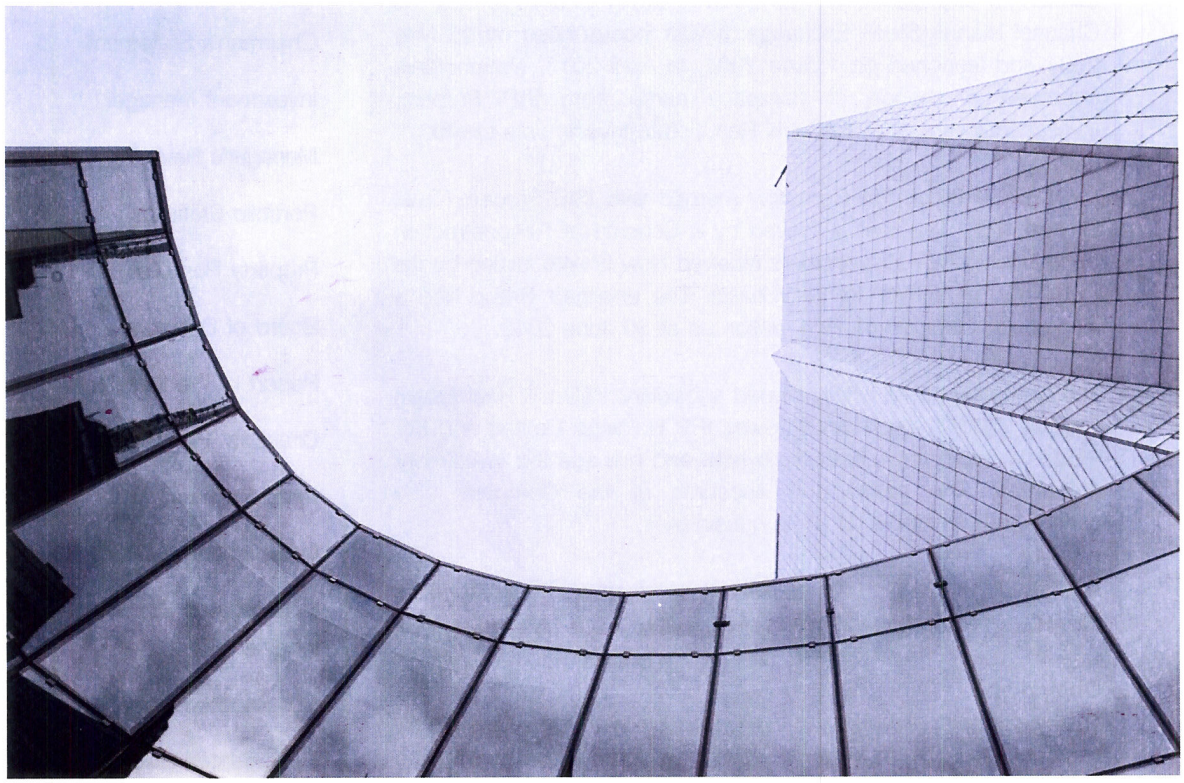


F&C UK Real Estate Investments Limited

(formerly known as IRP Property Investments Limited)

Annual Report and Consolidated Accounts

30 June 2013

F&C Investments

Company Summary

The Company

The Company is an authorised closed-ended Guernsey-registered investment company and its shares are listed on the Official List of the UK Listing Authority and on the Channel Islands Stock Exchange, and traded on the London Stock Exchange and the Channel Islands Stock Exchange. It was incorporated on 10 May 2004 and launched on 1 June 2004. In April 2013, shareholders approved a change of company name from IRP Property Investments Limited to F&C UK Real Estate Investments Limited.

On 11 April 2013, the Company merged with ISIS Property Trust Limited (IPT). This was achieved by a Scheme of Reconstruction through which IPT Shareholders received New Shares issued by the Company on a NAV for NAV basis. The enlarged Group had a market capitalisation of £151 million as at 30 June 2013.

The Company has a wholly owned subsidiary, F&C UK Real Estate Finance Limited which wholly owns IRP Holdings Limited and IPT Property Holdings Limited which hold and manage the investment properties. The report and accounts of the Company also consolidate the results of all its subsidiaries.

At 30 June 2013 total assets less current liabilities were £272.0 million and shareholders' funds were £149.1 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.

Management

The Board has appointed F&C Investment Business Limited as the Company's investment manager and F&C REIT Property Management Limited as the Company's property manager. Both of these companies are part of F&C Asset Management plc group and, collectively, are referred to in this document as 'the Manager'. Further details of the management contract are provided in the Notes to the Accounts.

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

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Financial Highlights

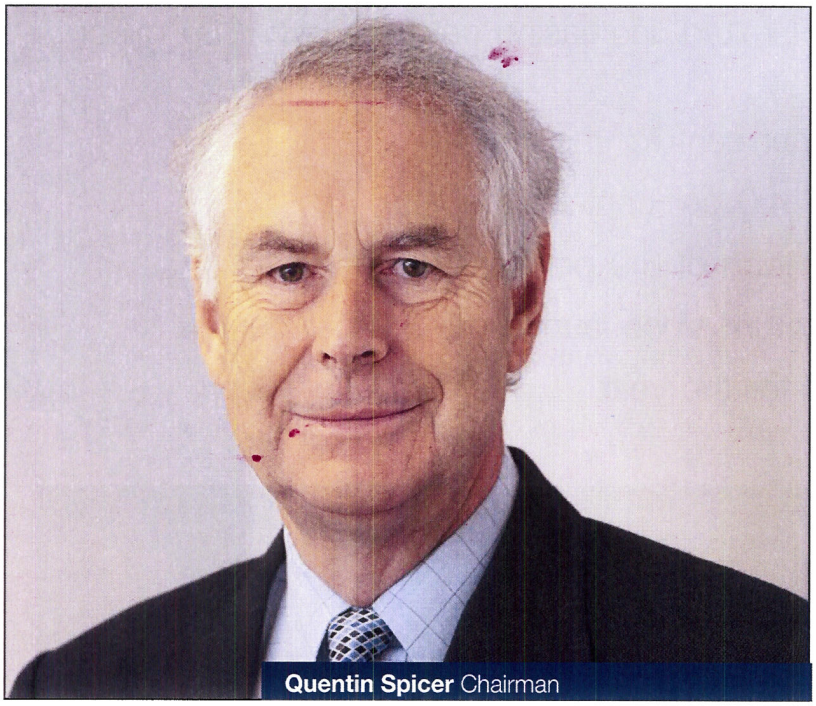
- Merged with ISIS Property Trust Limited, increasing net assets by £89 million at the time of the transaction
- Share price total return of 19.5 per cent for the year
- Portfolio ungeared total return of 4.0 per cent for the year
- Net asset value per share total return of 3.9 per cent for the year
- Net asset value per share total return since launch of 43.0 per cent
- Dividend of 7.2 pence per share for the year

Performance Summary

	Year ended 30 June 2013	Year ended 30 June 2012	Cumulative since launch
Total Return			
Net asset value per share*	**+3.9%**	+0.8%	+43.0%
Ordinary share price*	**+19.5%**	–19.0%	+49.9%
Portfolio ungeared return	**+4.0%**	+5.3%	+71.6%
Investment Property Databank UK Quarterly Index	**+4.8%**	+4.6%	+54.0%
FTSE All-Share Index*	**+17.9%**	–3.1%	+105.7%
	30 June 2013	30 June 2012	% Change
Capital Values			
Total assets less current liabilities (£000's)	**272,001**	158,433	+71.7%
Net asset value per share	**71.7p**	76.2p	-5.9%
Ordinary share price	**72.5p**	66.0p	+9.8%
Investment Property Databank UK Quarterly Index	**93.7**	94.6	-1.0%
FTSE All-Share Index	**3,289.7**	2,891.5	+13.8%
Ordinary share price premium/(discount) to net asset value per share	**1.1%**	(13.4)%	
Net gearing†	**39.7%**	40.4%	
	Year ended 30 June 2013	Year ended 30 June 2012	
Earnings and Dividends			
Earnings per ordinary share#	**1.2p**	2.9p	
Dividends paid per ordinary share§	**7.2p**	7.2p	
Dividend yield‡	**9.9%**	10.9%	
Ongoing Charges			
As a percentage of average net assets**	**2.6%**	2.7%	
As a percentage of average net assets (excluding direct property expenses)**	**2.0%**	2.0%	
	12 month Highs	**12 month Lows**	
Highs/Lows			
Net asset value per share	**76.2p**	**71.0p**	
Ordinary share price	**75.0p**	**57.5p**	
Premium/(discount)	**5.6%**	**(20.1)%**	

* Total return assuming gross dividends reinvested.
† (Bank debt less net current assets, excluding swap liability) ÷ investment properties.
# Earnings per ordinary share include capital losses on investment properties.
§ Calculated on an IFRS basis and therefore excludes the 4th interim dividend for 2012/13 and 2011/12.
‡ Calculated on annualised dividends of 7.2p per share for 2012/2013 and 7.2p for 2011/2012. An analysis of dividend payments is contained in note 7 on page 37.
** Ongoing charges which include direct operating property costs are defined within The Association of Investment Companies Guidelines. A second Ongoing Charges figure is shown which excludes direct operating property costs as these are variable in nature.
Sources: F&C Investment Business, Investment Property Databank ('IPD') and Datastream.

Chairman's Statement



Quentin Spicer Chairman

In April this year the Company completed the merger of its entire assets with the assets of ISIS Property Trust Limited ("IPT"). This was affected through a Scheme of Reconstruction through which IPT Shareholders received New Shares issued by the Company on a NAV for NAV basis. The combination of these complementary property businesses resulted in the enlarged Group which was renamed F&C UK Real Estate Investments Limited ('FCRE'), having a market capitalisation of £151 million at the year end. We believe that this has enhanced liquidity in the shares and increased the attractiveness of the enlarged Group. This transaction resulted in a more diversified property portfolio and has given the Group more flexibility for its future investment strategy. The merged entity will also benefit from a material reduction in the Total Expense Ratio moving forward.

Share price performance has been strong, particularly in the second half of the year and was trading at a premium to net asset value of 1.1 per cent at the year end, with the price at 72.5 pence per share. The share price total return for the year was 19.5 per cent reflecting the shift in sentiment for UK commercial property from the previous year end when the shares were trading at a discount of 13.4 per cent.

The net asset value ('NAV') total return for the year was 3.9 per cent with a NAV as at 30 June 2013 of 71.7 pence per share. The movement in the interest rate swap valuations had a positive impact on the NAV, with the liabilities decreasing by £3.8 million during the year, increasing the NAV per share by 2.4 pence. The swap valuation is significant and reduced the NAV by 6.9 pence per share at the year end; however future movements should reflect positively over time as the liability reduces to nil by the conclusion of the contract in January 2017.

Share Issues

The Company has experienced continued market demand for its shares and subsequent to the year end, the Company has issued 5 million Ordinary Shares of 1 pence each at a price of 73.5 pence per share, a 2.5 per cent premium to the latest published net asset value, as at 30 June 2013. This is the Company's first tap issue since inception.

Property Market and Portfolio

The UK commercial property market as a whole has seen a return to positive quarterly returns, resulting in an annual total return of 4.8 per cent for the year ended 30 June 2013, as measured by the Investment Property Databank ('IPD') Quarterly Funds Index. Capital values fell over the course of the year; although the improvement in the market resulted in a positive capital return during the final three months. Performance in the year to June 2013 remained highly polarised, with Central London offices and shops strongly out-performing.

At 30 June 2013 the portfolio was valued at £276.6 million, returning 4.0 per cent over the twelve months. The range of returns for individual properties and sectors was very diverse with Central London offices being particularly strong. The Manager is continuing with a strategy of disposing smaller and non-performing assets which no longer fit the profile of the enlarged Group. There have been a number of new lettings and lease renewals

and restructures throughout the portfolio which has enabled the Group to maintain the relatively low vacancy rate of 3.2 per cent at the year end and an average weighted unexpired lease term of 7.9 years.

Dividends

Three interim dividends of 1.80 pence per share were paid during the year. As announced on 7 February 2013, as part of the merger proposals and following consultation with larger shareholders, it was proposed that FCRE's dividend would be set at a sustainable level, which was expected to be fully covered by net rental income when the Group was fully invested. In order to achieve this policy the dividend of FCRE will be reduced by approximately 30 per cent to 5.0 pence per share per annum, a yield of 6.9 per cent on the year end share price. Accordingly, a fourth interim dividend of 1.25 pence per share was paid on 27 September 2013, giving a total dividend for the year ended 30 June 2013 of 6.65 pence per share. In the absence of unforeseen circumstances, it is the intention of the Group to continue to pay quarterly interim dividends at the revised rate.

Borrowings

The net gearing level as at 30 June 2013 was 39.7 per cent, which compares with 40.4 per cent as at 30 June 2012 and 40.0 per cent at launch on 1 June 2004.

As part of the merger, the Facilities of the Group and IPT which were previously in place were replaced with a new term and revolving credit loan facility. The New Facility permits a maximum amount of £115 million to be drawn down. The interest rate swaps which were in place for the Group and IPT, and which fix the interest payable in respect of £100 million in aggregate of the existing borrowings, were novated to a subsidiary of the Group, F&C UK Real Estate Finance Limited without any amendments or additional cost. As a condition of obtaining the consent of Lloyds TSB Bank to the merger, the aggregate margin under the New Facility with £112 million drawn down will increase by 0.18 per cent per annum (based on the current loan to value and drawn down amounts) giving a fixed interest rate payable on £100 million of the New Facility of 5.77 per cent per annum (including the margin increase referred to above) and a floating rate which is currently around 1 per cent per annum on the balance. The New Facility is repayable in January 2017, the same repayment date as applied under the previous Facilities. The other terms of the New Facility and related security and finance documents are substantially similar to the terms of the previous Facilities.

