F&C UK Real Estate Investments Limited

Interim Report

For the six months ended

31 December 2015

Company Summary

The Company

The Company is an authorised closed-ended Guernsey-registered investment company and 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 Group elected into the UK REIT regime from 1 January 2015.

Objective

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

Management

The Company's investment managers and property managers are respectively F&C Investment Business Limited and BMO REP Property Management Limited. Both of these companies are part of BMO Global Asset Management.

Total Assets Less Current Liabilities

£347.1 million at 31 December 2015

Shareholders' Funds

£238.5 million at 31 December 2015

Capital Structure

The Company's equity capital structure consists of 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 greater than the value of the liabilities.

ISA

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

Website

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

Financial Highlights and Performance Summary

Financial Highlights

- Share price total return of 4.8 per cent for the 6 months
- Portfolio ungeared total return of 4.7 per cent for the 6 months
- Net asset value per share total return of 5.6 per cent for the 6 months
- Net asset value per share total return since launch of 129.8 per cent
- Dividend of 2.5 pence per share for the period
- Dividend yield of 4.9 per cent as at 31 December 2015

Performance Summary

Total Return	**Six months to 31 December 2015**
Net asset value per share*	**+5.6%**
Ordinary Share price*	**+4.8%**
Investment Property Databank UK Quarterly Index	**+6.3%**
FTSE All-Share Index*	**-2.0%**

Capital Values	**31 December 2015**	30 June 2015	Change
Total assets less current liabilities (£000's)	**347,053**	331,744	+4.6%
Net asset value per share	**99.9p**	97.0p	+3.0%
Ordinary share price	**101.8p**	99.5p	+2.3%
Investment Property Databank UK Quarterly Index	**118.9**	114.2	+4.1%
FTSE All-Share Index	**3,444.3**	3,570.6	-3.5%
Ordinary share price premium to net asset value per share	**1.9%**	2.6%	
Net gearing†	**29.1%**	29.7%	

* Total return assumes that gross dividends are reinvested.
† (Bank debt less net current assets) ÷ investment properties.
Sources: F&C Investment Business, Investment Property Databank ('IPD'), and Datastream.

Chairman's Statement

The Group has experienced another six months of positive performance and we have continued to see an element of capital growth. The net asset value ('NAV') total return per share for the period was 5.6 per cent with this return being positively impacted by the effects of gearing. The NAV per share at the period end was 99.9 pence.

The share price performance was also positive with a total return of 4.8 per cent over the period and the shares were trading at a slight premium to the NAV of 1.9 per cent at the period end, compared to a premium of 2.6 per cent as at 30 June 2015.

Property Market

The UK commercial property market continued to deliver a strong performance in the six months to 31 December 2015 although there was a slight loss of momentum in the final quarter. Total returns at the all property level for standing investments were 6.3 per cent, according to the Investment Property Databank Quarterly Index ('IPD'). The income return during the period was 2.4 per cent with performance being driven by a 3.8 per cent rise in capital values. Rental growth improved to 2.0 per cent over the period with All Property void rates now standing at c.10 per cent.

With the economy continuing to grow, the yield gap between property and the risk-free rate remaining favourable and interest rates staying at low levels, investors have continued to be attracted to property as an asset class. Overseas buyers have been the main drivers here as net investment by the institutions moderated over the six month period. The occupational market has seen greater tenant interest but rental growth remains heavily weighted towards London. Net income growth was 2.0 per cent over the period. London and the South East generally delivered higher total returns than the regions and offices and industrials continued to outperform regional retail. UK Property has now recorded double digit returns in each of the last three years.

With All Property yields retaining an attractive margin above gilts and interest rates looking unlikely to rise until the latter part of 2016 at the very earliest, we see little immediate upward pressure on pricing. Values continue to be supported by a reasonable depth of demand from overseas, UK institutional and private buyers, although there is suggestion of a reduced net flow to retail funds and some evidence to support a lessening of tension in the bidding process. With yield compression levelling off, and rental growth positive but subdued, the Manager is forecasting that total returns will normalise over the coming year.

Property Portfolio

During the period the Company's portfolio returned a further 4.7 per cent, with performance over the calendar year totalling 12.2 per cent. The portfolio has returned an attractive level of income of 5.5 per cent over the last 12 months.

