	1.5%

	Highs 2010	Lows 2010
Year's Highs/Lows		
Net asset value per share	**96.3p**	**86.6p**
Ordinary Share price	**105.6p**	**87.5p**
Premium/(discount)	**11.8%**	**(6.7)%**

* Based on net assets calculated under International Financial Reporting Standards. Net asset value total return is calculated assuming dividends are re-invested.
‡ Gearing: Secured Bonds and interest-bearing bank loan ÷ total assets (less current liabilities).
¶ Net Gearing: (Secured Bonds and interest-bearing bank loan – cash) ÷ total assets (less current liabilities and cash).
† Calculated on annualised dividends of 6.0p per share. An analysis of dividend payments is contained in note 7 to the accounts.
Sources: F&C Investment Business, IPD and Datastream.

Chairman's Statement

John Stephen Chairman

I am delighted to be presenting to shareholders a very positive and robust set of figures for a year in which your Company has been set a number of challenges within both the prevailing market conditions and the management of the Company.

During the year ended 31 December 2010 the Company's net asset value ('NAV') per share increased by 11.2 per cent to 96.3p per share. The NAV total return for the year was 18.4 per cent, comparing favourably with a market portfolio return of 15.1 per cent as measured by the benchmark Investment Property Databank ('IPD') All Quarterly and Monthly Valued Funds. The share price total return was 25.1 per cent and the share price at the year end was 105.6p, representing a premium of 9.7 per cent to the NAV per share.

The ungeared total return from the property portfolio during the year was 17.7 per cent, reflecting strong absolute and relative performance against the IPD benchmark. The portfolio has a strong performance record, being measured top quartile over one, three and five years by IPD.

Over the year, UK commercial property values continued the recovery which began during 2009. The pace slowed as the year progressed and total returns for the second half of the year were virtually all attributable to income, with only a small amount of capital growth. For the year as a whole, prime property and London in particular outperformed. This was an attractive backdrop for the Company's portfolio, with its strategic overweight position to Central London properties.

In the occupational market, although there were signs of improvement in some areas, rent levels across the market as a whole contracted for the third consecutive year. The Managers have continued to be pro-active in renegotiating leases where appropriate and in keeping voids and bad debts to a minimum and well below market levels. The preservation of rental income continues to be particularly important in the current economic environment.

As explained in the Managers' Review, despite a strongly competitive investment market, two properties were purchased during the year for an aggregate consideration of £27.6 million. This included £24.6 million for a distribution warehouse in Revolution Park, Chorley and is inclusive of capital works of £8.3 million for a racking system which was partly installed as at the end of the year. This purchase increased the Company's exposure to the industrial and logistics sector and with the initial yield of over 9 per cent provides an enhancement to the revenue account.

The Company made one disposal during the year: a shop in Commercial Street, Leeds for £8.8 million. The Company also sold the remaining units in its two indirect property funds, the Industrial Property Investment Fund and The Mall LP, for a total consideration of £9.0 million, realising a small gain over their valuations at the end of the previous year.

During the year the Company started the re-development of 24-27 Great Pulteney Street, London W1 with a contracted cost of £10.7 million. This is an exciting development of 32,000 sq ft of Grade A specification office space in London's West End which is expected to complete in October 2011. This and other property initiatives undertaken during the year are detailed in the Managers' Review.

The following table provides an analysis of the movement in the NAV per share for the year:

	Pence
NAV per share as at 31 December 2009	86.6
Realised gain on disposal of indirect property holdings	0.4
Realised gain on disposal of direct properties	0.0
Unrealised increase in valuation of direct property portfolio	11.2
Movement in interest rate swap	(0.1)
Merger abort costs	(0.1)
Net revenue	4.3
Dividends paid	(6.0)
NAV per share as at 31 December 2010	96.3

The Board is pleased that the Company was recognised as the best property investment trust of 2010 by Investment Week. This award is in recognition of the Company's good long term performance record and the quality of the fund management process.

Dividends

Twelve interim dividends, each of 0.5p per share, were paid during the year maintaining the annual dividend of 6.0p per share. Barring unforeseen circumstances, the Board intends that dividends in 2011 will continue to be paid monthly at the same rate.

Borrowings and Cash Balances

The Company's principal borrowings comprise £230 million Secured Bonds which have been assigned an 'Aaa' rating by Moody's Investor Services. The bonds mature in June 2015 and carry interest at a fixed rate of 5.23 per cent per annum.

During the year, and as reported in detail in the Interim Report, the Board announced that the Company had transferred its interests in St. Christopher's Place Estate, London W1 to a newly-established wholly-owned company within the Group. It also announced that the Company had drawn down a new £50 million secured bank facility (the 'Facility') with Barclays Bank plc, which is repayable in 2017. The interest payable, including the margin, was fixed through an interest rate swap at an aggregate interest rate of 4.88 per cent per annum for the full term of the Facility.

The principal covenants relating to the Facility are disclosed in note 14 to the accounts. The Board believes that the Facility offers attractive terms for longer dated debt and diversifies the periods to the repayment of the Company's borrowings. It also provides additional cash to take advantage of investment opportunities.

As at 31 December 2010 the Company's borrowings amounted to £279 million in aggregate and it held cash balances of £112 million. This resulted in a level of gearing net of cash of 20.4 per cent as at 31 December 2010, which compares with 18.5 per cent as at 31 December 2009.

Management Arrangements

In April 2010 the Board announced that it had received an unsolicited proposal which would have resulted in the merger of the Company with UK Commercial Property Trust Limited ('UKCPT'). At the same time, it was announced that the Company's majority shareholder, Resolution Limited ('Resolution'), had reduced its shareholding from 50.3 per cent to 34.1 per cent and that the shares sold had been acquired by Phoenix Group which owns Ignis Investment Services Limited, the investment manager of UKCPT. The proposals were conditional upon the support of a majority of the Company's independent shareholders (comprising 49.7 per cent of the total shares not held by Resolution or Phoenix Group) at an Extraordinary General Meeting ('EGM') held on 9 August 2010. The required majority of the independent shareholders did not support the proposals at the EGM and therefore the merger did not take effect.

I am pleased to report that throughout the period of the merger proposals, the Managers acted in an extremely professional manner, continuing to manage the portfolio in the best interests of shareholders. Following the EGM, and after consultation with the Company's key shareholders, the Board announced the continuing appointment of F&C REIT Property Asset Management plc as the Company's Property Managers. The revised terms of their appointment are as previously announced and provided in note 2 to the accounts. The Board considers the revised terms to be competitive. Excluding performance fees, which reflect portfolio performance in the interests of shareholders, the revised terms will further reduce the Company's actual total expense ratio and improve its dividend cover, maintaining the trend of the Historic Record in this regard (see table on page 51).

Board Composition

After serving as a non-executive Director since the Company's launch in 2005 and as Chairman since October 2009, I shall step down from the Board at the Annual General Meeting on 19 May 2011 ('the AGM'). I am pleased that Chris Russell, who was appointed as a non-executive Director in October 2009 and Deputy Chairman in September 2010, will succeed me as Chairman following the AGM.

I am delighted to announce the appointment of Martin Moore as an independent non-executive Director with effect from 31 March 2011. Martin has very considerable real estate experience from his role as Managing Director of Prudential Property Investment Managers Limited, the property asset management arm of Prudential plc. He is also a board adviser to The Crown Estate and a board member and past president of the British Property Federation. He is a past chairman of the Investment Property Forum and is a UK resident.

I know that Chris and Martin will excel in their roles and that the Company is in excellent hands. I thank each of my Board colleagues for their support, particularly during my tenure as Chairman.

Outlook

The economy remains in a subdued state with recovery likely to be slow and hesitant. Growth prospects are influenced by uncertainty as to how the Government's austerity measures will affect the economy and there are continuing problems in the financial markets both nationally and globally.

The coming year is expected to be challenging and with investors risk-averse prime properties are expected to continue to outperform. Stock selection will be critical together with active property asset management to preserve and enhance income and minimise voids.

In such an environment, the Board continues to believe that the quality and weighting of the portfolio and the availability of cash reserves for investment in suitable opportunities mean that the Company is well placed to make further progress in the months ahead.

John Stephen

John Stephen
Chairman
22 March 2011

Managers

Richard Kirby, BSc, MRICS
Investment Manager

Richard Kirby Investment Manager joined the F&C Asset Management plc group ('F&C') in 1990. He has been a fund manager since 1995 and has experience of managing commercial property portfolios across all sectors for open-ended, closed-ended and life fund clients. He sits on both the Executive Committee and Investment Committee of F&C REIT Property Asset Management plc ('F&C REIT'). He is a Chartered Surveyor and a member of the Investment Property Forum, the British Council of Offices and the British Council for Shopping Centres.

Managers

The Board has appointed F&C Investment Business Limited ('FCIB' or 'the Investment Managers') as the Company's investment managers and F&C REIT ('the Property Managers') as the Company's property managers. FCIB and F&C REIT are, collectively, referred to in this document as 'the Managers', and are both part of F&C.

F&C is a leading asset manager in both the UK and Europe and has £105.8 billion of funds under management (as at 31 December 2010). The shares of F&C are traded on the London Stock Exchange. F&C provides investment management and other services to a range of investment companies. In addition, it is one of the largest property managers in the UK, with property funds under management of £8.2 billion (as at 31 December 2010), and manages property investments on behalf of a wide range of clients including the Company, ISIS Property Trust Limited and IRP Property Investments Limited.

Managers' Review

The market total return for the year, as measured by the Investment Property Databank ('IPD') All Quarterly and Monthly Valued Funds, was 15.1 per cent. Performance was front-loaded but total returns were positive throughout the year, continuing the recovery which began in mid-2009.

Capital values rose by 8.5 per cent in 2010 and positive growth was sustained throughout the year. Most of the uplift occurred in the first six months of 2010 with values rising by only 2.2 per cent during the six-month period to December 2010. The upturn to date has been driven by yield compression, particularly at the prime end. With investors remaining risk-averse given the uncertain economic and property market outlook, competition for the limited amount of prime stock available characterised the market in 2010.

Newbury Retail Park, Newbury

The property market has continued to deliver a solid income return. The market income return totalled 6.2 per cent in 2010, according to IPD quarterly data, less than in 2009 but attractive in comparison with other asset classes and cash.

The occupational market has remained subdued with rents falling in most segments. Vacancy rates have edged lower and incentives have stabilised, which contributed to a rise in net income in the second half of 2010 although the full year figure was marginally lower. There was a wide difference in income streams from prime and secondary stock in 2010. IPD data shows low yielding (prime) property recording positive growth in net income in all segments of the market. In contrast, higher yielding (more secondary) stock saw income fall – by more than 10 per cent in the case of offices and industrials.

Market uncertainty has led investors to focus on core markets, established locations and prime buildings. The need to protect income has favoured assets let on long leases to sound covenants. The year also saw London and the South East generally outperforming other regions, as concern about the impact of cuts in public spending intensified.

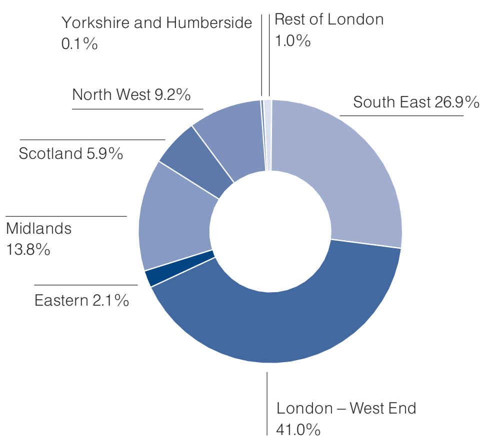
As the year drew to a close, there were signs that yields were stabilising and total returns were being driven by the income return.

Portfolio

During 2010 the Company's portfolio, including net purchases, increased in value by £99.4 million to £838.3 million. This represents an ungeared capital increase, net of purchases, sales and capital expenditure, of 11.3 per cent.

The Company's direct property portfolio recorded a total return of 17.7 per cent over the period, compared with the return from the IPD All Quarterly and Monthly Valued Funds (comprising directly held properties only) of 15.1 per cent. The portfolio continues to present both a strong absolute and relative outperformance of the benchmark, and over the period the portfolio was ranked 37 out of 230 funds representing the benchmark, and on the 16th percentile. The Company's portfolio has now achieved top quartile performance over one, three and five years.

Geographical Analysis
as at 31 December 2010
% of total property portfolio



St. Christopher's Place Estate, London W1

Strategy and Positioning of Portfolio

The portfolio maintains a strong conviction position to Central London offices and especially the West End, whilst St. Christopher's Place Estate, London W1 remains the largest asset and provides a well diversified income stream with asset management opportunities. The portfolio is underweight to benchmark retail – rest of UK and shopping centres and its industrial exposure has increased due to the recent acquisitions which are explained in more detail below. Geographically, the portfolio has a strong weighting to Central London, rest of London and the South East and is underweight to the UK regions generally. Notably, it has no exposure to Northern Ireland, Wales, North East and South West – regions which may be vulnerable to their public sector exposure.

Strategically, the focus is to invest the Company's liquidity into the direct property market. Stock selection is critical, coupled with the quality of income. When appraising investment opportunities we are very aware of covenant risk, the weighted average unexpired lease term and the lease expiry profile of the portfolio. The quality of available stock remains in short supply but we are seeking to invest in the City of London, retail warehouses, industrials with a preference to the South East and, selectively, shopping centres in tight affluent towns.