The Group had £5.8 million of cash available at 30 June 2013 and an undrawn loan facility of £3 million. It is the Company's intention to maintain a prudent attitude to gearing.

Change in Directorate

On 11 April 2013, following the merger, Vikram Lall, Graham Harrison and Michael Soames who were previously Directors of IPT, were appointed as Directors of the Company. Chris Spencer and Giles Weaver retired from the Board on the same day. Mr Spencer and Mr Weaver have been important members of the Board since the launch of the Company and we thank them for their hard work over the years.

It was with enormous sadness that the Board announced that Michael Soames died suddenly on 2 June 2013. Michael had been a Director of IPT since its launch in October 2003 and had made a valuable contribution over many years. He will be greatly missed by the Board and the Manager.

Outlook

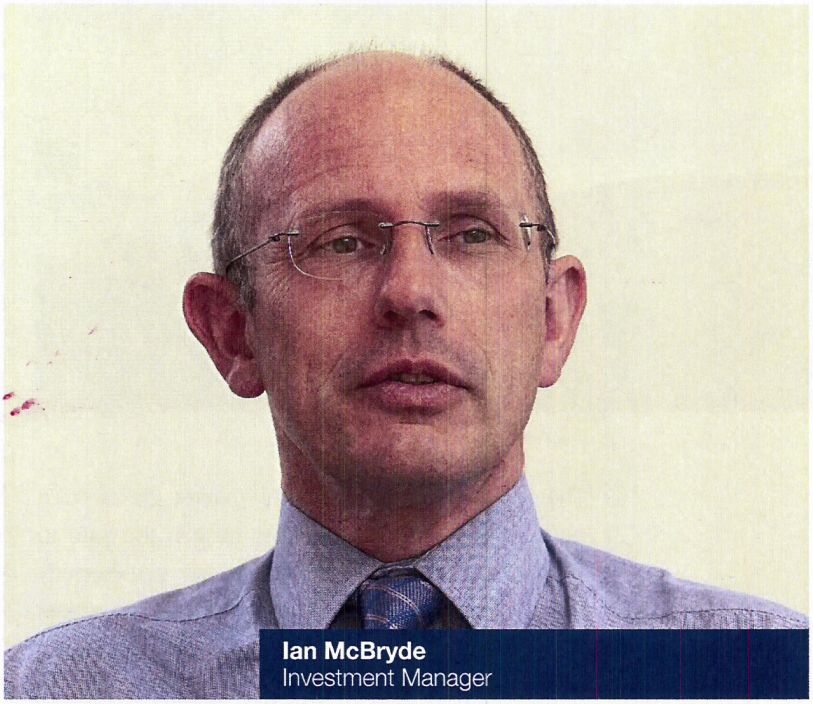
Against a background of some caution, there is a consensus that the property market has reached the low point in this cycle. As the economy improves, increased demand for property should help to support rental growth in areas of tight supply and this is expected to continue to favour well-let property in established locations. The Board believes that the Group's portfolio is well placed to take

Chairman's Statement (continued)

advantage of market conditions and the Manager will continue with the strategy to dispose of smaller properties. This and the recent success in issuing new shares will provide the Group with working capital and allow the Manager to seek new investments for the portfolio.

Quentin Spicer
Chairman
4 October 2013

Investment Manager



Ian McBryde
Investment Manager

Investment Manager

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

F&C is a leading asset manager in both the UK and Europe and has £92.3 billion of funds under management (as at 30 June 2013). 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 £7.8 billion (as at 30 June 2013), and manages property investments on behalf of a wide range of clients including the Company and F&C Commercial Property Trust Limited.

Ian McBryde Investment Manager joined F&C Asset Management plc in 1982 and is a director of F&C REIT Asset Management. He is a fellow of the Royal Institution of Chartered Surveyors.

Manager's Review



1-2 Network, Bracknell

The UK commercial property market delivered a portfolio total return of 4.8 per cent in the year to June 2013, as measured by the Investment Property Databank ("IPD") Quarterly Universe. This represents a modest improvement on the 4.6 per cent return of the previous year. However, in contrast to the previous year, performance saw quarter on quarter improvements.

Performance was supported by a portfolio income return of 5.8 per cent. Although capital values fell over the course of the year, the improvement in the market resulted in a positive out-turn during the final three month period.

The year to June 2013 has seen the UK economy gradually recovering, with GDP turning positive during the latter part of the period, helped by some easing in monetary conditions. The government remains committed to fiscal austerity and the need to re-balance the public accounts, which may limit the speed of the upturn but there are signs that business and consumer sentiment are steadying.

Investment activity in the UK commercial property sector totalled £36 billion in the year to June 2013, more than 15 per cent above the previous year, according to Property Data. The market remains driven by overseas investors, especially for Central London offices. However, the year also witnessed investors broadening their interest to other sectors of the market and to the regions. The low level of gilt yields attracted investors seeking long-term stable income and this has produced intense competition for long-leased and index-linked stock.

The improvement has been largely investment-led and the occupational market has been more subdued, with rental growth patchy and largely focused on Central London. It has remained challenging to grow the income stream given occupier caution, the impact of rising business rates on the ability of tenants to pay higher rents and tenant administrations. Demand is still predominantly driven by negotiating new leases rather than growth.

The property market in the year to June 2013 remained highly polarised, with Central London offices and shops strongly out-performing other regions. Most regions outside London recorded falls in capital values for the full year. This masks an improving tone to much of the regional property market during the three months to June 2013, but the regions were still generally under-performing London.

The retail sector as a whole under-performed the all-property average, affected by subdued consumer spending, margin pressure on retailers and the



14 Berkeley Street, London W1

continued diversion of trade online and to supermarkets. Standard retail properties in the regions and retail warehousing were especially vulnerable but there were bright spots such as London retail and supermarkets. In the office market, double digit annual total returns in the West End contrasted with negative total returns for offices outside London and the South East. The industrial sector also delivered a mixed performance. Distribution warehousing saw total returns improve from a year earlier to out-perform the all-property average but standard industrial properties were weaker. Again, there was a regional dimension with the heartlands of London, the South East and the Midlands out-performing more peripheral locations.



Unit 3663, Echo Park, Banbury

Prime property generally out-performed secondary stock during the year with the disparity especially marked for town centre retail and non-London offices, although there were tentative signs of greater interest in good secondary stock towards the end of the reporting period.

The past year recorded a relatively muted performance but with signs of improvement becoming increasingly apparent.

Portfolio

On 11 April 2013 the Group merged with ISIS Property Trust Limited ("IPT") and was renamed F&C UK Real Estate Investments Limited. The merged Group resulted in a sizeable increase in the size of the portfolio to £276.8 million. This effectively diversified further the property and tenant exposure, provided greater flexibility in banking covenants, and over time will allow the Group to obtain exposure to assets with a larger lot size. The two portfolios both had complementary geographic and sector exposure whilst maintaining an overweight position in London and the South-East.

Previously the Group's portfolio comprised 33 properties with an aggregate market value of £157.9 million and a rent roll of £11.5 million, giving a net initial yield of 6.9 per cent. The IPT portfolio comprised 23 properties with an aggregate market value of £119.2 million and a rent roll of £8.6 million, giving a net initial yield of 6.8 per cent.

At the time of the merger the combined portfolio had an aggregate market value of £276.8 million and a rent roll of £20.1 million, giving a net initial yield of 6.9 per cent.

At 30 June 2013 the portfolio was valued at £276.6 million, which showed an increase in capital value of £1.19 million or 0.4 per cent on a like for like basis



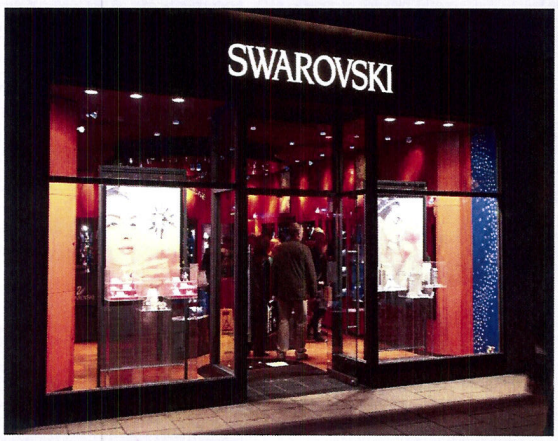
Standard Hill, Nottingham

Manager's Review (continued)



County House, County Square, Chelmsford

over the valuation of the portfolios at merger. There have also been two property sales in the period between merger and the year end. An industrial property at 6 James Street, York and a unit shop at 67/69 King Street, South Shields were sold for a total of £1.52 million, in line with the previously reported valuations.



100 Princes Street, Edinburgh

Over the year to 30 June 2013, the portfolio returned 4.0 per cent, which reflected an income return of 7.1 per cent, but with a capital fall of 2.9 per cent. The range of returns for individual properties and sectors was very diverse. West End offices, which account for 6.7 per cent of the portfolio by value, outperformed and industrial properties, making up 29.3 per cent of the portfolio had positive returns. However, portfolio returns were particularly disadvantaged by Rest of UK offices.

The vacancy rate on the portfolio reduced from 3.7 per cent at the time of the merger to 3.2 per cent as at 30 June. Dreams plc went into administration during the second quarter of 2013 but the Group was able to relet Unit A, Halls Mill Retail Park, Bury virtually immediately. Steinhoff UK Group Properties Limited (trading as Bensons for Beds) took a lease of the 10,000 square foot unit at £150,000 per annum, the same rent as previously paid by Dreams, on a ten year lease with a break at the fifth year and an 18 month rent free period.

The Group negotiated a lease extension with Bunzl UK Limited at the Maxi Centre, Theale which comprises a modern distribution unit of 61,000 square foot. The existing lease, due to expire in September 2014 has been extended until December 2023 (with a tenant's option to break in 2016 and 2018) at a rent of £500,880 per annum with a 10 month rent free period.

There have been a number of smaller lettings and this has enabled the Group to maintain a relatively low vacancy rate. At Above Bar Church, Southampton, the Group secured a new letting of the unit that became vacant earlier in 2012 as a result of Bon Marche going into administration. The unit has now been let to The Works Stores Limited on the basis of a new ten year lease, with a tenant's break at the fifth year, on a stepped rent averaging £120,000 per annum for the first five years, and subject to a six month rent free period. At 67/69 King Street, South Shields, the vacant shop unit was let to Greenwoods Menswear Limited, at a rent increasing to £30,000 per annum on the basis of a five year lease. The property was subsequently sold. At 25 Northbrook Street, Newbury, the tenant renewed its lease for a further five years at £40,000 per annum, but subject to a break at the third year. At George Street, Croydon, the upper floors, used as serviced offices, were re-let for a further 15 years at £21,000 per annum.

In addition the Manager has continued to identify opportunities to extend and re-gear leases in order to add value. As at 30 June the average weighted unexpired lease term was 7.9 years.

Outlook

The market cycle shows signs of having passed its low point, but uncertainties remain. Problems in the Eurozone still need to be resolved and consensus forecasts are for modest UK growth, although it is expected to be sustained over the medium-term. As the economy improves and excess capacity is eliminated, the impact of minimal new development may become increasingly felt, helping to support rental growth in areas of tight supply. More generally, the challenge will continue to be to protect and enhance the income stream from property and this is expected to continue to favour well-let property in established locations.

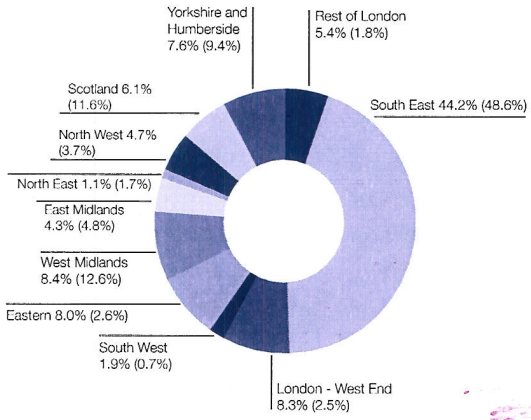
Against this background the Manager believes that the Group's portfolio is well placed to take advantage of improvements in market sentiment and that this will feed through to valuations and occupancy levels. Since the merger with IPT, the Manager has sought to dispose of smaller assets which no longer commensurate with the size of the Group's portfolio and which add little value to ultimate performance. This strategy and the recent success in issuing new shares will allow the Group to reduce borrowings and associated risk. The improved level of working capital also gives the Manager ready access to funds for improvements to property, as well as for restructuring leases with key tenants. Further targeted sales will also enable the Manager to seek new investments and enhance the quality of the Group's portfolio.