The Company's best performing assets for the period were predominantly within the industrial sector. The two largest contributors to returns were Hemel Gateway, Hemel Hempstead where the valuation improved significantly following recent letting activity, and Colnbrook Industrial Estate, London where returns were driven by both positive market sentiment and the re-negotiation of the lease at Unit 8. These returns were complimented by strong relative returns from the mixed use asset at 24 Haymarket, London. The portfolio's retail assets performed broadly in line with their peers within the index over the period, driven by the retail warehouse assets; however the office portfolio performance was more disappointing, coming in below the index for the period.

The vacancy rate on the portfolio increased to 4.5 per cent as at period end from 3.3 per cent at 30 June 2015, although the Company did successfully complete the letting of the

27,764 square foot Unit B at Hemel Gateway, Hemel Hempstead, to Victoria Plum Ltd. The agreed term was 10 years, subject to a break in Year 5 and the annual rent was £235,994pa (£8.50 per square foot). Approximately half of the portfolio void is accounted for by the asset at Site E Chippenham Drive, Milton Keynes. Following lease expiry in 2015, this property is currently undergoing refurbishment with delivery expected in Q2 2016. Leasing and asset management initiatives conducted over the period combined to produce top quartile gross income growth for the portfolio (versus the IPD index).

The initial yield on the portfolio is now 5.4 per cent and the average weighted unexpired lease term of the portfolio is now 7.3 years. The largest ten tenants by rent, all rated as negligible or low risk by IPD, account for 43 per cent of total income. The portfolio remains well balanced both geographically and by sector split, with a 60 per cent weighting to London and the South East.

The Company sold one property at 7/11 Bridge Street, Guildford for £2,125,000, reflecting a net initial yield of 5.0 per cent. The sale price achieved was in excess of the previous quarters valuation. The decision to dispose of the asset was taken in light of the relatively small lot size, the low yielding nature of the investment and the potential for new retail supply within the town. No properties were purchased over the six months, however, following on from the successful refinancing, we are now looking to the market on an opportunistic basis to identify suitable buying opportunities and address any opportunity to recycle capital. The Manager is content to abstain from new acquisitions until appropriate assets are identified at the right pricing to support the Company's objective.

In the last Annual report it was announced that Ian McBryde would be retiring from BMO Real Estate Partners and would step down after 10 years as Fund Manager of the Company. As from January, Ian has handed over responsibility for managing the portfolio to Peter Lowe. Peter joined BMO in 2015 after 9 years at DTZ Investors where he was Fund Manager for the GE and Pearl Assurance segregated Pension Fund accounts. I would like to reiterate our thanks to Ian for the contribution he has made to the Company over the last 10 years and wish him well in his forthcoming retirement.

Board Composition

As indicated in our Annual Results announcement in September 2015, Quentin Spicer had decided to retire from the Board and did not offer himself for re-election at the Annual General Meeting in November 2015. I have taken on the role of Chairman following his departure. Quentin was Chairman from the launch of the Company in 2004 and made a significant contribution towards its ongoing long term success. On behalf of the Board, the Investment Manager and the Company Secretariat, I should like to express our sincerest thanks for his commitment and strong leadership over the years.

The Board subsequently appointed a new Non-Executive Director, Alexa Henderson with effect from 21 December 2015. Alexa, a member of the Institute of Chartered Accountants of Scotland, was previously a Director of the WM Company and holds a number of non-executive Directorships.

We are delighted to have Alexa join the Board and she brings with her a wealth of financial experience. Alexa has taken on the role of Chair of the Audit Committee.

Dividends

The first interim dividend for the year ending 30 June 2016 of 1.25 pence per share was paid in December 2015, with a second interim dividend of 1.25 pence per share to be paid on 31 March 2016 to shareholders on the register on 11 March 2016.

Chairman's Statement

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

Borrowings

The Group underwent a refinancing exercise during the period and secured a £90 million 11 year non-amortising term loan facility agreement with Canada Life Investments and a £20 million 5 year revolving credit facility agreement with Barclays Bank plc.

Under the new facilities the Group drew down £110 million to finance the repayment of the £102 million term loan facility provided by Lloyds Bank plc, which was due for repayment in January 2017. There was no early repayment penalty in respect of the previous facility but the Group did terminate the interest rate hedging arrangements entered into in connection with this facility, the cost of which amounted to £5.5 million. No further swap was required given the fixed nature of the new principal loan.

