F&C Commercial Property Trust Limited

Annual Report and Accounts

2011

F&C Investments

Contents

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The Association of
Investment Companies

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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 2011 Group total assets less current liabilities were £967.3 million and Group shareholders' funds were £684.2 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 17 and 18.

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 pages 19 and 20 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 54.

You may also invest through your usual stockbroker.

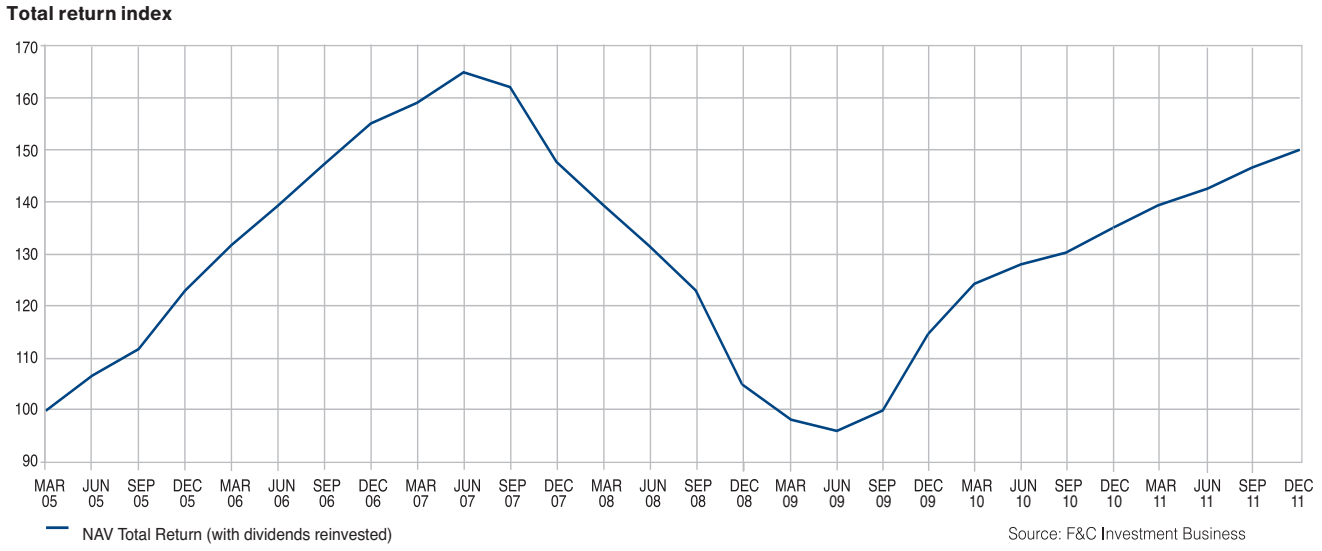
Website

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

Highlights

- Net asset value total return of 10.9 per cent for the year
- Portfolio total return of 11.4 per cent for the year, compared with a total return of 7.9 per cent from the IPD benchmark
- Top quartile performance of the portfolio over 1, 3 and 5 years within the IPD benchmark
- Dividend level maintained at 6.0p per Ordinary Share, providing a yield of 5.9 per cent at the year end
- Acquisitions of £45.0 million during the year with a further £10.3 million invested in development and asset management initiatives
- A number of successful lease events completed, securing annual rental income and proactively dealing with the portfolio's lease expiry profile
- Continuing low levels of voids and bad debts
- Over £15 million raised since the year end through an issue of new Ordinary Shares

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



Performance Summary

	Year ended 31 December 2011	Year ended 31 December 2010
Total Return[ø]		
Net asset value per share*	**10.9%**	18.4%
Ordinary Share price	**2.0%**	25.1%
Investment Property Databank ('IPD')		
All Quarterly and Monthly Valued Funds	**7.9%**	15.1%
FTSE All-Share Index	**(3.5)%**	14.5%

	31 December 2011	31 December 2010	% Change
Capital Values			
Total assets less current liabilities (£'000)*	**967,301**	934,223	+3.5
Net asset value per share*	**100.5p**	96.3p	+4.4
Ordinary Share price	**101.6p**	105.6p	–3.8
FTSE All-Share Index	**2,857.88**	3,062.85	–6.7
Premium to net asset value per share	**1.1%**	9.7%	
Gearing‡	**29.3%**	29.9%	
Net Gearing¶	**25.4%**	20.6%	

	Year ended 31 December 2011	Year ended 31 December 2010
Earnings and Dividends		
Earnings per Ordinary Share	**10.8p**	15.7p
Dividends per Ordinary Share	**6.0p**	6.0p
Dividend yield†	**5.9%**	5.7%
Total Expenses Ratio		
As a percentage of average total assets less current liabilities (excluding performance fee, aborted merger costs (2010 only) and non-recoverable property expenses)	**0.5%**	0.7%
As a percentage of average total assets less current liabilities (excluding aborted merger costs (2010 only) and non-recoverable property expenses)	**0.7%**	1.1%
As a percentage of average total assets less current liabilities	**1.1%**	1.5%

Year's Highs/Lows	Highs 2011	Lows 2011
Net asset value per share	**100.5p**	**96.3p**
Ordinary Share price	**108.0p**	**92.6p**
Premium/(discount)	**11.1%**	**(6.2)%**

ø Includes dividends re-invested.

* 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

Chris Russell Chairman

I am pleased to be reporting a further year of outperformance by the Company against its benchmark index and, in challenging market conditions, growth in the net asset value ('NAV') per share.

The Company's NAV per share as at 31 December 2011 was 100.5p. This represented an increase of 4.4 per cent for the year. The NAV total return for the year was 10.9 per cent, comparing favourably with a market portfolio return of 7.9 per cent as measured by the benchmark Investment Property Databank ('IPD') All Quarterly and Monthly Valued Funds. The ungeared total return from the property portfolio during the year was 11.4 per cent, reflecting strong absolute and relative performance against the IPD benchmark return. The portfolio continues to have a strong performance record, being measured top quartile over one, three and five years by IPD.

The share price total return was 2.0 per cent and the share price at the year end was 101.6p, representing a premium of 1.1 per cent to the NAV per share. Reflecting the attractive dividend level and quality of the portfolio, the share price traded at a regular premium throughout the year, with an average premium of 4.9 per cent to the published NAV per share.

The Company's strong performance for the year is attributable in the main to its retail and office properties in Central London, in particular, Wimbledon Broadway, London SW19 and the Company's largest property, St. Christopher's Place Estate, London W1. The completion during the year of the developments at Revolution Park, Chorley and 25 Great Pulteney Street, London W1 also contributed positively to performance. Indeed, Great Pulteney Street recorded the highest total return within the portfolio.

The UK commercial property market continued to deliver positive total returns throughout 2011, although returns for the year were below those recorded in 2010. Performance moderated as the period progressed and by the end of the year total returns were being driven purely by income. The outperformance of Central London offices and shops continued in 2011 and these parts of the market delivered double digit total returns and positive rental and capital growth. In contrast, the commercial property market outside the South East was significantly weaker with rental and capital growth turning negative in several parts of the market. With investors risk averse, the year saw prime, low yielding property generally outperform stock of a more secondary nature. The sharpest deterioration was in the retail sector, with shopping centres particularly affected. Relative to other asset classes, property benefited from a high and stable income return in 2011, of approximately 6 per cent.

The Company's main investment activity during the year included acquisitions of £20.0 million for a modern retail warehouse in East Kilbride, and £13.3 million for a distribution warehouse in Liverpool. These acquisitions were funded by available cash resources. In addition, the Company contracted to the funding of approximately £26.5 million for a student accommodation block in Winchester which, upon its expected completion date in 2013, will be let to the University of

Winchester for a term of 25 years. These investments were made at attractive yields which should increase the Company's revenues and improve its dividend cover.

Full details of the investment and property management activities during the year are included 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 2010	96.3
Unrealised increase in valuation of direct property portfolio	5.6
Movement in interest rate swap	(0.6)
Net revenue	5.2
Dividends paid	(6.0)
NAV per share as at 31 December 2011	100.5

Dividends

Twelve monthly 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 2012 will continue to be paid monthly at the same rate.

Borrowings and Cash Balances

The Company's borrowings comprise £230 million of Secured Bonds, which have been assigned an 'Aaa' rating by Moody's Investor Services and mature in 2015, and a £50 million secured bank loan which is repayable in 2017. The principal covenants relating to the bonds and loan are disclosed in notes 13 and 14 to the accounts.

As at 31 December 2011, the Company's level of gearing net of cash was 25.4 per cent which compares with 20.6 per cent at the beginning of the year. The movement in net gearing is due mainly to the investment of cash during the year.

Issue of New Ordinary Shares

During the year, the Company announced that it would be prepared to issue new Ordinary Shares at a premium to NAV, on a non pre-emptive basis under existing annual authorities if it was in shareholders' and the Company's interests to do so. On 26 January 2012, the Company issued 14,750,000 Ordinary Shares, which rank *pari passu* with shares in issue. The shares were issued at a price of 103.41p per share, raising an amount of £15.3 million before issue costs, and were admitted to listing on the UKLA's Official List and to trading on the London Stock Exchange on 1 February 2012.

These new shares increased the Company's issued share capital by 2.2 per cent and provided additional funds which are available for identified investment opportunities.