Retail

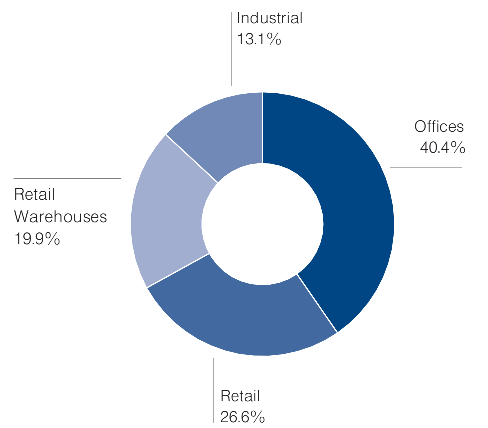
The retail sector recorded a total return of 15.7 per cent for the year, its best performance since 2005. The South East was the strongest performing IPD retail sub-sector producing a total return of 17.4 per cent for the year, much of this dominated by the strength of Central London. Shopping centres, after a weak 2009, performed more strongly in 2010 with total returns in the final quarter of 4.4 per cent. Retail warehousing also delivered above-average total returns although the outperformance was concentrated in the early months of the year. High Street Retail – Rest of UK was the weakest sub-sector with a total return of 11.1 per cent reflecting the high level of voids and negative rental performance of many high streets throughout the UK.

The Company's retail properties produced a total return of 20.3 per cent for the year, comparing favourably with the IPD sector return of 15.7 per cent. The Company's strongest performance derived from its South East retail properties which recorded a total return of 24.8 per cent. The Company maintains a strategic overweight position to this sector which is dominated by its exposure to St. Christopher's Place Estate.

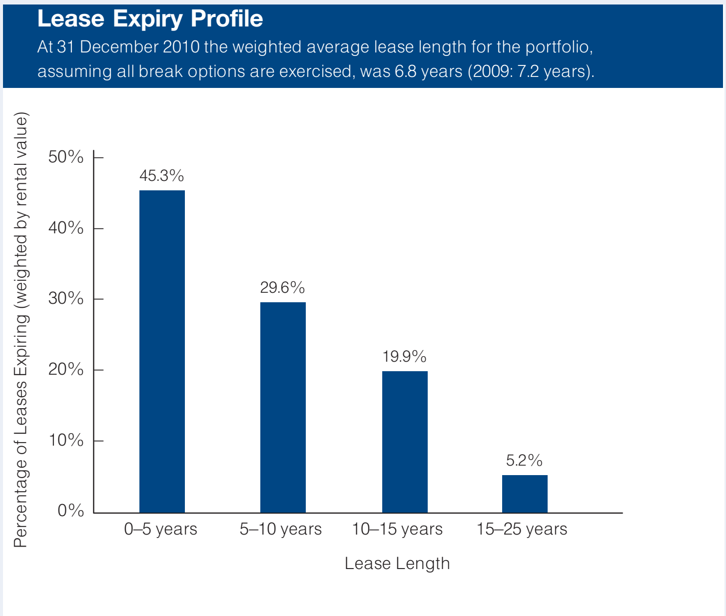
At St. Christopher's Place Estate, significant asset management initiatives were undertaken and, in all, we completed 18 lettings of retail, restaurant and office premises generating £1.5 million per annum in rental income.

Of particular note was the surrender of the lease to Speciality Retail Group at 372 Oxford Street and a re-letting to Aldo, the Canadian footwear retailer, at a rent of £700,000 per annum reflecting a Zone A rent of £700 psf. The rental tone of shop premises at

Sector Analysis
as at 31 December 2010
% of total property portfolio



Managers' Review (continued)



St. Christopher's Place Estate also increased. Elsewhere on the estate we completed the refurbishment of two shops, a restaurant on James Street and nine residential apartments. We are now looking to rebrand the estate and to improve the public realm in certain areas, especially on and around James Street. Early in 2010 the Company completed the purchase of 77/77a Wigmore Street, London W1 for £2.96 million, a freehold property occupying a key corner location on the estate and one of the few properties on the estate not owned by the Company.

124/125 Princes Street, Edinburgh

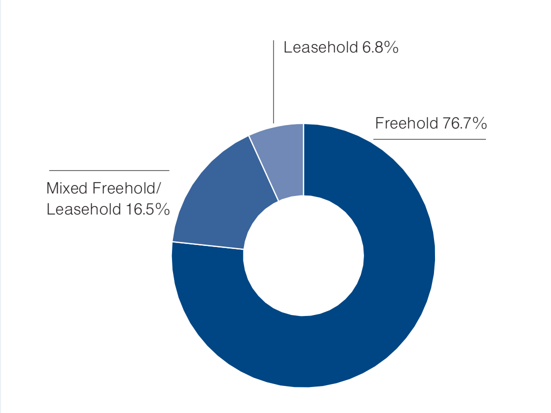
The Company's retail warehouses recorded a total return of 16.3 per cent compared with a benchmark return of 16.0 per cent. The major asset management activity occurred at Newbury Retail Park, where a surrender was taken of the former JJB lease on Unit 6 (15,000 sq ft), thereby reducing the Company's exposure to this particular tenant. The unit was extended by 5,000 sq ft coupled with the installation of a 15,000 sq ft mezzanine floor. This involved capital expenditure of approximately £2.48 million. The unit was re-let to Matalan Retail Limited at a rent of £490,000 per annum for a term of 15 years, representing an increase of £133,600 per annum over the previous rent passing. Following the demise of Borders Books, Unit 12 was re-let to M&S Simply Food at a commencing rent of £300,000 per annum, equating to the previous passing rent. Both these lettings are subject to rent-free periods which expire during the first half of 2011. They improve the tenant mix and retail offering on the park and hopefully build a base from which to leverage future asset management opportunities. Two rent reviews were settled on the park, increasing the passing rent on these units by £91,000 per annum, or 24 per cent.

The Company does not own any shopping centres having disinvested from the sector in 2008. We are now selectively looking at acquisitions within the sector.

Offices

IPD All Offices produced a total return of 16.7 per cent but this masks a significant divergence of returns, with City and West End offices recording 25.4 and 23.0 per cent respectively, whilst Offices – Rest of UK recorded 7.7 per cent. The office sector last year was a Central London story with the re-emergence of rental growth, some large occupational deals, a restricted pipeline of supply and yield compression driven by investor demand, especially from overseas buyers. In contrast,

Tenure Analysis
as at 31 December 2010
% of total property portfolio



sentiment towards offices outside the South East markedly deteriorated as concerns grew about the impact of government spending cuts in areas heavily dependent on public sector employment.

The Company's offices produced a total return of 17.8 per cent. The Company maintains an overweight position to Central London Offices so returns benefitted from this weighting, with both West End properties and the City exposure beating benchmark returns.

As reported last year, the Company's most significant development is the commitment to 24/27 Great Pulteney Street, London W1. The redevelopment of approximately 32,000 sq ft of new building is well progressed, on budget and on programme with practical completion scheduled for October 2011. We remain confident of launching this property into a market with a severe shortage of Grade A accommodation and well ahead of the main body of completions in the market due to come through in 2014.

The regional office markets remain difficult. The Company's largest void remains at 82 King Street, Manchester where three and a half floors totalling 20,024 sq ft remain vacant. We are pushing for these floors to be let as soon as possible and have recently been encouraged that tenant enquiries have picked up.

Industrials

The industrial sector was the weakest performing sector in 2010 recording a total return of 10.5 per cent, having been relatively resilient during the downturn. The market is extremely patchy with shortages of space emerging in core areas but other areas still struggling with massive over-supply.

The Company's industrial portfolio recorded a total return of 8.4 per cent. The underperformance compared with benchmark was due to properties where valuations were marked out for shorter leases, and the acquisition costs associated with the purchase of Revolution Park, Chorley. The Company remains underweight to the sector.

We continue to masterplan the Cowdray Centre, Colchester where discussions continue with the local

82 King Street, Manchester

planning authority. We have made some progress with regard to the conditional sale of a parcel of land to a major national retailer, which remains subject to an exclusivity agreement. If it becomes unconditional it should prove the catalyst for the regeneration of this area. Elsewhere in the industrial portfolio we are focused on renegotiating and regearing the shorter leases where we expect progress will be made in 2011.

Purchases and Disposals

At the start of the year, the Company purchased 77/77a Wigmore Street, London W1 for £2.96 million reflecting a net initial yield of 4.55 per cent and it sold 27/28 Commercial Street, Leeds for £8.8 million, at a surplus to valuation.

The major acquisition last year was of Units 6 & 8, Buckshaw Avenue, Revolution Park, Chorley, Lancashire, for a total consideration of £24.6 million, reflecting a net initial yield of 9.15 per cent. The

Managers' Review (continued)

property comprises a modern detached distribution warehouse totalling 368,513 sq ft and was acquired vacant, at vacant possession value. Upon completion, the unit was simultaneously let to Kimberly-Clark Limited as its northern distribution centre, on a new lease for a term of 11 years, subject to a rent-free period of 12 months. The lease provides for fixed 2 per cent annual rental uplifts. The acquisition price was inclusive of capital works of £8.3 million to include the installation of an automated racking system to be provided to Kimberly-Clark. These works are close to completion and are on budget and programme. The rent-free period will expire in June 2011, whereupon the rent will commence at £2.25 million per annum.

Charles House, 5-11 Regent Street, London SW1

During the year, the Company announced the strategic disposal of its remaining units in the Industrial Property Investment Fund and The Mall LP. The total consideration was £9.0 million, providing an uplift of £2.9 million over the previous valuation.

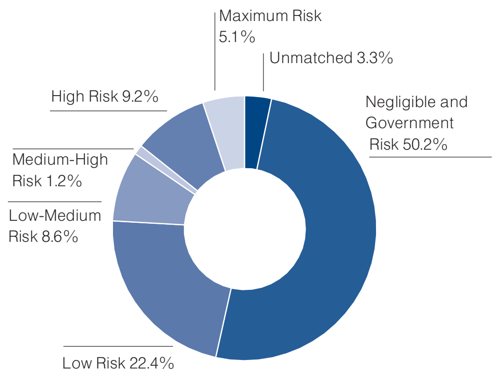
Property Management

Against a difficult leasing market the sustainability and protection of income from the portfolio remains of paramount importance to the Company. During the year the Company documented 37 lease events, at a passing rent of £1.1 million per annum. The Company remains successful in dealing with its lease expiries and the leasing of void accommodation. Although vacancy levels increased very marginally over the year from 2.5 per cent to 2.6 per cent (excluding properties held for development), voids remain significantly better than the IPD benchmark rate of 8.1 per cent. Rent arrears and bad debts are, as always, consistently managed and an out-turn for the year of 1.5 per cent remains low for a portfolio of this size and complexity.

Outlook

The economic recovery is fragile and with austerity measures being implemented, inflation moving up and concerns about the international credit markets continuing, the coming year will be challenging. The occupational market is expected to remain subdued

Covenant Strength
as at 31 December 2010
% of total property portfolio



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

and voids will be a key issue in determining performance. New supply is constrained and although the banks are starting to release stock, they are not flooding the market nor setting fire sale prices. Total returns are expected to be driven by income in 2011 and the protection of that income stream will be of paramount importance. As the output gap narrows and economic growth becomes sustained, rental growth may broaden and increase, especially in areas of low new supply, lifting performance over the medium-term. We believe that the Company's quality portfolio, strong and diverse tenant base, low void levels and opportunity to benefit from active management, coupled with its bias towards London and the South East will make it resilient in the short-term and will benefit performance over a longer time horizon.

Richard Kirby
Investment Manager
F&C REIT Property Asset Management plc
22 March 2011

Property Portfolio

	Sector
Properties valued in excess of £100 million	
London W1, St. Christopher's Place Estate (notes 2 and 3)	Retail
Properties valued between £50 million and £75 million	
Newbury, Newbury Retail Park	Retail Warehouses
London SW1, Cassini House, St James's Street	Offices
Solihull, Sears Retail Park	Retail Warehouses
London SW19, Wimbledon Broadway	Retail
Properties valued between £40 million and £50 million	
London SW1, 84 Eccleston Square	Offices
Properties valued between £30 million and £40 million	
Uxbridge, 3 The Square, Stockley Park	Offices
Rochdale, Dane Street	Retail Warehouses
London SW1, Charles House, 5-11 Regent Street (note 1)	Offices
Properties valued between £20 million and £30 million	
Glasgow, Alhambra House, Wellington Street	Offices
Manchester, 82 King Street	Offices
Reading, Thames Valley One, Thames Valley Park	Offices
Properties valued between £10 million and £20 million	
Chorley, Units 6 and 8 Revolution Park	Industrial
Daventry, Site E4, Daventry International Rail Freight Terminal	Industrial
London W1, 385/389 Oxford Street (note 1)	Retail
Birmingham, Unit 8 Hams Hall Distribution Park	Industrial
London W1, 24/27 Great Pulteney Street	Offices
London W1, 17a Curzon Street	Offices
Camberley, Watchmoor Park	Offices
Reading, Thames Valley Two, Thames Valley Park	Offices
Birmingham, Unit 10a Hams Hall Distribution Park	Industrial
Colchester, The Cowdray Centre, Cowdray Avenue	Industrial
London SW1, 2/4 King Street	Offices
Edinburgh, 124/125 Princes Street	Retail
Properties valued under £10 million	
Edinburgh, Nevis/Ness Houses,11/12 Lochside Place	Offices
London EC3, 7 Birchin Lane	Offices
Birmingham, Unit 6a Hams Hall Distribution Park	Industrial
Southampton, Upper Northam Road, Hedge End	Industrial
Camberley, Affinity Point, Glebeland Road	Industrial
Colchester, Ozalid Works, Cowdray Avenue	Industrial
London W1, 16 Conduit Street (note 1)	Offices
Leeds, 40/42 Albion Street	Retail

Notes:

1 Leasehold property

2 Mixed freehold/leasehold property

3 For the purposes of the Company's investment policy on pages 15 and 16, St. Christopher's Place Estate is treated as more than one property.