Following the refinancing, the Group's total current borrowings of £110 million represents 31.0 per cent of the total assets of the Group as at 31 December 2015. The weighted average interest rate (including amortisation of refinancing costs) on the Group's total current borrowings is 3.3 per cent pa. The annual rate on the Group's total borrowings has therefore fallen by 2.5 per cent following the refinancing. The Company continues to maintain a prudent attitude to gearing.

The Group had £10.8 million of cash available at 31 December 2015.

Share Issues

During the period the Group was granted a blocklisting of 20,385,000 Ordinary Shares with a nominal value of 1 pence each pursuant to the general corporate purposes scheme. The Board believe that, as part of the Company's premium management programme, the blocklisting will assist the Company in providing liquidity to the market in a timely manner and may reduce volatility in any premium to net asset value at which the Company's shares may trade from time to time.

The Company has experienced continued market demand for its shares and has issued 4.85 million Ordinary Shares at a premium to the published net asset value at the time of each issuance, raising proceeds of £4.8 million.

At the period-end there were 238,705,539 Ordinary Shares in issue.

Outlook

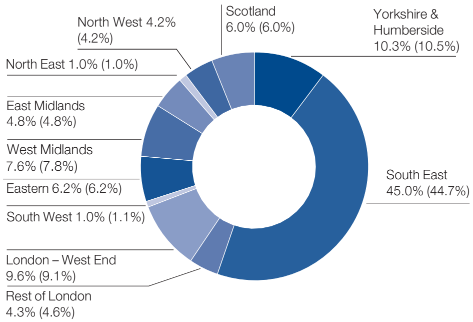
There are signs that after three years of double-digit total returns, property may be moving towards a period of more modest performance, driven primarily by the income return. Nevertheless, values on average are still 15 per cent below their peak in 2007 and the market may well be supported by continued low interest rates, a growing economy, improving tenant demand and a relatively conservative lending environment. There are some headwinds from the forthcoming EU referendum which could delay decision-making and from the economic slowdown in some parts of Asia and the Middle East which may lead to a reduced pace of inward investment or possible repatriation of funds. Investors are becoming more cautious and the period of yield compression could be drawing to a close. Asset fundamentals and the ability to manage the income stream to capture rental growth will be critical to delivering performance in the coming years.

Vikram Lall
Chairman

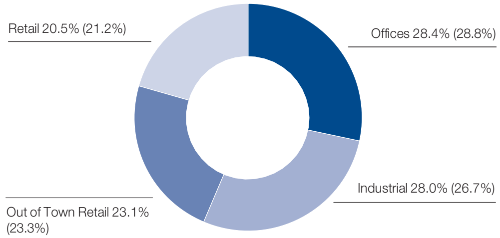
24 February 2016

Portfolio Statistics

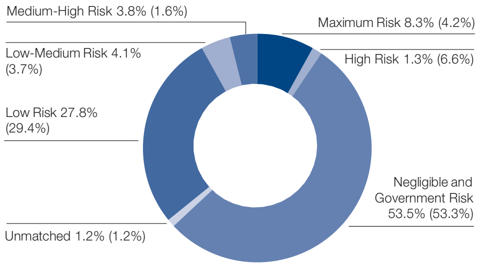
Geographical Analysis
as at 31 December 2015
(figures as at 30 June 2015
in brackets)



Sector Analysis
as at 31 December 2015
(figures as at 30 June 2015
in brackets)



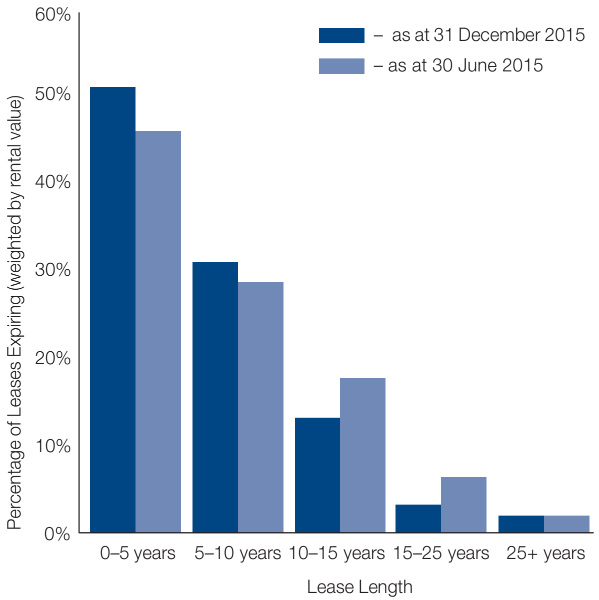
Covenant Strength
as at 31 December 2015
(figures as at 30 June 2015
in brackets)