Boardroom Diversity

The Board notes the proposed change to the UK Corporate Governance Code in relation to the number of women on the boards of listed companies in the UK. This and other factors, such as diversity of skills, experience, availability of time, commitment and independence, are all taken into account in the constitution of the Board and succession planning. The majority of the Board members need to be resident offshore, which also has an impact on the constitution of the Board. A number of changes have been made to the Board since the Company's reconstruction in June 2009 and, while the process for future appointments will necessarily be an evolving one, the Board will strive to embrace governance guidelines as well as fulfil the requirement of having a balance of competences, experience and independence in its membership in order to safeguard shareholders' interests.

Annual General Meeting

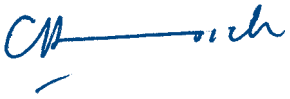
The Annual General Meeting will be held at 12.30 pm on Tuesday 29 May 2012 at Trafalgar Court, Les Banques, St. Peter Port, Guernsey. All shareholders are welcome to attend.

Chairman's Statement (continued)

Outlook

The prospects for UK commercial property are being adversely affected by macro-economic factors as the UK economy struggles to advance, credit markets remain constrained and the problems of the Eurozone persist. In this uncertain environment, investors are expected to remain cautious and focused on core stock, and occupiers are expected to be reluctant to expand. In addition, property returns are likely to continue to be driven by income with little prospect of capital growth.

Against this challenging background, the Managers will continue to take positive steps to protect the Company's income stream in terms of covenant strength and lease length. They will seek successful asset management initiatives and acquisitions of further prime properties with attractive income characteristics to deliver performance in the year ahead.



Chris Russell
Chairman
28 March 2012

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 £100.1 billion of funds under management (as at 31 December 2011). 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 £7.9 billion (as at 31 December 2011), 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

Market Review

The market total return for the year ended 31 December 2011, as measured by the Investment Property Databank ('IPD') All Quarterly and Monthly Valued Funds, was 7.9 per cent. This marks a return to the traditional model with performance driven largely by income, with modest capital value uplift.

The year saw market returns slip quarter on quarter as the year progressed and, by the final three months of 2011, the yield compression that had driven the recovery in its early stages had virtually stalled. Benchmark capital value growth was close to zero and rental growth was similar.

The problems in the Eurozone and concerns about the pace of economic recovery, both overseas and in the United Kingdom, intensified over the course of 2011 and affected sentiment towards investment, including property. A climate of uncertainty and fears about the downside risk has led to an increased focus on prime property in established locations in core markets. Investors are selective, favouring property with long, secure and sustainable income streams.

In a subdued and cost sensitive occupier market, with a trend towards shorter leases and the payment of rates on vacant property, maintaining the income stream has been challenging. This has borne more heavily on the secondary market which has seen income decline, especially at lease expiry. The prime market, notably in areas of tight supply, has proved more resilient and, in some circumstances, it has been possible to secure some rental uplifts and income growth.

This disparity in performance was also apparent at the regional level, with concern about the impact of public sector cutbacks and an increased recognition that the austerity measures will involve long-term structural change, disproportionately affecting sentiment in areas outside London and the South East. This became more pronounced as the year progressed.

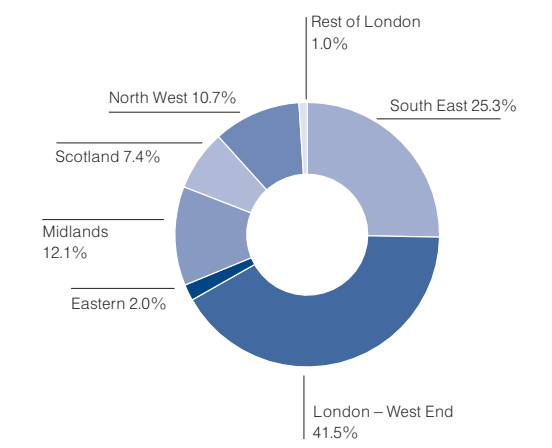
Investment activity in 2011 was slightly lower than in 2010 and institutions became net sellers by the year end. In contrast, interest from overseas investors was significant, especially in Central London and for large lot sizes. The exposure of the banks to commercial property remains substantial, but the year saw a greater release of stock onto the market at their instigation as they divested themselves of problem loans. The availability of prime stock remained limited, however, with competition among buyers for these assets.

Portfolio

As at 31 December 2011 the Company's property portfolio was valued at £932.5 million. This represents an absolute increase in value, including net purchases, of £94.2 million, and an ungeared capital increase, net of purchases, sales and capital expenditure (including acquisition costs) of 4.6 per cent.

The portfolio recorded a total return of 11.4 per cent over the year, compared with the IPD All Quarterly and Monthly Valued Funds (comprising directly held properties only) total return of 7.9 per cent referred to above. This performance delivers a strong outperformance of the benchmark. Over the period, the portfolio was ranked on the 6th percentile and 16th out of the 240 funds included within the benchmark. The three-year annualised return ranks the portfolio on the 7th percentile (against 220 funds), while the five-year annualised return ranks the portfolio on the 11th percentile (against 206 funds). As such, the portfolio continues to deliver top quartile performance over 1, 3 and 5 years.

Geographical Analysis
as at 31 December 2011
% of total property portfolio



During the year it was decided to tender the external valuation contract as the incumbent valuer, DTZ, had provided this service since the Company's launch in 2005. On completion of a robust selection process, CBRE was appointed as the new service provider. The handover between valuers was managed effectively with CBRE undertaking a

shadow valuation in September 2011 and formally valuing the portfolio for the first time at the end of the year. The tendering of the contract has resulted in a saving in fees but more importantly has resulted in a rotation of external valuers, which the Board considers good corporate governance.

Strategy and Positioning of Portfolio

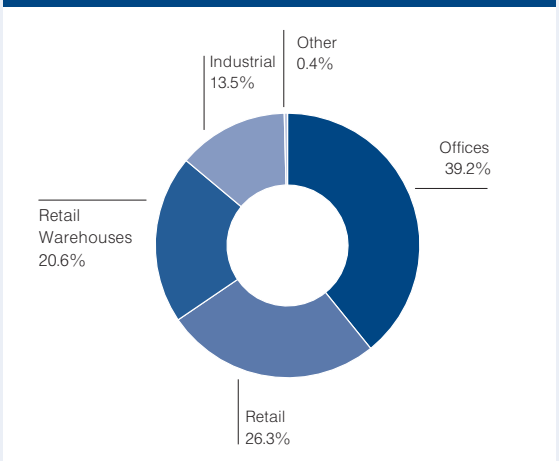
The portfolio continues to be managed to reflect our conviction asset allocation to Central London and particularly the West End. During the year, various opportunities were considered, appraised and bid on to increase the Company's exposure to the City of London, but in our view pricing was too aggressive and we were unable to secure any of these opportunities. We were disciplined in our investment process and did not chase pricing. As the year evolved, it became increasingly evident that activity in the City leasing market was slowing, reinforcing the judgements we made earlier in the year. Given our current outlook, we are now happy with the underweight position to the City of London and our proxy weighting to the wider Central London market as a whole. Following our strategic review of the portfolio, there are one or two of the Company's Central London properties which we believe no longer fit in the portfolio and, as such, we are likely to take advantage of the current level of pricing to sell these assets.

During 2011, the Company held cash to invest into the direct market. The Company benefits from having tangible opportunities to add value to a substantial proportion of its existing portfolio. While this segment of the portfolio is managed on a total return basis, there is also a place in the portfolio for defensive properties producing a good and stable income return. A focus of the acquisition policy during the year was to appraise and acquire properties that provide good quality income, possibly with fixed uplifts or some inflationary hedging, to balance the portfolio.

Moving forward, stock selection remains critical in tandem with the quality of income and cashflow. When appraising potential investments we have a high regard for not only the location but also the quality of income and unexpired lease term vis a vis the expiry profile of the portfolio.

Geographically, the portfolio continues to maintain its positioning to Central London, Rest of London and the South East. Generally, it remains underweight to the UK regions and continues to have no representation in Northern Ireland, Wales, the North East or South West.

Sector Analysis
as at 31 December 2011
% of total property portfolio



Retail

The retail sector IPD benchmark total return was 6.9 per cent in 2011, representing a marked deceleration from the total return of 15.7 per cent recorded in the previous year. The sector under-performed the All Property average following two years of out-performance. The market in 2011 was affected by the squeeze on household income, a higher VAT rate and restricted credit availability together with the continued move towards online shopping. There were wide differences in performance within the market: Central London shops, helped by tight supply, tourism and workplace shopping, delivered strong out-performance. Shops outside the South East were significantly weaker with a total return of 5.2 per cent and shopping centres also under-performed at 5.0 per cent. Retail warehousing total returns were slightly above the All Property average. Prime retail property generally out-performed secondary properties over the year. Performance weakened towards the year end in several parts of the market and, by the final quarter, ''all retail'' capital growth at the benchmark level had turned negative, principally due to problems in the Rest of UK shops and shopping centre components. These remain sectors to which the Company has a low exposure, or no exposure.

Managers' Review (continued)

The Company's retail properties produced a total return of 11.5 per cent for the year, significantly outperforming the IPD benchmark total return of 6.9 per cent. Following on from the trend seen in 2010, the Company's strongest performance came from its exposure to South East retail properties, which recorded a return of 14.4 per cent. This out-performance reflects in the main the contribution from Wimbledon Broadway, London SW19 and the Company's largest asset, the mixed use St. Christopher's Place Estate, London W1, which is categorised by IPD into this segment.

