

F&C UK Real Estate Investments Limited

Annual Report and Consolidated Accounts 30 June 2015



Company Summary

The Company

The Company is an authorised closed-ended Guernsey-registered investment company and its shares have a premium listing on the Official List of the UK Listing Authority and are traded on the Main Market of the London Stock Exchange.

The 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, which collectively are referred to throughout this document as 'the Group'. The Group elected into the UK REIT regime from 1 January 2015.

At 30 June 2015 total assets less current liabilities were £331.7 million and shareholders' funds were £226.8 million.

Objective

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

Investment Policy

The Company's investment policy is contained on page 5.

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 the BMO Financial group and, collectively, are referred to in this document as 'the Manager'. Further details of the management contract are provided in note 2 to the Accounts.

Capital Structure

The Company's equity capital structure consists of Ordinary Shares. Subject to the solvency test provided for in the Companies (Guernsey) Law, 2008 being satisfied, ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets greater than the value of the liabilities.

ISA

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

Website

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

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

Financial Highlights

- Share price total return of 24.9 per cent for the year
- Portfolio ungeared total return of 16.7 per cent for the year
- Net asset value per share total return of 22.7 per cent for the year
- Net asset value per share total return since launch of 117.5 per cent
- Dividend of 5.0 pence per share for the year

Performance Summary

	Year ended 30 June 2015	Year ended 30 June 2014	Cumulative since launch on 1 June 2004
Total Return Net asset value per share* Ordinary share price* Portfolio ungeared return Investment Property Databank UK Quarterly Index FTSE All-Share Index*	+22.7% +24.9% +16.7% +15.7% +2.6%	+23.9% +23.2% +14.9% +16.7% +13.1%	+117.5% +136.9% +130.5% +108.1% +138.7%
	30 June 2015	30 June 2014	% Change
Capital Values Total assets less current liabilities (£000's) Net asset value per share Ordinary share price Investment Property Databank UK Quarterly Index FTSE All-Share Index Ordinary share price premium to net asset value per share Net gearing†	331,744 97.0p 99.5p 114.2 3,570.6 2.6% 29.7%	307,275 83.4p 84.0p 103.6 3,600.2 0.7% 31.7%	+8.0% +16.3% +18.5% +10.2% -0.8%
	Year ended 30 June 2015	Year ended 30 June 2014	
Earnings and Dividends Earnings per ordinary share# Dividends paid per ordinary share Dividend yield	17.5p 5.0p 5.0%	14.4p 5.0p 6.0%	
Ongoing Charges As a percentage of average net assets** As a percentage of average net assets (excluding direct property expenses)**	1.9% 1.4%	2.1% 1.4%	
	12 month Highs 2015	12 month Lows 2015	
Highs/Lows Net asset value per share Ordinary share price Premium	97.0p 104.5p 15.1%	83.4p 84.5p 1.3%	

^{*} Total return assuming gross dividends reinvested.

^{† (}Bank debt less net current assets, excluding swap liability) ÷ investment properties.

[#] Earnings per ordinary share include capital gains and losses on investment properties.

[§] Calculated on an IFRS basis and therefore excludes the 4th interim dividend for 2014/15 and 2013/14.

[‡] Calculated on annualised dividends of 5.0p per share for 2014/2015 and 2013/2014. An analysis of dividend payments is contained in note 6 on pages 39 and 40.

** 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



It has been an extremely demanding and positive 12 months for the Company. Performance continues to be good with the market capitalisation increasing from $\mathfrak{L}194$ million as at 30 June 2014 to $\mathfrak{L}233$ million as at 30 June 2015.

Share price performance has been strong during the year and the shares were trading at a premium to net asset value of 2.6 per cent at the year end, with the price at 99.5 pence per share. This represented a share price total return for the year of 24.9 per cent.

The net asset value ('NAV') total return for the year was 22.7 per cent with a NAV as at 30 June 2015 of 97.0 pence per share, up from 83.4 pence per share at the prior year end.

Property Market and Portfolio

The UK commercial property market has delivered double digit returns of 15.7 per cent in the year to June 2015, as measured by the Investment Property Databank ('IPD') UK Quarterly Index. With strong competition for stock during the year, IPD data showed initial yields at the all-property level reducing to 5.0 per cent in the year to June.

Whereas the property market has delivered another year of strong performance, prime yields have moved

to very low levels by past standards and these returns may not be sustained over the longer-term.

The occupational market has improved with rental growth of 3.8 per cent in the year to June. However, rental growth of more than 10 per cent for London offices contrasted with continued negative rental growth for standard retail in the rest of the UK, outside London and other key locations.

In line with the wider market, the Company's property portfolio witnessed strong performance with an ungeared return of 16.7 per cent over the period, outperforming the IPD UK Quarterly Index of 15.7 per cent, with the value of the property portfolio increasing to £337.5 million before adjustment for lease incentives.

Market values have increased over the year, driven by a weight of money entering the sector. The Manager has been careful not to join the ranks of 'forced buyers' but has acquired two office investments for a total of $\mathfrak{L}10.25$ million over the last year. The Company has sold a further four properties during this last financial year for $\mathfrak{L}5.7$ million.

As a result of purchases adding longer term income to the portfolio, as well as lease re-gearing and other asset management deals, the average weighted unexpired lease term of the portfolio has been maintained at 7.7 years compared with the 7.8 years reported as at 30 June 2014. In the meantime, the void rate in the portfolio has fallen to 3.3 per cent of rental value, from 5.7 per cent a year earlier.

Borrowings and Refinancing

The net gearing level as at 30 June 2015 was 29.7 per cent, which compares with 31.7 per cent as at 30 June 2014 and 40.0 per cent at launch on 1 June 2004. The fall in the gearing percentage was due to a combination of the loan being reduced to £102 million from £109 million and an increase in the overall market value of the portfolio. This was offset by a reduction in cash held by £12.1 million. The Group had £4.7 million of cash available at 30 June 2015 and an undrawn loan facility of £13 million.

The Board has been considering a refinancing of the existing loan facility with Lloyds Bank plc (the 'Existing

Facility') which is due for repayment in January 2017 and has agreed terms to refinance this through a new long-term term loan facility with Canada Life Investments and a new revolving credit facility with Barclays Bank plc (the 'New Facilities'). The Group has entered into heads of terms with Canada Life Investments and Barclays Bank plc for new debt facilities of up to £110 million, under a proposed £90 million 11 year term loan with Canada Life Investments and a £20 million 5 year revolving credit facility with Barclays.

Based on UK Gilt rates as at the current date, and assuming the New Facilities are drawn down in full, it is estimated that the total interest rate payable under the New Facilities would be approximately 3.3 per cent per annum. This is significantly lower than the existing cost of debt which is approximately 5.8 per cent per annum and will make a significant contribution towards improving dividend cover.

On the basis that all conditions are met with both parties, the Board intends to complete the refinancing transaction prior to 31 October 2015. The Board believes that it is in the interests of the Group to repay the Existing Facility early to ensure that the Group has certainty of available funds in advance of the fixed repayment date in January 2017 and so that the Group can take advantage of the current availability of long term borrowings at attractive rates of interest. There is no early repayment penalty in respect of the Existing Facility but the Group will be liable for the cost of breaking the relevant interest rate swap which was accounted for as a liability of $\mathfrak{L}6.6$ million at the year end. No further swap is required given the fixed nature of the principal loan.

Dividends

Three interim dividends of 1.25 pence per share were paid during the year with a fourth interim dividend of 1.25 pence per share to be paid on 30 September 2015. This gives a total dividend for the year ended 30 June 2015 of 5.0 pence per share, a yield of 5.0 per cent on the year end share price. In the absence of unforeseen circumstances, it is the intention of the Group to continue to pay quarterly interim dividends at this rate. It should be noted, following the Company adopting UK REIT status, the third interim dividend was paid as a property income distribution, rather than as an

ordinary dividend and it is expected that the majority of future dividends will be paid in this way.

Share Issues

As part of the Company's premium management programme the Board may look to issue shares in order to provide liquidity to the market and to reduce volatility in any premium to net asset value. During this financial year, the Company has experienced continued market demand for its shares and issued 3 million Ordinary Shares in January and February this year at a premium to the published net asset value at the time of each issuance, raising proceeds of £2.6 million. Subsequent to these issues, the Board took the decision to hold off on any further issuances until properties meeting the appropriate profile for the portfolio were identified for purchase. This type of asset at the appropriate price has proved challenging to identify and no further shares have been issued to date.