As measured by Investment Property Databank (IPD)

Portfolio Statistics

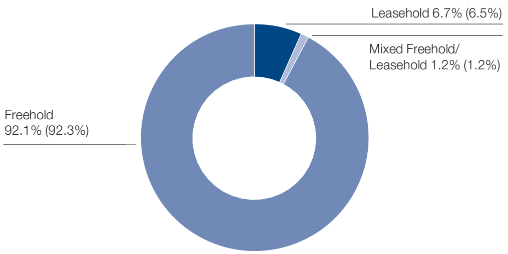
Lease Expiry Profile



As at 31 December 2015 the average lease length for the portfolio, assuming all break options are exercised, was 7.3 years (as at 30 June 2015: 7.7 years).

Tenure Analysis

as at 31 December 2015
(figures as at 30 June 2015
in brackets)



Property Portfolio

as at 31 December 2015

Property	Sector	Estimated Market Value £'000	% of Total Assets (less current liabilities)
London W1, 14 Berkeley Street	Offices	25,900	7.5%
Banbury, 3663 Unit, Echo Park	Industrial	22,050	6.3%
Colnbrook, Units 1-8 Lakeside Road	Industrial	16,625	4.8%
Eastleigh, Southampton International Park	Industrial	14,100	4.1%
Hemel Hempstead, Hemel Gateway	Industrial	12,500	3.6%
Rotherham, Northfields Retail park	Retail Warehouse	12,100	3.5%
York,Clifton Moor Gate *	Retail Warehouse	12,100	3.5%
Leamington Spa, 30-40 The Parade & 47/59a Warwick Street	Retail	11,025	3.2%
Bracknell, 1-2 Network, Eastern Road	Industrial	10,125	2.9%
Chelmsford, County House, County Square	Offices	9,850	2.8%
Ten largest property holdings		**146,375**	**42.2%**
Edinburgh, 1-2 Lochside Way, Edinburgh Park	Offices	9,650	2.8%
Andover, Keens House, Anton Mill Road	Offices	9,150	2.6%
Bury, Halls Mill Retail Park, Foundry Street	Retail Warehouse	8,650	2.5%
Bromsgrove, Brook Retail Park, Sherwood Road	Retail Warehouse	8,500	2.5%
New Malden, 7 Beverley Way	Retail Warehouse	8,500	2.5%
Luton, Enterprise Way	Retail Warehouse	8,275	2.4%
High Wycombe, Glory Park	Offices	8,150	2.3%
Winchester, 7-8 High St.& 50 Colebrook Street	Retail	7,750	2.2%
Northallerton, Willowbeck Road	Retail Warehouse	7,725	2.2%
Bellshill, Mercury House, Strathclyde Business Park	Offices	7,650	2.2%
Twenty largest property holdings		**230,375**	**66.4%**
Eastleigh, Wide Lane	Industrial	7,650	2.2%
Theale, Maxi Centre, Brunel Road	Industrial	7,200	2.1%
London, 24 Haymarket & 1-2 Panton Street	Retail	7,000	2.1%
St Albans,16,18 & 20 Upper Marlborough Road	Offices	6,375	1.8%
Guildford,51-53 High Street	Retail	5,975	1.7%
Brookwood,The Clock Tower	Offices	5,675	1.6%
Nelson, Churchill Way	Retail Warehouse	5,675	1.6%
Nottingham, Standard Hill	Offices	4,950	1.4%
Newbury, The Triangle, Pinchington Lane	Retail Warehouse	4,925	1.4%
Milton Keynes,Site E Chippenham Drive	Industrial	4,325	1.3%
Thirty largest property holdings		**290,125**	**83.6%**
Nottingham, 21/22 Long Row East and 2/6 King Street	Retail	4,100	1.2%
Sunningdale, 53/79 Chobham Road, Berkshire	Retail	4,000	1.1%
Rayleigh, 81/87 High Street	Retail	3,900	1.1%
Nottingham, 25-27 Bridlesmith Gate	Retail	3,800	1.1%
Kingston upon Thames, 11 Church Street	Retail	3,775	1.1%
Nottingham, Park View House, The Ropewalk	Offices	3,400	1.0%
Redhill, 15 London Road	Offices	3,325	1.0%
Hull, King William House, Market Place *	Offices	3,225	0.9%
Birmingham, 155a/163,High Street, Kings Heath	Retail	3,175	0.9%
Sutton Coldfield, 63-67 The Parade	Retail	3,150	0.9%
Forty largest property holdings		**325,975**	**93.9%**
Edinburgh, 100A Princes Street	Retail	3,125	0.9%
Croydon, 17, 19 & 21 George Street	Retail	3,100	0.9%
Rayleigh, 41-55 High Street	Retail	2,525	0.7%
Gateshead, Sands Road	Retail Warehouse	2,450	0.7%
Swindon, 18/19 Regent Street	Retail	2,375	0.7%
Swindon, Unit 5, Newcombe Drive	Industrial	1,100	0.3%
Middlesbrough, 47/49 Linthorpe Road	Retail	875	0.3%
Newbury, 25 Northbrook Street *	Retail	550	0.2%
Market value of property portfolio		**342,075**	**98.6%**
Unamortised lease incentives		**(5,741)**	**(1.7)%**
Balance sheet carrying value		**336,334**	**96.9%**
Net current assets		**10,719**	**3.1%**
Total assets less current liabilities		**347,053**	**100.0%**