St. Christopher's Place Estate, London W1

At St. Christopher's Place Estate, asset management initiatives focused on building on the successes of 2010 and completing a series of key strategic lettings to retail tenants that collectively enhance income, lease expiry profile and the overall customer experience. Lettings were completed to Kurt Geiger, Prints, Elliot Rhodes and Sensory Lab.

A series of office and residential refurbishments were undertaken and completed during the year. The common parts of 3 Barrett Street were remodelled and three vacant suites within the building refurbished and re-let. A refurbishment of the 4th floor at 6 James Street completed and terms were agreed to let the space to an existing occupier within the same building. The residential estate was expanded with the purchase of a long lease of the upper floors of 28-30 James Street which provides four, two-bedroom apartments. Three of these flats have now been refurbished. Meanwhile, seven apartments were completed at Woodstock House and successfully let into a buoyant Central London residential market.

The rebranding of the Estate was completed and rolled out with its new identity being seen at every level of communication, whether with business occupiers, consumers or visitors, in physical signage or on the internet. Looking to the future, plans were finalised with Westminster City Council for significant improvements to the public realm throughout the Estate, with works commencing in February 2012 and due to complete prior to the Olympic Games in July. Completion of these works will enhance the ambiance and attractiveness of the Estate.

Offices

Offices delivered an IPD benchmark total return of 9.6 per cent in 2011, driven by strong growth in Central London, where total returns in the West End and the City were 14.0 per cent and 13.3 per cent respectively. The West End was relatively resilient over the course of the year but, as highlighted in the commentary above, macro-economic and financial concerns affected performance in the City office market towards the year end. In contrast, performance in the South East was markedly weaker at 5.5 per cent, and total returns for provincial offices were barely positive at 1.4 per cent. Sentiment towards the regional office markets

Alhambra House, Wellington Street, Glasgow

remained subdued, reflecting concerns about the impact of public sector cutbacks, and capital growth was negative for the year in this part of the market.

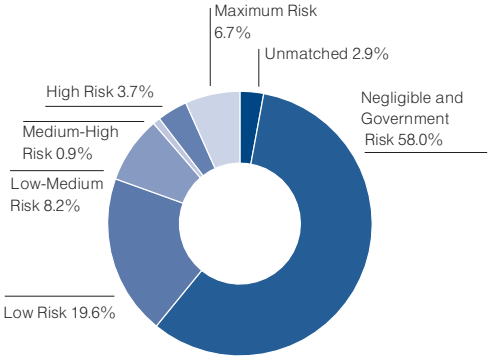
The Company's office properties recorded a total return of 12.9 per cent for the year, compared to the IPD benchmark total return of 9.6 per cent. The out-performance of this sector was driven by the Company's overweight positioning to London, West End and the South East office segment. However, just as importantly, the Company's regional office portfolio also outperformed its benchmark with a total return of 5.6 per cent compared with the benchmark total return of 1.4 per cent. It should be noted that the regional office segment produced the weakest market total returns in 2011.

In September, the Company completed both on time and budget its flagship development at 25 Great Pulteney Street, London W1. This property, located in London's Soho area, comprises approximately 33,000 sq ft Grade A space and we believe was launched into the market at an opportune time. The quoting rent on the upper floors is £75.00 psf, significantly ahead of the proforma Estimated Rental Value ('ERV') of £52.00-£55.00 psf adopted in the appraisals at the time of making the decision, in the recession, to start on site.

25 Great Pulteney Street, London W1

The property was successfully launched in September and prior to the year end lettings of both the fifth and third floors were contracted at rents equating to £90.60 psf and £82.50 psf. Since the year end, a letting of the fourth floor has contracted at an average rent of £85.00 psf and the property has been awarded a BREEAM (British Research Establishment Environmental Assessment Method) rating of ''Excellent'' which reinforces its sustainable and ''green'' credentials. Great Pulteney Street has been constructed and finished to a high standard and the quality of the offering is evidenced by the fact all three lettings contracted have been to corporates from the Financial and Business Sector and not Soho's traditional media/advertising occupier base. As a result of these three high profile lettings, at the time of writing, the building is 38 per cent let by floor area and 49 per cent let by rental value. This is testament to the quality of the building. There remains a good level of interest in the remaining floors. On the back of this success, 25 Great Pulteney Street was the Company's best performing property during the year.

Covenant Strength
as at 31 December 2011
% of total property portfolio



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

Within the South East office segment of the portfolio we had success with asset managing an early lease expiry at Building C, Watchmoor Park, Camberley. The building, comprising approximately 60,000 sq ft, was let to Novartis, one of the world's largest healthcare companies, at a commencing rent of £850,000 per annum for a term of 10 years subject to rent-free periods and break clauses.

Managers' Review (continued)

The building was substantially refurbished to a specification, agreed with the tenant, involving a capital commitment of approximately £4 million.

Prior to this letting, the Company had taken an early surrender of a lease of the building which had been due to expire in February 2012. A premium of £2.9 million was received from the tenant to cover full rent, rates and service charges payable until the end of the lease and, in addition, a dilapidations settlement was agreed. This was the Company's largest lease event due in 2012 and the early surrender enabled us to take a more proactive stance in relation to the lease, to enhance the overall lease expiry profile and to achieve the largest office letting in the M3 corridor for three years.

Industrial & Logistics

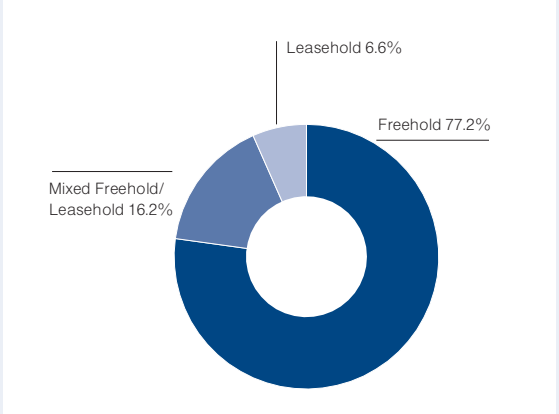
The industrial market delivered an IPD benchmark total return of 7.5 per cent in 2011, with the South East generally out-performing the rest of the UK and prime out-performing secondary. The industrial market is favoured for its high income return, which totalled 6.8 per cent in 2011, and investment into the sector increased towards the year end as several large portfolios were marketed.

Unit 6a, Hams Hall Distribution Park, Birmingham

The Company's industrial and logistics properties underperformed the IPD benchmark, recording a total return of 6.7 per cent. However, when this is broken down, the under-performance was attributable to industrials located in the South East which recorded a total return of 5.9 per cent (benchmark 8.3 per cent) while industrials located in the rest of UK recorded a total return of 7.1 per cent (benchmark 6.2 per cent).

The Industrial South East portfolio was marked down in value due to a number of short term lease expiries and the fact that there is no resolution to planning matters and master planning at the Ozalid Works, Colchester. However, a sale of part of the site remains under offer to a major food store retailer and we are hopeful of securing satisfactory planning consent during the course of 2012. It remains our view that the sale of part of this site will be the catalyst for a regeneration of the area. This is supported by the major house builders now beginning to seek to acquire land banks for future development. With regard to the short term lease expiries it is envisaged that, nearer the time of the event, tenants will renew their occupation of the premises.

Tenure Analysis
as at 31 December 2011
% of total property portfolio



Purchases & Disposals

The acquisition strategy during the year was to invest the Company's available cash into good quality property with a long and sustainable income stream. In September, the Company announced its first acquisition of the year, contracting to the funding of 5 blocks of student accommodation in Winchester. This development will comprise 499 bedrooms and, on completion, the University of Winchester will enter into a direct lease for a term of 25 years subject to fixed annual RPI increases with a collar and cap of 1.0 per cent and 3.5 per cent. The development period extends to approximately two years. This commitment involves total capital expenditure of £26.5 million and has been funded off an attractive yield of 6.15 per cent. Since committing to this acquisition, the developer and contractor, Geoffrey Osborne Limited, has commenced construction. Four of the five accommodation blocks are currently under construction and on programme. It is envisaged that

two of the blocks will be handed over to the university prior to the start of the 2012/13 academic year, and a pro rata rent will become payable on these blocks, with the remaining three blocks to be handed over prior to the next academic year. This is the Company's first exposure to an alternative sector and the acquisition is supported by the fundamentals of a long lease with partial inflationary hedging, strong ongoing educational demand and a strong city supported by underlying residential values.

In December, the Company completed the acquisition of a retail warehouse unit at Mavor Avenue, East Kilbride. The property is let to B&Q for a term of 18 years on a full repairing and insuring lease at a current rent of £1,468,724 pa (£13.85 psf). The property was purchased for £20.0 million reflecting a net initial yield of 6.94 per cent. Once again, this property provides a long and secure income on a covenant to which the Company was not previously exposed, and a relatively high yield.

East Kilbride, Mavor Avenue

The third purchase during the year was of Unit 1, G Park, Portal Way, Liverpool, a 360,309 sq ft distribution warehouse constructed in 2009 and located at Junction 5 of the M57 motorway. The property is let to Exel Europe Limited for a term of 10 years which commenced in March 2011, at a rent of £1,441,236 per annum (£4.00 psf). The tenant committed significant capital expenditure to fit out the property to an enhanced specification and, in return, received a rent free period expiring in July 2014. The purchase price of £13.3 million will provide a yield of 10.25 per cent when income producing. The purchase price breaks back to a capital value of £36 psf, which is low in comparison with the current total

Liverpool, Unit 1, G. Park, Portal Way

costs of land assembly, infrastructure, build costs, costs of finance and profit. This acquisition provides the Company with a highly specified building, a secure tenant off a low rental base, an attractive income on expiry of the rent free period and a ''store of value'' for the future. When this acquisition is added to the Company's existing exposure to Exel Europe Limited, in aggregate this tenant is now the Company's largest tenant exposure, representing 5.4 per cent of the Company's total annual rental income.