Board of Directors

John Stephen†‡
Chairman
(age 61) was appointed a Director in 2005 and Chairman on 31 October 2009. He is a UK resident. He is a Fellow of the Royal Institution of Chartered Surveyors with over 36 years of property experience with Jones Lang LaSalle where he was Chairman for England until he retired from the firm in October 2009. He is also a director of Max Property Group plc, a strategic adviser to Evans Property Group, a trustee of the Portman Estate and an adviser to Lloyds Banking Group's Corporate Real Estate unit. He is a charity trustee, a school governor and a property adviser to the Duchy of Cornwall.

Chris Russell*†‡
Deputy Chairman
(age 62) was appointed a Director on 31 October 2009 and is a resident of Guernsey. He was, until 2001, an executive director of Gartmore Investment Management plc. He is a director of a number of investment companies listed in the UK and US including JPMorgan Japan Smaller Companies Trust plc, Castle Asia Alternative PCC Limited, HSBC Infrastructure Company Limited and The Korea Fund Inc. He is also Deputy Chairman of The Association of Investment Companies, and a director of Schroders (C.I.) Limited, Enhanced Index Funds PCC and Hanseatic Asset Management LBG.

Jonathan Hooley*†‡
(age 55) was appointed a Director on 31 October 2009 and is a resident of Guernsey. He was, until September 2007, the senior partner of KPMG in the Channel Islands. He is Chairman of the Channel Islands Stock Exchange and a non-executive director of BlueCrest AllBlue Fund Limited. He is a member of the Offshore Advisory Committee of The Association of Investment Companies and an adviser to the Policy Council of the States of Guernsey on external matters.

Brian Sweetland*†‡
(age 65) was appointed a Director in 2005 and is a UK resident. He was, until May 2005, an executive director of Friends Provident plc ('FP') and a member of its investment committee. As a solicitor, Mr Sweetland was the company secretary of FP for over 20 years. He was formerly a non-executive director of Benchmark Group plc and, until January 2005, F&C Asset Management plc.

Peter Niven‡
(age 56) was appointed a Director in 2005 and is a resident of Guernsey. He has over 35 years' experience in the financial services industry both in the UK and offshore. He was a senior executive in the Lloyds TSB Group until his retirement in 2004 and, since then, has been the Chief Executive of Guernsey Finance LBG, promoting the island as a financial services destination. He is a director of Resolution Limited and serves on the boards of a number of London-listed investment funds. Mr Niven is a Fellow of the Chartered Institute of Bankers and a Chartered Director.

Nicholas Tostevin*†‡
Chairman of the Audit Committee
(age 58) was appointed a Director in 2005 and is a resident of Guernsey. He is an Advocate of the Royal Court of Guernsey and was, until 31 May 2009, 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 captive insurance companies and Guernsey-based investment companies, including Gottex Market Neutral Trust Limited, a London-listed fund of hedge funds.

*Member of the Audit Committee
†Member of the Management Engagement Committee
‡Member of the Nomination Committee

Report of the Directors

The Directors present their report and accounts of the Group for the year ended 31 December 2010.

Results and Dividends

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

The Group paid interim dividends during the year ended 31 December 2010 as follows:

	Payment date	Rate per share
Ninth interim for prior year	29 January 2010	0.5p
Tenth interim for prior year	26 February 2010	0.5p
Eleventh interim for prior year	26 March 2010	0.5p
Twelfth interim for prior year	30 April 2010	0.5p
First interim	28 May 2010	0.5p
Second interim	25 June 2010	0.5p
Third interim	30 July 2010	0.5p
Fourth interim	10 September 2010	0.5p
Fifth interim	30 September 2010	0.5p
Sixth interim	29 October 2010	0.5p
Seventh interim	26 November 2010	0.5p
Eighth interim	31 December 2010	0.5p

It is the policy of the Directors to declare and pay dividends as interim dividends. The Directors do not therefore recommend a final dividend. Two further interim dividends, each of 0.5p per share, were paid on 28 January and 25 February 2011 and a third will be paid on 25 March 2011. The twelfth, and last, interim dividend in respect of the year, of 0.5p per share, will be paid on 28 April 2011 to shareholders on the register on 8 April 2011. It is the intention of the Directors that the Company will continue to pay dividends monthly.

Principal Activity and Status

The Company is a Guernsey-incorporated company (registered number 50402) and, during the year, carried on business as a property investment company. The Company's shares are traded on the London Stock Exchange.

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

The principal activities of the Company's subsidiaries are included in note 1(b) to the accounts.

Business Review

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, gearing, corporate governance procedures and risk management. As set out in the Directors' Responsibility Statement on page 26, the Board is also responsible for the preparation of the Annual Report and financial statements for each financial period. Biographical details of the Directors, all of whom are non-executive, can be found on page 14. The Company has no executive Directors or employees.

Objective

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.

Investment Policy

The Company's policy is to hold a diversified portfolio of freehold and predominantly long leasehold (over 60 years remaining at the time of acquisition) UK commercial properties. It invests principally in three commercial property sectors: office, retail and industrial.

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

Investment risks are spread by investing across different geographical areas and sectors and by letting properties to low risk tenants. The Company has not set any maximum geographic exposures, but the maximum weightings in the principal property sectors at any time (stated as a percentage of total assets) are: office: 50 per cent; retail: 65 per cent; and industrial: 40 per cent. No single property may exceed 15 per cent of total assets and the five largest properties (excluding indirect property funds) may not exceed 40 per cent of total assets (in each case at the time of acquisition). Short leasehold properties (with less than 60 years remaining) may not exceed 10 per cent of total assets at the time of acquisition.

Report of the Directors (continued)

The Company is permitted to invest up to 15 per cent, at the time of acquisition, of its total assets in indirect property funds (including listed property companies) which invest principally in UK property, but these investments may not exceed 20 per cent of total assets at any subsequent date. The Company is permitted to invest cash, held by it for working capital purposes and awaiting investment, in cash deposits, gilts and money market funds.

The Company uses gearing throughout the Group to enhance returns over the long term. Gearing, represented by borrowings as a percentage of total assets, may not exceed 50 per cent. However, the Board's present intention is that borrowings of the Group will be limited to a maximum of 35 per cent of total assets at the time of borrowing.

Investment of Assets

At each Board meeting, the Board receives a detailed presentation from the Managers which includes a review of investment performance, recent portfolio activity and a market outlook. It also considers compliance with the investment policy and other investment restrictions during the reporting period. An analysis of how the portfolio was invested as at 31 December 2010 is contained within the Managers' Review on pages 8 to 12 and a portfolio listing is provided on page 13.

The Group's borrowings are described in notes 13 and 14 to the accounts.

Strategy

As part of its strategy the Board has contractually delegated the management of the property portfolio and other services to the Managers.

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 are contained in the Chairman's Statement and the Managers' Review.

Principal Risks and Uncertainties

The Company's assets comprise direct investments in UK commercial property, although market uncertainty has resulted in cash being held. Its principal risks are therefore related to the commercial property market in general and its investment properties. More detailed explanations of these risks and the way in which they are managed are contained in note 18 to the accounts. The Managers also seek to mitigate these risks through 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.

Other risks faced by the Company include the following:

- Economic – external shocks, inflation or deflation, economic recessions and movements in interest rates could affect property valuations.
- Investment and strategic – incorrect strategy, including sector and geographic allocations and use of gearing could 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 a qualified audit report, misreporting or breaches of regulations. Breaching loan covenants could lead to a loss of shareholders' confidence and financial loss for shareholders (see notes 13 and 14 for details of the principal loan 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 internal control guidance issued by the Financial Reporting Council. Details of the Company's internal controls are described in more detail on pages 20 and 21.

Shareholder Value

The Board and Managers recognise the importance of both marketing and share buy-backs in enhancing shareholder value. In terms of marketing, the Managers offer a range of private investor savings schemes, details of which can be found on page 52. In addition, meetings are held regularly with current and prospective shareholders and stockbroking analysts covering the investment company sector. Share buy-backs can help reduce the volatility of any discount of the share price to the net asset value per share and enhance the net asset value per share for continuing shareholders. Communication of quarterly portfolio information is made 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 relevant Investment Property Databank indices;
- Premium/discount of share price to net asset value;
- Dividend per share and dividend yield; and
- Total expenses as a ratio of total assets less current liabilities.

A historic record of these indicators is contained in the Highlights and the Performance Summary on pages 2 and 3, the Chairman's Statement on pages 4 to 6, and in the Historic Record on page 51.

Directors

The Directors who held office during the year and their interests in the shares of the Company as at 31 December 2010 (all of which were beneficially held) were:

	2010 Ordinary Shares	2009 Ordinary Shares
J H Stephen	**42,389**	42,389
J G Hooley	**60,000**	60,000
P Niven	**43,142**	43,142
C Russell	**50,000**	–
B W Sweetland	**88,961**	88,961
N J M Tostevin	**21,832**	21,832

There have been no changes in the above interests between 31 December 2010 and 22 March 2011.

As explained in the Chairman's Statement, Mr Martin Moore will be appointed as an independent non-executive Director with effect from 31 March 2011. Mr Moore has very considerable real estate experience from his role as Managing Director of Prudential Property Investment Managers Limited, the property asset management arm of Prudential plc. He is also a board adviser to The Crown Estate and a board member and past president of the British Property Federation. He is a past chairman of the Investment Property Forum and is a UK resident. In accordance with the Company's Articles of Incorporation Mr Moore will retire at the Annual General Meeting, being the first such meeting following his appointment. Being eligible, he will offer himself for re-election.

As explained in more detail under Corporate Governance on pages 18 to 20, the Board has agreed that all Directors will retire annually. Mr P Niven, Mr B W Sweetland, Mr N J M Tostevin, Mr J G Hooley and Mr C Russell will retire at the Annual General Meeting and, being eligible, offer themselves for re-election. Mr J H Stephen will also retire at the Annual General Meeting. He will not stand for re-election and will therefore retire from the Board at the end of the Annual General Meeting. Following the Annual General Meeting Mr C Russell, who was appointed as a non-executive Director in

Report of the Directors (continued)

October 2009 and Deputy Chairman in September 2010, will succeed Mr Stephen as Chairman.

The Board confirms that, following formal performance evaluations, the performance of each of the five current 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.

There are no service contracts in existence between the Company and any Directors but each of the Directors has been issued with a letter of appointment which sets out the main terms of his appointment.

Management

The Managers provide investment management and other services to the Company. Details of the arrangements between the Company and the Managers in respect of management services, including changes made during the year, are given in note 2 to the accounts.

The Board keeps under review the appropriateness of the Managers' appointment. In doing so the Board considers the past investment performance of the Company and the capability and resources of the Managers to deliver satisfactory investment performance. It also considers the length of the notice period of the investment management agreement and the fees payable to the Managers, together with the standard of the other services provided.

The Directors are satisfied with the Managers' ability to deliver satisfactory investment performance, and the quality of other services provided. It is therefore their 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

As at 22 March 2011 the Company had received notification of the following holdings of voting rights (under the FSA's Disclosure and Transparency Rules):

	Number of Ordinary Shares Held	Percentage Held
Resolution Limited	232,415,797	34.15
Phoenix Life Limited	109,931,698	16.15
Rensburg Sheppards Investment Management Limited	20,427,179	3.00

Corporate Governance

Guernsey does not currently have its own corporate governance code although, at the date of this report, this is being developed and is at the consultation stage. The Board has therefore considered the principles and recommendations of the AIC's Code of Corporate Governance issued in March 2009 ('the AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies issued at the same time ('the AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 ('the Combined Code'), as well as setting out additional principles and recommendations on issues specific to investment companies.

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 in the following paragraph, the Company complied throughout the year with the recommendations of the AIC Code and the relevant provisions of the Combined Code. Since all the Directors are non-executive, in accordance with the AIC Code and the preamble to the Combined Code, the provisions of the Combined Code on the role of the chief executive and, except in so far as they apply to non-executive Directors, on Directors' remuneration, are not relevant to the Company, and are not reported on further.

For part of the year, there was no Senior Independent Director as recommended by principle 1 of the AIC Code and provision A.3.3 of the Combined Code. However, during the year Mr C Russell was appointed as Deputy Chairman and the Company now complies with this recommendation.

During the year the Board considered the principles and recommendations of The UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 and applicable for accounting periods beginning on or after 29 June 2010 (the 'New Code'). It has also considered the principles and recommendations of the new code of corporate governance issued by the AIC in October 2010 (the 'new AIC Code'). As at 31 December 2010 the Company complied substantially with the relevant provisions of the New Code and the new AIC Code and it is the intention of the Board that the Company will comply with those provisions throughout the year ending 31 December 2011.

The Board consists solely of non-executive Directors and, other than Mr P Niven who is an independent non-executive director of the Company's largest shareholder, Resolution Limited, are considered by the Board to be independent. Mr B W Sweetland was, until May 2005, an executive director of F&C Asset Management plc and, during the year, sat on a committee which provided non-investment related advice to F&C regarding its range of socially responsible investment products. This role ceased on 30 June 2010 since when Mr Sweetland has been considered under the terms of the Listing Rules to be an independent Director of the Company.

The Company's Articles of Incorporation require all Directors to retire by rotation at least every three years. However, in accordance with the recommendations of the New Code the Board has agreed that from this year onwards all Directors will retire annually and, if appropriate, seek re-election.