Further to this, we had previously advised of our intention to issue a prospectus, providing the Company with the flexibility to raise additional share capital through a Placing Programme of up to 100 million shares. Whilst the issuance of a prospectus would give the Company the potential flexibility to issue shares to finance any property purchases, the difficulty in sourcing property meant that it was deemed prudent to delay with a view to revisiting this later in the year.

At the year-end there were 233,855,539 Ordinary Shares in issue.

UK REIT Status

Shareholder approval was given at an extraordinary general meeting, held in December 2014, for the Company to become tax resident in the UK for the purposes of entering into the UK REIT regime. The Company therefore entered the UK REIT regime with effect from 1 January 2015.

The Group is no longer subject to UK income tax on the profits and gains from their qualifying property rental business provided that it meets certain conditions. This will effectively reduce the burden of taxation for most shareholders as the payment of UK income tax on the Group's property rental income was likely to increase significantly moving forward, if UK REIT status had not been obtained.

Chairman's Statement (continued)

Board Composition

As mentioned previously in the Group's Interim Report, Mr Christopher Sherwell and Mr Graham Harrison retired from the Board with effect from 31 December 2014. The Board have subsequently appointed two new Non-Executive Directors.

Mr David Ross was appointed with effect from 26 March 2015. David was a founding partner of Aberforth Partners LLP, an investment management firm specialising in investing in UK smaller companies, from which he recently retired.

Mr Mark Carpenter was appointed with effect from 28 May 2015. Mark is a director of investment at TH Real Estate, formerly the property business of Henderson Global Investors, a global real estate asset management company.

We are delighted to have David and Mark join the Board and believe that they have the appropriate range of skills and experience to contribute significantly to the Board.

Following the repositioning of the Company over the last two years with the merger with our sister company ISIS Property Trust, the conversion to a UK REIT, the ongoing refinancing, and the refreshing of the Board, I feel that now is the appropriate time to retire from the Board and I will not therefore be offering myself for reelection at the Annual General Meeting in November. At that time the new Board members will have settled in and to maintain continuity the Board have selected Vikram Lall as my successor as Chairman. Vikram was Chair of the Audit Committee of ISIS Property Trust with whom we merged and currently fulfils the same position with the Company. He is therefore totally familiar with the portfolio and the business.

I would like to express my thanks to all my colleagues past and present, the Company Secretariat, the Administrators and Investment Manager for their support and guidance during my period as Chairman.

Fund Manager

After 10 years, Ian McBryde has indicated his intention to step down from his role as Fund Manager and retire from our investment manager in 2016. The Board is fully engaged with our management company in ensuring a smooth handover of responsibilities and we are pleased to announce that Peter Lowe will become lead fund manager of your Company with effect from the end of 2015. Peter joins the management company from DTZ Investors where he has worked for the last 9 years on a number of mandates including Pearl Assurance, Universities Staff Superannuation Fund and Imperial Tobacco Pension Funds.

I would like to express our thanks to lan for the contribution he has made to the Company over the last 10 years and wish him well in his forthcoming retirement. Your Board are confident that Peter, supported by the wider investment team within BMO Real Estate Partners, will build on lan's achievements and continue to deliver long-term performance for you as shareholders.

Outlook

In line with consensus forecasts, we believe that UK commercial property will continue to deliver positive total returns over the next few years, although this may be front-loaded. There are global uncertainties which may make investors wary. Further yield compression may be limited especially if interest rates start to rise. Returns are more likely to be income driven but aided by rental growth in certain key areas and sectors.

We continue to believe in the importance of sound stock selection and that the protection and enhancement of the income stream will remain key in delivering performance.

Quentin Spicer

Chairman 28 September 2015

Business Model and Strategy

The Company carries on business as a closedended property investment company. Its shares are traded on the Main Market of the London Stock Exchange.

Board

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 25 the Board is also responsible for the preparation of the Annual Report and Consolidated Accounts for each financial period. Biographical details of the Directors, all of whom are non-executive, can be found on page 15. The Board consists of five male non-executive Directors. The Company has no executive Directors or employees.

Investment Strategy

The Company's investment strategy is set out in its objective and investment policy below.

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

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

applicable only on acquisition or disposal of a property. Does not apply to lettings to the Government of the United Kingdom. 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 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 £102 million bank loan, which is described in more detail in note 12 to the accounts. The gearing level as at 30 June 2015 was 29.7 per cent of investment properties.

Investment of 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 2015 is contained within the Manager's Review on pages 8 to 11 and a full portfolio listing is provided on page 14.

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.

Business Model and Strategy (continued)

Shareholder Value

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 company sector, on a regular basis. In addition, communication of quarterly portfolio information is provided through the Group's website.

Principal Risks and Risk Management

As stated within the Report of the Audit Committee on pages 21 and 22, the Board applies the principles detailed in the internal control guidance issued by the Financial Reporting Council, and has established an ongoing process designed to meet the particular needs of the Company in managing the risks and uncertainties to which it is exposed.

The principal risks and uncertainties faced by the Company are described below. Note 17 also provides detailed explanations of the risks associated with the Company's financial instruments.

- Market the Group's assets are comprised principally of direct investments in UK commercial property and it is therefore exposed to movements and changes in that market.
- Investment and strategic poor investment processes and incorrect strategy, including sector and geographic allocations and use of gearing, could lead to poor returns for shareholders.
- Regulatory breach of regulatory rules could lead to suspension of the Group's Stock Exchange listing, financial penalties or a qualified audit report.
- Tax efficiency changes to the management and control of the Group or changes in legislation could result in the Group no longer being a tax efficient investment vehicle for shareholders.
- 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.
- Reporting valuations of the investment property portfolio require significant judgement by valuers which could lead to a material impact on the net asset value. Incomplete or inaccurate income recognition could have an adverse effect on the Group's net asset value, earnings per share and dividend cover.

- Credit an issuer or counterparty could be unable or unwilling to meet a commitment that it has entered into with the Group. Bankruptcy or insolvency may cause the Group's access to cash placed on deposit to be delayed or limited.
- 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.

Key Performance Indicators

A review of the Group's returns during the financial year, the position of the Group 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 ungeared total return against the Investment Property Databank UK Quarterly Index ('IPD').
- Premium/discount of share price to net asset value.
- 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 55.

Investment Manager



lan McBryde Investment Manager joined BMO Global Asset Management in 1982 and is a director of F&C REIT Asset Management. He is a fellow of the Royal Institution of Chartered Surveyors. Ian is supported in his role as lead manager of the Company by a team of property investment professionals within BMO Real Estate Partners.

Investment Manager

The Company's investment manager and property manager are, respectively, F&C Investment Business Limited and F&C REIT Property Management Limited, a subsidiary of BMO Real Estate Partners, all of which are part of BMO Global Asset Management and, collectively, are referred to in this document as 'the Manager'.

Manager's Review



1-2 Network, Bracknell

The UK commercial property market delivered a benchmark total return of 15.7 per cent in the year to June 2015, as measured by the Investment Property Databank ('IPD') UK Quarterly Index for all-property. This compared with 16.7 per cent in the previous 12 month period. Property is currently delivering total returns well in excess of the 6.9 per cent per annum average over the past twenty years.

Performance was supported by an income return of 5.0 per cent, but driven by an annual 10.3 per cent uplift in capital values.

The UK economy continued to deliver positive growth, with recovery broadening to the regions and employment reaching new highs. The inflation rate moved lower, affected by falling food and oil prices to finish the reporting period at zero on an annual basis. This supported some improvement in consumer confidence as real incomes benefited. The general election in May and the earlier referendum in Scotland both created uncertainty during the year while the rise in sterling may have affected business sentiment. Fiscal policy remains tight as the government aims to bring the public accounts into balance over the long-term. The Bank of England kept interest rates unchanged throughout the year and ten-year gilt yields remained low, finishing the period at 2.1 per cent.