Earlier in the year, the Company acquired the long leasehold interest of four residential units at 28-30 James Street, London W1 (part of St Christopher's Place Estate) at a price of £2.3 million. These flats were subject to a lease, in excess of 65 years, at a peppercorn rent and are located in one of the Company's freehold properties on the Estate. Three of these flats were vacant and the fourth was subject to a short term let. This acquisition accords with the Company's strategy to acquire ownership on the Estate falling outwith the Company's direct control and properties adjoining the Estate which add to critical mass and value.

The Company sold only one property during year: 40-42 Albion Street, Leeds. This high street shop unit was sold at a price of £1.125 million which represented a small reduction on the last external valuation of £1.19 million. The reason for the sale was that the property was too small for the portfolio and, at the rent passing, considered ex-growth.

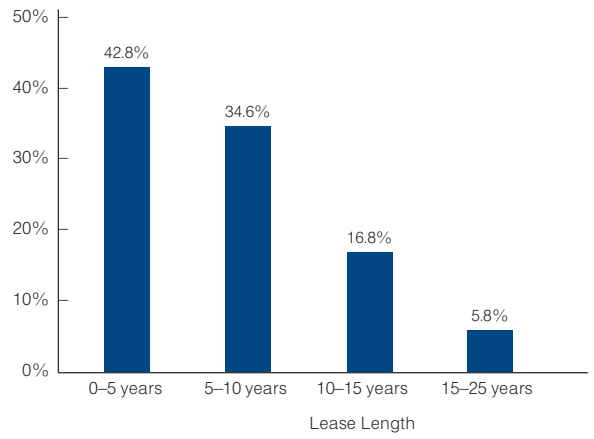
Property Management

As already highlighted, maintaining income levels in this environment has been challenging, but the strategy of sustaining and protecting the rental income from the portfolio remains the principal asset management focus. During the year, the Company

Managers' Review (continued)

Lease Expiry Profile

At 31 December 2011 the weighted average lease length for the portfolio, assuming all break options are exercised, was 6.7 years (2010: 6.8 years).



documented 23 rent reviews at an uplift of £597,000 per annum (12 per cent) over the previous rent passing.

Void levels over the year increased from 2.6 per cent to 6.0 per cent (excluding properties held for development). This increase was largely due to the completion of 25 Great Pulteney Street. However, Great Pulteney Street is letting well with 49 per cent of the available floor area by rental value being let within six months of completion. Elsewhere, progress is being made on letting vacant accommodation and we promote a targeted and pragmatic approach to dealing with this space.

We continue to actively manage the Company's rental arrears and bad debts. Bad debts for the year were 0.6 per cent of gross annualised rents, which remains extremely low for a portfolio of this size.

Since the year end, there has been much publicity and speculation over retailers and indeed there have been a number of high profile retailer defaults. The Company is not heavily exposed to the ''mainstream'' retail sector. However, notwithstanding this strategic asset allocation policy, the Company does have some exposure to retailers recently entering administration, including Peacocks (Newbury Retail Park) and Blacks (Wimbledon Broadway, London SW19), with an aggregate rental liability of £345,000 per annum, or 0.6 per cent of total annual rental income. We will continue to negotiate with administrators to regularise the occupancy of these units, but in both locations there is demand from other retailers to take the space.

Outlook

With little evidence of capital or rental growth occurring in the property market and with some segments seeing negative numbers, performance in 2012 is expected to continue to be driven by income returns. The economic and financial market outlook is highly uncertain and this is leading both investors and occupiers to delay taking decisions and to avoid risk. The coming year is expected to see increasing pressure on secondary stock, especially if banks release more supply into the market. Our short-term strategy is to focus on protecting the income stream both through the selection and retention of prime resilient stock and by asset management initiatives aimed at minimising voids, lengthening leases and increasing flexibility and letting potential. Over the medium-term, we expect performance to strengthen but the slow pace of economic recovery will constrain prospects for marked uplifts in rental and capital growth, except in some core, prime areas.

Richard Kirby
Investment Manager
F&C REIT Property Asset Management plc
28 March 2012

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 £75 million and £100 million	
Newbury, Newbury Retail Park	Retail Warehouses
Properties valued between £50 million and £75 million	
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	
Rochdale, Dane Street	Retail Warehouses
Uxbridge, 3 The Square, Stockley Park	Offices
London SW1, Charles House, 5-11 Regent Street (note 1)	Offices
London W1, 25 Great Pulteney Street	Offices
Properties valued between £20 million and £30 million	
Glasgow, Alhambra House, Wellington Street	Offices
Chorley, Units 6 and 8 Revolution Park	Industrial
Manchester, 82 King Street	Offices
London W1, 385/389 Oxford Street (note 1)	Retail
Reading, Thames Valley One, Thames Valley Park	Offices
East Kilbride, Mavor Avenue	Industrial
Properties valued between £10 million and £20 million	
Daventry, Site E4, Daventry International Rail Freight Terminal	Industrial
London W1, 17a Curzon Street	Offices
Birmingham, Unit 8 Hams Hall Distribution Park	Industrial
London SW1, 2/4 King Street	Offices
Camberley, Watchmoor Park	Offices
Edinburgh, 124/125 Princes Street	Retail
Colchester, The Cowdray Centre, Cowdray Avenue	Industrial
Liverpool, Unit 1, G. Park, Portal Way	Retail Warehouses
Birmingham, Unit 10a Hams Hall Distribution Park	Industrial
Reading, Thames Valley Two, Thames Valley Park	Offices
Properties valued under £10 million	
London EC3, 7 Birchin Lane	Offices
Edinburgh, Nevis/Ness Houses,11/12 Lochside Place	Offices
Birmingham, Unit 6a Hams Hall Distribution Park	Industrial
Southampton, Upper Northam Road, Hedge End	Industrial
Camberley, Affinity Point, Glebeland Road	Industrial
London W1, 16 Conduit Street (note 1)	Offices
Colchester, Ozalid Works, Cowdray Avenue	Industrial
Winchester, Burma Road (note 4)	Other

Notes:

[1] Leasehold property

[2] Mixed freehold/leasehold property

[3] For the purposes of the Company's investment policy on pages 17 and 18, St. Christopher's Place Estate is treated as more than one property.

[4] Under construction.

Board of Directors

Chris Russell†‡
Chairman
FCA, FSIP, was appointed a Director on 31 October 2009 and Chairman on 19 May 2011. He is a resident of Guernsey. He was, until 2001, an executive director of Gartmore Investment Management plc. He is a director of JPMorgan Japan Smaller Companies Trust plc, HICL 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.

Peter Niven‡
FCIB, CDir, 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 together with a number of Guernsey based London listed investment funds and a captive insurance PCC.

Jonathan Hooley*†‡
FCA, CTA, CDir, 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 a non-executive director of Kleinwort Benson (Channel Islands) Limited, BlueCrest AllBlue Fund Limited and Aqua Resources Fund Limited. He is a member of the Offshore Advisory Committee of The Association of Investment Companies.

Brian Sweetland*†‡
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.

Martin Moore*†‡
MRICS, was appointed a Director on 31 March 2011 and is a UK resident. He is Managing Director of Prudential Property Investment Managers Limited, the property asset management arm of Prudential plc. He was, until 2011, a board adviser to The Crown Estate and a board member of the British Property Federation.

Nicholas Tostevin*†‡
Chairman of the Audit Committee
was appointed a Director in 2005 and is a resident of Guernsey. He holds the degree of LLB (Hons) (Bachelor of Law), qualified as a barrister in 1975 and as an Advocate of the Royal Court of Guernsey in 1976 and practised as such for 33 years when he retired as the Senior Partner of a Guernsey law firm. He has served as Chairman of the Guernsey International Business Association, as a member of the Guernsey legislature and as the Bâtonnier (or Chairman) of the Guernsey Bar Council. He is a non-executive director of a number of Guernsey based investment funds and insurance companies.

*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 2011.

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 2011 as follows:

	Payment date	Rate per share
Ninth interim for prior year	28 January 2011	0.5p
Tenth interim for prior year	25 February 2011	0.5p
Eleventh interim for prior year	25 March 2011	0.5p
Twelfth interim for prior year	28 April 2011	0.5p
First interim	27 May 2011	0.5p
Second interim	24 June 2011	0.5p
Third interim	29 July 2011	0.5p
Fourth interim	26 August 2011	0.5p
Fifth interim	30 September 2011	0.5p
Sixth interim	28 October 2011	0.5p
Seventh interim	25 November 2011	0.5p
Eighth interim	30 December 2011	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 27 January and 24 February 2012 and a third will be paid on 30 March 2012. The twelfth, and last, interim dividend in respect of the year, of 0.5p per share, will be paid on 27 April 2012 to shareholders on the register on 13 April 2012. 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 28, 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 16. 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 2011 is contained within the Managers' Review on pages 8 to 14 and a portfolio listing is provided on page 15.

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 Risk Management

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. The Managers 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. Detailed explanations of the risks associated with the Group's financial instruments are contained in note 18 to the accounts.