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 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's objective, investment policy and strategy are set out within the Business Review on pages 15 to 17. A management agreement between the Company and FCIB sets out the matters over which the Managers have authority and the limits beyond which Board approval must be sought. All other matters, including investment and dividend policies, corporate strategy, gearing, corporate governance procedures and risk management, 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, Management Engagement Committee and Nomination Committee have been in operation. These committees operate within clearly defined terms of reference which are available for inspection on request.

The Audit Committee comprises all of the Directors except Mr P Niven and the Chairman of the Board, Mr J H Stephen. It is chaired by Mr N J M Tostevin. As a consequence of the reasons described above, Mr B W Sweetland was not a member of the Audit Committee during the year but has since been appointed as a member. The committee meets at least twice yearly and is the forum through which the auditor reports to the Board of Directors. Its duties include reviewing the Annual and Interim Accounts, the system of internal controls and the terms of appointment and remuneration of the auditor. The objectivity of the auditor is reviewed by the Audit Committee which also reviews the terms under which the external auditor is 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 auditor, with particular regard to non-audit fees. Such fees amounted to £92,000 for the year ended 31 December 2010 (year ended 31 December 2009: £9,000) and related principally to work undertaken in relation to the merger proposals, 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 comprises all of the Directors except Mr P Niven.

Report of the Directors (continued)

	Board of Directors Held	Board of Directors Attended	Audit Committee Held	Audit Committee Attended	Management Engagement Committee Held	Management Engagement Committee Attended	Nomination Committee Held	Nomination Committee Attended
J H Stephen	6	6	n/a	n/a	1	1	1	1
J G Hooley	6	6	2	2	1	1	1	1
P Niven	6	6	n/a	n/a	n/a	n/a	1	1
C Russell	6	6	2	2	1	1	1	1
B W Sweetland	6	6	n/a	n/a	n/a	n/a	1	1
N J M Tostevin	6	6	2	2	1	1	1	1

It is chaired by Mr J G Hooley. As a consequence of the reasons described above, Mr B W Sweetland was not a member of the Management Engagement Committee during the year but has since been appointed as a member. The committee reviews the appropriateness of the Managers' continuing appointment together with the terms and conditions thereof on a regular basis.

The Nomination Committee comprises all of the Directors and is chaired by Mr J H Stephen. The committee is convened for the purpose of considering the appointment of additional Directors as and when considered appropriate. In considering appointments to the Board, the Nomination Committee takes into account the ongoing requirements of the Company and the need to have a balance of skills and experience within the Board.

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, discussions with individual Directors and individual feedback from the Chairman to each of the Directors. The performance of the Chairman was evaluated by the Deputy Chairman after consultation with the other Directors.

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

In addition to the scheduled meetings detailed above, there were a further 19 Board meetings and 3 Board committee meetings held in Guernsey during the year.

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

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. They have considered the current cash position of the Group, forecast rental income and other forecast cash flows. The Group has agreements relating to its borrowing facilities with which it has complied during the year. Based on this information the Directors believe that the Group has the ability to meets its financial obligations as they fall due for a period of at least twelve months from the date of approval of the accounts. 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. 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 internal control 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 the 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 auditor, 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 Property 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 Property 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 proactively seeks the views of its shareholders and places great importance on communication with them. To that end, during the year the Board appointed Winterflood Securities Limited as the Company's broker. The Board receives regular reports on the views of shareholders and the Chairman and other Directors are available to shareholders if required. The Notice of Annual General Meeting to be held on 19 May 2011 is set out on pages 49 and 50. It is hoped that this will provide a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Managers of the Company.

Directors' Authority to Allot Shares

In accordance with the Listing Rules, the directors of a premium listed company will not be permitted, from 6 April 2011, to allot new shares (or grant rights over shares) for cash without first offering them to existing shareholders in proportion to their existing holdings.

The Board therefore believes that a resolution should be sought at this year's Annual General Meeting to disapply pre-emption rights.

Resolution 10 gives the Directors, for the period until the conclusion of the Annual General Meeting in 2012 or, if earlier, on the expiry of 15 months from the passing of the resolution, the necessary authority either to allot securities or sell shares held in treasury, otherwise than to existing shareholders on a pro-rata basis, up to an aggregate nominal amount of £680,537. This is equivalent to approximately 10 per cent of the issued ordinary share capital of the Company as at 22 March 2011.

The Directors will only allot new shares pursuant to this authority if they believe it is advantageous to the Company's shareholders to do so and in no circumstances that would result in a dilution to the net asset value per share.

Directors' Authority to Buy Back Shares

The Company did not buy back any shares during the year.

The current authority of the Company to make market purchases of Ordinary Shares expires at the end of the Annual General Meeting and

Report of the Directors (continued)

Resolution 11, 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 2012 and 18 months from the passing of the resolution. 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 1p 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 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.

The City Code on Takeovers and Mergers (the 'Takeover Code')

The Takeover Code operates principally to ensure fair and equal treatment of shareholders of publicly listed companies in relation to takeovers, and also provides an orderly framework within which takeovers are conducted.

Under Rule 9 of the Takeover Code, any person who acquires, whether by a series of transactions over a period of time or not, an interest in shares (as defined in the Takeover Code) which, when taken together with shares already held by him or held or acquired by persons acting in concert with him, carry 30 per cent or more of the voting rights of a company which is subject to the Takeover Code, or who holds more than 30 per cent but not more than 50 per cent of the voting rights of such a company and acquires an interest in any additional shares carrying voting rights of that company, is normally required to make a general cash offer to all the remaining shareholders of the company to acquire their equity shares and transferable securities carrying voting rights in the company. An offer under Rule 9 of the Takeover Code must be in cash at the highest price paid by the person or the group of persons acting in concert in the preceding twelve months. Rule 37 of the Takeover Code extends this principle so that when a company purchases its own voting shares any resulting increase in the percentage of shares carrying voting rights which a person or group of persons acting in concert is interested will be treated as an acquisition for the purposes of Rule 9 of the Takeover Code (although a shareholder who is neither a director nor acting in concert with a director will not normally incur an obligation to make an offer under Rule 9 of the Takeover Code).

Mr P Niven is a Director of the Company and a director of Resolution Limited. Resolution Limited and its subsidiaries presumed to be acting in concert with it for the purposes of the Takeover Code (the 'Resolution Concert Party') are therefore deemed to be acting in concert with Mr Niven. As at 18 March 2011 (being the latest practicable date prior to the publication of this document) the Resolution Concert Party held 232,429,590 Ordinary Shares in the Company, representing 34.15 per cent of the issued share capital. Accordingly, if any Ordinary Shares were to be repurchased by the Company and the members of the Resolution Concert Party did not sell a proportionate amount of their holding, then the aggregate percentage holding of the Resolution Concert Party would increase and, pursuant to Rule 37 of the Takeover Code, in the absence of a waiver from the Takeover Panel, the Resolution Concert Party would be required to make a general cash offer to all of the remaining shareholders of the Company to acquire their shares. The Company is therefore seeking a waiver of such mandatory bid obligation to the extent that it would otherwise be triggered by any buy back by the Company.

Accordingly, shareholders are being asked to approve a waiver of the obligation on the Resolution Concert Party to make a general offer for the entire issued share capital of the Company. In order to comply with the Takeover Code, this resolution will be taken on a poll and both Mr Niven and each of the members of the Resolution Concert Party has undertaken not to vote on the resolution. The waiver, if approved, will expire at the Annual General Meeting in 2012. Further details can be found in the shareholder circular to be dated on or around the date hereof entitled ''Proposed renewal of the waiver of the requirements of Rule 9 of the City Code on Takeovers and Mergers''.

Discount Policy and Continuation Votes

The Board's stated intention is to use the share buy back authority to purchase Ordinary Shares (subject to the income and cash flow requirements of the Company and where the Directors believe the price available to be in the best interests of shareholders as a whole) if the share price of an Ordinary Share is more than 5 per cent below the published net asset value per share 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 per share for any dividends for which the share price has gone ex-dividend.

In the event that the Ordinary Shares trade at a discount of more than 5 per cent for 90 consecutive dealing days or more after 1 May 2011, the Directors will convene a 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 general meeting to be held within six months of the first 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 two years thereafter.

In addition, at the Annual General Meeting of the Company to be held in 2015, the Directors will propose an ordinary resolution for the continuation of the Company. If the continuation resolution is not passed, the Directors will be obliged to convene an Extraordinary General Meeting within six months 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 the continuation resolution is passed, the Directors will propose a similar resolution at the Annual General Meeting of the Company five yearly thereafter.

Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are each aware:

- there is no relevant audit information of which the Company's auditor is unaware; and

- each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

KPMG Channel Islands Limited has expressed its willingness to continue in office as the Company's auditor and a resolution proposing its re-appointment will be submitted at the Annual General Meeting.

Resolutions

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the shareholders as a whole and recommends that they vote in favour of such resolutions as the Board intends to do in respect of their own beneficial holdings (save that Mr P Niven, who is deemed to be acting in concert with the Resolution Concert Party, will abstain from voting in relation to Resolution 12).

On behalf of the Board

N J M Tostevin
Director

22 March 2011

Directors' Remuneration Report

Policy on Directors' Fees

The Board's policy is that the remuneration of the Directors should reflect the experience of the Board as a whole, the time commitment required, and be fair and comparable with that of other similar companies. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee the Company properly and to reflect its specific circumstances. It is intended that this policy will continue for the year ending 31 December 2011 and subsequent years.

The fees for the Directors are determined within the limit set out in the Company's Articles of Incorporation. The present limit is an aggregate of £300,000 per annum. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

The Board comprises only non-executive Directors and considers, at least annually, the level of the Directors' fees, in accordance with the Combined Code on Corporate Governance. Normally, the Company Secretary provides information on comparative levels of Directors' fees in advance of each review. During the year, the Board employed the services of an independent firm of remuneration consultants to carry out a review of the level of Directors' fees. Following this review it was decided that, with effect from 1 January 2011, the levels of fees per annum would increase to £55,000 for the Chairman, £40,000 for each of the Deputy Chairman and the Chairman of the Audit Committee and £32,500 for the other Directors.

Directors' Service Contracts

It is the Board's policy that Directors do not have service contracts and that each new Director is provided with a letter of appointment.

The terms of Directors' appointments provide that Directors should retire and be subject to re-election at the first Annual General Meeting after their appointment. However, in accordance with the recommendations of The UK Corporate Governance Code, the Board has agreed that all Directors will retire annually. There is no notice period and no provision for compensation upon early termination of appointment.

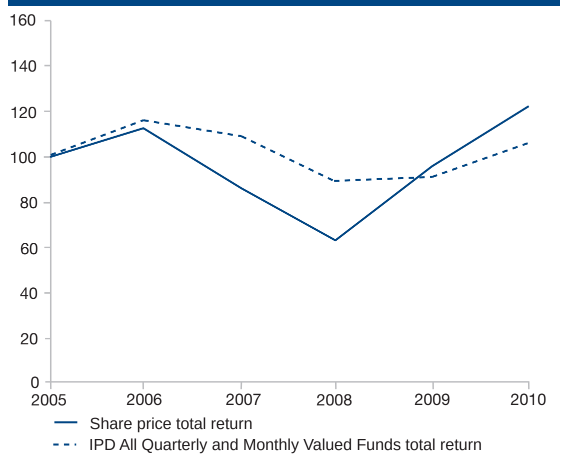
Director	Date of Appointment	Due date for Re-election
J H Stephen	21/1/2005	n/a*
J G Hooley	31/10/2009	AGM 2011
P Niven	21/1/2005	AGM 2011
C Russell	31/10/2009	AGM 2011
B W Sweetland	21/1/2005	AGM 2011
N J M Tostevin	21/1/2005	AGM 2011

* Mr J H Stephen will retire from the Board at the Annual General Meeting (see page 17).

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Managers through the investment management agreement, as referred to in the Report of the Directors on page 18. The graph below compares, for the five financial years ended 31 December 2010, the total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total return on a notional investment from the IPD All Quarterly and Monthly Valued Funds. This index was chosen as it is considered a comparable index and is the Company's benchmark for performance fee purposes. An explanation of the performance of the Company for the year ended 31 December 2010 is given in the Chairman's Statement and Managers' Review.

Share Price Total Return and the IPD All Quarterly and Monthly valued funds Performance Graph



Directors’ Emoluments for the Year

The Directors who served during the year received the following emoluments in the form of fees:

	Basic	Additional	2010 Total	Basic	Additional	2009 Total
J H Stephen (appointed Chairman 31 October 2009)	40,000	20,000	60,000	27,500	–	27,500
D L Adamson (retired 31 October 2009)	–	–	–	20,833	–	20,833
J G Hooley (appointed 31 October 2009)	25,000	10,000	35,000	4,167	–	4,167
P Niven (stepped down as Chairman 31 October 2009)	25,000	10,000	35,000	37,500	–	37,500
C Russell (appointed 31 October 2009)	25,000	10,000	35,000	4,167	–	4,167
B W Sweetland	25,000	15,000	40,000	25,000	–	25,000
N J M Tostevin	30,000	10,000	40,000	30,000	–	30,000
	170,000	75,000	245,000	149,167	–	149,167

The additional fees of £75,000 (2009: £nil) related to additional work undertaken in relation to the merger proposals that are described in the Chairman’s Statement.

An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting.

On behalf of the board

N J M Tostevin
Director

22 March 2011

Directors' Responsibilities

Directors' Responsibilities for the Annual Report and Accounts

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Guernsey company law requires the Directors to prepare consolidated financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law.