The year saw a high level of investment activity, totalling more than £72 billion, which was around double the long-term average. Overseas buyers and UK institutions were the main purchasers of property during the period. Banks continued to wind down their problem loans but also were more willing to undertake new lending, alongside new entrants, for well-secured assets. Demand was strong for property across the board but with the greatest annual gains seen for leisure and non-traditional property assets such as healthcare and student accommodation. Prime

remained in favour but investors also looked to the regions and more secondary stock in an effort to secure assets and yield.

The strong competition for stock fed through to further yield compression for property, aided by an ultra-low risk-free rate during the year. IPD data showed initial yields at the all-property level moving in by 40 basis points to 5.0 per cent in the year to June.

The period saw considerable polarisation by market segment. City and West End offices, together with offices and industrials in the South East, all delivered total returns in excess of 20 per cent over the year to June 2015. Rest of UK offices almost matched the UK all-property average, following a period of underperformance. Retail property delivered a reasonable performance in absolute terms but lagged behind offices and industrials. Central London retail continued to be robust but with a total return of 6.0 per cent, standard retail outside the South East saw only muted growth. Supermarkets have struggled as customer preferences evolve.



14 Berkeley Street, London W1

The occupational market has seen signs of improvement with tenant interest more apparent and incentives reducing. Net income growth was positive, but modest, over the year at 1.7 per cent according to IPD market data. Rental growth at open-market values was 3.8 per cent in the year to June but with wide differences by sub-market. Rental growth of more than 10 per cent for City and West End offices contrasted with negative rental growth for regional standard retail. Shortage of supply in several established office and industrial locations has led to a revival in development activity, some of it speculative. To date, these new schemes have generally let well. In retail, a few shopping centre schemes have been revived but the supermarkets have drastically re-scaled their

Unit 3663, Echo Park, Banbury

expansion plans and vacancy levels have remained stubbornly high in weaker locations.

The year saw secondary stock generally out-perform prime in terms of total returns, due largely to a strong investment market and limited availability of prime stock. In contrast, net income growth, which is determined more by occupier fundamentals was still in decline at the secondary end in several parts of the market. It would appear that the investment market in some instances is running ahead of the occupational market.

The property market has delivered another strong performance over the year to June 2015. However,

prime yields have moved to very low levels by past standards, the investment market for secondary assets seems out of kilter with the fundamentals, and development activity has started to add to supply. The current momentum may not be sustained over the longer-term.

Portfolio

Over the year, the Company's property portfolio witnessed strong performance with an ungeared return of 16.7 per cent over the period outperforming the IPD UK Quarterly Index return of 15.7 per cent. The major driver of this strong return was capital growth of 10.5 per cent. At 30 June 2015 the value of the property portfolio increased to £337.5 million, after sales and purchases, compared with £300.6 million as at the previous year end.

For the second year running, industrial and distribution properties produced the highest returns for the portfolio at 22.8 per cent. Offices, boosted by holdings in the South East returned 16.5 per cent. The retail sector outperformed its sector benchmark returning 13.6 per cent, although this fell well short of the all property index. However, the Company's retail warehouse portfolio performed extremely well returning 16.3 per cent compared with the IPD sub sector benchmark of 10.3 per cent.

A number of specific assets were responsible for boosting returns, not only as a result of a strengthening investment and occupational market, but also due to asset management and successful lettings. The largest contribution to returns came from Units 1-2 Network,



Brook Retail Park, Bromsgrove

Manager's Review (continued)



County House, County Square, Chelmsford

Eastern Road, Bracknell, which produced a total return of 30.8 per cent following the re-letting of one of the units on a ten year term, without break, at a new rental level of £367,300 per annum, which equates to £10.50



Northfields Retail Park, Rotherham

per square foot, some 19 per cent higher than the previous passing rent.

Echo Park, Banbury, a large distribution unit with a floor area of 195,000 square feet, let to Bidvest for a further ten and a half years, returned 21.6 per cent as a result of the continued yield shift enjoyed by large distribution property investments, reflecting the weight of money being invested into the sector, as well as increased occupier demand.

Lakeside Industrial Estate, Colnbrook, a multi-let industrial estate consisting of 8 units close to Heathrow Airport and the M25 and M4 motorways, returned 24.0 per cent as a result of the estate being fully let for the first time in several years, and with rental levels approaching the peak last seen in the previous cycle.

1-2, Lochside Way, Edinburgh Park, saw returns of 30.5 per cent over the year following the re-gearing of the lease with HSBC plc who will continue to occupy the property for another ten years (subject to a break at the fifth year). The property, located in Edinburgh Park, Scotland's premier out of town office location, comprises two linked buildings totalling 42,400 square feet constructed in 1998. The rent agreed equated to £16.50 per square foot, subject to a rent free period of 12 months but a penalty if the tenant exercises the break.

Whereas returns from the property portfolio were, in aggregate, well above the benchmark, challenges do remain amongst some of the smaller regional retail and office properties and further asset management opportunities need to be implemented to add value prior to sales in accordance with strategy.

The year has seen significant uplifts in values, driven by a weight of money entering the sector. Yields have fallen to, in some cases, historic low levels which investors are happy to accept as a result of generally low interest rates elsewhere. With stiff competition to purchase property, the Manager has been very selective with regard to purchases.

The Company completed the acquisition of Unit A3, Glory Park, High Wycombe in July 2014 for £7.0 million, reflecting a yield of 7.0 per cent. The property comprises a Grade A specification, modern business park office building, close to the M40 motorway. Totalling 19,572 square feet on three floors, the building is let to two tenants in the pharmaceutical sector with the majority of the income secured for 10 years. Since purchase in July 2014, the property has returned 19.0 per cent, principally as a result of increased capital value due to inward yield movement.

The Company also acquired, an office building, Park View House, The Ropewalk, Nottingham, for £3.25 million, reflecting a net initial yield of 7.1 per cent. The building extending to 16,000 square feet on three

floors with car parking, had been recently refurbished to a high standard and was let on ten year terms without breaks, to Gateleys, Mazzars and AIB.

Since the merger with ISIS Property Trust, and as part of the strategy of disposing of small non-core holdings, the Manager has sold a further four properties during this last financial year. Three retail properties in Southend, Brighton and Rochdale were sold for a total of $\mathfrak{L}4.0$ million, and a further vacant office building in Marlow was sold for $\mathfrak{L}1.7$ million.

With an improvement in the occupational demand for property, the Company has achieved a good success rate in new lettings and lease renewals. Over the financial year a number of vacant units have been let, or leases renewed. These include the key industrial lettings in Bracknell and Colnbrook and a refurbished floor in 14 Berkeley Street, let for five years at a new rental equating to £92.25 per square foot. At 30 June 2015, the vacancy rate across the portfolio was down to 3.3 per cent, of rental value, which compared with 5.7 per cent as at June 2014.

New property acquisitions and re-gearings of leases to protect and enhance income streams and add value to the portfolio have resulted in an average weighted unexpired lease term of 7.7 years (to include breaks where appropriate).

Borrowings

In line with the Group's Investment Policy, gearing is kept at prudent levels and the net level of borrowings at the year-end was 29.7 per cent, a level with which the Manager is comfortable.

With the existing loan facility due to expire in January 2017, the Group has looked into opportunities to refinance early and take advantage of the low rates of

interest currently achievable in the market. As explained in more detail in the Chairman's Statement, we are currently well advanced on agreeing terms to refinance through a new long-term £90 million term loan facility with Canada Life Investments and a new revolving £20 million credit facility with Barclays Bank plc.

Outlook

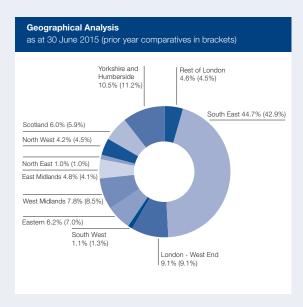
The Company believes that the property portfolio is well positioned and well balanced across the regions and the sectors to deliver sound returns and be resilient to market adjustments over the next few years. The Company will continue to dispose of the smaller, and non-core assets into a market which is receptive to such assets. At the same time, the Manager will seek investment opportunities that deliver sound returns for the portfolio but will remain selective in its acquisition strategy, whilst a significant weight of money competes for commercial property assets.