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 Guernsey solvency test requirements or 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 22 and 23.

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 54. 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 53.

Directors

Mr M R Moore was appointed as a Director on 31 March 2011. Mr J H Stephen retired as a Director and Chairman of the Company on 19 May 2011. On the same date, Mr C Russell, who was appointed as a Director on 31 October 2009, succeeded Mr Stephen as Chairman.

The Directors who held office as at 31 December 2011 and their interests in the shares of the Company (all of which were beneficially held) on that date were:

	2011 Ordinary Shares	2010 Ordinary Shares
C Russell	**100,000**	50,000
J G Hooley	**60,000**	60,000
M R Moore (appointed 31 March 2011)	**–**	–
P Niven	**43,142**	43,142
B W Sweetland	**100,000**	88,961
N J M Tostevin	**21,832**	21,832

There have been no changes in the above interests between 31 December 2011 and 28 March 2012.

As explained in more detail under Corporate Governance on pages 20 to 22, the Board has agreed that all Directors will retire annually. Accordingly, every Director will retire at the Annual General Meeting and, being eligible, offers himself for re-election.

The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the Company to enable it to provide effective strategic leadership and proper guidance of the Company. The Board confirms that, following formal performance evaluations, the performance of each of the Directors seeking re-election continues to be effective and demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that these Directors are re-elected.

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 that 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 are provided in note 2 to the accounts.

Report of the Directors (continued)

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 31 December 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	34.1
Phoenix Life Limited	109,931,698	16.1

*Based on 680,537,003 shares in issue as at 31 December 2011.

No further notifications have been received by the Company since 31 December 2011.

Corporate Governance

The Board has considered the principles and recommendations of the AIC's Code of Corporate Governance issued in October 2010 ('the AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies issued at the same time ('the AIC Guide'), both of which can be found at www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010, which can be found at www.frc.org.uk, 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 UK Corporate Governance Code).

On 30 September 2011, the Guernsey Financial Services Commission issued a Finance Sector Code of Corporate Governance ('the GFSC Code') which came into effect on 1 January 2012. As the Company already reports against the AIC Code and the UK Corporate Governance Code it is deemed to meet the requirements of the GFSC Code and has therefore not reported further on its compliance with that 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 UK Corporate Governance Code. Since all the Directors are non-executive, in accordance with the AIC Code and the preamble to the UK Corporate Governance Code, the provisions of the UK Corporate Governance 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.

Until his appointment as Chairman on 19 May 2011, Mr Chris Russell was Deputy Chairman. Since that date there has been no Deputy Chairman or Senior Independent Director as recommended by principle 1 of the AIC Code and provision A.4.1 of the UK Corporate Governance Code.

The Board consists solely of non-executive Directors. Other than Mr P Niven, who is a non-executive director of the Company's largest shareholder, Resolution Limited, all are considered by the Board to be independent.

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 AIC Code and the UK Corporate Governance Code the Board has agreed that 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

	Board of Directors		Audit Committee		Management Engagement Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
C Russell	5	5	1	1	1	1	1	1
J H Stephen (retired 19 May 2011)	1	1	n/a	n/a	1	1	1	1
J G Hooley	5	5	2	2	1	1	1	1
P Niven	5	5	n/a	n/a	n/a	n/a	1	1
M R Moore (appointed 31 March 2011)	4	3	1	–	–	–	–	–
B W Sweetland	5	5	2	2	1	1	1	1
N J M Tostevin	5	5	2	2	1	1	1	1

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.

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 evaluation of the Chairman was led by the Chairman of the Audit Committee in consultation with all the other Directors. Plans are to be made for an external evaluation during 2013.

The above table 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 these scheduled meetings, there were a further 16 Board and 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.

The basis on which the Company aims to generate value over the longer term is set out in its objective, investment policy and strategy as contained within the Business Review on pages 17 to 19. 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 a number of committees have been in operation. Those committees are the Audit Committee, the Management Engagement Committee and the Nomination Committee. The committees operate within clearly defined terms of reference which are available for inspection on request.

Audit Committee

The Audit Committee comprises all of the Directors except Mr P Niven and the Chairman of the Board, Mr C Russell. It is chaired by Mr N J M Tostevin. 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 independence 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 the terms of non-audit services. In addition to statutory audit fees of £60,000 (2010: £59,000), the auditor received audit-related fees of £14,000 for the year ended 31 December 2011 (year ended 31 December 2010: £13,000) which related principally to a review of the interim financial information and certification of bond compliance certificates. Other non-audit fees during the year ended 31 December 2011 were nil (year ended 31 December 2010: £79,000). It has been agreed that all non-audit work to be carried out by the auditor must be approved in advance by the Audit Committee and any special projects must also be approved in advance. Notwithstanding such non-audit and audit-related services the Audit Committee considers KPMG Channel Islands Limited to be independent of the Company and that the provision of such non-audit and audit-related services is not a threat to the objectivity and independence of the conduct of the audit.

Management Engagement Committee

The Management Engagement Committee comprises all of the Directors except Mr P Niven. It is chaired by Mr J G Hooley. The committee reviews the appropriateness of the Managers' continuing appointment together with the terms and conditions thereof on a regular basis.

Nomination Committee

The Nomination Committee comprises all of the Directors and is chaired by Mr C Russell. The Board considers that, given its size, it would be unnecessarily burdensome to establish a separate nomination committee which did not include the entire Board and believes that this enables all Directors to be kept fully informed of any issues that arise. The committee is convened for the purpose of considering the appointment of additional Directors as and when considered appropriate. During the year, Mr M R Moore, who has significant real estate experience and whose biographical details are included on page 16, was appointed as a Director, with the assistance of an external search consultant. In considering appointments to the Board, the Nomination Committee takes into account the ongoing requirements of the Company and the need to have within the Board a balance of skills, experience, diversity, independence and knowledge of the Company.

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 meet 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. It has therefore established a 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.

As part of this process, the Board has created a matrix that identifies the Company's key functions, including those carried out by the Managers and other service providers, and the individual activities undertaken within those functions. From this, the Board has identified the Company's principal risks and the controls employed to minimise those risks. These are reviewed at each Board Meeting. The Board also monitors the investment performance of the Company in comparison to its stated objective and against comparable companies, and 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, the Board receives quarterly reports from the Secretary in respect of compliance matters and duties performed on behalf of the Company.

A formal annual review of these procedures is carried out by the Audit Committee. The Audit

Committee has also reviewed the Managers' ''Report on Policies and Procedures in Operation and Tests'' for the period from 1 January to 31 December 2011 that has been prepared by the Managers for their investment company clients to the standards of the Institute of Chartered Accountants in England and Wales Technical Release AAF (01/06). Containing a report from independent external accountants, the report sets out the Managers' control policies and procedures with respect to the management of their clients' investments. The effectiveness of these controls is monitored by the Managers' group audit committee which receives regular reports from the Managers' audit, risk and compliance department. Procedures are in place to capture and evaluate failings and weaknesses and ensure that action would be taken to remedy any significant issues identified from this monitoring, which would be reported to the Board. No significant failings or weaknesses in respect of the Company were identified in the year under review or to the date of this report.

The review procedures detailed above 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.

The Board has reviewed the need for an internal audit function. It 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. The Board receives regular reports on the views of shareholders and the Chairman and other Directors make themselves available to, and do, meet shareholders when required to discuss any significant issues that have arisen and address shareholder concerns and queries. The Notice of Annual General Meeting to be held on 29 May 2012 is set out on pages 51 and 52. 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

The Company did not allot any shares during the year.

Resolution 11 seeks an authority from shareholders to disapply 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). Resolution 11 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 £695,287. This is equivalent to approximately 10 per cent of the issued ordinary share capital of the Company as at 28 March 2012.

The Directors will only allot new shares pursuant to this authority and the authority to allot shares contained in the Articles of Incorporation of the Company 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.

Since the year end, the Company has issued 14,750,000 shares and there were 695,287,003 Ordinary Shares in issue as at 28 March 2012.

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 Resolution 12, 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 2013 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 the higher of (i) 5 per cent above the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Ordinary Shares for the five business days before the shares are purchased; and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue which the purchase is carried out. 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')

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 shares. 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 28 March 2012 (being the latest practicable date prior to the publication of this document) the Resolution Concert Party held 233,155,798 Ordinary Shares in the Company, representing 33.5 per cent of the issued share capital. Accordingly, if any Ordinary Shares were to be repurchased by the Company pursuant to the share buy back authority noted above, 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 2013 or, if earlier, on 29 November 2013. 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 and solvency 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, 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 the Directors are 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 13).

On behalf of the Board

C Russell
Director

28 March 2012

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 2012 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 regularly considers the level of the Directors' fees in accordance with the UK Corporate Governance Code. The Board is provided with information on comparative levels of Directors' fees in advance of each review. An external evaluation of fee levels was last carried out in 2010 and will next be conducted in 2013 to coincide with the external evaluation of the Board.

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.

