F&C UK Real Estate Investments Limited

Interim Report

For the six months ended

31 December 2013

Company Summary

Objective

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

Management

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

Total Assets Less Current Liabilities

£280.8 million at 31 December 2013

Shareholders' Funds

£164.1 million at 31 December 2013

Capital Structure

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

Ordinary shareholders are entitled to all dividends declared by the Company and to all the Company's assets after repayment of its borrowings. As at 31 December 2013 borrowings consisted of a loan drawn down of £109 million on a £115 million revolving credit facility due to expire on 10 January 2017. The loan carries interest at 0.45 per cent over LIBOR for a loan to value ratio less than 40 per cent; this variable rate had been fixed through an interest rate swap on £100 million of the loan drawn down, which matures on 10 January 2017. This swap fixes interest payable on the initial drawdown at 5.58 per cent per annum.

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 18.9 per cent for the 6 months
- Portfolio ungeared total return of 6.6 per cent for the 6 months
- Net asset value per share total return of 11.0 per cent for the 6 months
- Net asset value per share total return since launch of 58.8 per cent
- Dividend of 2.5 pence per share for the period
- Dividend yield of 6.0 per cent as at 31 December 2013

Performance Summary

Total Return	**Six months to 31 December 2013**
Net asset value per share*	**11.0%**
Ordinary Share price*	**18.9%**
Investment Property Databank UK Quarterly Index	**7.4%**
FTSE All-Share Index*	**11.3%**

Capital Values	**31 December 2013**	30 June 2013	Change
Total assets less current liabilities £000's	**280,841**	272,001	3.2%
Net asset value per share	**77.0p**	71.7p	7.4%
Ordinary Share price	**83.5p**	72.5p	15.2%
Investment Property Databank UK Quarterly Index	**97.9**	93.7	4.5%
FTSE All-Share Index	**3,609.6**	3,289.7	9.7%
Premium to net asset value per share	**8.4%**	1.1%	
Net Gearing†	**36.9%**	39.7%	

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

Chairman's Statement

The Group has experienced a strong six months with sentiment towards UK commercial property becoming increasingly positive. The net asset value ('NAV') total return per share for the period was 11.0 per cent with this return being positively impacted by the effects of gearing. The reduction in the swap liability also contributed to this return, increasing the NAV per share by 1.5 pence. The NAV per share at the period end was 77.0 pence.

The share price performance was particularly strong with a total return of 18.9 per cent over the period and the shares trading at a premium to the NAV of 8.4 per cent at the period end, compared to a premium of 1.1 per cent as at 30 June 2013.

With the Company's share price consistently trading at a premium to the NAV during the period, 5 million ordinary shares were issued at a 2.5 per cent premium to the prevailing NAV at the time of issue. This helped to satisfy the continuing demand for the Company's shares and there is a shareholder authority in place to issue a further 21 million shares in the next 12 months, should the need arise.

Property Market

The UK commercial property market has witnessed a marked turnaround in performance which gathered momentum in the six months to 31 December 2013. Total returns at the all property level for standing investments were 7.4 per cent, according to the Investment Property Databank Quarterly Index ('IPD'). The income return during the period was 2.8 per cent with the improvement being driven by a 4.6 per cent rise in capital values.

These returns were in part a reflection of a brightening UK economic outlook and an easing of fears of a disorderly Eurozone collapse. Investment into UK property moved sharply higher in the period, with almost £34 billion invested during the six month period; virtually double the volume seen in the like period a year earlier. The upturn has been broadly based by market segment. Central London has continued to out-perform, and the Rest of South East office market delivered total returns of more than 10 per cent during the six month period. However, all the main IPD segments have seen performance improve, all delivering positive capital growth during this period.