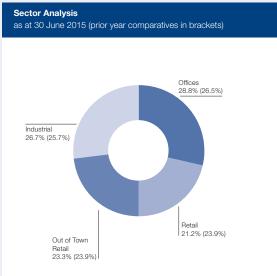
If the economy performs in line with consensus forecasts, we believe that property will continue to deliver positive total returns, although performance may be front-loaded. There are uncertainties in Europe, the US and China and as the UK referendum on EU membership approaches, this could lead to investors delaying decisions until the result is known. The scope for further yield compression may be limited once the UK authorities act to raise official interest rates and property performance is likely to become more reliant on rental growth and the income return. We continue to believe in the importance of sound stock selection and that the protection and enhancement of the income stream will remain key in delivering performance.

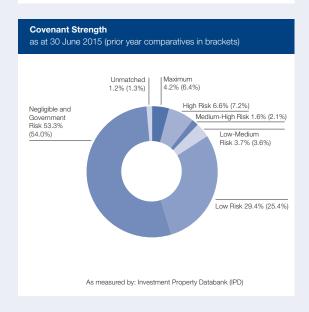
Ian McBryde

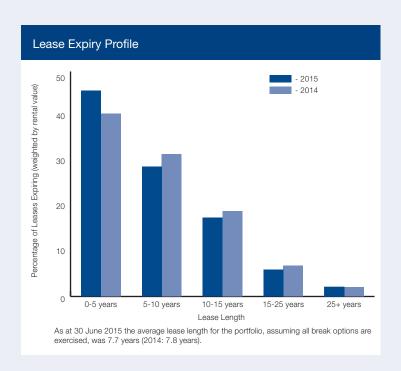
F&C REIT Asset Management 28 September 2015

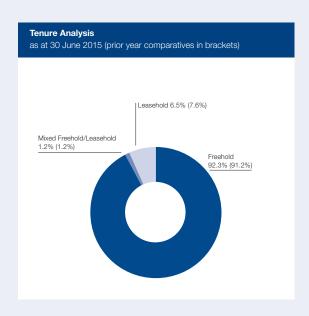
Portfolio Statistics











Property Portfolio

		Estimated	% of
		Market Value	Total Assets (less current
Property	Sector	£,000	liabilities)
London W1, 14 Berkeley Street	Offices	24,775	7.5%
Banbury, 3663 Unit, Echo Park Colnbrook, Units 1-8 Lakeside Road	Industrial Industrial	22,050 14,625	6.6% 4.4%
Eastleigh, Southampton International Park	Industrial	14,023	4.2%
Rotherham, Northfields Retail Park	Retail Warehouse	12,250	3.7%
York, Clifton Moor Gate *	Retail Warehouse	11,850	3.6%
Leamington Spa, 30-40 The Parade & 47/59a Warwick Street	Retail	11,100	3.3%
Hemel Hempstead, Hemel Gateway	Industrial	10,625	3.2%
Chelmsford, County House, County Square Bracknell, 1-2 Network, Eastern Road	Offices Industrial	10,400 9,500	3.2% 2.9%
Ten largest property holdings		141,225	42.6%
Edinburgh, 1-2 Lochside Way, Edinburgh Park	Offices	9,425	2.8%
Andover, Keens House, Anton Mill Road	Offices	9,150	2.8%
Bury, Halls Mill Retail Park, Foundry Street	Retail Warehouse	8,650	2.6%
Bromsgrove, Brook Retail Park, Sherwood Road	Retail Warehouse	8,500	2.6%
New Malden, 7 Beverley Way	Retail Warehouse	8,500	2.6%
Luton, Enterprise Way High Wycombe, Glory Park	Retail Warehouse Offices	8,275 8,075	2.5% 2.4%
Northallerton, Willowbeck Road	Retail Warehouse	7.725	2.4%
Winchester, 7-8 High St.& 50 Colebrook Street	Retail	7,725	2.3%
Bellshill, Mercury House, Strathclyde Business Park	Offices	7,650	2.3%
Twenty largest property holdings		224,900	67.8%
Eastleigh, Wide Lane	Industrial	7,375	2.2%
Theale, Maxi Centre, Brunel Road	Industrial	7,050	2.1%
St Albans, 16,18 & 20 Upper Marlborough Road	Offices	6,375	1.9%
London, 24 Haymarket & 1-2 Panton Street * Guildford.51-53 High Street	Retail Retail	6,050 5,975	1.8% 1.8%
Brookwood, The Clock Tower	Offices	5,975	1.8%
Nelson, Churchill Way	Retail Warehouse	5.675	1.7%
Nottingham, Standard Hill	Offices	5,300	1.6%
Newbury, The Triangle, Pinchington Lane	Retail Warehouse	4,925	1.5%
Nottingham, 21/22 Long Row East and 2/6 King Street	Retail	4,000	1.2%
Thirty largest property holdings		283,550	85.4%
Rayleigh, 81/87 High Street	Retail	3,900	1.2%
Milton Keynes, Site E Chippenham Drive	Industrial	3,850	1.2%
Kingston upon Thames, 11 Church Street Nottingham, 25-27 Bridlesmith Gate	Retail Retail	3,775 3,750	1.1% 1.1%
Sunningdale, 53/79 Chobham Road, Berkshire	Retail	3,700	1.1%
Sutton Coldfield, 63-67 The Parade	Retail	3,575	1.1%
Hull, King William House, Market Place *	Offices	3,500	1.1%
Nottingham, Park View House, The Ropewalk	Offices	3,250	1.0%
Redhill, 15 London Road	Offices	3,250	1.0%
Birmingham, 155a/163, High Street, Kings Heath	Retail	3,225	1.0%
Forty largest property holdings		319,325	96.3%
Edinburgh, 100A Princes Street	Retail	3,125	0.9%
Croydon, 17, 19 & 21 George Street Rayleigh, 41-55 High Street	Retail Retail	3,100 2,525	0.9% 0.8%
Swindon, 18/19 Regent Street	Retail	2,500	0.8%
Gateshead. Sands Road	Retail Warehouse	2,450	0.7%
Guildford, 7/11 Bridge Street	Retail	2,000	0.6%
Swindon, Unit 5, Newcombe Drive	Industrial	1,100	0.3%
Middlesbrough, 47/49 Linthorpe Road	Retail	825	0.2%
Newbury, 25 Northbrook Street *	Retail	540	0.2%
Market value of property portfolio		337,490	101.7%
Unamortised lease incentives		(5,616)	(1.7)%
Balance sheet carrying value		331,874	100.0%
Net current liabilities		(130)	0.0%
Total assets less current liabilities		331,744	100.0%

^{*}Leasehold property

Board of Directors



Quentin SpicerChairman

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.



Mark Carpenter

is a UK resident. He is a chartered surveyor and is director of investment at TH Real Estate, a global real estate asset management company which was previously the property

business of Henderson Global Investors. He is also a non-executive director of other TH Real Estate property funds invested in the UK and overseas.



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, which is a listed property company.



David Ross

is a UK resident. He was a founding partner of Aberforth Partners LLP, an investment management firm specialising in investing in UK smaller companies, from which he recently retired. He is also a

non-executive director of EP Global Opportunities Trust plc and JP Morgan US Smaller Companies Investment Trust plc.

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.

Report of the Directors

The Directors present the Report and Accounts of the Group for the year ended 30 June 2015.

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 2015 as follows:

	Payment date	Rate per share
Fourth interim for		
prior year	30 September 2014	1.25p
First interim	31 December 2014	1.25p
Second interim	31 March 2015	1.25p
Third interim	30 June 2015	1.25p

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 will be paid on 30 September 2015 to shareholders on the register on 18 September 2015. There was a deficit on revenue reserves after the payment of dividends of 1.15p 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's Shares are traded on the Main Market of the London Stock Exchange.

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 Group elected into the UK REIT regime on 1 January 2015.

Directors

Biographical details of the Directors, all of whom are non-executive can be found on page 15.

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 19 and 20, the Board has agreed that all the Directors will retire annually. Accordingly Mr Spicer, Mr Gulliford, and Mr Lall will retire at the Annual General Meeting and, being eligible, Mr Gulliford and Mr Lall will offer

themselves for re-election. Mr Spicer has given notice that he will not seek re-appointment. Mr Ross and Mr Carpenter were appointed to the Board during the year and will offer themselves for 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.

Mr Sherwell and Mr Harrison retired from the Board on 31 December 2014.

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 their 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 2 to the accounts.