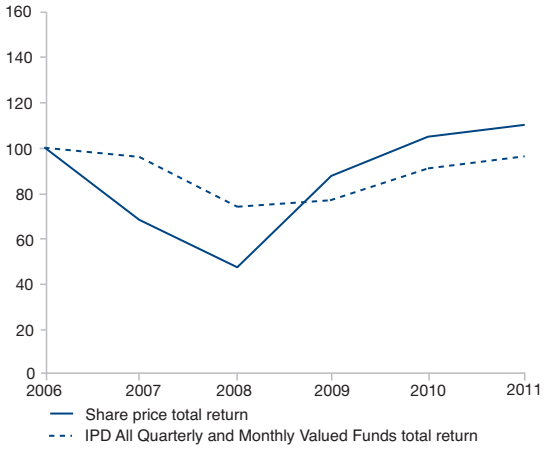
The terms of Directors' appointments provide that Directors should retire and be subject to re-election at the first Annual General Meeting after their appointment. However, in accordance with the recommendations of the UK Corporate Governance Code, the Board has agreed that all Directors will retire 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
C Russell	31/10/2009	AGM 2012
J G Hooley	31/10/2009	AGM 2012
M R Moore	31/03/2011	AGM 2012
P Niven	21/01/2005	AGM 2012
B W Sweetland	21/01/2005	AGM 2012
N J M Tostevin	21/01/2005	AGM 2012

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 pages 19 and 20. The graph below compares, for the five financial years ended 31 December 2011, 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 2011 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	2011 Total	Basic	Additional	2010 Total
C Russell (appointed as Chairman 19 May 2011)	49,240	–	49,240	25,000	10,000	35,000
J H Stephen (retired 19 May 2011)	20,983	–	20,983	40,000	20,000	60,000
J G Hooley	32,500	–	32,500	25,000	10,000	35,000
M R Moore (appointed 31 March 2011)	24,442	–	24,442	–	–	–
P Niven	32,500	–	32,500	25,000	10,000	35,000
B W Sweetland	32,500	–	32,500	25,000	15,000	40,000
N J M Tostevin	40,000	–	40,000	30,000	10,000	40,000
	232,165	–	232,165	170,000	75,000	245,000

The additional fees of £75,000 in 2010 related to additional work undertaken in relation to an aborted merger proposal.

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

C Russell
Director

28 March 2012

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 as issued by the IASB 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

C Russell
Director

28 March 2012

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 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity 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 Statement of Directors' Responsibilities set out on page 28, 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 Group'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 Group's affairs as at 31 December 2011 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 UK Corporate Governance Code specified for our review.

Heather J MacCallum for and on behalf of
KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors
28 March 2012

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 2011

	Notes	2011 £'000	2010 £'000
Revenue			
Rental Income		**60,495**	53,561
Income from indirect property funds		**–**	161
Total revenue		**60,495**	53,722
Gains on investment properties			
Unrealised gains on revaluation of investment properties	9	**38,518**	75,601
(Losses)/gains on sale of investment properties realised	9	**(86)**	19
Gains on sale of indirect property funds realised	9	**–**	2,905
Total income		**98,927**	132,247
Expenditure			
Investment management fee	2a	**(5,727)**	(8,137)
Other expenses	3	**(5,153)**	(5,018)
Total expenditure		**(10,880)**	(13,155)
Operating profit before finance costs		**88,047**	119,092
Net finance costs			
Interest receivable	4	**510**	481
Finance costs	5	**(14,705)**	(13,450)
		(14,195)	(12,969)
Profit before taxation		**73,852**	106,123
Taxation	6	**(187)**	791
Profit for the year		**73,665**	106,914
Other comprehensive income			
Movement in fair value of interest rate swap	14	**(3,671)**	(389)
Total comprehensive income for the year		**69,994**	106,525
Basic and diluted earnings per share	8	**10.8p**	15.7p

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 2011

	Notes	2011 £'000	2010 £'000
Non-current assets			
Investment properties	9	**924,583**	832,003
		924,583	832,003
Current assets			
Trade and other receivables	10	**8,736**	8,377
Cash deposits held for tenants	11	**2,461**	2,136
Cash and cash equivalents	11	**49,822**	109,442
		61,019	119,955
Total assets		**985,602**	951,958
Current liabilities			
Trade and other payables	12	**(18,301)**	(17,735)
Non-current liabilities			
Interest-bearing bonds	13	**(229,546)**	(229,424)
Interest-bearing bank loan	14	**(49,452)**	(49,329)
Interest rate swap	14	**(4,060)**	(389)
		(283,058)	(279,142)
Total liabilities		**(301,359)**	(296,877)
Net assets		**684,243**	655,081
Represented by:			
Share capital	15	**6,805**	6,805
Reverse acquisition reserve	15	**831**	831
Special reserve	15	**562,366**	576,729
Capital reserve – investments sold	15	**(48,817)**	(48,271)
Capital reserve – investments held	15	**72,830**	33,852
Hedging reserve	15	**(4,060)**	(389)
Revenue reserve	15	**94,288**	85,524
Equity shareholders' funds		**684,243**	655,081
Net asset value per share	16	**100.5p**	96.3p

The accounts on pages 30 to 50 were approved by the Board of Directors on 28 March 2012 and signed on its behalf by:

C Russell, Director

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

	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 2011		**6,805**	**831**	**576,729**	**(48,271)**	**33,852**	**(389)**	**85,524**	**655,081**
Total comprehensive income for the year									
Profit for the year		–	–	–	–	–	–	73,665	73,665
Movement in fair value of interest rate swap	14	–	–	–	–	–	(3,671)	–	(3,671)
Transfer in respect of unrealised gains on investment properties	9	–	–	–	–	38,518	–	(38,518)	–
Losses on sale of investment properties realised	9	–	–	–	(86)	–	–	86	–
Transfer of prior years' revaluation to realised reserve	9	–	–	–	(460)	460	–	–	–
Transfer from special reserve		–	–	(14,363)	–	–	–	14,363	–
Total comprehensive income for the year		**–**	**–**	**(14,363)**	**(546)**	**38,978**	**(3,671)**	**49,596**	**69,994**
Transactions with owners of the Company recognised directly in equity									
Dividends paid	7	–	–	–	–	–	–	(40,832)	(40,832)
At 31 December 2011		**6,805**	**831**	**562,366**	**(48,817)**	**72,830**	**(4,060)**	**94,288**	**684,243**

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	14	–	–	–	–	–	(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		–	–	(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

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2011

	Notes	2011 £'000	2010 restated* £'000
Cash flows from operating activities			
Profit for the year before taxation		**73,852**	106,123
Adjustments for:			
Finance costs		**14,705**	13,450
Interest receivable		**(510)**	(481)
Unrealised gains on revaluation of investment properties		**(38,518)**	(75,601)
Losses/(gains) on sale of investment properties realised		**86**	(19)
Gains on sale of indirect property funds realised		**–**	(2,905)
Increase in cash deposits held for tenants		**(325)**	(105)
Increase in operating trade and other receivables		**(359)**	(2,977)
Increase/(decrease) in operating trade and other payables		**379**	(625)
		49,310	36,860
Interest received		**510**	481
Interest paid		**(14,453)**	(13,272)
Tax paid		**(7)**	–
		(13,950)	(12,791)
Net cash inflow from operating activities		**35,360**	24,069
Cash flows from investing activities			
Purchase of investment properties	9	**(45,026)**	(24,315)
Sale of investment properties	9	**1,174**	8,801
Sale of indirect property funds	9	**–**	8,978
Capital expenditure	9	**(10,296)**	(9,639)
Net cash outflow from investing activities		**(54,148)**	(16,175)
Cash flows from financing activities			
Dividends paid	7	**(40,832)**	(40,832)
Bank loan drawn down (net of costs)	14	**–**	49,273
Net cash (outflow)/inflow from financing activities		**(40,832)**	8,441
Net (decrease)/increase in cash and cash equivalents		**(59,620)**	16,335
Opening cash and cash equivalents		**109,442**	93,107
Closing cash and cash equivalents		**49,822**	109,442

*In the prior year accounts 'cash and cash equivalents' included cash deposits held for tenants. These have now been disclosed as a separate line item.

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 (being the functional currency of the Company and presentational currency for the Company and the Group) 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. 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 meet 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.

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 May 2010, the IASB issued improvements to IFRS for 2010 which became effective for periods commencing on or after 1 January 2011. These covered eleven amendments to six standards, none of which materially affected the Group.

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

- In October 2010, the IASB issued IFRS 9 (2010) *'Financial Instruments'* which, following an amendment in December 2011, becomes effective for accounting periods commencing on or after 1 January 2015. This represents part of a 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 June 2011, the IASB issued *'Presentation of Items of Other Comprehensive Income'* (Amendments to IAS 1 '*Presentation of Financial Statements'*). The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.
- In December 2010, the IASB issued '*Deferred Tax: Recovery of Underlying Assets'* (Amendments to IAS 12 *'Income Taxes'*). The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis on the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

1. Accounting policies (continued)

(a) Basis of accounting (continued)

- In May 2011, the IASB issued IFRS 10 '*Consolidated Financial Statements*'. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.
- In May 2011, the IASB issued IFRS 12 '*Disclosure of Involvement with Other Entities*'. IFRS 12 includes all the disclosures which were previously required by IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.
- As a consequence of the new IFRS 10 and IFRS 12 above, what remains of IAS 27 *'Separate Financial Statements (2011)'* is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.
- In May 2011, the IASB issued IFRS 13 *'Fair Value Measurement'*. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard becomes effective for accounting periods beginning on or after 1 January 2013.

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.

(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 registered 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, a company registered in Guernsey whose principal business is that of an investment and property company.

The Company owns 100 per cent of the issued ordinary share capital of SCP Estate Holdings Limited, a company registered 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, a company registered in Guernsey whose principal business is that of an investment and property company.