Ian McBryde
F&C REIT Asset Management

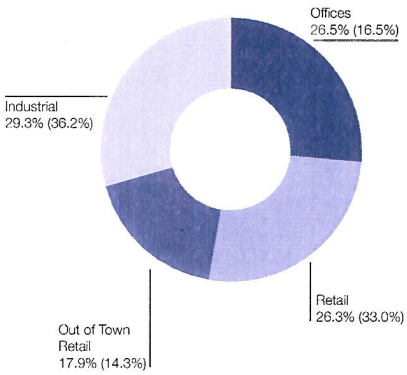
4 October 2013

Portfolio Statistics

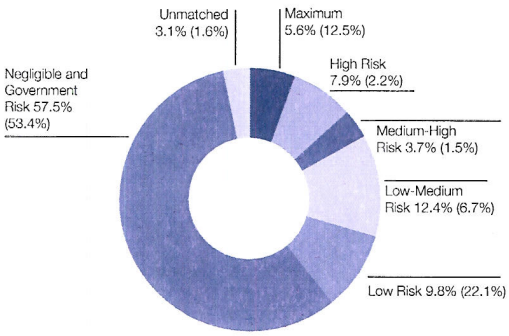
Geographical Analysis
as at 30 June 2013 (prior year comparatives in brackets)



Sector Analysis
as at 30 June 2013 (prior year comparatives in brackets)

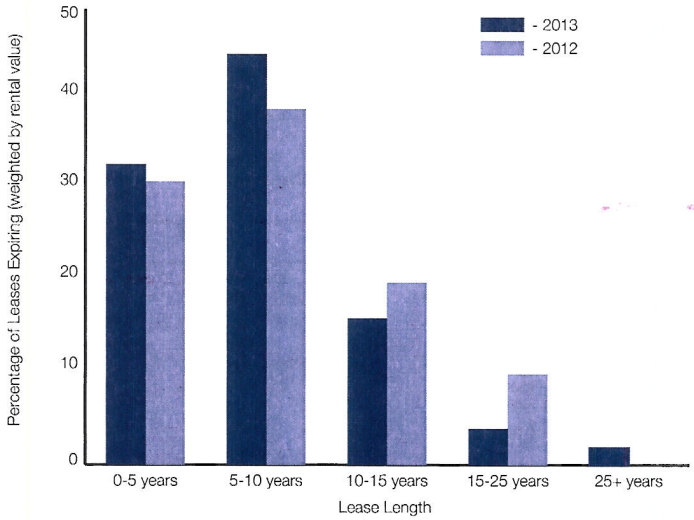


Covenant Strength
as at 30 June 2013 (prior year comparatives in brackets)



As measured by: Investment Property Databank (IPD)

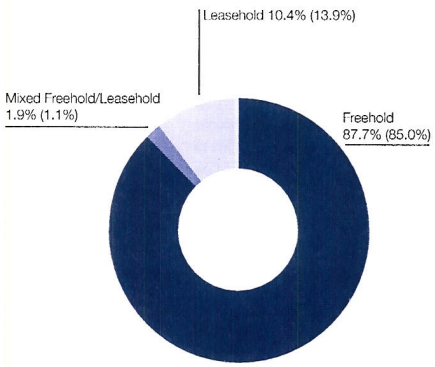
Lease Expiry Profile



As at 30 June 2013 the average lease length for the portfolio, assuming all break options are exercised, was 7.9 years (2012: 8.1 years).

Tenure Analysis

as at 30 June 2013 (prior year comparatives in brackets)

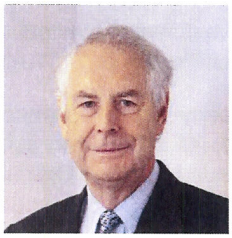


Property Portfolio

Property	Sector	Book Cost £'000	Market Value £'000	% of Total Assets (less Current Liabilities)
London W1, 14 Berkeley Street	Offices	17,750	18,600	6.8%
Banbury, 3663 Unit, Echo Park	Industrial	14,576	16,500	6.1%
Colnbrook, Units 1-8 Lakeside Road	Industrial	11,074	12,000	4.4%
Eastleigh, Southampton International Park	Industrial	11,375	10,585	3.9%
Leamington Spa, 30-40 The Parade & 47/59a Warwick Street	Retail	9,340	10,150	3.8%
York,Clifton Moor Gate *	Retail Warehouse	8,550	8,875	3.3%
Chelmsford, County House, County Square	Offices	8,500	8,500	3.1%
Andover, Keens House, Anton Mill Road	Offices	7,600	7,700	2.8%
Luton, Enterprise Way	Retail Warehouse	7,700	7,700	2.8%
Bellshill, Mercury House, Strathclyde Business Park	Offices	11,680	7,600	2.8%
Ten largest property holdings		**108,145**	**108,210**	**39.8%**
Hemel Hempstead, Hemel Gateway	Industrial	8,510	7,550	2.8%
New Malden, 7 Beverley Way	Retail Warehouse	7,241	7,250	2.7%
Bury, Halls Mill Retail Park, Foundry Street	Retail	6,950	7,150	2.6%
Winchester, 7-8 High St.& 50 Colebrook Street	Retail	4,721	6,800	2.5%
Northallerton, Willowbeck Road	Retail Warehouse	6,909	6,700	2.5%
Bracknell, 1-2 Network Bracknell, Eastern Road	Industrial	6,643	6,650	2.4%
Edinburgh, 1-2 Lochside Way, Edinburgh Park	Offices	15,166	6,600	2.4%
St Albans,16,18 & 20 Upper Marlborough Road	Offices	5,871	5,900	2.2%
Hull, King William House, Market Place *	Offices	5,903	5,500	2.0%
Rugby, Swift House, Cosford Lane *	Industrial	6,700	5,500	2.0%
Twenty largest property holdings		**182,759**	**173,810**	**63.9%**
Theale, Maxi Centre, Brunel Road	Industrial	5,500	5,500	2.0%
Nelson, Churchill Way	Retail Warehouse	5,567	5,400	2.0%
Guildford,51-53 High Street	Retail	3,940	5,250	1.9%
Eastleigh, Wide Lane	Industrial	4,800	4,950	1.8%
Horsham, Foundry Lane	Industrial	4,750	4,750	1.8%
Nottingham, Standard Hill	Offices	4,710	4,750	1.8%
Brookwood,The Clock Tower	Offices	5,160	4,450	1.6%
London SW1, 24 Haymarket & 1/2 Panton Street *	Retail	3,078	4,300	1.6%
Sutton Coldfield, 63-67 The Parade	Retail	4,330	4,250	1.6%
Swindon, 18/19 Regent Street	Retail	4,500	4,150	1.5%
Thirty largest property holdings		**229,094**	**221,560**	**81.5%**
Newbury, The Triangle, Pinchington Lane	Retail Warehouse	4,100	4,100	1.5%
Nottingham, 21/22 Long Row East and 2/6 King Street	Retail	3,575	3,700	1.3%
Milton Keynes, Site E Chippenham Drive	Industrial	4,734	3,550	1.3%
Birmingham, 155a/163,High Street, Kings Heath	Retail	3,450	3,450	1.3%
Rayleigh, 41-55 High Street	Retail	3,450	3,450	1.3%
Nottingham, 25-27 Bridlesmith Gate	Retail	3,359	3,370	1.2%
Sunningdale, 53/79 Chobham Road, Berkshire	Retail	1,912	3,195	1.2%
Croydon, 17, 19 & 21 George Street	Retail	2,980	2,810	1.0%
Edinburgh, 100A Princes Street	Retail	2,395	2,780	1.0%
Redhill, 15 London Road	Offices	2,700	2,680	1.0%
Forty largest property holdings		**261,749**	**254,645**	**93.6%**
Kingston upon Thames, 11 Church Street	Retail	2,450	2,600	1.0%
Romford, Unit 1, King George Close	Industrial	2,330	2,330	0.9%
Rayleigh, 81/87 High Street	Retail	1,770	2,250	0.8%
Gateshead, Sands Road	Retail Warehouse	2,382	2,165	0.8%
Brighton,2-3 Pavilion Buildings *	Retail	1,968	2,000	0.7%
Southampton,Units 1 & 2, Above Bar Church *	Retail	4,161	2,000	0.7%
Guildford, 7/11 Bridge Street	Retail	2,451	1,820	0.7%
Wickford, 12/20 High Street	Retail	1,310	1,600	0.6%
Swindon, Unit 5, Newcombe Drive	Industrial	1,280	1,170	0.4%
Marlow, Globe Park, Unit GP9	Offices	3,796	1,150	0.4%
Fifty largest property holdings		**285,647**	**273,730**	**100.6%**
Southend, 49/57 High Street	Retail	1,200	1,150	0.4%
Middlesbrough, 47/49 Linthorpe Road	Retail	950	925	0.4%
Newbury, 25 Northbrook Street *	Retail	630	500	0.2%
Rochdale, 40 Yorkshire Street	Retail	730	300	0.1%
Market value of property portfolio		**289,157**	**276,605**	**101.7%**
Unamortised lease incentives			**(5,542)**	**(2.0)%**
Balance sheet carrying value			**271,063**	**99.7%**
Net current assets			**938**	**0.3%**
Total assets less current liabilities			**272,001**	**100.0%**

*Leasehold property

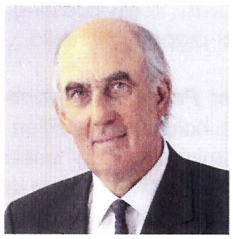
Board of Directors



Quentin Spicer
Chairman
is a resident of Guernsey and chairman of the Guernsey Housing Association LBG, RAB Special Situations Company Limited, Quintain (Guernsey) Limited and Squarestone Brasil Limited. He is also a non-executive director of other property investment funds.



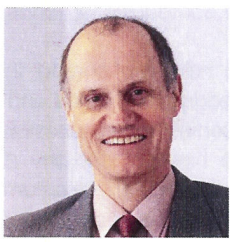
Graham Harrison
was appointed as a Director on 11 April 2013 and is a resident of Guernsey. He is co-founder and managing director of Asset Risk Consultants Limited, an investment consulting practice. He is a non-executive director of a number of investment and asset management companies.



Andrew Gulliford
is a UK resident. He is a chartered surveyor and was, until 1 January 2006, deputy senior partner of Cushman & Wakefield Healey & Baker. He joined one of its predecessor firms in 1972 and was head of the firm's investment group for twelve years until the end of 2002. He advises a number of institutions on property matters and is also a non-executive director of Helical Bar plc and McKay Securities plc, which are listed property companies.



Vikram Lall
Chairman of the Audit Committee
was appointed as a Director on 11 April 2013 and is a UK resident. He is a qualified chartered accountant and was, until 2003, an executive director of Brewin Dolphin Holdings plc with responsibility for corporate finance. Prior to joining Brewin Dolphin, he worked as a corporate financier for many years. He is a non-executive director of a number of companies.



Christopher Sherwell
is a resident of Guernsey. He worked with the Financial Times for thirteen years before becoming a Far East Regional Strategist for Smith New Court Securities in 1990. In 1993 he joined Schroders in the Channel Islands as investment director of Schroders (C.I.) Limited and was managing director from April 2000 to January 2004. He continued as a non-executive director of Schroders (C.I.) Limited before standing down at the end of 2008. He is non-executive chairman of Goldman Sachs Dynamic Opportunities, a London listed company and he is also a non-executive director of various other investment companies.

All directors are non-executive directors of F&C UK Real Estate Investments Limited.

Report of the Directors

The Directors present the report and accounts of F&C UK Real Estate Investments Limited, ('the Group') (formerly IRP Property Investments Limited) for the year ended 30 June 2013.

Results and Dividends

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

The Company has paid interim dividends in the year ended 30 June 2013 as follows:

	Payment date	Rate per share
Fourth interim for prior year	28 September 2012	1.8p
First interim	28 December 2012	1.8p
Second interim	28 March 2013	1.8p
Third interim	28 June 2013	1.8p

It is the policy of the Directors to declare and pay dividends as interim dividends. The Directors do not therefore recommend a final dividend. A fourth interim dividend of 1.25p was paid on 27 September 2013 to shareholders on the register on 13 September 2013. There was a deficit on revenue reserves after the payment of dividends of 1.0p per share.

Company Number: 41870

Principal Activity and Status

The Company is an authorised closed ended Guernsey-registered company and during the year carried on business as a property investment company.

The Company has a wholly-owned subsidiary, F&C UK Real Estate Finance Limited, which wholly owns IRP Holdings Limited and IPT Property Holdings Limited which hold and manage the investment properties.

Business Review

The Board of Directors is responsible for the overall stewardship of the Group, including investment and dividend policies, corporate strategy, corporate governance, and risk management. As set out in the Directors' Responsibility Statement on page 22 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 13. The Company has no executive Directors or employees.

In April this year the Company completed the acquisition of the entire assets of ISIS Property Trust Limited ("IPT"). This was affected through a Scheme of Reconstruction through which IPT Shareholders received New Shares issued by the Company on a NAV for NAV basis. The combination of these complementary property businesses resulted in the enlarged Group which was renamed F&C UK Real Estate Investments Limited ('FCRE'), having a market capitalisation of £151 million at the year end.

The Company has experienced continued market demand for its shares and subsequent to the year end has issued 5 million Ordinary Shares of 1 pence each at a price of 73.5 pence per share, a 2.5 per cent premium to the latest published net asset value, as at 30 June 2013. This is the Company's first tap issue since inception.

Objective

The Group's investment objective is to provide ordinary shareholders with an attractive level of income together with the potential for income and capital growth from investing in a diversified UK commercial property portfolio.

Investment Policy and Management of Assets

The Group holds 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 (including retail warehouses) and industrial.

The Group invests predominantly in income producing investments. Investment decisions are based on analysis of, amongst other things, prospects for future income and capital growth, sector and geographic prospects, tenant covenant strength, lease length, initial and equivalent yields and the potential for development or redevelopment of the property. The Group will not invest in other investment companies or funds.

Investment risks are spread through investing in a range of geographical areas and sectors, and through letting properties, where possible, to low risk tenants. The Group has not set any maximum geographic exposures, but the maximum weightings in the principal property sectors (stated as a percentage of total assets) are: office: 60 per cent; retail: 60 per cent; and industrial: 50 per cent. No single property may exceed 15 per cent of total assets* and the five largest properties may not exceed 45 per cent of total assets.* Income receivable from any one tenant, or tenants within the same group, in any one financial year shall not exceed 20 per cent of the total rental income of the Group in that financial year. At least 90 per cent by value of properties held shall be in the form of freehold, feuhold or long leasehold (over 60 years remaining at the time of acquisition) properties or the equivalent.

The Group uses gearing to enhance returns over the long term. Gearing, represented by borrowings as a percentage of investment properties, may not

**applicable only on acquisition or disposal of a property. does not apply to lettings to the Government of the United Kingdom.*

exceed 60 per cent. However, it is the Board's present intention that borrowings will be limited to a maximum of 40 per cent of total assets at the time of borrowing. The Board receives recommendations on gearing levels from the Manager and is responsible for setting the gearing range within which the Manager may operate. The Group's borrowings are represented by a £112 million bank loan, which is described in more detail in note 13 to the accounts. The gearing level as at 30 June 2013 was 38.0 per cent of total assets.