The Board has a Management Engagement Committee which 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 as a whole.

Depositary

JPMorgan Europe Limited was appointed as depositary on 21 July 2014 in accordance with the AIFM Directive. The depositary's responsibilities include cash monitoring, segregation and safe keeping of the Company's financial instruments where appropriate and monitoring the Company's compliance with investment limits and leverage requirements.

Share Capital

As at 30 June 2015 there were 233,855,539 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 2015 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	20,724,850	8.8
Brewin Dolphin Limited	12,812,654	5.4
Schroders	11,335,586	4.8

[†] Based on 233,855,539 Ordinary Shares in issue as at 30 June 2015

There have been no changes notified to the Company in respect of the above holdings, and no new holdings notified, since the end of the year.

UK REIT Conversion

An extraordinary general meeting was held on 19 December 2014, whereby shareholders approved the necessary amendments to the Company's Articles of Incorporation in connection with proposals for the Company to become tax resident in the UK for the purposes of entering into the UK REIT regime. The Company entered the UK REIT regime with effect from 1 January 2015.

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.

Directors' Authority to Allot Shares

The Company issued 3,000,000 Ordinary Shares during the year. The aggregate net proceeds were £2.6 million.

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 9 therefore, gives the Directors, for the period until the conclusion of the Annual General Meeting in 2016 or, if earlier, on the expiry of 15 months from the passing of Resolution 9, 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 £233,855. This is equivalent to 10 per cent of the issued ordinary share capital of the Company as at 28 September 2015. It is expected that the Company will seek this authority on an annual basis.

The Board is considering a Placing Programme to enable the Company to raise additional capital in the future if it is able to identify further properties for acquisition. This should enable the Manager to make a series of accretive property acquisitions over the period whilst also mitigating the risk of cash drag on shareholders' funds. Once the authority proposed under Resolution 9 has been exhausted the Company will convene further general meetings to seek shareholder approval for the disapplication of pre-emption rights in relation to the further issue of new Ordinary Shares under the Placing Programme.

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 will only be issued to new and existing shareholders at a premium to the published net asset value per share, at the time of the allotment.

The Company will publish a prospectus containing full details of the Placing Programme in due course, should it decide to proceed.

Directors' Authority to Buy Back Shares

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

Resolution 10, 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 2016 and the Annual General Meeting in 2016. 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

Report of the Directors (continued)

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.

Statement Regarding Annual Report and Consolidated Accounts

Following a detailed review of the Annual Report and Consolidated Accounts by the Audit Committee, the Directors, in accordance with the UK Corporate Governance Code, consider that taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion, the Directors have assumed that the reader of the Annual Report and Consolidated Accounts would have a reasonable level of knowledge of the investment industry in general and the investment company and real estate sector in particular.

On behalf of the Board Q Spicer Director

28 September 2015

Corporate Governance Statement

The Company is obliged to comply with the UK Corporate Governance Code issued by the Financial Reporting Council in September 2012, 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") issued in February 2013 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 reviewed the need for an internal audit function and deemed this function unnecessary as discussed in the Report of the Audit Committee.

Except for the matters disclosed below, the Group has complied fully with the code throughout the year ended 30 June 2015. It is the intention of the Board that, except for the matters disclosed below, the Group will comply fully with the Code throughout the year ended 30 June 2016.

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 Incorporation require all Directors to retire by rotation at least every three

in accordance However. 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 and Mr Gulliford have served on the Board in excess of nine years. 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. Mr Spicer has given notice of his intention to retire from the Board at the Annual General Meeting in November 2015. 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 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 2015. 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 and investment policy as contained on page 5. 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 and risk management, 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 at the Company's registered office.

As stated in the Remuneration Report on page 23, the full Board determines the level of Directors' fees and accordingly there is no separate Remuneration Committee.

Corporate Governance Statement (continued)

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	4	4	3	1	1
A E G Gulliford(1)	4	4	3	1	1
V Lall	4	4	3	1	1
C W Sherwell ⁽²⁾	1	1	1	1	1
G M Harrison ⁽²⁾	2	2	1	1	1
D Ross ⁽³⁾	2	2	1	_	_
M Carpenter ⁽⁴⁾	1	1	1	_	_

In addition to the scheduled meetings detailed above, there were a further 15 Board Meetings and 2 Board Committee meetings held during the year.

- (1) Mr Gulliford has stepped down from the Audit Committee since the year end (see page 21).
- ⁽²⁾ Retired from the Board on 31 December 2014.
- (3) Appointed to the Board on 26 March 2015.
- $^{\mbox{\tiny (4)}}$ Appointed to the Board on 28 May 2015.

Property Valuation Committee

The Property Valuation Committee comprises all of the Directors and is chaired by Andrew Gulliford. The Committee reviews the quarterly property valuation report produced by the valuer.

Audit Committee

The Report of the Audit Committee is contained on pages 21 to 22.

Management Engagement Committee

The Management Engagement Committee, chaired by Mr David Ross, 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 committee also reviews the terms and quality of service received from other service providers on a regular basis.

Nomination Committee

The Nomination Committee comprises all of the Directors and is chaired by Mr Spicer. The Board considers that, given its size, it would be unnecessarily burdensome to establish a separate nomination committee which did not include the entire Board and believes that this enables all Directors to be kept fully informed of any issues that arise. The committee is convened for the purpose of considering the appointment of additional Directors as and when considered appropriate. Any appointments to the Board are based on merit, but in considering appointments the Nomination Committee also takes into account the ongoing requirements of the Company and the need to have a balance of skills, experience, independence, diversity, including gender, and knowledge of the Company within the Board. The Directors have not set any measurable objectives in relation to the diversity of the Board.

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.

Prior to the Group converting to a UK REIT, Mr Sherwell and Mr Harrison retired from the Board on 31 December 2014.

The Committee appointed David Ross on 26 March 2015 and Mark Carpenter on 28 May 2015.

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.

Relations with Shareholders

The Company proactively seeks the views of its shareholders and places great importance on communication with them. The Board receives regular reports from the Manager and brokers on the views of shareholders, and the Chairman and other Directors meet with major shareholders at least annually and make themselves available to meet shareholders when required to discuss any significant issues that have arisen and address shareholder concerns and gueries. The Notice of Annual General Meeting to be held on 25 November 2015 is set out on pages 53 and 54. 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. The Annual Report and Notice of Annual General Meeting are posted to shareholders at least 20 working days before the Annual General Meeting.

On behalf of the Board Q Spicer

Director

28 September 2015

Report of the Audit Committee

During the year, the Audit Committee, chaired by Mr Lall, comprised all of the Directors but since the year end Andrew Gulliford has stepped down from the committee due to his length of tenure on the Board. The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual Report 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. 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. The committee meets at least three times a year including at least one meeting with Ernst & Young ("EY").

The Audit Committee met on three occasions during the year and the attendance of each of the members is set out on page 20. In the due course of its duties, the committee had direct access to EY and senior members of the Manager's investment company team. Amongst other things, the Audit Committee considered and reviewed the following matters and reported thereon to the Board:

- · the annual and half-yearly reports and accounts;
- the accounting polices of the Group;
- the principal risks faced by the Group and the effectiveness of the Group's internal control environment;
- the effectiveness of the audit process and related non-audit services and the independence and objectivity of EY, their re-appointment, remuneration and terms of engagement;
- the policy on the engagement of EY to supply non-audit services;
- the implications of proposed new accounting standards and regulatory changes;
- the receipt of an AAF (01/06) report from the Manager; and
- whether the Annual Report is fair, balanced and understandable.

As part of its review of the scope and results of the audit, during the year the Audit Committee considered and approved EY's plan for the audit of the financial statements for the year ended 30 June 2015. At the conclusion of the audit, EY did not highlight any issues to the Audit Committee which would cause it to qualify its audit report, nor did it highlight any fundamental internal control weaknesses. EY issued an unqualified audit report which is included on pages 26 to 28.

In relation to the provision of non-audit services by the auditor, it has been agreed that all non-audit work to be carried out by the auditor must be approved in advance by the Audit Committee and any special projects must also be approved in advance. Such fees amounted to £102,000 for the year ended 30 June 2015 (year ended 30 June 2014: £36,000) and related to the provision of taxation services and in particular, advice on the REIT conversion. Notwithstanding such services the Audit Committee considers EY to be independent of the Group. The Audit Committee does not consider that the provision of such non-audit services is a threat to the objectivity and independence of the conduct of the audit.