The consolidated financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these consolidated 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 consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company will 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 Company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report (including a Business Review) and Corporate Governance Statement that comply with these laws and those regulations.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group included in the consolidation taken as a whole; and
- the Chairman's Statement and Report of the Directors include a fair review of the development and performance of the business and the position of the Group included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

N J M Tostevin
Director

22 March 2011

Independent Auditor's Report

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

We have audited the Group financial statements (the 'financial statements') of F&C Commercial Property Trust Limited (the 'Group') for the year ended 31 December 2010 which comprise the Consolidated Balance Sheet, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the IASB.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. 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 Auditor

As explained more fully in the Directors' Responsibilities set out on page 26, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended;
- are in accordance with International Financial Reporting Standards as issued by the IASB; and
- comply with the Companies (Guernsey) Law, 2008.

Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records, or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

We have nothing to report with respect to the following:

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Steven D Stormonth for and on behalf of

KPMG Channel Islands Limited

Chartered Accountants and Recognised Auditors

22 March 2011

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. The work carried out by the auditor does not include consideration of these matters and, accordingly the auditor accepts no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the website. Legislation governing the preparation and dissemination of financial statements may differ from jurisdiction to jurisdiction.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Revenue			
Rental Income		**53,561**	50,056
Income from indirect property funds		**161**	145
Total revenue		**53,722**	50,201
Gains on investment properties			
Unrealised gains on revaluation of investment properties	9	**75,601**	17,764
Unrealised gains on revaluation of indirect property funds	9	**–**	956
Gains on sale of investment properties realised	9	**19**	308
Gains on sale of indirect property funds realised	9	**2,905**	11
Total income		**132,247**	69,240
Expenditure			
Investment management fee	2a	**(8,137)**	(7,688)
Other expenses	3	**(5,018)**	(4,303)
Total expenditure		**(13,155)**	(11,991)
Operating profit before finance costs		**119,092**	57,249
Net finance costs			
Interest receivable	4	**481**	1,532
Finance costs	5	**(13,450)**	(12,139)
		(12,969)	(10,607)
Profit before taxation		**106,123**	46,642
Taxation	6	**791**	(238)
Profit for the year		**106,914**	46,404
Other comprehensive income			
Movement in fair value of interest rate swap	14	**(389)**	–
Total comprehensive income for the year		**106,525**	46,404
Basic and diluted earnings per share	8	**15.7p**	6.8p

All of the profit and total comprehensive income for the year is attributable to the owners of the Company.

All items in the above statement derive from continuing operations.

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

Consolidated Balance Sheet

as at 31 December 2010

	Notes	2010 £'000	2009 £'000
Non-current assets			
Investment properties	9	**832,003**	722,536
Investments in indirect property funds held at fair value	9	**–**	6,072
		832,003	728,608
Current assets			
Properties held for sale	9	**–**	8,694
Trade and other receivables	10	**8,377**	5,400
Cash and cash equivalents	11	**111,578**	95,138
		119,955	109,232
Total assets		**951,958**	837,840
Current liabilities			
Trade and other payables	12	**(17,735)**	(18,518)
Non-current liabilities			
Interest-bearing bonds	13	**(229,424)**	(229,308)
Interest-bearing bank loan	14	**(49,329)**	–
Interest rate swap	14	**(389)**	–
Deferred taxation		**–**	(626)
		(279,142)	(229,934)
Total liabilities		**(296,877)**	(248,452)
Net assets		**655,081**	589,388
Represented by:			
Share capital	15	**6,805**	6,805
Reverse acquisition reserve	15	**831**	831
Special reserve	15	**576,729**	664,063
Capital reserve – investments sold	15	**(48,271)**	(20,974)
Capital reserve – investments held	15	**33,852**	(71,970)
Hedging reserve	15	**(389)**	–
Revenue reserve	15	**85,524**	10,633
Equity shareholders' funds		**655,081**	589,388
Net asset value per share	16	**96.3p**	86.6p

The accounts on pages 28 to 48 were approved by the Board of Directors on 22 March 2011 and signed on its behalf by:

N J M Tostevin, Director

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

	Notes	Share Capital £'000	Reverse Acquisition Reserve £'000	Special Reserve £'000	Capital Reserve – Investments Sold £'000	Capital Reserve – Investments Held £'000	Hedging Reserve £'000	Revenue Reserve £'000	Total £'000
At 1 January 2010		**6,805**	**831**	**664,063**	**(20,974)**	**(71,970)**	**–**	**10,633**	**589,388**
Total comprehensive income for the year									
Profit for the year		–	–	–	–	–	–	106,914	106,914
Movement in fair value of interest rate swap		–	–	–	–	–	(389)	–	(389)
Transfer in respect of unrealised gains on investment properties	9	–	–	–	–	75,601	–	(75,601)	–
Gains on sale of investment properties realised	9	–	–	–	19	–	–	(19)	–
Gains on sale of indirect property funds realised	9	–	–	–	2,905	–	–	(2,905)	–
Transfer of prior years' revaluation to realised reserve	9	–	–	–	(30,221)	30,221	–	–	–
Transfer from special reserve	15	–	–	(87,334)	–	–	–	87,334	–
Total comprehensive income for the year		**–**	**–**	**(87,334)**	**(27,297)**	**105,822**	**(389)**	**115,723**	**106,525**
Transactions with owners of the Company recognised directly in equity									
Dividends paid	7	–	–	–	–	–	–	(40,832)	(40,832)
At 31 December 2010		**6,805**	**831**	**576,729**	**(48,271)**	**33,852**	**(389)**	**85,524**	**655,081**

for the year ended 31 December 2009

	Notes	Share Capital £'000	Capital Redemption Reserve £'000	Reverse Acquisition Reserve £'000	Special Reserve £'000	Capital Reserve – Investments Sold £'000	Capital Reserve – Investments Held £'000	Revenue Reserve £'000	Total £'000
At 1 January 2009		7,531	105	–	673,010	(21,293)	(90,690)	15,520	584,183
Total comprehensive income for the year									
Profit for the year		–	–	–	–	–	–	46,404	46,404
Transfer in respect of unrealised gains on investment properties	9	–	–	–	–	–	17,764	(17,764)	–
Transfer in respect of unrealised gains on indirect property funds	9	–	–	–	–	–	956	(956)	–
Gains on sale of investment properties realised	9	–	–	–	–	308	–	(308)	–
Gains on sale of indirect property funds realised	9	–	–	–	–	11	–	(11)	–
Transfer from special reserve	15	–	–	–	(8,580)	–	–	8,580	–
Total comprehensive income for the year		–	–	–	(8,580)	319	18,720	35,945	46,404
Group reconstruction	15	(726)	(105)	831	(367)	–	–	–	(367)
Transactions with owners of the Company recognised directly in equity									
Dividends paid	7	–	–	–	–	–	–	(40,832)	(40,832)
At 31 December 2009		6,805	–	831	664,063	(20,974)	(71,970)	10,633	589,388

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Cash flows from operating activities			
Profit for the year before taxation		**106,123**	46,642
Adjustments for:			
Finance costs		**13,450**	12,139
Interest receivable		**(481)**	(1,532)
Unrealised gains on revaluation of investment properties		**(75,601)**	(17,764)
Unrealised gains on revaluation of indirect property funds		**–**	(956)
Gains on sale of investment properties realised		**(19)**	(308)
Gains on sale of indirect property funds realised		**(2,905)**	(11)
Increase in operating trade and other receivables		**(2,977)**	(195)
(Decrease)/increase in operating trade and other payables		**(625)**	4,409
		36,965	42,424
Interest received		**481**	1,532
Interest paid		**(13,272)**	(12,029)
Tax refunded		**–**	1,066
		(12,791)	(9,431)
Net cash inflow from operating activities		**24,174**	32,993
Cash flows from investing activities			
Purchase of investment properties	9	**(24,315)**	(54,785)
Sale of investment properties	9	**8,801**	320
Sale of indirect property funds	9	**8,978**	11
Capital expenditure	9	**(9,639)**	(4,538)
Net cash outflow from investing activities		**(16,175)**	(58,992)
Cash flows from financing activities			
Dividends paid	7	**(40,832)**	(40,832)
Bank loan drawn down (net of costs)	14	**49,273**	–
Costs of share reconstruction charged to capital		**–**	(367)
Net cash inflow/(outflow) from financing activities		**8,441**	(41,199)
Net increase/(decrease) in cash and cash equivalents		**16,440**	(67,198)
Opening cash and cash equivalents		**95,138**	162,336
Closing cash and cash equivalents		**111,578**	95,138

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

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 and approved 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, applicable legal and regulatory requirements of The Companies (Guernsey) Law, 2008 and the Listing Rules of the UK Listing Authority. The consolidated accounts give a true and fair view and are also in compliance with The Companies (Guernsey) Law, 2008.

Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for investment trust companies issued by the Association of Investment Companies ('AIC') in January 2009 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The consolidated accounts have been prepared on a historical cost basis, except for investment property and derivative financial instruments that have been measured at fair value.

The notes and financial statements are presented in pounds sterling (functional and presentational currency) and are rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the period. The nature of the estimation means that actual outcomes could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant estimates and assumptions are made in the valuation of the investment properties held. Further information on the valuation, market risk and sensitivity to market changes are provided in notes 9 and 18.

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. Further detail is contained in the Report of the Directors on page 20.

The accounting policies adopted are consistent with those of the previous financial year, except that the following new standards have been adopted in the current year:

- In April 2009, the IASB issued an amendment to IAS 17 '*Leases*' which became effective for accounting periods commencing on or after 1 January 2010. This amendment deleted much of the existing wording in the standard to the effect all leases of land (where title does not pass) were operating leases. The amendment requires that in determining whether the lease of land (either separately or in combination with other property) is an operating or finance lease, the same criteria are applied as for any other asset. The Group does not have any finance leases of land as lessor. Therefore, this change has no impact on the results for the year to 31 December 2009 or 2010. However, this may have the impact in the future that disposals of land via a long lease will be treated as disposals under finance leases rather than the issue of operating leases.
- In April 2009, the IASB issued improvements to IFRS, including the amendment to IAS 17 above, which mainly became effective for periods commencing on or after 1 January 2010. The improvements to IFRS cover amendments to twelve IFRS standards, none of which materially affect the Group.

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

- In November 2009, the IASB issued IFRS 9 *'Financial Instruments'* which becomes effective for accounting periods commencing on or after 1 January 2013. This represents the first of a three part project to replace IAS 39 '*Financial Instruments: Recognition and Measurement'.* The objective of the standard is to enhance the ability of investors and other users of financial information to understand the accounting of financial assets and to reduce complexity.
- In May 2010, the IASB issued improvements to IFRS for 2010 which will become effective for periods commencing on or after 1 January 2011. These cover eleven amendments to six standards, none of which are expected to materially affect the Group.

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

1. Accounting policies (continued)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements 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.

The Company owns 100 per cent of the issued ordinary share capital of FCPT Holdings Limited, a company incorporated in Guernsey which was, until the group reconstruction in 2009, the top company in the group structure. The principal activity of FCPT Holdings Limited is now to act as a holding company and it owns 100 per cent of the ordinary share capital of F&C Commercial Property Holdings Limited.

The Company owns 100 per cent of the issued ordinary share capital of SCP Estate Holdings Limited, a company incorporated in Guernsey. The principal activity of SCP Estate Holdings Limited is to act as a holding company and it owns 100 per cent of the ordinary share capital of SCP Estate Limited.

The Company owns indirectly 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 Company owns indirectly 100 per cent of the issued ordinary share capital of SCP Estate 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 in Guernsey to issue the interest-bearing bonds. F&C Commercial Property Finance Limited has the same board of directors as the Company and is therefore consolidated as a quasi-subsidiary under common control.

(c) Revenue recognition

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

(e) Taxation

The tax credit/(expense) represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before taxation reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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. As the Directors consider the value of the property portfolio is likely to be realised by sale rather than use over time, and that no charge to Guernsey or United Kingdom taxation will arise on capital gains, no provision has been made for deferred tax on valuation uplifts.

(f) Investment properties

Investment properties consist 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 associated transaction costs. 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 properties.

Notes to the Accounts (continued)

1. Accounting policies (continued)

(f) Investment properties (continued)

After initial recognition, investment properties are measured at fair value, with unrealised gains and losses recognised in the Consolidated Statement of Comprehensive Income and transferred to the Capital Reserve – Investments Held. Fair value is based on the open market valuation provided by DTZ Debenham Tie Leung Limited, chartered surveyors, at the balance sheet date using recognised valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Company's assets. For the purposes of these financial statements, in order to prevent 'double accounting', the assessed market value is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.

The determination of the market value of investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the market value of investment properties under construction. These estimates are based on local market conditions existing at the balance sheet date.

Techniques used for valuing investment property

The Traditional Method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and application of investor yield or return requirements. One approach to value the property on this basis is to capitalise net rental income on the basis of an Initial Yield, generally referred to as the 'All Risks Yield' approach or 'Net Initial Yield' approach.

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series an appropriate market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/ outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

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 Consolidated Statement of Comprehensive Income and transferred to the Capital Reserve – Investments Sold.

Recognition and derecognition occurs on the completion of a sale 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.

Investments in unquoted indirect property funds are financial instruments and 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.

Accounting standards recognise a hierarchy of fair value measurements for financial instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The classification of financial instruments depends on the lowest significant applicable input, 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. The Group held no such securities during the year under review.

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 exchange contracts and certain other derivative instruments. The interest rate swap entered into to hedge the interest rate on the £50 million bank loan is included in Level 2.

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. The Group's investments in indirect property funds, which were sold during the year, are included in Level 3.

1. Accounting policies (continued)

(h) Derivative financial instruments

The Group uses derivative financial instruments to hedge its risk associated with interest rate fluctuations. The Group's policy is not to trade in derivative instruments.