Portfolio

The six month period to 31 December 2013 saw capital value growth returning to the Company's property portfolio with values increasing by 2.6 per cent. The properties in the Industrial sector witnessed the highest growth with values increasing by 3.8 per cent; this was followed by Retail Warehouses which increased by 3.1 per cent. Offices portrayed a mixed picture with West End offices increasing in value by 11.0 per cent, whilst offices in the regions saw values remaining virtually flat. The values of Standard Retail properties increased by 1.6 per cent on average, but again this figure masks the huge differences in capital value growth between the strong, mainly London and South East locations and the less attractive centres where some of the High Streets are dominated by increasing numbers of empty shops.

The properties with the largest increases in capital values were: 14 Berkeley Street London W1, which increased in value by £2.05 million or 11.0 per cent; Echo Park, Banbury saw an increase of £975,000, or 5.9 per cent; and Hemel Gateway, Hemel Hempstead saw an increase of £950,000, an uplift of 12.6 per cent. Conversely the Company was disadvantaged by reductions in values in some of the Rest of UK offices and shop units.

The portfolio delivered an attractive income return of 3.5 per cent, over the six month period to 31 December 2013. The vacancy rate did rise to 5.7 per cent, from 3.1 per cent on 30 June as a result of two industrial units totalling 58,500 square feet becoming vacant following lease expiries. In addition the lease of Unit GP9, Globe Park, Marlow, an office building of 14,300 square feet, expired and this property will be subject to refurbishment. The Manager considers the market to be reasonably strong and the re-letting prospects good; therefore it is expected that the Company's generally excellent record of low voids will be maintained. During the same period successful lettings, with rents totalling £68,800 per annum, were achieved at 57 High Street Southend, 4 King Street Nottingham and 83 High Street Rayleigh.

The Manager continues to seek out all asset management opportunities and is in direct contact with a number of tenants with regards to restructuring or extending leases. The larger of the two units at Hemel Gateway, Hemel Hempstead, with an area of 62,000 square feet and which had been assigned to Majestic Wines Warehouses Ltd earlier in the year was the subject of further property management. The Company agreed to extend the lease which expired in 2020 by a further 10 years and this contributed to the outperformance of this property noted above.

The Manager is bringing forward some of the smaller properties for sale and having disposed of properties in York and South Shields in the previous financial year shortly after the merger, has recently sold 16-20 High Street Wickford for £1.475 million. There are a further three property sales in solicitors hands.

Dividends

The first interim dividend for the year ending 30 June 2014 of 1.25 pence per share was paid in December 2013, with a second interim dividend of 1.25 pence per share to be paid on 31 March 2014 to shareholders on the register on 14 March 2014.

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 5.0 pence per share per annum.

Borrowings

The net gearing level as at 31 December 2013 was 36.9 per cent, which compares with 39.7 per cent as at 30 June 2013 and 40.0 per

Chairman's Statement

cent at launch on 1 June 2004. The fall in the gearing percentage was a combination of the loan drawn down being reduced to £109.0 million from £112.0 million and the increase in the overall market value of the portfolio.

The Group had £8.5 million of cash available at 31 December 2013 and an undrawn loan facility of £6.0 million. The Company continues to maintain a prudent attitude to gearing.

Outlook

Yields have moved inwards and although prime property remains in favour, there are signs that investors are starting to look more closely at opportunities in the regions and for "good secondary" stock. There is a mood amongst investors to move up the risk curve and that perceived threats identified in some secondary property can now be viewed as opportunities. There is a long tail of secondary or tertiary assets in all sectors which may not have any economic potential for further use, but it is a reasonable assumption that the demand for good secondary property will continue to grow. There is much greater letting activity as the UK economy and sentiment improves, bringing forward the potential for rental growth, the reduction of incentives to tenants and the resultant yield compression.