At each Board meeting, the Board receives a detailed presentation from the Manager together with a comprehensive analysis of the performance of the Group and compliance with investment restrictions during the reporting period. An analysis of how the portfolio was invested as at 30 June 2013 is contained within the Manager's Review on pages 6 to 9 and a full portfolio listing is provided on page 12.

Principal Risks and Risk Uncertainties

The Group's assets consist of direct investments in UK commercial property. Its principal risks are therefore related to the commercial property market in general, but also the particular circumstances of the properties in which it is invested and their tenants. More detailed explanations of these risks and the way in which they are managed are contained under the headings of Credit Risk, Liquidity Risk and Interest Rate Exposure and Market Price Risk in note 18 to the accounts. The Manager also seeks to mitigate these risks through active asset management initiatives and carrying out due diligence work on potential tenants before entering into any new lease agreements. All of the properties in the portfolio are insured.

Other risks faced by the Group include the following:

- Economic - inflation or deflation, economic recessions and movements in interest rates could affect property valuations.
- Strategic - incorrect strategy, including sector and property allocation and use of gearing, could all lead to poor returns for shareholders.
- Regulatory - breach of regulatory rules could lead to suspension of the Group's Stock Exchange listing, financial penalties or a qualified audit report.
- Management and control - changes that cause the management and control of the Group to be exercised in the United Kingdom could lead to the Group becoming liable to United Kingdom taxation on income and capital gains.
- Financial - inadequate controls by the Manager or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations.
- Operational - failure of the Manager's accounting systems or disruption to the Manager's 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.

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 Group's property portfolio, and applies the principles detailed in the internal control guidance issued by the Financial Reporting Council. The Group's internal controls are described in more detail on pages 18 and 19.

The Board and the Manager recognise the importance of the share price relative to net asset value in maintaining shareholder value. The Manager meets with current and potential new shareholders, and with stockbroking analysts who cover the investment trust sector, on a regular basis. In addition, communication of quarterly portfolio information is provided through the Group's website.

Key Performance Indicators

A review of the Group's returns during the financial year, the position of the Company at the year-end, and the outlook for the coming year is contained in the Chairman's Statement and the Manager's Review.

The Board uses a number of performance measures to assess the Group's success in meeting its objectives. The key performance indicators are as follows:

- Net asset value total return.
- Portfolio total return against the Investment Property Databank UK Quarterly Index ('IPD').
- Dividend per share and dividend yield.
- Ongoing charges as a percentage of average net assets (excluding direct property expenses).

Performance against these indicators is contained in the Financial Highlights on page 1, the Chairman's Statement on pages 2 to 4 and/or in the Historic Record on page 48.

The Chairman's Statement contains an outlook for the property market and the future strategy of the Group.

Report of the Directors (continued)

Directors

The Directors who held office during the year and their interests in the shares of the Company as at 30 June (all of which were beneficial) were:

	2013 Ordinary shares	2012 Ordinary shares
Q Spicer	**220,000**	220,000
A E G Gulliford	**144,030**	144,030
C W Sherwell	**20,000**	20,000
C P Spencer[1]	**n/a**	38,000
C G H Weaver[1]	**n/a**	50,000
V Lall[2]	**137,265**	n/a
G M Harrison[2]	**22,895**	n/a
M S Soames[3]	**n/a**	n/a

[1] Retired from the Board on 11 April 2013.

[2] Appointed to the Board on 11 April 2013.

[3] Served on the Board from 11 April 2013, until his death on 2 June 2013.

Between 30 June 2013 and 4 October 2013 there were no changes to Directors' shareholdings.

The Directors are also directors of F&C UK Real Estate Finance Limited and its subsidiary undertakings IRP Holdings Limited and IPT Property Holdings Limited.

As explained in more detail under Corporate Governance on pages 16 to 18, the Board has agreed that all the Directors will retire annually. Accordingly Mr Spicer, Mr Gulliford and Mr Sherwell will retire at the Annual General Meeting and, being eligible, will offer themselves for re-election. Mr Lall and Mr Harrison will also retire at the first Annual General Meeting following their appointment, and will offer themselves for re-election. The Board believes that, following internal performance evaluations, their performance continues to be effective and demonstrates commitment, and believes that it is therefore in the interests of shareholders that they are re-elected.

There are no service contracts in existence between the Company and any Director. Each of the Directors was appointed by a letter of appointment which sets out the main terms of his appointment.

Management

F&C Investment Business Limited provides investment management services to the Group. Details of the agreement between the Group and F&C Investment Business Limited in respect of management services provided is given in note 3 to the accounts.

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

The Directors are satisfied with the Manager's ability to deliver satisfactory investment performance, and the quality of other services provided. It is therefore their opinion that the continuing appointment of the Manager on the terms agreed is in the best interests of shareholders.

Share Capital

As at 30 June 2013 there were 208,050,491 ordinary shares of 1 pence each in issue. Subject to the Articles of Incorporation, all shares rank equally for dividends and distributions and carry one vote each and there are no restrictions concerning the transfer of ordinary shares in the Company. No agreements between the holders of ordinary shares regarding their transfer is known to the Company and there is no agreement which the Company is party to that affects its control following a take over bid.

Substantial Interests in Share Capital

At 30 June 2013 the following holdings representing more than 3 per cent of the Company's issued share capital had been notified to the Company.

	Number of ordinary shares Held	Percentage Held†
F&C Asset Management	36,971,948	17.8
Lloyds Banking Group plc*	22,612,765	10.9
Deutsche Bank AG*	14,551,235	7.0

* Included within these holdings are 5,000,000 shares owned by Deutsche Bank AG but managed by Lloyds Banking Group plc.

† Based on 208,050,491 Ordinary Shares in issue as at 30 June 2013.

Since 30 June 2013, the Company has issued 5 million Ordinary Shares which has increased the number of shares in issue to 213,050,491. Between 30 June 2013 and 4 October 2013, Lloyds Banking Group plc reduced its holdings in the Company to 18,687,865 representing 8.8 per cent of voting rights and Deutsche Bank AG reduced its holding to 12,290,028 representing 5.8 per cent of voting rights (based on 213,050,491 Ordinary Shares in issue as at 4 October 2013).

Corporate Governance

The Company is obliged to comply with the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010, or explain any non compliance. It has always been the Company's policy to comply with best practice on corporate governance and it has in place a framework for corporate governance which it believes is suitable for an investment company.

The Board has also considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (the "AIC Code") and follows the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide") which complements the UK Corporate Governance Code, and provides a framework of best practice for investment companies.

The AIC Code and the AIC Guide are available on the AIC's website, www.theaic.co.uk. The UK Corporate Governance Code is available on the Financial Reporting Council's website, www.frc.org.uk.

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).

The Board has considered the amendments to the UK Corporate Governance Code which apply to accounting periods beginning on or after 1 October 2012. It is the intention of the Board that, except for the matters disclosed below, that the Group will comply fully with the Code throughout the year ended 30 June 2014.

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 (Section A) and, except in so far as they apply to non-executive Directors, on Directors' remuneration, (Section D) are not relevant to the Company, and are not reported on further.

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 that it has met the requirements of the GFSC Code and has therefore not reported further on its compliance with that code. The GFSC Code is available on the Guernsey Financial Services Commission's website, www.gfsc.gg.

The Company's Articles of Association 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 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. Mr Spicer, Mr Sherwell and Mr Gulliford will have served on the Board in excess of nine years at the next Annual General Meeting. The Board does not consider that length of service affects the ability of each Director to act independently and also considers that each Director is independent in character and judgement. The Board do not consider it appropriate for a Senior Independent Director to be appointed as recommended by provision 4.1 of the AIC Code.

The Board consists solely of non-executive Directors of which Mr Q Spicer is Chairman. All Directors are considered by the Board to be independent, (as defined by the AIC Code), of the Group's Manager as at 30 June 2013. New Directors will receive an induction from the Manager and Secretary on joining the Board, and all Directors receive other relevant training as necessary.

The basis on which the Group 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 14 and 15. A management agreement between the Group and its Manager sets out the matters over which the Manager has authority and the limits beyond which Board approval must be sought. All other matters, including strategy, investment and dividend policies, gearing and corporate governance procedures, are reserved for the approval of the Board of Directors. The Board currently meets at least quarterly and receives full information on the Group'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. The committees are the Property Valuation Committee, 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.

The Property Valuation Committee, chaired by Mr A Gulliford, comprises the full Board and is convened for the purpose of reviewing the quarterly independent property valuation reports prior to their submission to the Board.

The Audit Committee, chaired by Mr V Lall, comprises all of the Directors. The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual and Interim Accounts, the system of internal controls and the terms of appointment of the auditor together with its remuneration. It is also the forum through which the external auditor reports to the Board of Directors and meets at least twice yearly. The objectivity of the auditor is reviewed by the Audit Committee which also reviews the terms under which the external auditor is appointed to perform non-audit services. The Committee reviews the scope and results of the audit, its cost-effectiveness and the independence and objectivity of the external auditor, with particular regard to non-audit fees. Such fees amounted to £118,000 for the year ended 30 June 2013 (year ended 30 June 2012: £13,000) and related to the provision of taxation services, reviewing the interim report and services provided on the merger with ISIS Property Trust.

Report of the Directors (continued)

Notwithstanding such services the Audit Committee considers Ernst & Young LLP to be independent of the Group.

The Management Engagement Committee, chaired by Mr Q Spicer, comprises the full Board and reviews the appropriateness of the Manager's continuing appointment together with the terms and conditions thereof on a regular basis.

The Nomination Committee, chaired by Mr Q Spicer, comprises the full Board and is convened for the purpose of considering the appointment of additional Directors as and when considered appropriate. During the year the performance of the Board, committees and individual Directors was evaluated through an assessment process, led by the Chairman. The performance of the Chairman was evaluated by the other Directors.

Individual Directors may, at the expense of the Group, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Group maintains appropriate Directors' and Officers' liability insurance.

Going Concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. They have considered the current cash position of the Group, forecast rental income and other forecast cash flows. The Group has an agreement relating to its borrowing facility 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 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.

Environmental Policy

The Manager acquires, develops and manages properties on behalf of the Group. It is recognised that these activities have both direct and indirect environmental impacts.

The Board has endorsed the Manager's own environmental policy which is to work in partnership with contractors, suppliers, tenants and consultants to minimise those impacts, seeking continuous improvements in environmental performance and conducting regular reviews.

Internal Controls

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The Board has therefore established an ongoing process designed to meet the particular needs of the Group in managing the risks to which it is exposed, consistent with internal control guidance issued by the Financial Reporting Council. The process is based principally on the Manager's existing risk-based approach to internal control whereby a risk matrix is created that identifies the key functions carried out by the Manager and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The risk matrix is regularly updated and the Board is provided with regular reports highlighting all material changes to the risk ratings and confirming the action which has been, or is being, taken. A formal annual review of these procedures is carried out by the Audit Committee and includes consideration of AAF (01/06) and similar reports issued by the Manager and other service providers.

Such review procedures have been in place throughout the year and up to the date of approval

The table below sets out the number of scheduled Board and Committee meetings attended by each Director during the year.

	Board Meetings Attended	Property Valuation Committee Attended	Audit Committee Attended	Management Engagement Committee Attended	Nomination Committee Attended
Q Spicer	3	3	1	1	1
A E G Gulliford	3	3	2	1	1
C W Sherwell	2	2	2	1	1
C P Spencer[1]	2	2	2	1	1
C G H Weaver[1]	2	2	2	1	1
G M Harrison[2]	1	1	0	0	0
V Lall[2]	1	1	0	0	0
M S Soames[3]	1	1	0	0	0

In addition to the scheduled meetings detailed above, there were a further 3 Board Meetings and 4 Board Committee meetings held in Guernsey during the year, attended by non UK resident Directors.

[1] Retired from the Board on 11 April 2013.

[2] Appointed to the Board on 11 April 2013.

[3] Served on the Board from 11 April 2013, until his death on 2 June 2013.

of the Annual Report, and the Board is satisfied with their effectiveness. These procedures are designed to manage rather than eliminate risk and, by their nature can only provide reasonable, but not absolute, assurance against material misstatement or loss.

At each Board meeting the Board monitors the investment performance of the Group in comparison to its stated objective and against comparable companies. The Board also reviews the Group's activities since the last Board meeting to ensure that the Manager adheres to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to such policy and guidelines. In addition, at each Board meeting, the Board receives reports from the Secretary in respect of compliance matters and duties performed on behalf of the Group.

The Board has reviewed the need for an internal audit function. The Board has decided that the systems and procedures employed by the Manager and the Secretary, including their internal audit functions, provide sufficient assurance that a sound system of internal control, which safeguards the Group's assets, is maintained. An internal audit function specific to the Group is therefore considered unnecessary.

Relations with Shareholders

The Group proactively seeks the views of 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 are available to meet shareholders if required. The Notice of Annual General Meeting to be held on 19 November 2013 at 12 noon is set out on pages 46 and 47. It is hoped that this will provide a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors and Manager of the Company.

Directors' Authority to Allot Shares

In accordance with the provisions of the Listing Rules, the directors of an overseas premium listed company are not permitted to allot new shares (or grant rights over shares) for cash without first offering them to existing shareholders in proportion to their existing holdings.

The Board therefore proposes a resolution at this year's Annual General Meeting which, if passed, will continue to disapply pre-emption rights.

Resolution 10 therefore, gives the Directors, for the period until the conclusion of the Annual General Meeting in 2014 or, if earlier, on the expiry of 15 months from the passing of Resolution 10, the necessary authority to either 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 £213,050. This is equivalent to 10 per cent of the issued ordinary share capital of the Company as at 4 October 2013. It is expected that the Company will seek this authority on an annual basis.