* Leasehold Property

Consolidated Statement of Comprehensive Income

	Notes	Six months to 31 December 2015 (unaudited) £'000	Six months to 31 December 2014 (unaudited) £'000	Year to 30 June 2015 (audited) £'000
Revenue				
Rental income		**9,967**	9,523	18,932
Gains on investment properties	2	**6,341**	17,851	31,665
Total income		**16,308**	27,374	50,597
Expenditure				
Investment management fee		**(1,043)**	(1,007)	(1,974)
Direct operating expenses of let rental property		**(484)**	(396)	(749)
Direct operating expenses of vacant property		**(95)**	(121)	(230)
Provision for bad debts		**19**	(24)	(46)
Administrative fee		**(52)**	(51)	(102)
Valuation and other professional fees		**(110)**	(211)	(266)
Directors' fees		**(70)**	(72)	(126)
Other expenses		**(204)**	(168)	(410)
Total expenditure		**(2,039)**	(2,050)	(3,903)
Net operating profit before finance costs		**14,269**	25,324	46,694
Net finance costs				
Interest receivable		**5**	9	15
Finance costs		**(2,756)**	(2,951)	(5,955)
		(2,751)	(2,942)	(5,940)
Net profit from ordinary activities before taxation		**11,518**	22,382	40,754
Taxation on profit on ordinary activities		**(138)**	(136)	(163)
Net profit for the period		**11,380**	22,246	40,591
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net gain on cash flow hedges, net of tax		**1,435**	524	2,649
Total comprehensive income for the period, net of tax		**12,815**	22,770	43,240
Basic and diluted earnings per share	3	**4.8p**	9.6p	17.5p

This financial information has been prepared on the basis of the accounting standards and policies set out in the Annual Report and Accounts for the year ended 30 June 2015.

All items in the above statement derive from continuing operations.

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

Consolidated Balance Sheet

	Notes	31 December 2015 (unaudited) £'000	31 December 2014 (unaudited) £'000	30 June 2015 (audited) £'000
Non-current assets				
Investment properties	2	**336,334**	314,923	331,874
Current assets				
Trade and other receivables		**7,134**	6,435	6,861
Cash and cash equivalents		**10,828**	6,093	4,656
		17,962	12,528	11,517
Total assets		**354,296**	327,451	343,391
Non-current liabilities				
Interest-bearing bank loan	4	**(108,512)**	(102,988)	(102,986)
Interest rate swap		**–**	(4,234)	(1,929)
		(108,512)	(107,222)	(104,915)
Current liabilities				
Trade and other payables		**(7,093)**	(5,992)	(6,912)
Income tax payable		**(150)**	(193)	(77)
Interest rate swap		**–**	(4,477)	(4,658)
		(7,243)	(10,662)	(11,647)
Total liabilities		**(115,755)**	(117,884)	(116,562)
Net assets		**238,541**	209,567	226,829
Represented by:				
Share capital		**2,387**	2,309	2,339
Special distributable reserve		**174,508**	169,327	170,620
Capital reserve		**60,019**	39,864	53,678
Other reserve		**1,627**	(1,933)	192
Equity shareholders' funds		**238,541**	209,567	226,829
Net asset value per share	5	**99.9p**	90.8p	97.0p