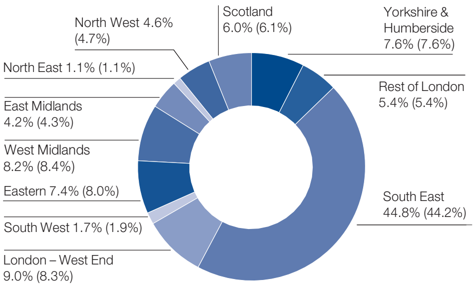
The portfolio is reasonably well positioned with an exposure to London and the South East of 59.2 per cent and key locations in the regions. There are continuing asset management opportunities to add further value and to expand the portfolio by recycling the proceeds of sales and seeking new buying opportunities. The Board believes that the Company's portfolio is well placed to benefit from this period of continued recovery.

Quentin Spicer
Chairman

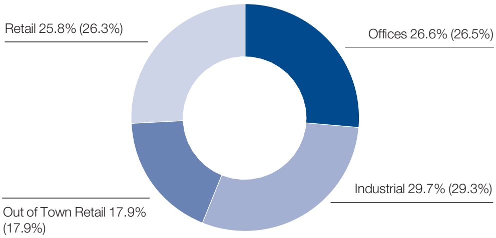
28 February 2014

Portfolio Statistics

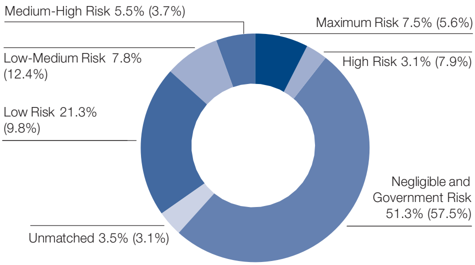
Geographical Analysis
as at 31 December 2013
(figures as at 30 June 2013
in brackets)



Sector Analysis
as at 31 December 2013
(figures as at 30 June 2013
in brackets)

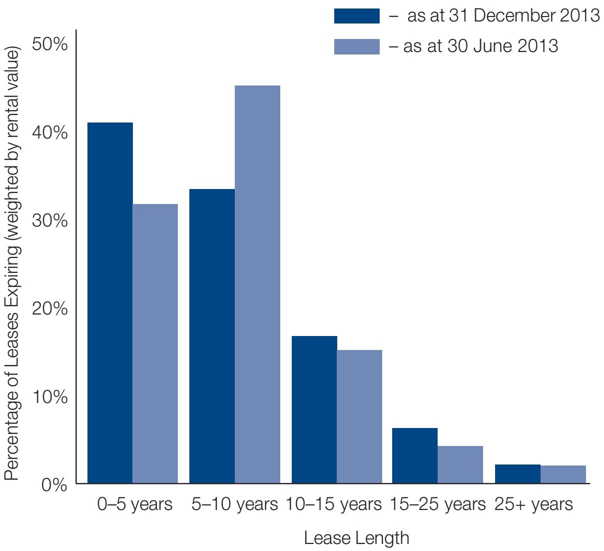


Covenant Strength
as at 31 December 2013
(figures as at 30 June 2013
in brackets)



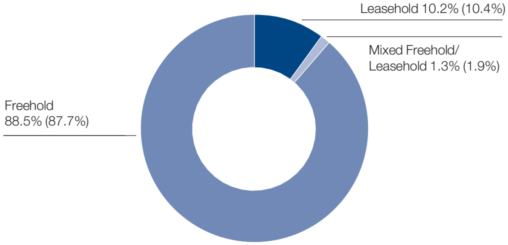
Portfolio Statistics

Lease Expiry Profile



As at 31 December 2013 the average lease length for the portfolio, assuming all break options are exercised, was 7.9 years (as at 30 June 2013: 7.9 years)

Tenure Analysis
as at 31 December 2013 (figures as at 30 June 2013 in brackets)



As measured by Investment Property Databank (IPD)