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

Directors' Authority to Buy Back Shares

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

Resolution 11, as set out in the notice of the Annual General Meeting, seeks renewed authority for the Company to make market purchases of up to 14.99 per cent of the issued ordinary share capital, such authority to last until the earlier of 31 December 2014 and the Annual General Meeting in 2014. Any buy back of ordinary shares will be made subject to Guernsey law and within any guidelines established from time to time by the Board and the making and timing of any buy backs will be at the absolute discretion of the Board. Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing net asset value of the ordinary shares (as last calculated) where the Directors believe such purchases will enhance shareholder value. The price paid will not be less than the nominal value of 1p per share. Such purchases will also only be made in accordance with the rules of the UK Listing Authority which provide that the price to be paid must not be more than 5 per cent above the average of the middle market quotations for the ordinary shares for the five business days before the shares are purchased. Any shares purchased under this authority will be cancelled or held in treasury.

Disclosure to Auditor

The Directors confirm that, so far as each of the Directors is aware, there is no relevant information of which the Company's auditor is unaware and the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Ernst & Young LLP has expressed its willingness to continue in office as auditor and a resolution proposing its re-appointment will be submitted at the Annual General Meeting.

On behalf of the Board

Q Spicer	G M Harrison
Director	Director
4 October 2013	



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 Group properly and to reflect its specific circumstances. It is intended that this policy will continue for the year ending 30 June 2014 and subsequent years.

The fees for the Directors are determined within the limit set out in the Articles of Incorporation. The present limit is an aggregate of £200,000 per annum. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

The Board comprises only non-executive Directors and considers, at least annually, the level of the Directors' fees, in accordance with the UK Corporate Governance Code. Normally, the Company Secretary provides information on comparative levels of Directors' fees in advance of each review.

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 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
Q Spicer	12/05/2004	AGM 2013
A E G Gulliford	12/05/2004	AGM 2013
C W Sherwell	12/05/2004	AGM 2013
V Lall	11/04/2013	AGM 2013
G M Harrison	11/04/2013	AGM 2013

Company Performance

The Board is responsible for the Group's investment strategy and performance, although the management of the Group's investment portfolio is delegated to the Manager through the investment management agreement. The graph below compares, for the five financial years ended 30 June 2013, the total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total return on a notional investment from the IPD Quarterly Universe. This index was chosen as it is considered a comparable index. An explanation of the performance of the Group for the year ended 30 June 2013 is given in the Chairman's Statement and Manager's 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:

	2013 £	2012 £
Q Spicer	30,000	30,000
A E G Gulliford	25,000	25,000
C W Sherwell	25,000	25,000
C P Spencer[1]	19,520	25,000
C G H Weaver[1]	19,520	25,000
G M Harrison[2]	5,479	–
V Lall[2]	5,699	–
M S Soames[3]	3,562	–
Total	133,780	130,000

[1] Retired from the Board on 11 April 2013.

[2] Appointed to the Board on 11 April 2013.

[3] Served on the Board from 11 April 2013, until his death on 2 June 2013.

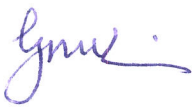
An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting.

On behalf of the board

Q Spicer
Director

G M Harrison
Director

4 October 2013



Directors' Responsibility Statement

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 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 adopted by the EU and applicable law.

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

In preparing these 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 financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 Group 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 Group 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 and the undertakings 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 and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Q Spicer

Chairman

4 October 2013

Independent Auditor's Report

Independent Auditor's Report to the Members of F&C UK Real Estate Investments Limited

We have audited the Group financial statements (the 'financial statements') of F&C UK Real Estate Investments Limited for the year ended 30 June 2013 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Group'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 Group'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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibility Statement set out on page 22, 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 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 Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts 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 30 June 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the matters set out below.

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the 2010 UK Corporate Governance Code[1] specified for our review.

Michael Bane
For and on behalf of
Ernst & Young LLP
Recognised Auditors
Guernsey
Channel Islands
4 October 2013

[1]The UK Corporate Governance Code was issued in May 2010 and applies to financial years beginning on or after 29 June 2010.

Consolidated Statement of Comprehensive Income

for the year ended 30 June	Notes	2013 £'000	2012 £'000
Revenue			
Rental income		**13,791**	11,788
Total revenue		**13,791**	11,788
Losses on investment properties	9	**(4,313)**	(2,483)
		9,478	9,305
Expenditure			
Investment management fee	3	**(1,242)**	(1,137)
Expenses of merger	4	**(746)**	–
Other expenses	4	**(1,204)**	(1,253)
Total expenditure		**(3,192)**	(2,390)
Net operating profit before finance costs		**6,286**	6,915
Net finance costs			
Interest receivable		**15**	12
Finance costs	5	**(4,222)**	(3,453)
		(4,207)	(3,441)
Net profit from ordinary activities before taxation		**2,079**	3,474
Taxation on profit on ordinary activities	6	**(479)**	(303)
Profit for the year		**1,600**	3,171
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net gain/(loss) on cash flow hedges, net of tax		**3,783**	(2,515)
Total comprehensive income for the year, net of tax		**5,383**	656
Basic and diluted earnings per share	8	**1.2p**	2.9p

All items in the above statement derive from continuing operations.

All of the profit for the year is attributable to the owners of the Company.

The accompanying notes 1 to 22 are an integral part of this statement.

Consolidated Balance Sheet

as at 30 June	Notes	2013 £'000	2012 £'000
Non-current assets			
Investment properties	9	**271,063**	160,310
		271,063	160,310
Current assets			
Trade and other receivables	11	**6,362**	3,133
Cash and cash equivalents	12	**5,775**	1,396
		12,137	4,529
Total assets		**283,200**	164,839
Non-current liabilities			
Interest-bearing bank loan	13	**(112,998)**	(65,423)
Interest rate swap	13	**(9,888)**	(8,825)
		(122,886)	(74,248)
Current liabilities			
Trade and other payables	14	**(6,181)**	(3,623)
Income tax payable		**(472)**	(170)
Interest rate swap	13	**(4,546)**	(2,613)
		(11,199)	(6,406)
Total liabilities		**(134,085)**	(80,654)
Net assets		**149,115**	84,185
Represented by:			
Share capital	15	**2,081**	1,105
Special distributable reserve		**153,929**	89,445
Capital reserve		**760**	5,073
Other reserve		**(7,655)**	(11,438)
Equity shareholders' funds		**149,115**	84,185
Net asset value per share	16	**71.7p**	76.2p

The accounts on pages 24 to 45 were approved and authorised for issue by the Board of Directors on 4 October 2013 and signed on its behalf by:

Q Spicer, Director

G M Harrison, Director

The accompanying notes 1 to 22 are an integral part of this statement.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2013

	Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Other Reserve £'000	Revenue Reserve £'000	Total £'000
At 1 July 2012		1,105	89,445	5,073	(11,438)	–	84,185
Profit for the year		–	–	–	–	1,600	1,600
Other comprehensive gains		–	–	–	3,783	–	3,783
Total comprehensive income for the year		–	–	–	3,783	1,600	5,383
Issue of ordinary shares on merger		976	66,527	–	–	–	67,503
Dividends paid	7	–	–	–	–	(7,956)	(7,956)
Transfer in respect of losses on investment properties		–	–	(4,313)	–	4,313	–
Transfer of net deficit for year		–	(2,043)	–	–	2,043	–
At 30 June 2013		**2,081**	**153,929**	**760**	**(7,655)**	**–**	**149,115**

for the year ended 30 June 2012

	Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Other Reserve £'000	Revenue Reserve £'000	Total £'000
At 1 July 2011		1,105	91,747	7,556	(8,923)	–	91,485
Profit for the year		–	–	–	–	3,171	3,171
Other comprehensive losses		–	–	–	(2,515)	–	(2,515)
Total comprehensive income for the year		–	–	–	(2,515)	3,171	656
Dividends paid	7	–	–	–	–	(7,956)	(7,956)
Transfer in respect of losses on investment properties		–	–	(2,483)	–	2,483	–
Transfer of net deficit for year		–	(2,302)	–	–	2,302	–
At 30 June 2012		**1,105**	**89,445**	**5,073**	**(11,438)**	**–**	**84,185**

The accompanying notes 1 to 22 are an integral part of this statement.

Consolidated Cash Flow Statement

for the year ended 30 June	Notes	2013 £'000	2012 £'000
Cash flows from operating activities			
Net profit for the year before taxation		**2,079**	3,474
Adjustments for:			
Losses on investment properties	9	**4,313**	2,483
Decrease in operating trade and other receivables		**1,619**	337
Decrease in operating trade and other payables		**(1,646)**	(181)
Interest received		**(15)**	(12)
Finance costs		**4,222**	3,453
		10,572	9,554
Taxation paid		**(177)**	(216)
Net cash inflow from operating activities		**10,395**	9,338
Cash flows from investing activities			
Purchase of investment properties	9	**–**	(3,359)
Capital expenditure	9	**(329)**	(160)
Sale of investment properties	9	**1,522**	–
Cash transferred on merger	2	**658**	–
Interest received		**15**	12
Net cash inflow/(outflow) from investing activities		**1,866**	(3,507)
Cash flows from financing activities			
Dividends paid	7	**(7,956)**	(7,956)
Bank loan interest paid		**(698)**	(760)
Payments under interest rate swap arrangement	5	**(3,228)**	(2,650)
Bank loan drawn down		**4,000**	5,000
Net cash outflow from financing activities		**(7,882)**	(6,366)
Net increase/(decrease) in cash and cash equivalents		**4,379**	(535)
Opening cash and cash equivalents		**1,396**	1,931
Closing cash and cash equivalents		**5,775**	1,396

The accompanying notes 1 to 22 are an integral part of this statement.

Notes to the Accounts

for the year ended 30 June 2013

1. Significant 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 preparation

(i) Statement of compliance

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 IFRS Interpretations Committee, as adopted by the EU, applicable legal and regulatory requirements of the Companies (Guernsey) Law, 2008 and the Listing Rules of the UK Listing Authority.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis except for investment properties and the interest rate swap which are measured at fair value.

(iii) Presentation currency

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

(iv) Use of estimates and judgements

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. Significant estimates and assumptions are made in the valuation of investment properties held. Further information on the valuation, market risk and sensitivity to market changes are detailed in note 1(f) and note 9.

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.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 9.

(v) Changes in accounting policies

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

- 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 are 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 became 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 always be measured on a sale basis on the asset. The amendment became effective for annual periods beginning on or after 1 January 2012 and does not materially affect the Group.
- In May 2010, the IASB issued Improvements to IFRSs 2010 – incorporating amendments to seven IFRSs. Most of the improvements address matters of detail and have not had a significant impact in practice. None of the amendments had an impact on the Group's financial position or performance.

1. Significant accounting policies (continued)

(vi) New Standards and interpretations not yet adopted

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 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.
- In December 2011, the IASB issued IFRS 7 '*Offsetting Financial Assets and Financial Liabilities*' (Amendments to IFRS 7). These amendments require an entity to disclose information about rights of set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. This standard becomes effective for annual periods beginning on or after 1 January 2013.
- In December 2011, the IASB issued IAS 32 '*Offsetting Financial Assets and Financial Liabilities* (Amendments to IAS 32). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 '*Financial Instruments: Presentation*'. This amendment becomes effective for annual periods beginning on or after 1 January 2014.
- In May 2012, the IASB issued *Annual Improvements to IFRS – the 2009 – 2011 Cycle* – clarifying requirements rather than resulting in substantive changes to current practice. These amendments become effective for annual periods beginning on or after 1 January 2013.

The impact of the adoption of the above mentioned standards/interpretations on the financial statements of the Group is still being assessed. Other standards and interpretations have been issued by the IASB but they are not considered relevant for the purpose of the Group.

Notes to the Accounts (continued)

for the year ended 30 June 2013

1. Significant accounting policies (continued)

(b) Basis of consolidation

The consolidated accounts comprise the accounts of the Company and its subsidiaries drawn up to 30 June each year. The financial statements of the subsidiaries are prepared for the same accounting period as the parent company, using consistent accounting policies.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

(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. Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

Interest income is accounted for on an accruals basis using the effective interest method.

(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

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the Consolidated Statement of Comprehensive Income. Positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation are periodically evaluated and provisions established where appropriate.

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. In determining the expected manner of realisation of an asset the directors consider that the Group will recover the value of investment property through sale. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Consolidated Statement of Comprehensive Income.

(f) Investment properties

Investment properties consist of land and buildings (principally offices, commercial warehouses and retail property) which are not occupied for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are 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 transaction costs associated with the investment property. Any subsequent capital expenditure incurred in improving investment properties is capitalised in the period incurred and included within the book cost of the property.

After initial recognition, investment properties are measured at fair value, with unrealised gains and losses recognised in the Consolidated Statement of Comprehensive Income. Fair value is based on the open market valuation provided by DTZ Debenham Tie Leung Limited, chartered surveyors, at the balance sheet date using recognised valuation techniques suitably adjusted for unamortised lease incentives and lease surrender premiums. 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 Group's assets.

1. Significant accounting policies (continued)

(f) Investment properties (continued)

The determination of the fair 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 fair value of investment properties under construction. These estimates are based on local market conditions existing at the balance sheet date.

Techniques used for valuing investment property

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

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

Investment properties held under finance leases and leased out under operating leases are classified as investment property and stated at fair value.

On derecognition, realised gains and losses on disposals of investment properties are recognised in the Consolidated Statement of Comprehensive Income and transferred to the Capital Reserve.

Recognition and derecognition generally occurs on the exchange of signed contracts between a willing buyer and a willing seller.

(g) 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 the Directors using evidence provided by Lloyds TSB Bank Plc who use a model for the valuation. Transaction costs are expensed immediately.