Consolidated Statement of Changes in Equity

	Notes	Six months to 31 December 2015 (unaudited) £'000	Six months to 31 December 2014 (unaudited) £'000	Year to 30 June 2015 (audited) £'000
Opening net assets		**226,829**	192,569	192,569
Net profit for the period		**11,380**	22,246	40,591
Dividends paid	6	**(5,899)**	(5,772)	(11,618)
Movement in other reserve		**1,435**	524	2,649
Issue of ordinary shares		**4,796**	–	2,638
Closing net assets		**238,541**	209,567	226,829

Consolidated Cash Flow Statement

	Six months to 31 December 2015 (unaudited) £'000	Six months to 31 December 2014 (unaudited) £'000	Year to 30 June 2015 (audited) £'000
Cash flows from operating activities			
Net profit for the period before taxation	**11,518**	22,382	40,754
Adjustments for:			
Gains on investment properties	**(6,341)**	(17,851)	(31,665)
Increase in operating trade and other receivables	**(273)**	(374)	(800)
Increase/(decrease) in operating trade and other payables	**140**	(118)	802
Interest received	**(5)**	(9)	(15)
Finance costs	**2,756**	2,951	5,955
	7,795	6,981	15,031
Taxation paid	**(65)**	(320)	(462)
Net cash inflow from operating activities	**7,730**	6,661	14,569
Cash flows from investing activities			
Purchase of investment properties	**–**	(6,935)	(10,054)
Capital expenditure	**(169)**	(22)	(403)
Sale of investment properties	**2,050**	5,272	5,635
Interest received	**5**	9	15
Net cash inflow/(outflow) from investing activities	**1,886**	(1,676)	(4,807)
Cash flows from financing activities			
Shares issued (net of costs)	**4,796**	–	2,638
Dividends paid	**(5,899)**	(5,772)	(11,618)
Bank loan interest paid	**(559)**	(479)	(1,202)
Payments under interest rate swap arrangement	**(7,855)**	(2,414)	(4,697)
Bank loan repaid – Lloyds loan	**(102,000)**	(7,000)	(7,000)
Bank loan drawn down, net of costs – Canada Life	**88,537**	–	–
Bank loan drawn down, net of costs – Barclays	**19,536**	–	–
Net cash outflow from financing activities	**(3,444)**	(15,665)	(21,879)
Net increase/(decrease) in cash and cash equivalents	**6,172**	(10,680)	(12,117)
Opening cash and cash equivalents	**4,656**	16,773	16,773
Closing cash and cash equivalents	**10,828**	6,093	4,656

Notes to the Interim Report

for the six months to 31 December 2015

1. The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), IAS 34 'Interim Financial Reporting' and the accounting policies set out in the statutory accounts of the Group for the year ended 30 June 2015. The condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the Group for the year ended 30 June 2015 which were prepared under full IFRS requirements.

2. Investment properties	**Six month period to 31 December 2015 £'000**
Opening balance sheet carrying value	**331,874**
Opening adjustment for lease incentives	**5,616**
Opening market value	**337,490**
Capital expenditure and purchases	**169**
Sales	**(2,050)**
Gains on investment properties	**6,341**
Movement in lease incentive receivable	**125**
Closing market value	**342,075**
Adjustment for lease incentives	**(5,741)**
Balance sheet carrying value	**336,334**

All the Group's investment properties were valued as at 31 December 2015 by qualified professional valuers working in the company of Cushman & Wakefield, Chartered Surveyors. All such valuers are chartered surveyors, being members of the Royal Institute of Chartered Surveyors ('RICS'). There were no significant changes to the valuation techniques used during the period and these valuation techniques are detailed in the consolidated financial statements as at and for the year ended 30 June 2015. The market value of these investment properties amounted to £342,075,000 (31 December 2014: £320,405,000; 30 June 2015: £337,490,000), however an adjustment has been made for lease incentives of £5,741,000 that are already accounted for as an asset.