Property Portfolio

as at 31 December 2013

Property	Sector	Book Cost £'000	Market Value £'000	% of Total Assets (less current liabilities)
London W1, 14 Berkeley Street	Offices	17,750	20,650	7.4%
Banbury, 3663 Unit, Echo Park	Industrial	14,547	17,475	6.2%
Colnbrook, Units 1-8 Lakeside Road	Industrial	11,074	12,000	4.3%
Eastleigh, Southampton International Park	Industrial	11,375	11,350	4.0%
Leamington Spa, 30-40 The Parade & 47/59a Warwick Street	Retail	9,340	10,350	3.7%
York,Clifton Moor Gate *	Retail Warehouse	8,550	9,520	3.4%
Chelmsford, County House, County Square	Offices	8,500	8,800	3.1%
Hemel Hempstead, Hemel Gateway	Industrial	8,510	8,500	3.0%
Luton, Enterprise Way	Retail Warehouse	7,700	7,800	2.8%
Andover, Keens House, Anton Mill Road	Offices	7,600	7,770	2.8%
Ten largest property holdings		**104,946**	**114,215**	**40.7%**
Bellshill, Mercury House, Strathclyde Business Park	Offices	11,680	7,500	2.7%
Bury, Halls Mill Retail Park, Foundry Street	Retail	6,950	7,400	2.6%
New Malden, 7 Beverley Way	Retail Warehouse	7,222	7,250	2.6%
Winchester, 7-8 High St.& 50 Colebrook Street	Retail	4,721	7,100	2.5%
Northallerton, Willowbeck Road	Retail Warehouse	6,909	7,100	2.5%
Bracknell, 1-2 Network Bracknell, Eastern Road	Industrial	6,628	7,050	2.5%
Edinburgh, 1-2 Lochside Way, Edinburgh Park	Offices	15,166	6,600	2.4%
St Albans,16,18 & 20 Upper Marlborough Road	Offices	5,813	6,090	2.2%
Theale, Maxi Centre, Brunel Road	Industrial	5,500	5,750	2.0%
Guildford,51-53 High Street	Retail	3,940	5,500	2.0%
Twenty largest property holdings		**179,475**	**181,555**	**64.7%**
Nelson, Churchill Way	Retail Warehouse	5,568	5,400	1.9%
Rugby, Swift House, Cosford Lane *	Industrial	6,700	5,300	1.9%
Hull, King William House, Market Place *	Offices	5,915	4,850	1.7%
Eastleigh, Wide Lane	Industrial	4,800	4,825	1.7%
Nottingham, Standard Hill	Offices	4,710	4,800	1.7%
London SW1, 24 Haymarket & 1/2 Panton Street *	Retail	3,078	4,800	1.7%
Horsham, Foundry Lane	Industrial	4,750	4,750	1.7%
Brookwood,The Clock Tower	Offices	5,160	4,575	1.6%
Sutton Coldfield, 63-67 The Parade	Retail	4,330	4,250	1.5%
Newbury, The Triangle, Pinchington Lane	Retail Warehouse	4,100	4,225	1.5%
Thirty largest property holdings		**228,586**	**229,330**	**81.6%**
Nottingham, 21/22 Long Row East and 2/6 King Street	Retail	3,575	3,750	1.3%
Swindon, 18/19 Regent Street	Retail	4,500	3,615	1.3%
Rayleigh, 41-55 High Street	Retail	3,450	3,565	1.3%
Milton Keynes,Site E Chippenham Drive	Industrial	4,734	3,550	1.3%
Nottingham, 25-27 Bridlesmith Gate	Retail	3,359	3,525	1.3%
Sunningdale, 53/79 Chobham Road, Berkshire	Retail	1,912	3,480	1.2%
Birmingham, 155a/163,High Street, Kings Heath	Retail	3,450	3,450	1.2%
Edinburgh, 100A Princes Street	Retail	2,395	2,850	1.0%
Croydon, 17, 19 & 21 George Street	Retail	2,980	2,810	1.0%
Kingston upon Thames, 11 Church Street	Retail	2,450	2,735	1.0%
Forty largest property holdings		**261,391**	**262,660**	**93.5%**
Redhill, 15 London Road	Offices	2,700	2,720	1.0%
Romford, King George Close	Industrial	2,330	2,450	0.9%
Brighton,2-3 Pavilion Buildings *	Retail	1,968	2,400	0.9%
Rayleigh, 81/87 High Street.	Retail	1,770	2,300	0.8%
Gateshead, Sands Road	Retail Warehouse	2,382	2,165	0.8%
Guildford, 7/11 Bridge Street	Retail	2,451	1,900	0.7%
Southampton,Units 1 & 2, Above Bar Church *	Retail	4,161	1,850	0.7%
Southend, 49/57 High Street	Retail	1,200	1,275	0.4%
Marlow, Globe Park, Unit GP9	Offices	3,798	1,150	0.4%
Swindon, Unit 5, Newcombe Drive	Industrial	1,280	1,100	0.4%
Fifty largest property holdings		**285,431**	**281,970**	**100.5%**
Middlesbrough, 47/49 Linthorpe Road	Retail	950	925	0.3%
Newbury, 25 Northbrook Street *	Retail	630	500	0.2%
Rochdale, 40 Yorkshire Street	Retail	730	300	0.1%
Market value of property portfolio		**287,741**	**283,695**	**101.1%**
Unamortised lease incentives			**(5,500)**	**(2.0)%**
Balance sheet carrying value			**278,195**	**99.1%**
Net current assets			**2,646**	**0.9%**
Total assets less current liabilities			**280,841**	**100.0%**