Derivative instruments are initially recognised in the Balance Sheet at their fair value. Fair value is determined by reference to market values for similar instruments. Transaction costs are expensed immediately.

Gains or losses arising on the fair value of cash flow hedges in the form of derivative instruments are taken directly to Other Comprehensive Income. Such gains and losses are taken to the Hedging Reserve.

On maturity or early redemption the unrealised gains or losses arising from cash flow hedges in the form of derivative instruments, initially recognised in Other Comprehensive Income, are reclassified to the Consolidated Statement of Comprehensive Income.

The Group considers that its interest rate swap qualifies for hedge accounting when the following criteria are satisfied:

- The instrument must be related to an asset or liability;
- It must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa;
- It must match the principal amounts and maturity date of the hedged item; and
- As a cash-flow hedge the forecast transaction (incurring interest payable on the bank loan) that is subject to the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect the profit or loss. The effectiveness of the hedge must be capable of reliable measurement and must be assessed as highly effective on an ongoing basis throughout the financial reporting periods for which the hedge was designated.

(i) Operating segments

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 the total return on the Group's net asset value is calculated based on the net asset value per share calculated under IFRS as shown at the foot of the Balance Sheet, assuming dividends are re-invested, the key performance measure is that prepared under IFRS. Therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the financial statements.

(j) Cash and cash equivalents

Cash in banks and short-term deposits are carried at cost. Cash and cash equivalents consist of cash in hand and short-term deposits in banks with an original maturity of three months or less.

(k) Trade and other receivables

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

Reverse lease premia and other capital incentives paid to tenants are recognised as a current asset and amortised over the period from the date of lease commencement to the earliest termination date.

(l) Interest-bearing borrowings

All non-current borrowings are initially recognised at cost, being fair value of the consideration received, net of arrangement costs associated with the borrowings. After initial recognition, all interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any loan arrangement costs and any discount or premium on settlement.

Notes to the Accounts (continued)

2. Fees	2010 £'000	2009 £'000
(a) Investment management fee		
– base management fee	4,594	4,185
– performance fee	3,543	3,503
	8,137	7,688

Throughout the year the Group's investment manager was F&C Investment Business Limited ('FCIB'), a wholly-owned subsidiary of F&C Asset Management plc. The property management arrangements of the Group have been delegated by FCIB, with the approval of the Company, to F&C REIT Property Asset Management plc, which is also part of the F&C Asset Management plc group.

Until 30 September 2010 FCIB was entitled to a base management fee of 0.60 per cent per annum of the Group's invested assets (including indirect property holdings) and 0.25 per cent per annum of the net current assets, payable quarterly in arrears. From 1 October 2010 FCIB is entitled to a base management fee of 0.50 per cent per annum of the Group's net assets and reduced to 0.25 per cent per annum on cash net of gearing in excess of 5 per cent of net assets. The fees of any managing agents appointed by the investment manager are payable out of the management fee.

FCIB is also entitled to a performance fee equal to 20 per cent of the amount by which the total return (whether positive or negative) on the directly held properties exceeds 110 per cent of the total return (90 per cent if the total return is negative) on the benchmark and multiplied by the Group's average total assets (excluding any indirect property holdings). The benchmark for measuring the comparative performance of directly held properties is the total return from the IPD All Quarterly and Monthly Valued Funds. Until 30 September 2010 the performance fee payable in each financial year was capped at an amount which, when taken with the aggregate base management fee payable in each financial year, equalled 1.0 per cent of the gross assets of the Group. From 1 October 2010 this capped amount was reduced to 0.60 per cent of the gross assets of the Group. Performance fees in excess of this capped return can be carried forward for up to two subsequent financial years subject to the annual 0.60 per cent cap. The performance fee is measured over a rolling three year period and the performance fee payable in respect of any one financial year is equal to the total performance fee earned over that three year period less any performance fees already paid in the previous two years. In the event that the amount already paid in the previous two years is in excess of the amount earned over the rolling three year period, such excess shall be repaid to the Group by FCIB. The performance fee was rebased as at 1 October 2010. The Managers agreed to waive the carry forward of the excess out-performance as at 30 September 2010 and the performance fees paid to that date do not fall subject to potential repayment to the Group by FCIB.

The performance fee is accrued based on the amount that would have been payable had the investment management agreement been terminated on the balance sheet date. No recognition is made of any excess paid by the Group in the previous two years until the Group's entitlement to any repayment is certain.

FCIB is also entitled to an administration fee which is payable quarterly in arrears. It received £118,000 for administration services provided in respect of the year ended 31 December 2010 (2009: £112,000).

The investment management agreement may be terminated by either party by giving not less than six months' notice. The agreement may be terminated earlier provided that a payment in lieu of notice, equivalent to the amount the investment manager would otherwise have received during the notice period, is made.

(b) Valuers' fees

The valuers of the investment properties, 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 30 June 2011 and an annual fee is payable equal to 0.0165 per cent of the aggregate value of the direct property portfolio.

3. Other expenses

	2010 £'000	2009 £'000
Direct operating expenses of let rental property	**2,763**	2,709
Merger abort costs *	**893**	–
Valuation and other professional fees	**609**	481
Directors' fees †	**245**	149
Administration fee	**118**	112
Auditor's remuneration for:		
– statutory audit	**59**	57
– other services ‡	**13**	9
Costs of group reconstruction	**–**	506
Other	**318**	280
	5,018	4,303

*Details of the aborted merger are provided in the Chairman's Statement on page 5.

†An analysis of the Directors' fees is provided in the Directors' Remuneration Report on page 25 and includes £75,000 of fees relating to additional work undertaken in relation to the aborted merger.

‡Additional fees of £79,000 paid to the Company's auditor are included within the merger abort costs.

4. Interest revenue receivable

	2010 £'000	2009 £'000
Deposit interest	**481**	1,532

5. Finance costs

	2010 £'000	2009 £'000
Interest on the 5.23 per cent Secured Bonds due 2017	**12,145**	12,139
Interest on the interest-bearing bank loan	**746**	–
Interest in respect of the interest rate swap agreement	**559**	–
	13,450	12,139

Notes to the Accounts (continued)

6. Taxation

	2010 £'000	2009 £'000
Current income tax		
Current income tax charge	**84**	34
(Reversal of over-provision)/increase in provision from prior years	**(249)**	139
	(165)	173
Deferred income tax		
Relating to origination and reversal of temporary differences	**–**	65
Reversal of over-provision from prior years	**(626)**	–
	(626)	65
Total tax (credit)/charge	**(791)**	238

A reconciliation of the income tax (credit)/charge applicable to the results at the statutory income tax rate to the charge for the year is as follows:

	2010 £'000	2009 £'000
Profit before taxation	**106,123**	46,642
UK income tax at a rate of 20 per cent	**21,224**	9,328
Effects of:		
Capital gains on investment properties and indirect property funds not taxable	**(15,705)**	(3,808)
Income not taxable, including interest receivable	**(96)**	(306)
Expenditure not allowed for income tax purposes	**3,107**	2,719
Allowable intercompany loan interest paid	**(8,097)**	(7,834)
Losses brought forward from prior years	**(218)**	–
(Reversal of over-provision)/increase in provision from prior years	**(875)**	139
Capital allowances claimed	**(131)**	–
Total tax (credit)/charge	**(791)**	238

The Company and its subsidiaries are exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. A fixed annual fee of £600 per company is payable to the States of Guernsey in respect of this exemption. No charge to Guernsey taxation will arise on capital gains. At 31 December 2010, the Group provided for deferred tax at the rate of Guernsey tax (zero per cent) expected to apply on recovery of the carrying amount of its assets through sale.

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

7. Dividends	2010 Total £'000	2010 Rate (pence)	2009 Total £'000	2009 Rate (pence)
In respect of the previous period:				
Interim dividend	**3,403**	**0.5**	3,403	0.5
Interim dividend	**3,402**	**0.5**	3,402	0.5
Interim dividend	**3,403**	**0.5**	3,403	0.5
Interim dividend	**3,402**	**0.5**	3,402	0.5
In respect of the period under review:				
First interim dividend	**3,403**	**0.5**	3,403	0.5
Second interim dividend	**3,402**	**0.5**	3,402	0.5
Third interim dividend	**3,403**	**0.5**	3,403	0.5
Fourth interim dividend	**3,402**	**0.5**	3,402	0.5
Fifth interim dividend	**3,403**	**0.5**	3,403	0.5
Sixth interim dividend	**3,403**	**0.5**	3,403	0.5
Seventh interim dividend	**3,403**	**0.5**	3,403	0.5
Eighth interim dividend	**3,403**	**0.5**	3,403	0.5
	40,832	**6.0**	40,832	6.0

Two further interim dividends for the year to 31 December 2010, of 0.5 pence per share, each totalling £3,403,000 were paid on 28 January and 25 February 2011 and a third will be paid on 25 March 2011. The twelfth, and last, interim dividend in respect of the year, of 0.5p per share, will be paid on 28 April 2011 to shareholders on the register on 8 April 2011.

Although these payments relate to the year ended 31 December 2010, under IFRS they will be accounted for in the year ending 31 December 2011, being the period during which they are paid.

It is the Directors' intention that the Company will continue to pay dividends monthly.

8. Earnings per share

The Group's basic and diluted earnings per Ordinary Share are based on the profit for the year of £106,914,000 (2009: £46,404,000) and on 680,537,003 (2009: 680,537,003) Ordinary Shares, being the weighted average number of shares in issue during the year.

9. Investments	2010 £'000	2009 £'000
Freehold and leasehold properties		
Opening book cost	**774,935**	715,624
Opening unrealised depreciation	**(43,705)**	(61,469)
Opening fair value	**731,230**	654,155
Purchases	**24,315**	54,785
Sales – proceeds	**(8,801)**	(320)
– (loss)/gain on sale	**(1,937)**	308
Capital expenditure	**9,639**	4,538
Unrealised losses realised during the year	**1,956**	–
Increase in unrealised appreciation	**75,601**	17,764
	832,003	731,230
Closing book cost	**798,151**	774,935
Closing unrealised appreciation/(depreciation)	**33,852**	(43,705)
Closing fair value	**832,003**	731,230

Notes to the Accounts (continued)

9. Investments (continued)	2010 £'000	2009 £'000
Indirect property funds		
Opening book cost	**34,337**	34,337
Opening unrealised depreciation	**(28,265)**	(29,221)
Opening fair value	**6,072**	5,116
Sales – proceeds	**(8,978)**	(11)
– (loss)/gain on sale	**(25,359)**	11
Unrealised losses realised during the year	**28,265**	–
Decrease in unrealised depreciation	**–**	956
	–	6,072
Closing book cost	**–**	34,337
Closing unrealised depreciation	**–**	(28,265)
Closing fair value	**–**	6,072

All the Group's investment properties were valued as at 31 December 2010 by qualified professional valuers working for the company of DTZ Debenham Tie Leung Limited ('DTZ'), Chartered Surveyors, acting in the capacity of external valuers. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors ('RICS').

DTZ completed the valuation of the Group's investment properties at 31 December 2010 on a market value basis and in accordance with the requirements of the Appraisal and Valuation Manual published by RICS. Market value is the amount 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 market value of these investment properties amounted to £838,300,000 (2009: £732,950,000) and the fair value amounted to £832,003,000 (2009: £731,230,000). The difference between the market value and the fair value at 31 December 2010 consists of capital incentives paid to tenants totalling £3,152,000 and accrued income relating to the pre-payment for rent-free periods recognised over the life of the lease totalling £3,145,000, both of which are separately recorded in the accounts as current assets. The DTZ valuation report is dated 17 January 2011 (the 'Valuation Report').

Gillian Rushmore BSc, FRICS has been the signatory of valuation reports provided to the Group for the same purpose as the Valuation Report for a continuous period since March 2005. DTZ has been carrying out valuations for the Group for the same purpose as the Valuation Report for the same period.

DTZ also values properties held by other companies for which the F&C Asset Management plc group is also the investment manager. DTZ provides, and has provided in the past, ad hoc investment and occupational agency advice, landlord and tenant and building consultancy advice to members of the F&C Asset Management plc group. DTZ Debenham Tie Leung Limited is a wholly-owned subsidiary of DTZ Holdings plc. In DTZ Holdings plc's financial year to 30 April 2010, the proportion of total fees payable by the F&C Asset Management plc group to the total fee income of DTZ Holdings plc was less than 5 per cent.

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.

9. Investments (continued)

The property valuer is independent and external to the Group. The property valuer takes account of deleterious materials included in the construction of the investment properties in arriving at its estimate of open market valuation, when the Managers advise the presence of such materials.

The Group has entered into leases on its property portfolio as lessor (See note 20 for further information). No one property accounts for more than 15 per cent of the gross assets of the Group. All of the properties per open market value band are shown on page 13.

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 in note 18.

Other than the capital commitments disclosed in 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 those investment properties.

In previous years, the Board appointed an independent valuer to place a market valuation on units held in indirect property funds for the Directors to consider. Market value, which is deemed to equate to fair value, means the estimated amount for which units could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

As the valuation of the units held in any indirect property funds is based on an independent valuer's opinion, which is an unobservable input, these holdings are classified as Level 3 under the hierarchy of fair value measurements for financial instruments required by IFRS 7 (revised). The Company did not hold any indirect property funds at the year end.

10. Trade and other receivables	**2010**	2009
	£'000	£'000
Accrued income	**6,338**	3,932
Rents receivable (net of provision for bad debts)	**1,904**	1,329
Other debtors and prepayments	**135**	139
	8,377	5,400

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.