The Company owns 100 per cent of the issued ordinary share capital of Winchester Burma Limited, a company registered in Guernsey whose principal business is that of an investment and property company.

The Company owns 100 per cent of the issued ordinary share capital of Accede Limited, a company incorporated in England and Wales. At 31 December 2011 this Company was dormant, having acted as an investment and property company during the year.

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 the Company has the majority of the risks and rewards associated with the vehicle. F&C Commercial Property Finance Limited 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.

The Group from time to time receives surrender premiums from tenants who break their leases early. To the extent they are deemed capital receipts to compensate the Group for loss in value of property to which they relate, they are credited to 'capital reserve – investments held'. All other surrender premiums are recognised within rental income in the Statement of Comprehensive Income.

Notes to the Accounts (continued)

1. Accounting policies (continued)

(c) Revenue recognition (continued)

Distribution income received from any indirect property funds is recognised on the date the Group becomes entitled to the distribution and recorded separately from any unrealised or realised gains or losses on revaluation of indirect property funds.

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.

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 Market Value provided by CBRE Limited, Registered Valuers, 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 properties

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 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.

1. Accounting policies (continued)

(f) Investment properties (continued)

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 any unquoted indirect property funds are recognised and derecognised on the trade date, and are initially measured at fair value.

Investments in any unquoted indirect property funds are financial instruments and are classified on initial recognition as fair value through profit or loss given that their fair value can be reliably determined based on the criteria set out in IAS 39. 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. Any investments in indirect property funds would be included in Level 3.

(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 profit or loss.

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.

Notes to the Accounts (continued)

1. Accounting policies (continued)

(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.

2. Fees

	2011 £'000	2010 £'000
(a) Investment management fee		
– base management fee	**3,295**	4,594
– performance fee	**2,432**	3,543
	5,727	8,137

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.

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, payable quarterly in arrears. 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. 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. The performance fee payable in each financial year is capped at an amount which, when taken with the aggregate base management fee payable in each financial year, equals 0.60 per cent of the gross assets of the Group. Until 30 September 2010 this capped amount was 1.0 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 relative performance of the directly held properties at the balance sheet date up to a maximum of the capped amount in any financial year. 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 £130,000 for administration services provided in respect of the year ended 31 December 2011 (2010: £118,000).

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.

2. Fees (continued)

(b) Valuers' fees

The valuers of the investment properties, CBRE Limited, have agreed to provide valuation services in respect of the property portfolio. The valuation agreement is for a fixed term up to 30 September 2014 and an annual fee is payable equal to 0.01 per cent of the aggregate value of the direct property portfolio.

3. Other expenses

	2011	2010
	£'000	£'000
Direct operating expenses of let rental property	**3,865**	2,763
Valuation and other professional fees	**602**	609
Directors' fees †	**232**	245
Administration fee	**130**	118
Auditor's remuneration for:		
– statutory audit	**60**	59
– audit-related services ‡	**14**	13
Merger abort costs ø	**–**	893
Other	**250**	318
	5,153	5,018

†An analysis of the Directors' fees is provided in the 'Directors Emoluments for the Year' table within the Directors' Remuneration Report on page 27. The prior year includes £75,000 of fees relating to additional work undertaken in relation to the aborted merger.

‡In the prior year additional fees of £79,000 paid to the Company's auditor were included within the merger abort costs.

øThe costs of £893,000 incurred in 2010 represent the Company's share of the total merger abort costs.

4. Interest receivable

	2011	2010
	£'000	£'000
Deposit interest	**510**	481

5. Finance costs

	2011	2010
	£'000	£'000
Interest on the 5.23 per cent Secured Bonds due 2017	**12,151**	12,145
Interest on the interest-bearing bank loan	**1,513**	746
Interest in respect of the interest rate swap agreement	**1,041**	559
	14,705	13,450

Notes to the Accounts (continued)

6. Taxation

	2011 £'000	2010 £'000
Current income tax		
Current income tax charge	**187**	84
Reversal of over-provision from prior years	**–**	(249)
	187	(165)
Deferred income tax		
Reversal of over-provision from prior years	**–**	(626)
	–	(626)
Total tax charge/(credit)	**187**	(791)

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

	2011 £'000	2010 £'000
Profit before taxation	**73,852**	106,123
UK income tax at a rate of 20 per cent	**14,770**	21,224
Effects of:		
Capital gains on investment properties and indirect property funds not taxable	**(7,686)**	(15,705)
Income not taxable, including interest receivable	**(102)**	(96)
Expenditure not allowed for income tax purposes	**3,165**	3,107
Allowable intercompany loan interest paid	**(9,013)**	(8,097)
Losses brought forward from prior years	**(826)**	(218)
Capital allowances claimed	**(121)**	(131)
Reversal of over-provision from prior years	**–**	(875)
Total tax charge/(credit)	**187**	(791)

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 2011, 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 Group had unutilised tax losses carried forward of £2,762,000 (2010: £6,894,000) at 31 December 2011. No deferred tax asset has been recognised on this amount as it is uncertain that there will be taxable profits arising within the relevant subsidiary from which the future reversal of the deferred tax asset could be deducted.

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

	2011 Total £'000	2011 Rate (pence)	2010 Total £'000	2010 Rate (pence)
In respect of the previous period:				
Ninth interim dividend	**3,403**	**0.5**	3,403	0.5
Tenth interim dividend	**3,402**	**0.5**	3,402	0.5
Eleventh interim dividend	**3,403**	**0.5**	3,403	0.5
Twelfth 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 2011, of 0.5 pence per share, were paid on 27 January and 24 February 2012 and a third will be paid on 30 March 2012. The twelfth, and last, interim dividend in respect of the year, of 0.5p per share, will be paid on 27 April 2012 to shareholders on the register on 13 April 2012.

Although these payments relate to the year ended 31 December 2011, under IFRS they will be accounted for in the year ending 31 December 2012, 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 £73,665,000 (2010: £106,914,000) and on 680,537,003 (2010: 680,537,003) Ordinary Shares, being the weighted average number of shares in issue during the year.

9. Investments

	2011 £'000	2010 £'000
Freehold and leasehold properties		
Opening book cost	**798,151**	774,935
Opening unrealised appreciation/(depreciation)	**33,852**	(43,705)
Opening fair value	**832,003**	731,230
Purchases	**45,026**	24,315
Sales – proceeds	**(1,174)**	(8,801)
– loss on sale	**(546)**	(1,937)
Capital expenditure	**10,296**	9,639
Unrealised losses realised during the year	**460**	1,956
Increase in unrealised appreciation	**38,518**	75,601
	924,583	832,003
Closing book cost	**851,753**	798,151
Closing unrealised appreciation	**72,830**	33,852
Closing fair value	**924,583**	832,003

Notes to the Accounts (continued)

9. Investments (continued)	2011 £'000	2010 £'000
Indirect property funds		
Opening book cost	–	34,337
Opening unrealised depreciation	–	(28,265)
Opening fair value	–	6,072
Sales – proceeds	–	(8,978)
– loss on sale	–	(25,359)
Unrealised losses realised during the year	–	28,265
	–	–
Closing book cost	–	–
Closing unrealised depreciation	–	–
Closing fair value	–	–

All the Group's investment properties were valued as at 31 December 2011 by RICS Registered Valuers working for the company of CBRE Limited ('CBRE'), commercial real estate advisors, acting in the capacity of external valuers. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors ('RICS').

CBRE completed the valuation of the Group's investment properties at 31 December 2011 on a market value basis and in accordance with RICS Valuation Standards, Seventh Edition. Market value is the amount for which the assets could be exchanged between a willing buyer and a willing seller in an arm's length transaction as at the valuation date. The market value of these investment properties amounted to £932,545,000 (2010: £838,300,000) and the fair value amounted to £924,583,000 (2010: £832,003,000). The difference between the market value and the fair value at 31 December 2011 consists of capital incentives paid to tenants totalling £3,760,000 and accrued income relating to the pre-payment for rent-free periods recognised over the life of the lease totalling £4,202,000, both of which are separately recorded in the accounts as current assets. The CBRE valuation report is dated 30 January 2012 (the 'Valuation Report').

The Valuation Report is signed by David M. Tudor, MRICS. CBRE and its predecessor firms have not previously carried out valuation instructions for the Group. In the prior year all of the Group's investment properties were valued by qualified professional valuers working for the company of DTZ Debenham Tie Leung ('DTZ'), Chartered Surveyors.

CBRE also values properties held by other companies for which the F&C Asset Management plc group is also the investment manager. CBRE 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. The proportion of total fees payable by the F&C Asset Management plc group to the total fee income of CBRE was less than 5 per cent of total UK revenues.

All leasehold properties are 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 15.

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.

10. Trade and other receivables

	2011	2010
	£'000	£'000
Capital and rental lease incentives	**7,962**	6,297
Rents receivable (net of provision for bad debts)	**534**	1,904
Other debtors and prepayments	**193**	135
Accrued income	**47**	41
	8,736	8,377

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.

Capital and rental lease incentives consists of £4,202,000 (2010: £3,145,000) being the prepayment for rent-free periods recognised over the life of the lease and £3,760,000 (2010: £3,152,000) 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.

A creditor is included within trade and other payables corresponding to the rent deposits held for tenants of £2,461,000 (2010: £2,136,000).