* Leasehold Property.

Consolidated Statement of Comprehensive Income

	Notes	Six months to 31 December 2013 (unaudited) £'000	Six months to 31 December 2012 (unaudited)* £'000	Year to 30 June 2013 (audited) £'000
Revenue				
Rental income		**10,159**	5,817	13,791
Gains/(losses) on investment properties	2	**8,569**	(4,273)	(4,313)
Total income		**18,728**	1,544	9,478
Expenditure				
Investment management fee		**(839)**	(554)	(1,242)
Expenses of merger		**(32)**	–	(746)
Direct operating expenses of let rental property		**(385)**	(182)	(398)
Direct operating expenses of vacant property		**(137)**	(74)	(91)
Provision for bad debts		**3**	(44)	(43)
Administrative fee		**(52)**	(37)	(81)
Valuation and other professional fees		**(82)**	(84)	(165)
Directors' fees		**(66)**	(65)	(134)
Other expenses		**(142)**	(133)	(292)
Total expenditure		**(1,732)**	(1,173)	(3,192)
Net operating profit before finance costs		**16,996**	371	6,286
Net finance costs				
Interest receivable		**26**	5	15
Finance costs		**(3,102)**	(1,746)	(4,222)
		(3,076)	(1,741)	(4,207)
Net profit/(loss) from ordinary activities before taxation		**13,920**	(1,370)	2,079
Taxation on profit on ordinary activities		**(320)**	(215)	(479)
Net profit/(loss) for the period		**13,600**	(1,585)	1,600
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Net profit on cash flow hedges net of tax		**3,090**	891	3,783
Net comprehensive gain/(loss) for the period, net of tax		**16,690**	(694)	5,383
Basic and diluted earnings/(loss) per share	3	**6.4p**	(1.4)p	1.2p

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 2013.

All items in the above statement derive from continuing operations.

All of the profit/(loss) for the period is attributable to the owner.

* Prior to the merger with ISIS Property Trust Limited on 11 April 2013.