Included within accrued income is the prepayment for rent-free periods recognised over the life of the lease. At 31 December 2010 this amounted to £3,145,000 (2009: £2,175,000). Also included within accrued income is £3,152,000 (2009: £1,614,000) relating to capital incentives paid to tenants.

11. Cash and cash equivalents

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

The cash balance at 31 December 2010 includes £2,136,000 (2009: £2,031,000) of rent deposits and therefore a corresponding creditor is included within rental income received in advance under trade and other payables.

12. Trade and other payables	**2010**	2009
	£'000	£'000
Rental income received in advance	**10,670**	10,813
VAT payable	**1,201**	1,171
Managers' fees payable	**4,369**	4,690
Income tax payable	**84**	250
Other payables	**1,411**	1,594
	17,735	18,518

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

Notes to the Accounts (continued)

13. Interest-bearing bonds

	2010 £'000	2009 £'000
Principal amount outstanding	**230,000**	230,000
Issue costs	**(1,196)**	(1,196)
Amortisation of issue costs	**620**	504
	229,424	229,308

The Group, through F&C Commercial Property Finance Limited, has issued £230,000,000 of 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 six-month LIBOR until the final maturity date of 30 June 2017. These bonds are secured by means of a fixed and floating charge over the whole of the assets of the Secured Group (which comprises FCPT Holdings Limited, F&C Commercial Property Holdings Limited and F&C Commercial Property Finance Limited). Under the covenant relating to the bonds the Company is to ensure that for the Secured Group:

- 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 the gross asset value;
- no single tenant exceeds 15 per cent of the total annual 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 Secured Group has complied with all the bond covenants during the year.

The fair value of the interest-bearing bonds at 31 December 2010 was £236,555,000 (2009: £221,181,000).

14. Bank loan and interest rate swap liability

	2010 £'000	2009 £'000
Principal amount outstanding	50,000	–
Set-up costs	(727)	–
Amortisation of set-up costs	56	–
	49,329	–

The Group has a £50 million facility with Barclays Bank plc ('Barclays'), which was drawn down in full on 28 June 2010 and which remained fully drawn at the year end. The loan facility is repayable on 28 June 2017.

Interest accrues on the bank loan at a variable rate, based on 3 month LIBOR plus margin and mandatory lending costs and is payable quarterly. The margin is 1.95 per cent per annum for the duration of the loan.

The bank loan is secured by way of a fixed and floating charge over the whole of the assets of SCP Estate Holdings Limited and SCP Estate Limited ('the SCP Group'), whose assets consist mainly of the properties held at St. Christopher's Place Estate, London W1. In addition, the SCP Group has granted security to Barclays pursuant to Guernsey security interest agreements over bank accounts and shares. Under the bank covenants related to the loan, the Company is to ensure that for the SCP Group:

- the loan to value percentage does not exceed 60 per cent; and
- the interest cover is greater than 1.4 times on any calculation date.

The SCP Group has complied with all the bank loan covenants during the year.

Interest rate exposure has been hedged by the purchase of an interest rate swap contract. The hedge has been achieved by matching the notional amount of the swap with the loan principal and matching the swap term to the loan term.

Interest on the swap is receivable at a variable rate calculated on the same LIBOR basis as for the bank loan (as detailed above but excluding the margin) and payable quarterly at a fixed rate of 2.9265 per cent per annum. The interest rate swap is due to expire on 28 June 2017.

The fair value of the liability in respect of the interest rate swap contract at 31 December 2010 was £389,000, which is based on the marked to market value. The interest rate swap is classified as Level 2 under the hierarchy of fair value measurements for financial instruments required by IFRS 7 (revised).

15. Share capital and reserves

	£'000
Allotted, called-up and fully paid	
680,537,003 Ordinary Shares of 1p each in issue at 31 December 2009 and 31 December 2010	6,805

Share capital

The Company did not issue or repurchase any Ordinary Shares during the year (2009: 680,537,003 Ordinary shares were issued as part of a Group reconstruction).

Subject to the solvency test contained in The Companies (Guernsey) Law, 2008 being satisfied, ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets after repayment of its borrowings and ordinary creditors. Ordinary shareholders have the right to vote at meetings of the Company. All Ordinary Shares carry equal voting rights.

At 31 December 2010, the Company did not hold any Ordinary Shares in treasury.

Notes to the Accounts (continued)

15. Share capital and reserves (continued)

Capital redemption reserve

The nominal value of any shares repurchased for cancellation by the Company is taken to this reserve. The reserve is non-distributable.

The balance on this account at the time of the Group reconstruction in July 2009 was transferred to the Reverse Acquisition Reserve.

Reverse acquisition reserve

Created as a result of the Group reconstruction in July 2009 to reflect the difference arising between the total of the issued share capital (including the Capital Redemption Reserve) immediately before and after the reconstruction. This reserve is non-distributable.

Special reserve

The Special Reserve was created by the cancellation of FCPT Holdings Limited's Share Premium Account by the Royal Court of Guernsey in July 2005 and a subsequent smaller cancellation in March 2008. In addition, approval of the Royal Court of Guernsey was received in March 2008 to reduce the nominal value of the Ordinary Shares from 90p to 1p, resulting in an amount of £679.6 million being transferred from Share Capital to the Special Reserve. 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.

The costs of the Group reconstruction during 2009 which related directly to the issue of new Ordinary Shares were charged to the Special Reserve.

Capital reserve – investments sold

The following are accounted for in this reserve:

- gains and losses on the disposal of investments and investment properties, including the transfer of any unrealised gains now realised which were previously recognised through 'Capital Reserve – Investments Held'; and
- the buy back of shares up to the balance on this reserve, thereafter any buy back of shares is charged to the Special Reserve.

Capital reserve – investments held

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.

Hedging reserve

Movements relating to the interest rate swap arrangement accounted for as a cash flow hedge are recognised in this reserve.

Revenue reserve

Any surplus arising from the profit after taxation after payment of dividends is taken to this reserve, with any deficit up to the level of the special reserve being transferred from that reserve.

Capital management

The Group's capital is represented by the Ordinary Shares, Capital Redemption Reserve, Reverse Acquisition Reserve, Special Reserve, Capital Reserve – Investments Sold, Capital Reserve – Investments Held, Hedging Reserve and Revenue Reserve. The Group is not subject to any externally-imposed capital requirements.

The capital of the Group is managed in accordance with its investment policy, in pursuit of its investment objective, both of which are detailed in the Report of the Directors on pages 15 and 16.

16. Net asset value per share

The Group's net asset value per Ordinary Share of 96.3p (2009: 86.6p) is based on equity shareholders' funds of £655,081,000 (2009: £589,388,000) and on 680,537,003 (2009: 680,537,003) Ordinary Shares, being the number of shares in issue at the year end.

17. Related party transactions

The Directors are considered to be the Group's key management personnel. No Director has an interest in any transactions which are, or were, unusual in their nature or significant to the nature of the Group.

At the beginning of the year the Company's ultimate parent company was Resolution Limited which, through a number of subsidiaries, held a majority shareholding in the Company as at 31 December 2009. During the year Resolution Limited reduced its shareholding in the Company and as at 31 December 2010 owned 34.15 per cent of the Company's ordinary share capital. The Directors continue to consider Resolution Limited to be a related party of the Company. Mr P Niven, a non-executive Director of the Company, is also an independent non-executive director of Resolution Limited.

F&C Investment Business Limited received fees for its services as investment manager. Further details are provided in note 2. The total charge to the Consolidated Statement of Comprehensive Income during the year was £8,137,000 (2009: £7,688,000) of which £4,369,000 (2009: £4,690,000) remained payable at the year end. F&C Investment Business Limited received a further £118,000 for administration services provided in respect of the year ended 31 December 2010 (2009: £112,000).

The Directors of the Company received fees for their services including additional fees of £75,000 (2009: £nil) related to additional work undertaken in relation to the merger proposals which are explained in the Chairman's Statement. Further details are provided in the Directors' Remuneration Report on pages 24 and 25. Total fees for the year were £245,000 (2009: £149,000). No fees remained payable at the year end.

18. Financial instruments

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.

Consistent with that objective, the Group holds UK commercial property investments. In addition, the Group's financial instruments comprise interest-bearing bonds, an interest-bearing bank loan, cash, and receivables and payables that arise directly from its operations. The Group does not have exposure to any derivative instruments other than the interest rate swap entered into to hedge the interest paid on the interest-bearing bank loan.

The Group is exposed to various types of risk that are associated with financial instruments. The most important types are credit risk, liquidity risk, interest rate risk and market price risk. There is no foreign currency risk as all assets and liabilities of the Group are maintained in pounds sterling.

The Board reviews and agrees policies for managing the Group's 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.

At the reporting date, the Group's financial assets and financial liabilities exposed to credit risk amounted to the following (on a contractual maturity basis):

Financial assets	Within one year £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000	Total £'000
As at 31 December 2010					
Cash and cash equivalents	111,578	–	–	–	111,578
Rents receivable	1,904	–	–	–	1,904
As at 31 December 2009					
Investments in indirect property funds	–	–	–	6,072	6,072
Cash and cash equivalents	95,138	–	–	–	95,138
Rents receivable	1,329	–	–	–	1,329
Financial liabilities					
As at 31 December 2010					
Trade and other payables	17,735	–	–	–	17,735
Interest-bearing bonds	12,029	12,029	260,073	–	284,131
Interest-bearing bank loan and interest rate swap	2,438	2,438	7,315	53,657	65,848
As at 31 December 2009					
Trade and other payables	18,518	–	–	–	18,518
Interest-bearing bonds	12,029	12,029	36,087	236,015	296,160

Notes to the Accounts (continued)

18. Financial instruments (continued)

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. 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 Group has a diversified tenant portfolio. The maximum credit risk from the rent receivables of the Group at 31 December 2010 was £1,904,000 (2009: £1,329,000).

As at 31 December 2010, rent receivable of £529,000 that was greater than three months overdue was fully provided for. As at 31 December 2009 the provision was £610,000. Of this amount £266,000 was subsequently written off, £87,000 is still outstanding and £257,000 was recovered.

Apart from the rent receivable disclosed above there were not any financial assets which were either past due or considered impaired at 31 December 2010 (2009: nil).

All of the Group's cash is placed with financial institutions with a long-term credit rating of AA or better. Bankruptcy or insolvency of such financial institutions may cause the Group's ability to access cash placed on deposit to be delayed or limited. Should the credit quality or the financial position of the banks currently employed significantly deteriorate, cash holdings would be moved to another bank.

During the year and the prior year, due to the quantum of cash balances held, counterparty risk was spread by placing cash across a number of different financial institutions.

Liquidity risk

Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments. The Group's investments comprise UK commercial property. Property and property-related assets in which the Group invests are not traded in an organised public market and may be illiquid. As a result, the Group may not be able to liquidate quickly its investments in these properties at an amount close to their fair value in order to meet its liquidity requirements.

The Group's liquidity risk is managed on an ongoing basis by the Managers and monitored on a quarterly basis by the Board. In order to mitigate liquidity risk the Group aims to have sufficient cash balances (including the expected proceeds of any property sales) to meet its obligations for a period of at least twelve months.

In certain circumstances, the terms of the Group's listed bonds/interest-bearing bank loan entitle the bondholders/bank to require early repayment and, in such circumstances, the Group's ability to maintain dividend levels and the net asset value attributable to the Ordinary Shares could be adversely affected. As at 31 December 2010 the Group's cash balance was £111,578,000 (2009: £95,138,000).

The Group's investments may, from time to time, include investments in indirect property funds which are not traded in an organised public market and which generally may be illiquid. As a result, similar to the directly-held properties, the Group may not be able to liquidate quickly some of its investments in those instruments in order to meet its liquidity requirements. As at 31 December 2010 the Group did not hold any investments in indirect property funds (2009: £6,072,000).

Interest rate risk

Some of the Group's financial instruments are interest-bearing. They are a mix of both fixed and variable rate instruments with differing maturities. As a consequence, the Group is exposed to interest rate risk due to fluctuations in the prevailing market rate.

The Group's exposure to interest rate risk relates primarily to the Group's long-term debt obligations. Interest rate risk on long-term debt obligations is managed by fixing the interest rate on such borrowings, either directly or through an interest rate swap for the same notional value and duration. Long-term debt obligations and the interest rate risk they confer to the Group is considered by the Board on a quarterly basis. Long-term debt obligations consist of £230 million Secured Bonds due 2017 on which the rate has been fixed at 5.23 per cent until the expected maturity date of 30 June 2015. If the bonds are not redeemed at this date they will carry interest at 0.6 per cent over LIBOR until the final maturity date of 30 June 2017. The Group also has a £50 million interest-bearing bank loan on which the rate has been fixed through an interest rate swap at 4.88 per cent until the maturity date of 28 June 2017.

18. 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 2010						
Financial assets						
Cash and cash equivalents	111,578	63,669	47,909	–	0.55	0.1
Rents receivable	1,904	–	–	1,904	–	–
Financial liabilities						
5.23 per cent Secured Bonds due 2017	229,424	229,424	–	–	5.29	4.5
Bank loan and interest rate swap	49,718	49,718	–	–	4.88	6.5
As at 31 December 2009						
Financial assets						
Cash and cash equivalents	95,138	43,668	51,470	–	0.46	0.1
Rents receivable	1,329	–	–	1,329	–	–
Financial liabilities						
5.23 per cent Secured Bonds due 2017	229,308	229,308	–	–	5.29	5.5

Apart from the 5.23 per cent Secured Bonds as disclosed in note 13, the fair value of financial assets and liabilities is not materially different from their carrying value in the financial statements.