12. Trade and other payables

	2011	2010
	£'000	£'000
Rental income received in advance	**8,972**	8,534
Rental deposits	**2,461**	2,136
VAT payable	**1,266**	1,201
Managers' fees payable	**3,473**	4,369
Income tax payable	**266**	84
Other payables	**1,863**	1,411
	18,301	17,735

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

13. Interest-bearing bonds

	2011 £'000	2010 £'000
Principal amount outstanding	**230,000**	230,000
Issue costs	**(1,196)**	(1,196)
Amortisation of issue costs	**742**	620
	229,546	229,424

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 based on mid-market price at 31 December 2011 was £239,391,000 (2010: £236,555,000).

14. Bank loan and interest rate swap liability

	2011 £'000	2010 £'000
Principal amount outstanding	**50,000**	50,000
Set-up costs	**(727)**	(727)
Amortisation of set-up costs	**179**	56
	49,452	49,329

The Group has a £50 million facility with Barclays Bank plc ('Barclays') which remained fully drawn throughout the year. 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 2011 was £4,060,000 (2010: £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	
Ordinary Shares of 1p each in issue at 31 December 2010 and 31 December 2011	**6,805**

Share capital

Under the Company's Articles of Incorporation, the Company may issue an unlimited number of Ordinary Shares. The Company did not issue or repurchase any Ordinary Shares during the year.

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 2011, 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 any 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. Capital management activities may include the allotment of new shares, the buyback or re-issuance of shares from treasury, the management of the Group's discount to net asset value and consideration of the Group's net gearing level.

16. Net asset value per share

The Group's net asset value per Ordinary Share of 100.5p (2010: 96.3p) is based on equity shareholders' funds of £684,243,000 (2010: £655,081,000) and on 680,537,003 (2010: 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 31 December 2011 Resolution Limited, through a number of subsidiaries, owned 34.1 per cent of the Company's ordinary share capital (2010: 34.1 per cent). The Directors 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 £5,727,000 (2010: £8,137,000) of which £3,473,000 (2010: £4,369,000) remained payable at the year end. F&C Investment Business Limited received a further £130,000 for administration services provided in respect of the year ended 31 December 2011 (2010: £118,000).

The Directors of the Company received fees for their services. Further details are provided in the 'Directors' Emoluments for the Year' table in the Directors' Remuneration Report on page 27. Total fees for the year were £232,165 (2010: £245,000). 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. These disclosures include, where appropriate, consideration of the Group's investment properties which, whilst not constituting financial instruments as defined by IFRS, are considered by the Board to be integral to the Group's overall risk exposure.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group.

In the event of default by an occupational tenant, the Group will suffer a rental shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. 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 2011 was £534,000 (2010: £1,904,000).

As at 31 December 2011, rent receivable of £221,000 that was greater than three months overdue was fully provided for. As at 31 December 2010 the provision was £529,000. Of this amount £245,000 was subsequently written off, £35,000 is still outstanding and £249,000 was recovered.

Apart from the rent receivable disclosed above there were no financial assets which were either past due or considered impaired at 31 December 2011 (2010: nil).

All of the Group's cash is placed with financial institutions with a long-term credit rating of A 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.

18. Financial instruments (continued)

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.

At the reporting date, the Group's financial assets and financial liabilities were (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 2011					
Cash and cash equivalents	49,822	–	–	–	49,822
Cash deposits held for tenants	2,461	–	–	–	2,461
Rents receivable	534	–	–	–	534
As at 31 December 2010					
Cash and cash equivalents	109,442	–	–	–	109,442
Cash deposits held for tenants	2,136	–	–	–	2,136
Rents receivable	1,904	–	–	–	1,904
Financial liabilities					
As at 31 December 2011					
Trade and other payables	18,301	–	–	–	18,301
Interest-bearing bonds	12,029	12,029	248,044	–	272,102
Interest-bearing bank loan and interest rate swap	2,438	2,438	7,315	51,219	63,410
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

The table above details the total payment due to Barclays, combining the interest-bearing bank loan and interest rate swap, as this total amount is known with certainty. The exact amount attributable to each of the interest-bearing bank loan and the interest rate swap will vary depending on the rate of 3 month LIBOR over the instruments' duration. The terms of both the interest-bearing bank loan and the interest rate swap are detailed in note 14.

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 2011 the Group's cash balance was £49,822,000 (2010: £109,442,000).

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 2011 the Group did not hold any investments in indirect property funds (2010: £nil).

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 its 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 4.8765 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 2011						
Financial assets						
Cash and cash equivalents	49,822	35,391	14,431	–	0.78	0.1
Cash deposits held for tenants	2,461	–	–	2,461	–	–
Rents receivable	534	–	–	534	–	–
Financial liabilities						
5.23 per cent Secured Bonds due 2017	229,546	229,546	–	–	5.29	3.5
Bank loan and interest rate swap	53,512	53,512	–	–	4.88	5.5
As at 31 December 2010						
Financial assets						
Cash and cash equivalents	109,442	63,669	45,773	–	0.55	0.1
Cash deposits held for tenants	2,136	–	–	2,136	–	–
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

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 £10,872,000 (2010: £13,313,000), and a decrease of 150 basis points would have increased their fair value by approximately £11,584,000 (2010: £14,372,000). 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 £3,692,000 (2010: £3,876,000), and a decrease of 150 basis points would have increased their fair value by approximately £4,044,000 (2010: £4,294,000). 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 2011 (2010: 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 £747,000 (2010: £1,642,000). 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 17 and 18. 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 (including listed property companies) 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 2011 or 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 15. A 15 per cent increase in the fair value of the direct properties at 31 December 2011 would have increased net assets and income for the year by £138,687,000 (2010: £124,800,000). 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 £28,236,000 as at 31 December 2011 (2010: £11,585,000). These commitments related mainly to development work at Winchester, Burma Road and Camberley, Watchmoor Park.

20. Lease length

The Group leases out its investment properties under operating leases.

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

	2011	2010
	£'000	£'000
Less than one year	**54,960**	53,403
Between two and five years	**172,906**	167,112
Over five years	**153,374**	150,389
Total	**381,240**	370,904

The largest single tenant at the year end accounted for 5.4 per cent (2010: 4.9 per cent) of the current annual rental income.

Unoccupied property expressed as a percentage of estimated total rental value (excluding properties under development) was 6.0 per cent (2010: 2.6 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.

21. Post balance sheet event

On 26 January 2012, the Company issued 14,750,000 Ordinary Shares, raising gross proceeds of £15,253,000.

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 GY1 3QL on Tuesday, 29 May 2012 at 12.30 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 2011 be received and approved.
2. That the Directors' Remuneration Report for the year ended 31 December 2011 be approved.
3. That Mr M R Moore, who retires annually, be re-elected as a Director.
4. That Mr P Niven, who retires annually, be re-elected as a Director.
5. That Mr B W Sweetland, who retires annually, be re-elected as a Director.
6. That Mr N J M Tostevin, who retires annually, be re-elected as a Director.
7. That Mr J G Hooley, who retires annually, be re-elected as a Director.
8. That Mr C Russell, who retires annually, be re-elected as a Director.
9. That KPMG Channel Islands Limited be re-appointed as auditor.
10. That the Directors be authorised to determine the auditor's remuneration.

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

11. 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 £695,287 being approximately 10 per cent of the nominal value of the issued share capital of the Company, as at 28 March 2012.

12. 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 the higher of (i) 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 (ii) the higher of the last independent trade and the highest current independent bid on the trading venue which the purchase is carried out; 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 2013, or on 29 November 2013, 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.

Notice of Annual General Meeting (continued)

Special Business

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

13. That the waiver granted by the Panel on Takeovers and Mergers of the obligations which may otherwise 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 104,223,521 ordinary shares in the Company pursuant to the authority granted by the passing of resolution 12 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 2013 or, if earlier, 29 November 2013.

By order of the Board

Northern Trust International Fund Administration Services (Guernsey) Limited
Secretary
Trafalgar Court, Les Banques, St. Peter Port
Guernsey, Channel Islands GY1 3QL

28 March 2012

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 (Jersey) Limited, c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY not later than 12.30 pm on 25 May 2012.

4. Completing and returning a form of proxy will not prevent a member from attending in person at the Meeting 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 27 May 2012. 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 13 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 28 March 2012, the latest practicable date prior to publication of this document, the Company had 695,287,003 Ordinary Shares in issue. The number of shares with voting rights was 695,287,003, 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 GY1 3QL. Additional information regarding the Company may also be found at its website address which is: www.fccpt.co.uk

Financial Calendar 2012/13

April 2012	Publication of Interim Management Statement
29 May 2012	Annual General Meeting
August 2012	Announcement of interim results
	Posting of Interim Report
October 2012	Publication of Interim Management Statement
March 2013	Announcement of annual results
	Posting of Annual Report

Historic Record

	Total assets less current liabilities £'000	Shareholders' funds £'000	Net asset value per Ordinary Share p	Ordinary Share price p	Premium/ (discount) %	Earnings per Ordinary Share p	Dividends 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
31 December 2011	**967,301**	**684,243**	**100.5**	**101.6**	**1.1**	**10.8**	**6.00**	**0.5**

*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 £10,680 (increasing to £11,280 for the 2012/13 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 2 January 2011 using the government's CTF voucher. The maximum that can be invested annually is £3,600 and, with an investment trust CTF, investments can start from as little as £25 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 in the UK by the Financial Services Authority.

Corporate Information

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Jonathan G Hooley †
Martin R Moore
Peter Niven
Brian W Sweetland
Nicholas J M Tostevin #

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† Chairman of the Management Engagement Committee
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