3. Earnings per Ordinary Share are based on 235,846,572 Ordinary Shares, being the weighted average number of shares in issue during the period (31 December 2014: 230,855,539 and 30 June 2015: 232,096,635). Earnings for the six months to 31 December 2015 should not be taken as a guide to the results for the year to 30 June 2016.

4. During the period, the Company repaid the £102 million term loan provided by Lloyds Bank plc. This was financed through new borrowings consisting of a £90 million fixed term facility from Canada Life Investments due to expire in November 2026 and a £20 million revolving credit facility from Barclays Bank plc due to expire in November 2020.

At 31 December 2015 borrowings of £110 million were drawn down in full. The balance sheet value is stated at an amortised cost of £108,512,000. Amortised cost is calculated by deducting loan arrangement costs, which are amortised back over the life of the loan.

5. The net asset value per Ordinary Share is based on net assets of £238,541,000 (31 December 2014: £209,567,000 and 30 June 2015: £226,829,000) and 238,705,539 Ordinary Shares (31 December 2014: 230,855,539 and 30 June 2015: 233,855,539), being the number of shares in issue at the period end.

The Company issued 4,850,000 Ordinary Shares during the period for a consideration of £4,796,000. The surplus of net proceeds received from the issue of new shares over the par value of such shares is £4,748,000 and is credited to the special distributable reserve.

6. Dividends paid	**Six months to 31 December 2015**		Six months to 31 December 2014		Year ended 30 June 2015	
	£'000	**Rate (pence)**	£'000	Rate (pence)	£'000	Rate (pence)
Fourth interim dividend	**2,923**	**1.25**	2,886	1.25	2,886	1.25
First interim dividend	**2,976**	**1.25**	2,886	1.25	2,886	1.25
Second interim dividend					2,923	1.25
Third interim dividend					2,923	1.25
	5,899	**2.50**	5,772	2.50	11,618	5.00

A second interim dividend for the year to 30 June 2016, of 1.25 pence per share, will be paid on 31 March 2016 to shareholders on the register at close of business on 11 March 2016.

Notes to the Interim Report

for the six months to 31 December 2015

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

- Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Examples of such instruments would be investments listed or quoted on any recognised stock exchange.
- Level 2 – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be those for which the quoted price has been suspended, forward interest rate contracts and certain other derivative instruments. The fair value of the £90 million eleven year term 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. All investments in direct property are included in Level 3.

There were no transfers between levels of the fair value hierarchy during the six month period ended 31 December 2015.

Other than the fair values stated in the table below, the fair value of all other financial assets and liabilities is not materially different from their carrying value in the financial statements.

	31 December 2015 £'000	31 December 2014 £'000	30 June 2015 £'000
£90 million Canada Life loan 2026	**(91,148)**	–	–
Interest rate swap	**–**	(8,711)	(6,587)

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2015.

8. No Director has an interest in any transactions which are or were unusual in their nature or significant to the Group. F&C Investment Business Limited received fees for its services as Investment Managers. The total charge to the Income Statement during the period was £1,043,000.

9. 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 period. 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 twelve months from the date of the approval of the accounts. For this reason, they continue to adopt the going concern basis in preparing the accounts.

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

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

12. The Group results consolidate those of F&C UK Real Estate Finance Limited, IRP Holdings Limited ('IRPH') and IPT Property Holdings Limited ('IPTH'). IRPH and IPTH are companies incorporated in Guernsey whose principal business is that of an investment and property company. These companies are all 100 per cent owned by the Group's ultimate parent company, which is F&C UK Real Estate Investments Limited.

Statement of Principal Risks and Uncertainties

The Group's assets consist of direct investments in UK commercial property. Its principal risks are therefore related to the UK commercial property market in general but also the particular circumstances of the properties in which it is invested and their tenants. Other risks faced by the Group include market, investment and strategic, regulatory, tax efficiency, financial, reporting, credit and operational risks. The Group is also exposed to risks in relation to its financial instruments. These risks, and the way in which they are mitigated and managed, are described in more detail under the heading 'Principal Risks and Risk Management' within the Business Model and Strategy in the Group's Annual Report for the year ended 30 June 2015. The Group's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Group's financial year.

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

We confirm that to the best of our knowledge:

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

On behalf of the Board

Vikram Lall
Chairman

24 February 2016

Corporate Information

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Vikram Lall (Chairman)
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Mark Carpenter
David Ross
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