The effective portion of the 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, while any ineffective portion is recognised immediately in the Consolidated Statement of Comprehensive Income. Amounts recognised in other comprehensive income are taken to a reserve created specifically for that purpose, described as the Other Reserve in the Balance Sheet.

On maturity, early redemption and if the forecast transaction is no longer expected to occur, the unrealised gains or losses arising from cash flow hedges in the form of derivative instruments, initially recognised in the Statement of Changes in Equity, are reclassified to the Consolidated Statement of Comprehensive Income.

The Group considers 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.

(h) Share issue expenses

Incremental external costs directly attributable to an equity transaction that would have otherwise been avoided are written off against the special reserve.

Notes to the Accounts (continued)

for the year ended 30 June 2013

1. Significant accounting policies (continued)

(i) Cash and cash equivalents

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

(j) 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 uncollectible amounts. A provision for doubtful debts is made when amounts are more than three months old unless there is certainty of recovery. Bad debts are written off when identified. Reverse lease surrender premiums and other incentives provided to tenants are recognised as an asset and amortised over the period from the date of lease commencement to the earliest termination date.

(k) Interest-bearing bank loans and borrowings

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

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalised. Otherwise, they are expensed in the period incurred.

On maturity bank loans are recognised at par, which is equivalent to amortised cost. Bank loans redeemed before maturity are recognised at amortised cost with any charges associated with early redemption being taken to the Consolidated Statement of Comprehensive Income.

(l) Operating lease contracts

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases, which recognise rental income over the life of the lease and property.

(m) Reserves

Share capital

Under the Company's Articles of Incorporation, the Company may issue an unlimited number of Ordinary Shares. 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.

Special distributable reserve

The special reserve 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 surplus of net proceeds received from the issue of new ordinary shares over the nominal value of such shares, is credited to this account. The nominal value of the shares issued is recognised in share capital.

Capital reserve

The following are accounted for in this reserve:

– gains and losses on the disposal of investment properties

– increases and decreases in the fair value of investment properties held at the year-end.

Other reserve

The following are accounted for in this reserve:

– movements relating to the interest rate swap arrangement accounted for as a cash flow hedge.

Revenue reserve

Any surplus arising from the net profit on ordinary activities after taxation, after adding back capital gains or losses and after payment of dividends, is taken to this reserve, with any deficit charged to the special reserve.

(n) Business Combinations

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the subsidiary.

2. Scheme of Reconstruction ('the Merger')

In April this year the Company completed the 100 per cent acquisition of ISIS Property Trust Limited ('IPT') (referred to hereafter as the merger). This was affected through a Scheme of Reconstruction through which IPT Shareholders received New Shares issued by the Company on a NAV for NAV basis. The combination of these complementary property businesses resulted in the enlarged Group which was renamed F&C UK Real Estate Investments Limited ('FCRE'), having a market capitalisation of £151 million at the year end. We believe that this has enhanced liquidity in the shares and increased the attractiveness of the enlarged Group.

Net assets of the Group set out below have been prepared to show the effect of the transaction, following the acquisition of the entire trading assets and liabilities of IPT by the Group on 11 April 2013 at fair value. Other Adjustments shown below of £746,000 are the actual expenses of the merger which have been deducted from the cash balance at the year end and charged against expenses in the Statement of Comprehensive Income.

Net Assets of the Group following the merger on 11 April 2013

	Group's Net Assets (excluding IPT) as at 11 April 2013 £'000	IPT's Net Assets as at 11 April 2013 £'000	Other Adjustments £'000	Total £'000
Non-current assets				
Investment properties	155,149	116,259	–	271,408
Current assets				
Trade and other receivables	3,046	4,847	–	7,893
Cash and cash equivalents	2,653	658	(746)	2,565
	5,699	5,505	(746)	10,458
Total assets	160,848	121,764	(746)	281,866
Non-current liabilities				
Interest-bearing bank loan	(68,441)	(43,279)	–	(111,720)
Interest rate swap	(7,402)	(4,936)	–	(12,338)
	(75,843)	(48,215)	–	(124,058)
Current liabilities				
Trade and other payables	(5,772)	(4,204)	–	(9,976)
Interest rate swap	(2,766)	(1,842)	–	(4,608)
	(8,538)	(6,046)	–	(14,584)
Total liabilities	(84,381)	(54,261)	–	(138,642)
Net assets	76,467	67,503	(746)	143,224
Shareholders' funds	76,467	67,503	(746)	143,224

Number of shares in issue as at 11 April 2013	110,500,000
Number of IPT shares in issue pre-merger	75,650,000
Conversion factor:	1.2895*
New shares to be issued (adjusted for fractions)	97,550,491
Shares in issue following the merger	208,050,491

* The conversion factor was calculated using the net asset value of both companies as at 11 April 2013.

Notes to the Accounts (continued)

for the year ended 30 June 2013

2. Scheme of Reconstruction ('the Merger') (continued)

Goodwill	£'000
Fair Value of IPT Net assets as at 11 April 2013	67,503
Fair Value of Net assets Transferred to Group	67,503
97,550,491 shares issued to IPT shareholders at 69.2 pence per share (adjusted for fractions)	67,503
Goodwill	Nil

The Statement of Comprehensive Income of the Group set out below has been prepared to show the effect that the transaction has had between the acquisition date on 11 April 2013 and the year end.

Statement of Comprehensive Income for the Group for the year ended 30 June 2013 which separates out IPT's Income

	Group's Income (excluding IPT) for the year ended 30 June 2013 £'000	IPT's Income for period 11 April 2013 to 30 June 2013 £'000	Total per Statement of Comprehensive Income for year ended 30 June 2013 £'000
Total Revenue	11,664	2,127	13,791
(Losses)/gains on investment properties	(5,001)	688	(4,313)
Total Expenditure	(2,912)	(280)	(3,192)
Net operating profit before finance costs	3,751	2,535	6,286
Net finance costs	(3,707)	(500)	(4,207)
Net profit from ordinary activities before taxation	44	2,035	2,079
Taxation on profit on ordinary activities	(320)	(159)	(479)
(Loss)/profit for the year	(276)	1,876	1,600

The Statement of Comprehensive Income of the Group set out below has been prepared to show the effect that the transaction would have had if the acquisition of IPT had occurred at the start of the financial year.

Statement of Comprehensive Income for the Group for the year ended 30 June 2013 (assuming that merger occurred on 1 July 2012)

	Group's Income (excluding IPT) for the year ended 30 June 2013 £'000	IPT's Income for year ended 30 June 2013 £'000	Total Income for year ended 30 June 2013 £'000
Total Revenue	11,664	8,734	20,398
Losses on investment properties	(5,001)	(2,858)	(7,859)
Total Expenditure	(2,912)	(1,282)	(4,194)
Net operating profit before finance costs	3,751	4,594	8,345
Net finance costs	(3,707)	(2,251)	(5,958)
Net profit from ordinary activities before taxation	44	2,343	2,387
Taxation on profit on ordinary activities	(320)	(347)	(667)
(Loss)/profit for the year	(276)	1,996	1,720

3. Fees

	2013 £'000	2012 £'000
Investment management fee	**1,242**	1,137

The fees of any managing agents appointed by the Manager are payable out of the investment management fee. From 11 April 2013, the Group's Manager receives a fee of 0.6 per cent per annum of the Total Assets (prior to 11 April 2013, the fee was 0.7 per cent per annum of Total Assets), including cash held provided that no fee is payable on any cash held in excess of 5 per cent of the net assets of the Group.

From 11 April 2013 a performance fee is payable equal to 15 per cent of the amount by which the total return of the Group's directly held properties exceeds 115 per cent of the total return on the Group's benchmark and multiplied by the Group's total assets. The Group's benchmark for direct property performance is the IPD total return on direct UK commercial property held by the quarterly index in the IPD universe. The performance fee therefore excludes the impact of cash and/or gearing.

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 0.75 per cent of the average adjusted total 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 0.75 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 the Managers. A performance fee is payable in the event of outperformance of the benchmark even if the total return is negative.

The Manager also receives an administration fee, which from 11 April 2013 was rebased to £100,000 per annum. This fee is recalculated from 1 July each year to reflect movements in the consumer price index.

The notice period in relation to the termination of the investment management agreement is six months by either party.

The investment management 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.

4. Other expenses

	Year ended 30 June 2013 £'000	Year ended 30 June 2012 £'000
Direct operating expenses of let rental property	**398**	440
Direct operating expenses of vacant property	**91**	120
Bad debts	**43**	108
Valuation and other professional fees	**165**	135
Directors' fees	**134**	130
Administration fee payable to the Manager	**81**	73
Auditor's remuneration for:		
– statutory audit	**50**	37
– interim review	**3**	3
– tax services	**20**	10
Other	**219**	197
	1,204	1,253

Expenses of the Merger amounted to £746,000. Of this amount £95,000 was paid to the auditor for tax advice and work performed as the reporting accountant.

The valuers, DTZ Debenham Tie Leung Limited provide valuation services in respect of the property portfolio. An annual fee equal to 0.0225 (2012: 0.0225) per cent of the aggregate value of the property portfolio was paid quarterly.

Notes to the Accounts (continued)

for the year ended 30 June 2013

5. Finance costs

	Year ended 30 June 2013 £'000	Year ended 30 June 2012 £'000
Interest on principal loan amount	**670**	735
Interest in respect of rate swap arrangement	**3,228**	2,650
Write-off of loan set up costs	**278**	–
Amortisation of loan set up costs	**32**	43
Other interest/fees	**14**	25
	4,222	3,453

6. Taxation

	Year ended 30 June 2013 £'000	Year ended 30 June 2012 £'000
Current income tax charge	**479**	303
Total tax charge	**479**	303

A reconciliation of the income tax charge applicable to the results from ordinary activities at the statutory income tax rate to the charge for the year is as follows:

Net profit before taxation	**2,079**	3,474
UK income tax at an effective rate of 20.0 per cent (2012: 20.0 per cent)	**416**	695
Effects of:		
Capital losses on revaluation of investment properties not taxable	**863**	497
Income not taxable, including interest receivable	**(3)**	(2)
Expenditure not allowed for income tax purposes (including set-up costs)	**1,109**	785
Allowable inter company debt financing costs	**(1,962)**	(1,670)
Deferred tax asset not provided for	**(23)**	(2)
Current year income tax charge	**400**	303
Tax relating to prior periods	**79**	–
Total tax charge	**479**	303

The Company is exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 (as amended) as a category B collective investment vehicle, as has its subsidiaries. A fixed annual tax exemption fee of £600 per company is payable to the States of Guernsey in respect of this. No charge to Guernsey taxation will arise on capital gains. At 30 June 2013, 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, as described below.

The Company and its subsidiaries are subject to United Kingdom income tax at 20 per cent (the rate relevant to non-resident landlords) on rental income arising on the property portfolio after deduction of its allowable debt financing costs and other allowable expenses.

7. Dividends

	Year ended 30 June 2013 £'000	Year ended 30 June 2012 £'000
Dividends on Ordinary Shares:		
Fourth interim for the prior year of 1.8 pence per share paid on 28 September 2012 (2011: 1.8 pence)	**1,989**	1,989
First interim of 1.8 pence per share paid on 28 December 2012 (2011: 1.8 pence)	**1,989**	1,989
Second interim of 1.8 pence per share paid on 28 March 2013 (2012: 1.8 pence)	**1,989**	1,989
Third interim of 1.8 pence per share paid on 28 June 2013 (2012: 1.8 pence)	**1,989**	1,989
	7,956	7,956

A fourth interim dividend of 1.25 pence per share was paid on 27 September 2013 to shareholders on the register on 13 September 2013. Although this payment of £2,663,000 relates to the year ended 30 June 2013, under IFRS it will be accounted for in the year ending 30 June 2014.

8. Earnings per share

The basic and diluted earnings per ordinary share are based on the net profit for the year of £1,600,000 (year ended 30 June 2012: £3,171,000) and on 132,148,191 (year ended 30 June 2012: 110,500,000) ordinary shares, being the weighted average number of shares in issue during the year.

9. Investment properties

	Year ended 30 June 2013 £'000	Year ended 30 June 2012 £'000
Freehold and leasehold properties		
Opening market value	**162,820**	161,490
Capital expenditure and purchase of investment properties	**329**	3,519
Investment properties transferred on merger	**116,259**	–
Sales proceeds	**(1,522)**	–
Losses on investment properties	**(4,313)**	(2,483)
Movement in lease incentive receivable	**3,032**	294
Closing market value	**276,605**	162,820
Adjustment for lease incentives	**(5,542)**	(2,510)
Balance sheet carrying value	**271,063**	160,310

All the Group's investment properties were valued as at 30 June 2013 by qualified professional valuers working in the company of DTZ Debenham Tie Leung Limited ('DTZ'), Chartered Surveyors. All such valuers are chartered surveyors, being members of the Royal Institute of Chartered Surveyors ('RICS'). DTZ completed a valuation of Group investment properties at 30 June 2013 on an open market basis in accordance with the requirements of the Appraisal and Valuation Manual published by the RICS. Fair value is determined on a market value basis in accordance with International Valuation Standards (IVS), as set out by the International Valuation Standards Committee (IVSC). The valuation is prepared on an aggregated ungeared basis. It is also determined using market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction as at the valuation date. The critical assumptions made in valuing the properties are detailed in Note 1(f). The market value of these investment properties amounted to £276,605,000 (2012: £162,820,000), however an adjustment has been made for lease incentives of £5,542,000 (2012: £2,510,000) that are already accounted for as an asset.

The properties acquired from ISIS Property Trust Limited had a market value of £119,155,000 at the date of acquisition. An adjustment was made for lease incentives of £2,896,000 already accounted for as an asset.

The property valuer is independent and external to the Group and the Manager.