Consolidated Balance Sheet

	Notes	**31 December 2013 (unaudited) £'000**	31 December 2012 (unaudited)* £'000	30 June 2013 (audited) £'000
Non-current assets				
Investment properties	2	**278,195**	156,065	271,063
Current assets				
Trade and other receivables		**6,389**	3,105	6,362
Cash and cash equivalents		**8,471**	3,136	5,775
		14,860	6,241	12,137
Total assets		**293,055**	162,306	283,200
Non-current liabilities				
Interest-bearing bank loan		**(109,940)**	(68,438)	(112,998)
Interest rate swap		**(6,784)**	(7,828)	(9,888)
		(116,724)	(76,266)	(122,886)
Current liabilities				
Trade and other payables		**(7,187)**	(3,546)	(6,181)
Income tax payable		**(467)**	(262)	(472)
Interest rate swap		**(4,560)**	(2,719)	(4,546)
		(12,214)	(6,527)	(11,199)
Total liabilities		**(128,938)**	(82,793)	(134,085)
Net assets		**164,117**	79,513	149,115
Represented by:				
Share capital		**2,131**	1,105	2,081
Special distributable reserve		**157,222**	88,155	153,929
Capital reserve		**9,329**	800	760
Other reserve		**(4,565)**	(10,547)	(7,655)
Equity shareholders' funds		**164,117**	79,513	149,115
Net asset value per share	4	**77.0p**	72.0p	71.7p

Consolidated Statement of Changes in Equity

	Notes	**Six months to 31 December 2013 (unaudited) £'000**	Six months to 31 December 2012 (unaudited)* £'000	Year to 30 June 2013 (audited) £'000
Opening net assets		**149,115**	84,185	84,185
Net profit/(loss) for the period		**13,600**	(1,585)	1,600
Dividends paid	5	**(5,326)**	(3,978)	(7,956)
Movement in other reserve		**3,090**	891	3,783
Issue of ordinary shares		**3,638**	–	67,503
Closing net assets		**164,117**	79,513	149,115

* Prior to the merger with ISIS Property Trust Limited on 11 April 2013.

Consolidated Statement of Cash Flow

	Six months to 31 December 2013 (unaudited) £'000	Six months to 31 December 2012 (unaudited)* £'000	Year to 30 June 2013 (audited) £'000
Cash flows from operating activities			
Net operating profit/(loss) for the period before taxation	**13,920**	(1,370)	2,079
Adjustments for:			
(Gains)/losses on investment properties	**(8,569)**	4,273	4,313
(Increase)/decrease in operating trade and other receivables	**(20)**	28	1,619
Increase/(decrease) in operating trade and other payables	**1,006**	(86)	(1,646)
Interest received	**(26)**	(5)	(15)
Finance costs	**3,102**	1,746	4,222
	9,413	4,586	10,572
Taxation paid	**(325)**	(114)	(177)
Net cash inflow from operating activities	**9,088**	4,472	10,395
Cash flows from investing activities			
Capital expenditure	**(38)**	(28)	(329)
Sale of investment properties	**1,475**	–	1,522
Cash transferred on merger	**–**	–	658
Interest received	**26**	5	15
Net cash inflow/(outflow) from investing activities	**1,463**	(23)	1,866
Cash flows from financing activities			
Shares issued (net of costs)	**3,638**	–	–
Dividends paid	**(5,326)**	(3,978)	(7,956)
Bank loan interest paid	**(860)**	(342)	(698)
Payments under interest rate swap arrangement	**(2,307)**	(1,389)	(3,228)
Bank loan (repaid)/drawn down	**(3,000)**	3,000	4,000
Net cash outflow from financing activities	**(7,855)**	(2,709)	(7,882)
Net increase in cash and cash equivalents	**2,696**	1,740	4,379
Opening cash and cash equivalents	**5,775**	1,396	1,396
Closing cash and cash equivalents	**8,471**	3,136	5,775

* Prior to the merger with ISIS Property Trust Limited on 11 April 2013.

Notes to the Interim Report

for the six months to 31 December 2013

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 2013. 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 2013 which were prepared under full IFRS requirements.

The Group has adopted the following new standard effective as of 1 January 2013. The following change is also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2014.