As part of the review of auditor independence and effectiveness, EY have confirmed that they are independent of the Group and have complied with relevant auditing standards. In evaluating EY, the Audit Committee has taken into consideration the standing, skills and experience of the firm and the audit team. The Committee assesses the effectiveness of the audit process through the reporting it receives from EY in respect of the year end Annual Report and Consolidated Accounts. The Committee remains satisfied that EY continues to provide effective independent challenge in carrying out its responsibilities. On the basis of this assessment, the Audit Committee has recommended the continuing appointment of EY to the Board. Following professional guidelines, the audit partner rotates after five years and this is the second year for the current partner. The appointment has not been put out to tender since the Company's launch in 2004. EY's performance will continue to be reviewed annually taking into account all relevant guidance and best practice.

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. The Audit Committee has also reviewed the Manager's "Report on Policies and Procedures in Operation and Tests in accordance with AAF (01/06)" for the year ended 31 December 2014 that has been prepared for their investment company clients. Containing a report from independent external accountants, the report sets out the Manager's control policies and procedures with respect to the management of their clients'

Report of the Audit Committee (continued)

investments. The effectiveness of these controls is monitored by the Manager's group audit committee which receives regular reports from the Manager's audit, risk and compliance department. Procedures are in place to capture and evaluate failings and weaknesses and ensure that action would be taken to remedy any significant issues identified from this monitoring, which would be reported to the Board. No significant failings or weaknesses in respect of the Group were identified in the year under review nor to the date of this report. Since its appointment in July 2014, the depositary has provided quarterly reports to the Board and carries out daily independent checks on all cash and investment transactions and is liable for any loss of assets.

Such review procedures have been in place throughout the year and up to the date of approval of the Annual Report, and the Committee 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.

Based on review, observation and enquiry by the Committee and the Board of the processes and controls in place within F&C, including confirmation by a reputable independent accounting firm that those controls operated satisfactorily, the Committee has concluded that there is no current need for the Group to have an internal audit function and the Board has concurred.

Significant Matters Considered by the Audit Committee in Relation to the Financial Statements

<u>M</u>atter

Action

Valuation and ownership of the Investment Property Portfolio

The Group's property portfolio accounted for 96.6 per cent of its total assets as at 30 June 2015. Although valued by an independent firm of valuers, Cushman & Wakefield (formerly DTZ Debenham Tie Leung Limited), the valuation of the investment property portfolio is inherently subjective, requiring significant judgement by the valuers. Errors in the valuation could have a material impact on the Group's net asset value. Further information about the property portfolio and inputs to the valuations are set out in note 8 to the accounts. The title deeds are held by the Group's property lawyers.

The Board and Audit Committee reviewed the outcomes of the valuation process throughout the year and discussed the detail of each of the quarterly valuations with the Manager at Board Meetings. The Manager liaises with the valuers on a regular basis and meets with them prior to the production of each quarterly valuation. The Board was represented at most of the quarterly valuation meetings with Cushman & Wakefield during the year, including the meeting in advance of the production of the year end valuation. In addition, this is the main area of audit focus and, accordingly, the Audit Committee receives detailed verbal and written reports from EY on this matter.

The auditor verifies ownership of the properties by reviewing the title deeds.

Loan Arrangements

The Group has a £115 million loan facility with Lloyds Bank of which £102 million is currently drawn down. The loan facility is subject to various covenants, a breach of which could result in early repayment or penalties. There is a £100 million swap to fix the majority of the loan interest on this loan, with the swap liability being valued on a quarterly basis.

Income Recognition

Incomplete or inaccurate recognition could have an adverse effect on the Group's net asset value, earnings per share and dividend cover.

The Board and Audit Committee review the bank covenants throughout the year to ensure the risk of any breach is sufficiently mitigated. The swap valuations are valued independently by Lloyds Bank. The valuation of the swap is verified by the auditor in the context of the overall audit.

The Board and the Audit Committee review the revenue forecast on a quarterly basis to ensure that the level of income is able to sustain the dividend. They also review the level and speed of income collection and any provisions for bad debts.

V Lall Chairman of the Audit Committee 28 September 2015

Remuneration Report (unaudited)

Directors' Remuneration Policy

The Board comprises only non-executive Directors. The Company has no executive Directors or employees. For these reasons, it is not considered appropriate to have a separate Remuneration Committee. The full Board determines the level of Directors' fees.

Full details of the Company's policy with regards to Directors' fees, and fees paid during the year ended 30 June 2015, are shown below. No major decisions or substantial changes relating to Directors' remuneration were made during the year.

The Board considers the level of Directors' fees at least annually. Its policy is that the remuneration of the Directors should reflect the experience of the Board as a whole, the time commitment required, and be fair and comparable with that of other similar companies. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee the Company properly and to reflect its specific circumstances. There were no changes to the policy during the year and it is intended that this policy will continue for the year ending 30 June 2016 and subsequent years.

The fees for the Directors are determined within the limit set out in the Company's Articles of Incorporation. The present limit is an aggregate of £200,000 per annum and may not be changed without seeking shareholder approval at a general meeting. The fees are fixed and are payable in cash, quarterly in arrears. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

It is the Board's policy that Directors do not have service contracts, but each new Director is provided with a letter of appointment. The Directors' letters of appointment are available on request at the Company's registered office during business hours and will be available for 15 minutes prior to and during the forthcoming Annual General Meeting.

The terms of Directors' appointments provide that Directors should retire by rotation at least every three years and be subject to re-election. 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.

Future Policy Report

Based on the current levels of fees, Directors' remuneration for the forthcoming financial year will be as follows:

	2016* £	2015 [†] £
Q Spicer ⁽¹⁾	32,500	32,500
A E G Gulliford	27,500	27,500
V Lall	28,500	28,500
C W Sherwell ⁽²⁾	_	13,750
G M Harrison ⁽²⁾	-	13,750
D Ross(3)	27,500	7,327
M Carpenter ⁽⁴⁾	27,500	2,593
Total	143,500	125,920

- Directors' remuneration for the year ending 30 June 2016 based on current fee levels.
- [†] Actual Directors' remuneration for the year ended 30 June 2015
- (1) Mr Spicer will retire from the Board on 25 November 2015 however a new director will also be appointed. The Chairman's fees have been kept the same for indicative purposes.
- (2) Retired from the Board on 31 December 2014.
- (3) Appointed to the Board on 26 March 2015.
- ⁽⁴⁾ Appointed to the Board on 28 May 2015.

The Board has not received any direct communications from the Company's shareholders in respect of the levels of Directors' remuneration.

Voting at Annual General Meeting

At the Company's last Annual General Meeting, held on 19 November 2014, shareholders approved the Directors' Remuneration Policy. 99.2 per cent of votes were in favour of the resolution and 0.8 per cent of votes were against. It is the Board's intention that the Directors' Remuneration Policy will be put to a shareholder vote again at the Annual General Meeting in 2017 unless changes are made to the policy before then.

Remuneration Report (unaudited)

Annual Report on Directors' Remuneration

Directors' Emoluments for the Year

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

	2015 £	2014 £
Q Spicer	32,500	30,000
A E G Gulliford	27,500	25,000
V Lall	28,500	26,000
C W Sherwell ⁽¹⁾	13,750	25,000
G M Harrison ⁽¹⁾	13,750	25,000
D Ross ⁽²⁾	7,327	_
M Carpenter(3)	2,593	_
Total	125,920	131,000

- (1) Retired from the Board on 31 December 2014.
- ⁽²⁾ Appointed to the Board on 26 March 2015.
- (3) Appointed to the Board on 28 May 2015.

Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration, other expenses and shareholder distributions:

2015 £	2014 £	% Change
Aggregate Directors' Remuneration 125,920	131,000	-3.9
Management fee and other expenses* 3,903,000	3,404,000	+14.7
Aggregate Shareholder Distributions 11,618,000	10,840,000	+7.2

Includes directors' remuneration and excludes expenses of merger

Directors' Shareholdings

The Directors who held office at the year-end and their interests (all beneficial) in the Ordinary Shares of the Company were as follows:

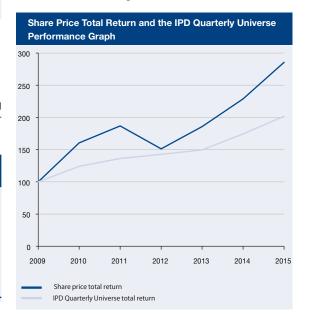
	2015 Ordinary Shares	2014 Ordinary Shares
Q Spicer	220,000	220,000
A E G Gulliford	144,030	144,030
V Lall	143,765	137,265
C W Sherwell ⁽¹⁾	_	20,000
G M Harrison ⁽¹⁾	_	22,895
D Ross ⁽²⁾	144,418	_
M Carpenter ⁽³⁾	_	_

- (1) Retired from the Board on 31 December 2014.
- ⁽²⁾ Appointed to the Board on 26 March 2015.
- (3) Appointed to the Board on 28 May 2015.

Between 30 June 2015 and 28 September 2015 there were no changes to Directors' shareholdings.

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, as referred to on page 16. The graph below compares, for the six financial years ended 30 June 2015, 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 and is the Company's benchmark for performance fee purposes. An explanation of the performance of the Company for the year ended 30 June 2015 is given in the Chairman's Statement and Manager's Review.



Voting at Annual General Meeting

At the Company's last Annual General Meeting, held on 19 November 2014, shareholders approved the Directors' Remuneration Report in respect of the year ended 30 June 2014. 99.3 per cent of votes were in favour of the resolution and 0.7 per cent were against.

An ordinary resolution for the approval of this Annual Report on Directors' Remuneration will be put to shareholders at the forthcoming Annual General Meeting.

On behalf of the board

Q Spicer Director

28 September 2015

Directors' Responsibility Statement

Directors' Responsibilities for the Annual Report and Consolidated Accounts

The Directors are responsible for preparing the Annual Report and Consolidated Accounts in accordance with applicable law and regulations. They are also responsible for ensuring that the Annual Report includes information required by the Rules of the UK Listing Authority.

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 financial performance and cash flows 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.

The Directors are also responsible for ensuring that the Group complies with the provisions of the Listing Rules and the Disclosure Rules and Transparency Rules of the UK Listing Authority which, with regard to corporate governance, require the Group to disclose how it has applied the principles, and complied with the provisions of the UK Corporate Governance Code applicable to the Group.

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 comply with The Companies (Guernsey) Law, 2008; and
- the Strategic Report (including the Chairman's Statement, Business Model and Strategy, Manager's Review and Property Portfolio) and Report of the Directors include a fair review of the development and performance of the business and the position of the Company 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

28 September 2015

Independent Auditor's Report

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

Opinion on Consolidated 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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.

What We Have Audited

We have audited the consolidated financial statements of F&C UK Real Estate Investments Limited for the year ended 30 June 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the 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 25, 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 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our Assessment of Risks of Material Misstatement

We identified the following risks that we believed would have the greatest impact on our overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team:

- Incorrect valuation of the investment property portfolio, because valuations require significant judgement and estimation, and the valuation of properties held in the investment portfolio is the key driver of the Group's net asset value; and
- Rental income recognition, because the rental income receivable by the Group during the period directly drives the Group's ability to make a dividend payment to shareholders.

Our Application of Materiality

We apply materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and in the auditor's report on the financial statements and in forming our opinion. We apply the concept of materiality to the individual account or balance level through our determination of performance materiality, which is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

When establishing our overall strategy we determined materiality for the Group to be £2.3 million (2014: £3.2 million) which was 1 per cent of Net Assets (2014: 1 per cent of Total Assets). This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. We have derived our materiality calculation based on a proportion of Net Assets as we consider this, on balance, to be the most important financial metric on which shareholders would judge the performance of the Group.

On the basis of our risk assessment, together with our assessment of the overall control environment, our judgement is that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75 per cent of our materiality, namely £1.7 million (£2.4 million). Our objective in adopting this approach was to ensure that detected and undetected audit differences in all accounts did not exceed our materiality level.

We agreed that all audit differences in excess of £0.11 million (2014: £0.16 million) would be reported to the Audit Committee as well as differences below that threshold that in our view warranted reporting on qualitative grounds.

An Overview of the Scope of Our Audit

The Group consists of the Company, and its three wholly owned subsidiaries, which are all subject to a full scope audit by the Group audit team.

Following our assessment of the risk of material misstatement to the Group's consolidated financial statements, our response was as follows:

- We addressed the risk around the incorrect valuation of the investment property portfolio by performing the following:
 - Obtained a copy of the AAF01/06 report on F&C Asset Management plc, which includes the Manager, for the year ended 31 December 2014 and read it in order to ascertain whether the controls over the valuation process were operating effectively and could be relied upon in our audit strategy;
 - As the AAF01/06 report does not cover the entire financial year, we also:
 - obtained a copy of the representation from F&C Asset Management plc to the Directors of the Group that those controls also operated effectively during the period from 1 January 2015 to 30 June 2015; and
 - performed a walkthrough of the valuation process during the period from 1 January 2015 to 30 June 2015 in order to confirm that the controls in the process remained as set out in the AAF01/06 report
 - Read third party property valuation reports to assess the appropriateness and suitability of the reported values, and the changes in value from the previous accounting period;
 - Assessed the independence and qualifications of the appraisers; and
 - For a sample of investment properties, and utilising our internal valuation experts, assessed the reasonableness of the valuation methodology adopted, and the key valuation inputs and assumptions, where possible supporting these by reference to published market data/information, comparable transaction evidence or through relevant market activity.
- We addressed the risk around rental income recognition by performing the following:

Independent Auditor's Report (continued)

- Used analytics to understand the changes in rental income from the previous accounting period;
- Agreed a sample of rental rates to tenancy agreements;
- Agreed a sample of rental income from the Group's income report to bank statements;
 and
- For a sample of tenancy agreements, assessed the appropriateness of the accounting treatment for lease incentives.

Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited consolidated financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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

- proper accounting records have not been kept;
 or
- the consolidated 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 Group's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

David Robert John Moore For and on behalf of Ernst & Young LLP Guernsey Channel Islands 28 September 2015

The maintenance and integrity of the F&C UK Real Estate Investments Limited web site is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

for the year ended 30 June	Notes	2015 £'000	2014 £'000
Revenue			
Rental income		18,932	19,603
Total revenue		18,932	19,603
Gains on investment properties	8	31,665	21,253
		50,597	40,856
Expenditure			
Investment management fee	2	(1,974)	(1,707)
Expenses of merger		-	(32)
Other expenses	3	(1,929)	(1,697)
Total expenditure		(3,903)	(3,436)
Net operating profit before finance costs		46,694	37,420
Net finance costs			
Interest receivable		15	49
Finance costs	4	(5,955)	(6,016)
		(5,940)	(5,967)
Net profit from ordinary activities before taxation		40,754	31,453
Taxation on profit on ordinary activities	5	(163)	(540)
Profit for the year		40,591	30,913
Other comprehensive income to be reclassified to profit or loss in			
subsequent periods			
Net gain on cash flow hedges, net of tax		2,649	5,198
Total comprehensive income for the year, net of tax		43,240	36,111
Basic and diluted earnings per share	7	17.5p	14.4p

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.