Notes to the Accounts (continued)

for the year ended 30 June 2013

9. Investment properties (continued)

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 Manager advises the presence of such materials. In arriving at their estimates of market values, the valuers have used their market knowledge and professional judgement and not only relied on historical transactional comparables.

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 6.8 per cent of total assets less current liabilities of the Group. The market values of the properties are shown on page 12. All leasehold investment properties have more than 60 years remaining on the lease term.

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, note 18. There is also uncertainty in respect of valuations as detailed in Market risk, note 18.

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 such properties.

10. Investment in subsidiary undertakings

The Company owns 100 per cent of the issued ordinary share capital of F&C UK Real Estate Finance Limited ('FREF') 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.

In addition to its investment in the shares of IRPH, FREF had lent £128,330,000 to IRPH as at 30 June 2013 (2012: £128,330,000). The principal loan is repayable on 30 May 2014 and is unsecured. Interest is payable in arrears at a fixed rate of 7.65 per cent per annum or such other interest rate that may be agreed from time to time between IRPH and FREF.

In addition to its investment in the shares of IPTH, FREF had lent £87,382,000 to IPTH as at 30 June 2013. This loan is repayable on 10 October 2013 and is unsecured. Interest is payable quarterly in arrears at a fixed rate of 7.43 per cent per annum or such other interest rate that may be agreed from time to time between IPTH and FREF.

Name of subsidiary undertaking	Class of share	% of class held	Country of incorporation
F&C UK Real Estate Finance Limited	Ordinary	100	Guernsey
IRP Holdings Limited	Ordinary	100	Guernsey
IPT Property Holdings Limited	Ordinary	100	Guernsey

The Company's holding represents all the voting rights of F&C UK Real Estate Finance Limited which holds all the voting rights of IRP Holdings Limited and IPT Property Holdings Limited.

11. Trade and other receivables

	2013 £'000	2012 £'000
Rents receivable (net of provision for bad debts)	**524**	457
Other debtors and prepayments	**5,838**	2,676
	6,362	3,133

As at 30 June, the analysis of trade receivables per aged analysis is as follows:

	Total £'000	<30 days £'000	30-60 days £'000	60-90 days £'000	90-120 days £'000	>120 days £'000
2013	**674**	**527**	**(3)**	**–**	**–**	**150**
2012	662	316	4	62	–	280

11. Trade and other receivables (continued)

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 uncollectible amounts. A provision for doubtful debts is made when the amounts are more than 3 months overdue unless there is certainty of recovery. The provision at 30 June 2013 is £150,000 which is the total amount receivable over 120 days per the above table (2012: £205,000).

Included within other debtors and prepayments is the prepayment for rent-free periods recognised over the life of the lease. At 30 June 2013 this amounted to £3,165,000 (2012: £1,725,000). The remaining balance within other debtors and prepayments consists of sundry debtors and the reverse lease surrender premium paid to Banbury, New Malden, Bracknell and St. Albans of £2,377,000 (2012: reverse lease surrender premium paid to Banbury of £785,000).

12. Cash and cash equivalents

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

13. Bank loan and interest rate swap liability

	2013	2012
	£'000	£'000
Facility	**115,000**	75,000
Opening loan drawn down	**65,000**	60,000
Loan drawn during the year pre-merger	**3,000**	5,000
Loan repaid on merger	**(68,000)**	–
New loan drawn down on merger	**111,000**	–
Loan drawn post-merger	**1,000**	–
Set up costs	**(100)**	(427)
Accumulated amortisation of set up costs	**–**	236
Accrued variable rate interest on bank loan	**1,098**	614
Total due	**112,998**	65,423

The Company has a £115 million facility with Lloyds TSB Bank plc ('Lloyds'), of which £112 million is drawn down.

The bank loan is secured on the entire property portfolio of the Group. Under the bank covenants related to the loan, the Company is to ensure that at all times:

- the loan to value percentage does not exceed 60 per cent (this is defined as the ratio of the loan compared to the aggregate of the open market property valuations plus any cash deposits);
- the qualifying adjusted net rental income for any calculation period (any three month period) is not less than 150 per cent of the projected finance costs for that period;
- no single tenant accounts for more than 20 per cent of the total net rental income; #
- the five largest tenants do not account for more than 45 per cent of total net rental income; #
- no single property accounts for more than 15 per cent of the gross secured asset value (this is defined as the sum of the value of the properties as stated in the latest valuations plus any cash deposits); #
- the five most valuable properties do not account for more than 45 per cent of the gross secured asset value; # and
- the gross secured asset value of any group of properties should not exceed 50 per cent for industrial properties, 60 per cent for offices and 60 per cent for retail properties. #

 # applicable only on acquisition or disposal of a property, but monitored on an ongoing basis.

The Company met the covenant tests 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 £100 million of the loan 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 below but excluding margins) and payable at a fixed rate of 5.77 per cent per annum.

Notes to the Accounts (continued)

for the year ended 30 June 2013

13. Bank loan and interest rate swap liability (continued)

The fair value of the liability in respect of the interest rate swap contract at 30 June 2013 is £14,434,000 of which £4,546,000 is treated as a current liability (2012: £11,438,000 of which £2,613,000 is treated as a current liability). This is based on the marked to market value.

Interest accrues on the bank loan at a variable rate, based on LIBOR plus margin and mandatory lending costs and is payable quarterly. The LIBOR rate used is the screen rate available for sterling at 11 am on the date of commencement of each investment period of one month. The margin is 0.475 per cent per annum on a loan to value ratio between 40 and 50 per cent. The amount payable by the Company in respect of the variable LIBOR part of the bank loan is fixed at 5.77 per cent through an interest rate swap against £100 million of the loan. The additional £12 million of the loan drawn down pays interest at one month LIBOR plus 47.5 basis points based on a loan to value ratio between 40 and 50 per cent. Interest on the swap is payable quarterly. The interest rate swap expires on 10 January 2017. The loan is repayable on 10 January 2017.

14. Trade and other payables

	2013	2012
	£'000	£'000
Rental income received in advance	**3,710**	2,302
VAT payable	**886**	514
Manager's fees payable	**438**	302
Other payables	**1,147**	505
	6,181	3,623

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

15. Share capital account and reserves

	£'000
Allotted, called-up and fully paid	
110,500,000 Ordinary Shares of 1 pence each in issue at 30 June 2012	**1,105**
Issue of 97,550,491 Ordinary Shares of 1 pence each on 11 April 2013	**976**
208,050,491 Ordinary Shares of 1 pence each in issue at 30 June 2013	**2,081**

Ordinary shareholders have the right to vote at meetings of the Company. All Ordinary Shares carry equal voting rights.

The capital of the Group is managed in accordance with its investment policy, in pursuit of its investment objective, both of which are detailed in the Report of the Directors on pages 14 and 15 and in note 18.

The Company issued 97,550,491 Ordinary Shares during the year (2012: nil) for a consideration of £67,503,000. The surplus of net proceeds received from the issue of new shares over the par value of such shares is £66,527,000 and is credited to the special distributable reserve.

Capital Risk Management

The objective of the Company is to provide ordinary shareholders with an attractive level of income together with the potential for income and capital growth from investing in a diversified UK commercial property portfolio. In pursuing this objective, the Board has responsibility for ensuring the Company's ability to continue as a going concern. This involves the ability to issue and buy back share capital within limits set by shareholders in general meeting; borrow monies in the short and long term; and pay dividends out of reserves all of which are considered and approved by the Board on a regular basis. Dividends are set out in note 7 to the accounts and borrowings are set out in note 13.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes during the years ended 30 June 2013 or 30 June 2012.

16. Net asset value per share

The net asset value per ordinary share is based on net assets of £149,115,000 (2012: £84,185,000) and 208,050,491 (2012: 110,500,000) ordinary shares, being the number of ordinary shares in issue at the year-end.

17. Related party transactions

No Director has an interest in any transactions which are or were unusual in their nature or significant to the nature of the Group.

F&C Investment Business Limited received fees for its services as Investment Manager. Further details are provided in note 3. The total charge to the Consolidated Statement of Comprehensive Income during the year was £1,242,000 (2012: £1,137,000) of which £438,000 (2012: £302,000) remained payable at the year-end. Property management is delegated to F&C REIT Property Management Limited.

The Directors of the Company received fees for their services. Further details are provided in the Directors' Remuneration Report on pages 20 and 21 and in note 4 on page 35. Total fees for the year were £134,000 (2012: £130,000) of which £nil (2012: £nil) remained payable at the year-end.

The Group has no ultimate controlling party.

18. Financial instruments and investment property

The Group's investment objective is to provide ordinary shareholders with an attractive level of income together with the potential for income and capital 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 cash, receivables, a bank loan, an interest rate swap and payables.

The Group is exposed to various types of risk that are associated with financial instruments. The most important types are credit risk, liquidity risk and market risk (those relating to interest rate changes and pricing movements).

There was no foreign currency risk as at 30 June 2013 or 30 June 2012 as assets and liabilities are maintained in Sterling. The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Group are detailed below.

Credit risk

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

At 30 June 2013 and 2012, the maturity of the Group's financial assets were due within three months:

Financial assets

	2013 Three months or less £'000	2012 Three months or less £'000
Cash	**5,775**	1,396
Rent receivable	**524**	457
Other debtors	**477**	154
	6,776	2,007

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 until it is re-let. The Board receives regular reports on concentrations of risk and any tenants in arrears. The Manager monitors such reports in order to anticipate, and minimise the impact of, defaults by occupational tenants.

Notes to the Accounts (continued)

for the year ended 30 June 2013

18. Financial instruments and investment property (continued)

The Group has a diversified tenant portfolio. The maximum credit risk from the rent receivables of the Group at 30 June 2013 is £524,000 (2012: £457,000). Rental deposits from tenants at 30 June 2013 were £449,000 (2012: £159,000).

It is the practice of the Group to provide for rental debtors greater than three months overdue unless there is certainty of recovery. At 30 June 2013 the provision was £150,000 (2012: £205,000). Of this amount £nil was subsequently written off and £nil has been recovered.

All of the cash is placed with financial institutions with a credit rating of A or above. Bankruptcy or insolvency 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, the Manager would move the cash holdings to another financial institution.

The Group can also spread counterparty risk by placing cash balances with more than one financial institution. The Directors consider the residual credit risk to be minimal.

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 in which the Group invests is 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 Manager and monitored on a quarterly basis by the Board.

In certain circumstances, the terms of the Group's bank loan (detailed in note 13) entitles the lender to require early repayment for example if covenants are breached, 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.

At the reporting date, the maturity of the Group's liabilities was:

Financial liabilities 2013

	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Bank loan	1,439	1,022	117,046	119,507
Interest rate swap	1,136	3,410	9,888	14,434
Trade and other payables	1,585	–	–	1,585
	4,160	4,432	126,934	135,526

Financial liabilities 2012

	Three months or less £'000	More than three months but less than one year £'000	More than one year £'000	Total £'000
Bank loan	796	553	68,025	69,374
Interest rate swap	653	1,960	8,825	11,438
Trade and other payables	807	–	–	807
	2,256	2,513	76,850	81,619

18. Financial instruments and investment property (continued)

Interest rate exposure

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 tables below set out the carrying amount of the Group's financial instruments that are exposed to interest rate risk.

As at 30 June 2013

	Within 1 year £'000	Between 1-5 years £'000	More than 5 years £'000	Total £'000
Floating rate				
Cash	5,775	–	–	5,775
Bank loan	–	(112,000)	–	(112,000)
Fixed rate				
Interest rate swap	(4,546)	(9,888)	–	(14,434)
	1,229	(121,888)	–	(120,659)

As at 30 June 2012

	Within 1 year £'000	Between 1-5 years £'000	More than 5 years £'000	Total £'000
Floating rate				
Cash	1,396	–	–	1,396
Bank loan	–	(65,000)	–	(65,000)
Fixed rate				
Interest rate swap	(2,613)	(8,825)	–	(11,438)
	(1,217)	(73,825)	–	(75,042)

Interest is receivable on cash at a variable rate. At the year-end rates receivable ranged from 0.37 per cent on current account balances to 0.53 per cent for deposit account balances. Interest is payable on the bank loan at a variable rate of LIBOR plus a margin of 0.475 per cent. The effect of the interest rate swap is to fix interest payable at 5.77 per cent per annum. The effective rate of interest on the loan is 0.98 per cent. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year.

Exposure varies throughout the year as a consequence of changes in the composition of the net assets of the Group arising out of the investment and risk management policies.

In addition, tenant deposits are held in interest-bearing bank accounts. These accounts earn interest at base rate less 0.75 per cent and receive no interest at this time as the base rate is too low. Interest accrued on these accounts is paid to the tenant.

The Group's exposure to interest rate risk relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest rate risk using an interest rate swap, in which the Group has agreed to exchange the difference between fixed and variable interest amounts, calculated by reference to an agreed upon notional principal amount. The swap is designed to fix the interest payable on the loan. The interest rate swap covers £100 million of the loan and has the same duration. Interest fixing periods are identical and on this basis the swap contract complies with IAS 39's criteria for hedge accounting.

An increase of 0.5 per cent in interest rates as at the reporting date would have increased net assets by £1.8 million (2012: £1.4 million) and reduced the reported profit by £31,000 (2012: reduced profit by £18,000). A decrease of 0.5 per cent would have reduced net assets by £1.8 million (2012: £1.4 million) and increased the reported profit by £31,000 (2012: increased profit by £18,000). These movements principally relate to the valuation of the interest rate swap. These movements are calculated as at 30 June 2013 which may not be reflective of actual future conditions.

18. Financial instruments and investment property (continued)

Market price risk

As at 30 June 2013, all of the Group's financial instruments (other than the bank loan) were included in the balance sheet at fair value, which in the opinion of the Directors is not materially different from their book value.