- IFRS 13 '*Fair Value Measurement*' (2011). 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. In particular, it unifies the definition of fair value as the price at which an ordinary transaction to sell an asset or to transfer a liability would take place between investor participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 '*Financial Instruments: Disclosures*'. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group has included additional disclosures in this regard (see note 6). The change has no significant impact on the measurement of the Group's assets and liabilities.

2. Investment properties	**Six month period to 31 December 2013 £'000**
Opening valuation	**271,063**
Capital expenditure	**38**
Sales	**(1,475)**
Gains on investment properties	**8,569**
Closing valuation	**278,195**

3. Earnings per Ordinary Share are based on 212,603,916 Ordinary Shares, being the weighted average number of shares in issue during the period (31 December 2012 – 110,500,000 and 30 June 2013 – 132,148,191). Earnings for the six months to 31 December 2013 should not be taken as a guide to the results for the year to 30 June 2014.

4. The net asset value per Ordinary Share is based on net assets of £164,117,000 (31 December 2012 – £79,513,000 and 30 June 2013 – £149,115,000) and 213,050,491 Ordinary Shares (31 December 2012 – 110,500,000 and 30 June 2013 – 208,050,491), being the number of shares in issue at the period end.

5. Dividends paid	**Six months to 31 December 2013**		Six months to 31 December 2012		Year ended 30 June 2013	
	£'000	**Rate (pence)**	£'000	Rate (pence)	£'000	Rate (pence)
Fourth interim dividend	**2,663**	**1.25**	1,989	1.80	1,989	1.80
First interim dividend	**2,663**	**1.25**	1,989	1.80	1,989	1.80
Second interim dividend					1,989	1.80
Third interim dividend					1,989	1.80
	5,326	**2.50**	3,978	3.60	7,956	7.20

A second interim dividend for the year to 30 June 2014, of 1.25 pence per share, will be paid on 31 March 2014 to shareholders on the register at close of business on 14 March 2014.

6. As at 31 December 2013, all of the Group's financial instruments (other than the bank loan) were included in the balance sheet at fair value, which is not materially different from their book value. Borrowings under loan facilities do not have a value materially different from their capital repayment amount.

Notes to the Interim Report

for the six months to 31 December 2013

The following table shows an analysis of the fair values of financial instruments recognised in the balance sheet at 31 December 2013:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
Interest rate swap	–	(11,344)	–	**(11,344)**

The above table categorises financial instruments 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 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – The use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data.

Level 3 – The use of a model with inputs that are not based on observable market data.

There were no transfers between levels of the fair value hierarchy during the six month period ended 31 December 2013.

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 2013.

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

8. No Director has an interest in any transactions which are or were unusual in their nature or significant to the Group. F&C Investment Business Limited received fees for its services as Investment Managers. The total charge to the Income Statement during the period was £839,000 of which £nil remained payable at the period end.

The Directors of the Company received fees for their services totalling £66,000, of which £nil remained payable at the period end.

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

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

Statement of Principal Risks and Uncertainties

The Group's assets consist of direct investments in UK commercial property. Its principal risks are therefore related to the UK commercial property market in general but also the particular circumstances of the properties in which it is invested and their tenants. Other risks faced by the Group include economic, strategic, regulatory, management and control, financial and operational. These risks, and the way in which they are mitigated and managed, are described in more detail under the heading Principal Risks and Uncertainties within the Report of the Directors in the Group's Annual Report for the year ended 30 June 2013. The Group's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Group's financial year.

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

We confirm that to the best of our knowledge:

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

On behalf of the Board

Quentin Spicer
Chairman

28 February 2014

Corporate Information

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Andrew E G Gulliford
Christopher W Sherwell
Graham M Harrison**
Vikram Lall‡

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* Chairman of the Nomination Committee.
** Chairman of the Management Engagement Committee.
‡ Chairman of the Audit Committee.

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