Considering the effect on the Secured Bonds, it is estimated that an increase of 150 basis points in interest rates as at the balance sheet date would have decreased their fair value by approximately £13,313,000 (2009: £14,467,000), and a decrease of 150 basis points would have increased their fair value by approximately £14,372,000 (2009: £15,800,000). The carrying value of the Secured Bonds in the financial statements would have remained unchanged.

Considering the effect of the bank loan and interest rate swap combined, it is estimated that an increase of 150 basis points in interest rates as at the balance sheet date would have decreased their fair value by approximately £3,876,000 (2009: n/a), and a decrease of 150 basis points would have increased their fair value by approximately £4,294,000 (2009: n/a). The carrying value of the interest rate swap in the financial statements would have been adjusted by these amounts, thereby increasing/decreasing net assets and income for the year.

When the Group retains cash balances, they are ordinarily held on interest-bearing deposit accounts. The benchmark which determines the interest income received on interest-bearing cash balances is the bank base rate which was 0.5 per cent as at 31 December 2010 (2009: 0.5 per cent). The Company's policy is to hold cash in variable rate or short-term fixed rate bank accounts and not usually in fixed rate securities with a term greater than three months.

Considering the effect on cash balances, an increase of 150 basis points in interest rates would have increased net assets and income for the year by £1,674,000 (2009: £1,427,000). A decrease of 150 basis points would have had an equal but opposite effect. The calculations are based on the cash balances at the respective balance sheet dates.

Market price risk

The Group's strategy for the management of market price risk is driven by the investment policy as outlined within the Report of the Directors on pages 15 and 16. The management of market price risk is part of the investment management process and is typical of commercial property investment. The portfolio is managed with an awareness of the effects of adverse valuation movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders. Investments in 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. Such risk is minimised through the appointment of external property valuers. The basis of valuation of the property portfolio is set out in detail in the accounting policies and note 9.

Notes to the Accounts (continued)

18. Financial instruments (continued)

Market price risk (continued)

The Group may also hold investments in indirect property funds which in turn invest directly in commercial property. In addition to the price risk attaching to the underlying assets, such funds also carry the risk that the investment cannot be disposed of at its net asset value due to a lack of liquidity. The Company did not hold any investments in indirect property funds at 31 December 2010.

Any changes in market conditions will directly affect the profit or loss reported through the Consolidated Statement of Comprehensive Income. Details of the Group's investment property portfolio held at the balance sheet date are disclosed on page 13. A 15 per cent increase in the fair value of the direct properties at 31 December 2010 would have increased net assets and income for the year by £124,800,000 (2009: £109,685,000). A decrease of 15 per cent would have had an equal but opposite effect.

The calculations above are based on the investment property valuations at the respective balance sheet dates and are not representative of the year as a whole.

19. Capital commitments

The Group had capital commitments totalling £11,585,000 as at 31 December 2010 (2009: £1,829,000). These commitments relate mainly to development work at London W1, 24/27 Great Pulteney Street and Chorley, Units 6 and 8 Revolution Park.

20. 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):

	2010	2009
	£'000	£'000
Less than one year	**53,403**	52,290
Between two and five years	**167,112**	174,531
Over five years	**150,389**	156,248
Total	**370,904**	383,069

The largest single tenant at the year end accounted for 4.9 per cent (2009: 5.1 per cent) of the current annual rental income.

The unoccupied property expressed as a percentage of estimated total rental value (excluding indirect property funds and properties under development) was 2.6 per cent (2009: 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 more than 5 years.

Analyses of the nature of investment properties and leases are provided in the Managers' Review on pages 8 to 12.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of F&C Commercial Property Trust Limited will be held at Trafalgar Court, Les Banques, St. Peter Port, Guernsey, Channel Islands on Thursday, 19 May 2011 at 4.30 pm for the following purposes.

Ordinary Business

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

1. That the Annual Report and Accounts for the year ended 31 December 2010 be received and approved.
2. That Mr M R Moore, who retires at the first Annual General Meeting following his appointment, be re-elected as a Director.
3. That Mr P Niven, who retires annually, be re-elected as a Director.
4. That Mr B W Sweetland, who retires annually, be re-elected as a Director.
5. That Mr N J M Tostevin, who retires annually, be re-elected as a Director.
6. That Mr J G Hooley, who retires annually, be re-elected as a Director.
7. That Mr C Russell, who retires annually, be re-elected as a Director.
8. That KPMG Channel Islands Limited be re-appointed as auditor.
9. That the Directors be authorised to determine the auditor's remuneration.

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

10. That the Directors of the Company be and they are hereby generally empowered, to allot ordinary shares in the Company or grant rights to subscribe for, or to convert securities into, ordinary shares in the Company (''equity securities''), including the grant of rights to subscribe for, or to convert securities into ordinary shares held by the Company as treasury shares for cash as if any pre-emption rights in relation to the issue of shares as set out in the listing rules made by the Financial Services Authority under part VI of the Financial Services and Markets Act 2000 (as amended) did not apply to any such allotment of equity securities, provided that this power:
    (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and
    (b) shall be limited to the allotment of equity securities up to an aggregate nominal value £680,537 being approximately 10 per cent of the nominal value of the issued share capital of the Company, as at 22 March 2011.
11. That the Company be authorised, in accordance with section 315 of The Companies (Guernsey) Law, 2008, to make market acquisitions (within the meaning of section 316(1) of The Companies (Guernsey) Law, 2008) of ordinary shares of 1p 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 1p;
    (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 2012, or on 19 November 2012, 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.

Special Business

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

12. That the waiver granted by the Panel on Takeovers and Mergers of the obligations which may otherwise

Notice of Annual General Meeting (continued)

arise, pursuant to Rule 9 of the City Code on Takeovers and Mergers, for the Resolution Concert Party (as defined in the circular to shareholders of the Company to be dated on or around the date hereof (the ''Circular'')) to make a general offer to the shareholders of the Company for all of the issued ordinary shares in the capital of the Company as a result of the purchase by the Company of up to 102,012,496 ordinary shares in the Company pursuant to the authority granted by the passing of resolution 11 above, as more fully described in the Circular, be and is hereby approved, with such waiver to expire at the conclusion of the Annual General Meeting of the Company in 2012.

By order of the Board

Northern Trust International Fund Administration Services (Guernsey) Limited
Secretary

Trafalgar Court, Les Banques, St. Peter Port
Guernsey, Channel Islands

22 March 2011

Notes:

1. A member who is entitled to attend, speak and vote at the Meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him or her. A proxy need not be a member of the Company.

2. More than one proxy may be appointed provided each proxy is appointed to exercise the rights attached to different shares.

3. 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 the Company's registrars Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 4.30 pm on 17 May 2011.

4. 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.

5. 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 close of business on 17 May 2011. 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.

6. In order to comply with the Takeover Code, resolution 12 above will be taken on a poll and each of the members of the Resolution Concert Party and Mr Peter Niven have undertaken not to vote on the resolution.

7. As at 22 March 2011, the latest practicable date prior to publication of this document, the Company had 680,537,003 Ordinary Shares in issue. The number of shares with voting rights was 680,537,003, each carrying one voting right.

8. Any person holding 3 per cent or more of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

9. The Articles of Incorporation and the Directors' letters of appointment will be available for inspection from 15 minutes prior to, and at, the Annual General Meeting.

Shareholder Information

Dividends

Ordinary dividends are paid monthly. 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 (Jersey) Limited, Queensway House, Hilgrove Street, St. Helier, Jersey JE1 1ES on request. Where dividends are paid directly to shareholders' bank accounts, dividend tax vouchers are sent directly to shareholders' registered addresses.

Share Price

The Company's Ordinary Shares are listed on the London Stock Exchange. Prices are given daily in the *Financial Times* under ''Investment Companies'' and in other newspapers.

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to Computershare Investor Services (Jersey) Limited, Queensway House, Hilgrove Street, St. Helier, Jersey JE1 1ES 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, Channel Islands. Additional information regarding the Company may also be found at its website address which is: www.fccpt.co.uk

Financial Calendar 2011/12

April 2011	Publication of Interim Management Statement
19 May 2011	Annual General Meeting
August 2011	Announcement of interim results
	Posting of Interim Report
October 2011	Publication of Interim Management Statement
March 2012	Announcement of annual results
April 2012	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 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	0.9*
31 December 2006	1,269,122	1,039,769	141.5	131.0	(7.4)	30.0	6.00	0.8
31 December 2007	1,175,822‡	946,222‡	129.2‡	90.5	(30.0)‡	(7.7)‡	6.00	0.8
31 December 2008	813,941	584,183	85.8	62.0	(27.7)	(39.8)	6.00	0.7
31 December 2009	819,322	589,388	86.6	90.0	3.9	6.8	6.00	0.7
31 December 2010	**934,223**	**655,081**	**96.3**	**105.6**	**9.7**	**15.7**	**6.00**	**0.7**

*Excluding set-up costs.

†Excluding performance fee, group reconstruction/aborted merger costs and non-recoverable property expenses and calculated as a percentage of average total assets (less current liabilities).

‡Stated after application of a 10 per cent discount to the value of the Company's investments in indirect property funds.

Warning to shareholders – Boiler Room Scams

In recent years, many companies have become aware that their shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high risk shares, or expressing a wish to buy their shares. If you receive unsolicited investment advice or requests:

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the FSA before getting involved by visiting **www.fsa.gov.uk/pages/register/**
- Report the matter to the FSA by calling **0845 606 1234**
- If the calls persist, hang up.

More detailed information on this can be found on the CFEB website **www.moneymadeclear.fsa.gov.uk**

How to Invest

As well as investing in F&C Commercial Property Trust Limited directly through a stockbroker, there are some additional benefits of investing through one of the savings plans run by F&C Management Limited ('F&C').

You can enjoy the convenience of making regular savings by Direct Debit, take advantage of our tax-efficient ISA wrapper, receive a simple statement every six months and let us automatically reinvest your dividends for you.

F&C Private Investor Plan

A flexible, low cost way to invest with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at anytime from £250.

F&C Investment Trust ISA

Use your ISA allowance to invest up to £10,200 (increasing to £10,680 for the 2011/12 tax year) tax efficiently each year with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at anytime from £250 and transfer any existing ISAs to us whilst maintaining all the tax benefits.

F&C Child Trust Fund ('CTF')

F&C is a leading provider of CTFs which can be opened for all children born between 1 September 2002 and 31 December 2010, using the government's CTF voucher. The maximum that can be invested annually is £1,200 and, depending on the type of CTF opened, investments can start from as little as £10 a month.

F&C Children's Investment Plan

Aimed at older children ineligible for a CTF, or if you need access to the funds before the child is 18. This flexible plan can easily be written under trust to help reduce inheritance tax liability. Investments can be made from a £250 lump sum or £25 a month. You can also make additional lump sum top-ups at anytime from £100.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and you may not receive back the full amount originally invested. Tax rates and reliefs depend on the circumstances of the individual.

Low charges

All the plans are low cost and flexible. When you buy or sell shares in these plans the dealing fee is only 0.2 per cent. Government stamp duty of 0.5 per cent also applies on purchases (where applicable). There are no initial or exit charges. The only annual management fee is on the ISA, which is £60 + VAT (no matter how many ISAs you take out annually with F&C, or how many ISAs you transfer). The CTF has no initial charges, dealing charges or annual management fee.

How to Invest

You can invest in all our savings plans online, except for the CTF. It's simple to register and invest using your debit card. Alternatively, please contact us for application forms.

New Customers:
Contact our Investor Services Team:

Call: **0800 136 420**
Email: **info@fandc.com**
Investing online: **www.fandc.com**

Existing Plan Holders:
Contact our Investor Services Team:

Call: **0845 600 3030**
Email: **investor.enquiries@fandc.com**
By post: F&C Plan Administration Centre
Block C, Western House
Lynch Wood Business Park
Peterborough, PE2 6BP

Calls may be recorded.

If you have trouble reading small print, please let us know. We can provide literature in alternative formats, for example large print or on audiotape. Please call 0845 600 3030.

The above has been approved by F&C Management Limited which is a member of the F&C Asset Management Group and is authorised and regulated by the Financial Services Authority.

Corporate Information

Directors
John H Stephen (Chairman) *
Jonathan G Hooley †
Peter Niven
Christopher Russell ‡
Brian W Sweetland
Nicholas J M Tostevin #

Secretary and Registrars
Northern Trust International Fund Administration
Services (Guernsey) Limited
Trafalgar Court
Les Banques
St. Peter Port
Guernsey, Channel Islands

Registered Office
Trafalgar Court
Les Banques
St. Peter Port
Guernsey, Channel Islands

Investment Managers
F&C Investment Business Limited
80 George Street
Edinburgh EH2 3BU

Property Managers
F&C REIT Property Asset Management plc
5 Wigmore Street
London W1U 1PB

Property Valuers
DTZ Debenham Tie Leung Limited
48 Warwick Street
London W1B 5NL

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

Guernsey Legal Advisers
Mourant 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

Broker and Financial Adviser
Winterflood Securities Limited
The Atrium Building
Cannon Bridge House
25 Dowgate Hill
London EC4R 2GA

* Chairman of the Nomination Committee
† Chairman of the Management Engagement Committee
‡ Deputy Chairman
# Chairman of the Audit Committee

Website
www.fccpt.co.uk

MLG Edinburgh 8701

Registered Office

Trafalgar Court
Les Banques
St. Peter Port
Guernsey, Channel Islands

Registrars

Northern Trust International Fund Administration Services (Guernsey) Limited
Trafalgar Court
Les Banques
St. Peter Port
Guernsey, Channel Islands
Telephone: 01481 745001