Any changes in market conditions will directly affect the profit/loss reported through the Consolidated Statement of Comprehensive Income. Details of the Group's investment property portfolio at the balance sheet date are disclosed on page 12. A 10 per cent increase in the value of the investment properties held as at 30 June 2013 would have increased net assets available to shareholders and increased the net income for the year by £27.1 million (2012: £16.0 million); an equal change in the opposite direction would have decreased net assets and decreased the net income by an equivalent amount.

The calculations above are based on investment property valuations at the respective balance sheet dates and are not representative of the year as a whole, nor reflective of future market conditions.

Fair values of financial assets and liabilities

In the opinion of the Directors there is no material difference between the carrying value and fair value of assets and liabilities that are included in the financial statements on a basis other than fair value.

The Directors and Manager regularly review the principles applied by the property valuers to ensure that they comply with the Group's accounting policies and with fair value principles.

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments recognised in the balance sheet by level of the fair value hierarchy*:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
30 June 2013				
Interest rate swap	–	(14,434)	–	(14,434)
30 June 2012				
Interest rate swap	–	(11,438)	–	(11,438)

*Explanation of fair value hierarchy:

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.

19. Capital commitments

The Group had no capital commitments as at 30 June 2013 (2012: £nil).

20. Lease length

The Group leases out its investment properties under operating leases.

The future income based on the lessor lease length (all break options being exercised) at the year-end was as follows (based on annual rentals):

	2013	2012
	£'000	£'000
Less than one year	**19,241**	11,460
Between one and five years	**62,372**	38,049
Over five years	**74,789**	44,229
Total	**156,402**	93,738

The largest single tenant at the year end accounted for £1.2 million and 6.3 per cent of the current annual rental income (2012: £1.3 million and 11.6 per cent of current annual rental income).

The unoccupied property expressed as a percentage of estimated total rental value was 3.2 per cent at the year-end (2012: 5.4 per cent).

The Group has entered into commercial property leases on its investment property portfolio as a lessor. 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 between 5 and 15 years.

Analyses of the nature of investment properties and leases are provided in 'Portfolio Statistics' on pages 10 and 11.

21. Operating segments

The Board has considered the requirements of IFRS8 'Operating Segments'. The Board is of the opinion 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 of 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 consolidated financial statements. The portfolio statistics are shown on pages 10 and 11.

22. Post Balance Sheet Events

The Company has issued 5 million Ordinary Shares of 1 pence each at a price of 73.5 pence per share, a premium to the prevailing net asset value of 2.5 per cent.

Notice of Annual General Meeting

Notice is hereby given that the ninth Annual General Meeting of F&C UK Real Estate Investments Limited will be held at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL on 19 November 2013 at 12 noon for the following purposes.

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

1. That the Annual Report and Accounts for the year ended 30 June 2013 be received and approved.
2. That the Directors' Remuneration Report for the year ended 30 June 2013 be received and approved.
3. That Mr C W Sherwell, who retires annually, be re-elected as a Director.
4. That Mr Q Spicer, who retires annually, be re-elected as a Director.
5. That Mr A E G Gulliford, who retires annually, be re-elected as a Director.
6. That Mr V Lall be elected as a Director.
7. That Mr G Harrison be elected as a Director.
8. That Ernst & Young LLP, be re-appointed as Auditor until the conclusion of the next Annual General Meeting.
9. That the Directors be authorised to determine the Auditor's Remuneration.

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

10. That the Directors of the Company be and they are hereby generally empowered, to allot ordinary shares in the Company or grant rights to subscribe for, or to convert securities into ordinary shares in the Company ("equity securities"), including the grant of rights to subscribe for, or to convert securities into ordinary shares held by the Company as treasury shares for cash as if any pre-emption rights in relation to the issue of shares 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 of £213,050 being 10 per cent of the nominal value of the issued share capital of the Company, as at 4 October 2013.

11. That the Company be authorised, in accordance with section 315 of the Companies (Guernsey) Law, 2008 (the 'Law'), to make market purchases (within the meaning of section 316 of the Law) of Ordinary Shares of 1p each ("Ordinary Shares") (either for retention as treasury shares 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 on 31 December 2014 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2014, 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.

By order of the Board
Northern Trust International Fund Administration Services (Guernsey) Limited
Secretary
Trafalgar Court, Les Banques
St Peter Port, Guernsey GY1 3QL

4 October 2013

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. More than one proxy may be appointed provided each proxy is appointed to exercise the rights attached to different shares. A proxy need not be a member of the Company.
2. 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 Computershare Investor Services (Guernsey) Limited, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not later than 12 noon on 15 November 2013.
3. The completion and return of the form of proxy will not preclude you from attending the Meeting. If you have appointed a proxy and attend the Meeting in person your proxy appointment will remain valid and you may not vote at the Meeting in person unless you have provided a hard copy notice clearly stating your intention to revoke you proxy appointment to Computershare Investor Services (Guernsey) Limited, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not later than 12 noon on 15 November 2013. In the case of a member which is an individual, the revocation notice must be under the hand of the appointer or of his attorney duly authorised in writing or in the case of a member which is a company, the revocation notice must be executed under its common seal or under the hand of an officer of the company or an attorney duly authorised. Any power of attorney or any other authority under which the revocation notice is signed (or a notarily certified copy of such power or authority under which the revocation notice is signed) must be included with the revocation notice.
4. 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 12 noon on 15 November 2013. 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.
5. The Memorandum and Articles of Incorporation and the Directors' letters of appointment will be available for inspection for fifteen minutes prior to the Annual General Meeting and during the meeting itself.
6. As at 4 October 2013, the latest practicable date prior to publication of this document, the Company had 213,050,491 ordinary shares in issue with a total of 213,050,491 voting rights.
7. Any person holding three per cent 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.

Shareholder Information

Dividends

Ordinary dividends are paid quarterly in March, June, September and December each year. 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 Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL 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 and the Channel Islands 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 Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL 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 GY1 3QL. Additional information regarding the Company may also be found at its website addresses which are:

www.fcre.co.uk
www.fcre.gg

Financial Calendar 2013/14

19 November 2013	Annual General Meeting
December 2013	Payment of first interim dividend
February 2014	Announcement of interim results
February 2014	Posting of Interim Report
March 2014	Payment of second interim dividend
June 2014	Payment of third interim dividend
September 2014	Announcement of annual results
September 2014	Posting of Annual Report
September 2014	Payment of fourth interim dividend

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/ (loss) per ordinary share p	Dividends paid per ordinary share p	Ongoing charges* %
1 June 2004 (launch)	176,814	106,152	96.0	100.0	4.2	–	–	–
30 June 2005	202,007	124,478	112.6	124.5	10.6	26.2	5.615	1.8
30 June 2006	231,118	157,136	142.2	142.5	0.2	33.1	6.750	1.7
30 June 2007	236,703	176,377	159.6	125.5	(21.4)	18.8	6.876	1.5
30 June 2008	191,773	133,657	121.0	75.0	(38.0)	(30.4)	7.210	1.5
30 June 2009	146,844	80,535	72.9	57.5	(21.1)	(33.4)	7.20	1.9
30 June 2010	162,095	94,328	85.4	84.3	(1.3)	23.6	7.20	1.8
30 June 2011	158,217	91,485	82.8	90.0	8.7	3.3	7.20	1.7
30 June 2012	158,433	84,185	76.2	66.0	(13.4)	2.9	7.20	2.0
30 June 2013†	**272,001**	**149,115**	**71.7**	**72.5**	**1.1**	**1.2**	**7.20**	**2.0**

*as a percentage of average net assets (excluding direct property expenses).
† post the merger with ISIS Property Trust

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 Financial Conduct Authority ('FCA') before getting involved by visiting **www.fca.org.uk/firms/systems-reporting/register**
- Report the matter to the FCA by calling **0800 111 6768**
- If the calls persist, hang up.

More detailed information on this can be found on the FCA website **www.fca.org.uk/consumers/scams**

Corporate Information

Directors (all non-executive)
Quentin Spicer (Chairman)‡
Andrew E G Gulliford
Christopher W Sherwell
Graham M Harrison
Vikram Lall*

Registered Office
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Secretary
Northern Trust International Fund Administration Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL
Tel: 01481 745001

Investment Manager
F&C Investment Business Limited
80 George Street
Edinburgh EH2 3BU
Tel: 0207 628 8000

Property Manager
F&C REIT Property Management Limited
5 Wigmore Street
London W1U 1PB

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

Auditor
Ernst & Young LLP
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey GY1 4AF

Guernsey Legal Advisers
Mourant Ozannes
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP

UK Corporate Legal Advisers
Dickson Minto WS
Broadgate Tower
20 Primrose Street
London EC2A 2EW

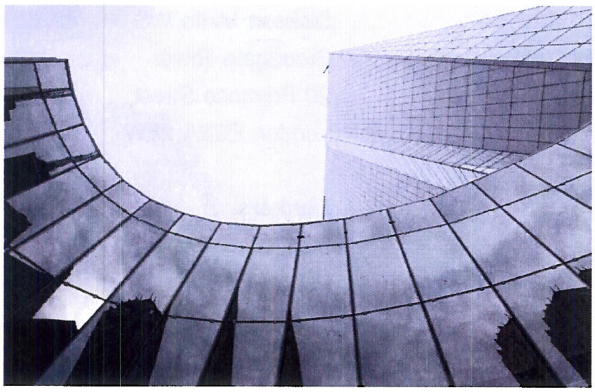
Bankers
RBS International
PO Box 62
1 Glategny Esplanade
St Peter Port
Guernsey GY1 4BQ

Lloyds TSB Bank PLC
Lochrin Square
92 Fountainbridge
Edinburgh EH3 9QA

Corporate Brokers
Cenkos Securities plc
6.7.8 Tokenhouse Yard
London EC2R 7AS

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

Website:
www.fcre.co.uk
www.fcre.gg



Registered Office

PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL
Tel: 01481 745001

Registrars

Computershare Investor Services (Guernsey) Limited
3rd Floor, Natwest House
Le Truchot
St Peter Port
Guernsey
GY1 1WD

F&C UK Real Estate Investments Limited

Computershare

All Correspondence to:
Computershare Investor Services (Guernsey) Limited
c/o The Pavilions, Bridgwater Road,
Bristol, BS99 6ZY

Form of Proxy – Annual General Meeting to be held on 19 November 2013

**To be effective, all proxy appointments must be lodged with the Company's Registrars at:
c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY by 15 November 2013 at 12.00 noon.**

Explanatory Notes:

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder, as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman or the Company Secretary, please insert the name of your chosen proxy holder in the space provided (see reverse). If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holders name (see reverse) the number of shares in relation to which they are authorised to act as your proxy. If returned without an indication as to how the proxy shall vote on any particular matter, the proxy will exercise his discretion as to whether, and if so how, he votes (or if this proxy form has been issued in respect of a designated account for a shareholder, the proxy will exercise his discretion as to whether, and if so how, he votes).

2. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the Registrar's helpline on 0870 707 4040 or you may photocopy this form. Please indicate in the box next to the proxy holder's name (see reverse) the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by marking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

3. The 'Vote Withheld' option overleaf is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

4. Pursuant to Article 41 of the Uncertificated Securities (Guernsey) Regulations 2009, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at close of business on the day which is 48 hours before the time of the meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

5. The above is how your address appears on the Register of Members. If this information is incorrect please ring the Registrar's helpline on 0870 707 4040 to request a change of address form or go to www.investorcentre.co.uk/je to use the online Investor Centre service.

6. Any alterations made to this form should be initialled.

7. The completion and return of this form will not preclude a member from attending the meeting and voting in person.

Kindly Note: This form is issued only to the addressee(s) and is specific to the unique designated account printed hereon. This personalised form is not transferable between different (i) account holders; or (ii) uniquely designated accounts. The Company and Computershare Investor Services (Guernsey) Limited accept no liability for any instruction that does not comply with these conditions.

All Named Holders

Form of Proxy

Please complete this box only if you wish to appoint a third party proxy other than the Chairman or the Company Secretary.
Please leave this box blank if you want to select the Chairman or the Company Secretary. Do not insert your own name(s).

I/We hereby appoint the Chairman of the Meeting or the Company Secretary OR the person indicated in the box above as my/our proxy to attend, speak and vote in respect of my/our full voting entitlement* on my/our behalf at the Annual General Meeting of F&C UK REAL ESTATE INVESTMENTS LIMITED to be held at **Trafalgar Court, Les Banques, St. Peter Port, Guernsey, Channel Islands** on 19 November 2013 at **12.00 noon**, and at any adjourned meeting.

*** For the appointment of more than one proxy, please refer to Explanatory Note 2 (see front).**

☐ Please mark here to indicate that this proxy appointment is one of multiple appointments being made.

Please use a **black** pen. Mark with an **X** inside the box as shown in this example. ☒

Resolutions

		For	Against	Vote Withheld
1.	To receive and approve the Annual Report and Accounts.	☐	☐	☐
2.	To receive and approve the Directors' Remuneration Report.	☐	☐	☐
3.	Re-election of Mr C W Sherwell.	☐	☐	☐
4.	Re-election of Mr Q Spicer.	☐	☐	☐
5.	Re-election of Mr A E G Gulliford.	☐	☐	☐
6.	Election of Mr V Lall.	☐	☐	☐
7.	Election of Mr G Harrison.	☐	☐	☐
8.	Re-appointment of the Auditor.	☐	☐	☐
9.	Authorising the Directors to determine the Auditor's remuneration.	☐	☐	☐
10.	Authorising the Directors to allot securities without rights of pre-emption.	☐	☐	☐
11.	Authorise the Directors to buy back shares.	☐	☐	☐

I/We instruct my/our proxy as indicated on this form. Unless otherwise instructed the proxy may vote as he or she sees fit or abstain in relation to any business of the Meeting.

Signature

Date

DD / MM / YY

In the case of a corporation, this proxy must be given under its common seal or be signed on its behalf by an attorney or officer duly authorised, stating their capacity (e.g. director, secretary).