Consolidated Balance Sheet

as at 30 June	Notes	2015 £'000	2014 £'000
Non-current assets			
Investment properties	8	331,874	295,387
		331,874	295,387
Current assets			
Trade and other receivables	10	6,861	6,061
Cash and cash equivalents	11	4,656	16,773
		11,517	22,834
Total assets		343,391	318,221
Non-current liabilities			
Interest-bearing bank loan	12	(102,986)	(109,930)
Interest rate swap	12	(1,929)	(4,776)
		(104,915)	(114,706)
Current liabilities			
Trade and other payables	13	(6,912)	(6,110)
Income tax payable		(77)	(377)
Interest rate swap	12	(4,658)	(4,459)
		(11,647)	(10,946)
Total liabilities		(116,562)	(125,652)
Net assets		226,829	192,569
Represented by:			
Share capital	14	2,339	2,309
Special distributable reserve		170,620	170,704
Capital reserve		53,678	22,013
Other reserve		192	(2,457)
Equity shareholders' funds		226,829	192,569
Net asset value per share	15	97.0p	83.4p

The accounts on pages 29 to 50 were approved and authorised for issue by the Board of Directors on 28 September 2015 and signed on its behalf by:

Q Spicer, Director

V Lall, Director

Consolidated Statement of Changes in Equity

for the year ended 30 June 2015

	Special						
	Share Distributable		Capital	Other	Revenue		
	es	Capital	Reserve	Reserve	Reserve	Reserve	Total
	Notes	£'000	£,000	£,000	£,000	£,000	£'000
At 1 July 2014		2,309	170,704	22,013	(2,457)	-	192,569
Profit for the year		-	-	-	-	40,591	40,591
Other comprehensive gains		-	-	-	2,649	-	2,649
Total comprehensive income for the year		-	-	-	2,649	40,591	43,240
Issue of ordinary shares		30	2,608	-	-	-	2,638
Dividends paid	6	-	-	-	-	(11,618)	(11,618)
Transfer in respect of gains on investment properties		-	-	31,665	-	(31,665)	-
Transfer to revenue reserve		-	(2,692)	-	-	2,692	_
At 30 June 2015		2,339	170,620	53,678	192	-	226,829

for the year ended 30 June 2014

Share D	Diatributable	Capital			
	Share Distributable		Other	Revenue	
Capital	Reserve	Reserve	Reserve	Reserve	Total
£,000	£,000	£'000	£,000	£,000	£,000
2,081	153,929	760	(7,655)	-	149,115
-	-	-	-	30,913	30,913
-	-	-	5,198	-	5,198
-	-	-	5,198	30,913	36,111
228	17,955	-	-	-	18,183
-	-	-	-	(10,840)	(10,840)
-	-	21,253	-	(21,253)	-
-	(1,180)	-	-	1,180	_
2,309	170,704	22,013	(2,457)	-	192,569
	£'000 2,081 - - 228 - -	£'000 £'000 2,081 153,929 228 17,955 - (1,180)	£'000 £'000 £'000 2,081 153,929 760 - - - - - - - - - 228 17,955 - - - - - - 21,253 - (1,180) -	£'000 £'000 £'000 £'000 2,081 153,929 760 (7,655) - - - - - - - 5,198 - - - 5,198 228 17,955 - - - - - - - - 21,253 - - (1,180) - -	£'000 £'000 £'000 £'000 £'000 2,081 153,929 760 (7,655) - - - - 30,913 - - - 5,198 - - - - 5,198 30,913 228 17,955 - - - - - - - - (10,840) - - 21,253 - (21,253) - (1,180) - - 1,180

Consolidated Cash Flow Statement

for the year ended 30 June	Notes	2015 £'000	2014 £'000
Cash flows from operating activities			
Net profit for the year before taxation		40,754	31,453
Adjustments for:			
Gains on investment properties	8	(31,665)	(21,253)
(Increase)/decrease in operating trade and other receivables		(800)	301
Increase/(decrease) in operating trade and other payables		802	(71)
Interest received		(15)	(49)
Finance costs	4	5,955	6,016
		15,031	16,397
Taxation paid		(462)	(636)
Net cash inflow from operating activities		14,569	15,761
Cash flows from investing activities		(40.054)	(40.040)
Purchase of investment properties	8	(10,054)	(18,812)
Capital expenditure	8	(403)	(48)
Sale of investment properties	8	5,635	15,789
Interest received		15	49
Net cash outflow from investing activities		(4,807)	(3,022)
Cash flows from financing activities			
Shares issued (net of costs)	14	2,638	18,183
Dividends paid	6	(11,618)	(10,840)
Bank loan interest paid		(1,202)	(1,467)
Payments under interest rate swap arrangement	4	(4,697)	(4,617)
Bank loan repaid	12	(7,000)	(3,000)
Net cash outflow from financing activities		(21,879)	(1,741)
Net (decrease)/increase in cash and cash equivalents		(12,117)	10,998
Opening cash and cash equivalents		16,773	5,775
Closing cash and cash equivalents		4,656	16,773

Notes to the Accounts

for the year ended 30 June 2015

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 accounting

(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 8.

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 8.

(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 October 2012, the IASB issued amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests In Other Entities' and IAS 27 'Separate Financial Statements Investment Entities'. The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 'Financial Instruments' in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. These amendments do not have any material impact on the consolidated financial statements as presented as the Company does not meet the definition of an investment entity.
- (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 July 2014, the IASB published the final version of IFRS 9 'Financial Instruments' which replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'.

The IFRS 9 requirements represent a change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

For financial liabilities, IFRS 9 largely carries forward without substantive amendment the guidance on classification and measurement from IAS 39. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss.

Notes to the Accounts (continued)

for the year ended 30 June 2015

1. Significant accounting policies (continued)

The standard introduces new requirements for hedge accounting that align hedge accounting more closely with risk management and establishes a more principles-based approach to hedge accounting.

The standard also adds new requirements to address the impairment of financial assets and means that a loss event will no longer need to occur before an impairment allowance is recognised.

The standard will be effective for annual periods beginning on or after 1 January 2018, and is required to be applied retrospectively with some exemptions. The Group is yet to assess IFRS 9's full impact but it is not currently anticipated that this standard will have any material impact on the Group's financial statements as presented for the current year.

• In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers' which is effective from 1 January 2018. This standard specifies how and when an entity should recognise revenue and enhances the nature of reserve disclosures. The Group is yet to assess IFRS 15's full impact but it is not currently anticipated that this standard will have any material impact on the Group's financial statements as presented for the current year.

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.

(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 at the reporting date. Current 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 balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. As the Directors consider the value of the property portfolio is likely to be realised by sale rather than use over time, and that no charge to taxation will arise on capital gains, no provision has been made for deferred tax on valuation uplifts.

1. Significant accounting policies (continued)

Entry to UK-REIT Regime

The Group's conversion to UK-REIT status was effective from 1 January 2015. The Group's rental profits arising from both income and capital gains are exempt from UK corporation tax from that date, subject to the Group's continuing compliance with the UK REIT rules.

(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 Cushman & Wakefield, 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.

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) Fair value measurement

Financial assets designated as fair value through profit or loss are measured at subsequent reporting dates at fair value. Accounting standards recognise a hierarchy of fair value measurements for financial instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

for the year ended 30 June 2015

1. Significant accounting policies (continued)

The classification of financial instruments depends on the lowest significant applicable input, as follows:

Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Examples of such instruments would be investments listed or quoted on any recognised stock exchange.

Level 2 – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be those for which the quoted price has been suspended, forward exchange contracts and certain other derivating instruments. The interest rate swap entered into to hedge the interest rate on the £100 million bank loan is included in Level 2.

Level 3 – External inputs are unobservable. Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instrument. All investments in direct property are included in Level 3.

The Company measures financial instruments and non-financial assets, such as investment properties, at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost, if any, are disclosed in note 17. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(h) Derivative financial instruments

The Group uses derivative financial instruments to hedge its risk associated with interest rate fluctuations. The Group's policy is not to trade in derivative instruments and apply hedge accounting for transactions that meet specified criteria.

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.

(i) 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.

(j) 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.

(k) Trade and other receivables

Trade receivables, which are generally due for settlement at the relevant quarter end, are recognised and carried at the original invoice amount less an allowance for any 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.

(I) 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.

1. Significant accounting policies (continued)

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.

(m) Operating lease contracts

The Group leases out 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 of its investment properties to lessees as operating leases which recognise rental income over the life of the lease and property.

(n) 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 transferred from the special distributable reserve.

(o) 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. Fees

	2015	2014
	£'000	£'000
Investment management fee	1,974	1,707

The fees of any managing agents appointed by the Manager are payable out of the investment management fee. The Group's Manager receives a fee of 0.6 per cent per annum of the 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.

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.

for the year ended 30 June 2015

2. Fees (continued)

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 Manager. 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.

3. Other expenses

Direct operating expenses of let rental property 749 75 Direct operating expenses of vacant property 230 28 Bad debts 46 46 Valuation and other professional fees 266 11 Directors' fees 126 13 Administration fee payable to the Manager 102 10 Auditor's remuneration for: 55 8 - tax services 102 3 Other 253 18		Year ended	Year ended
E'000 £'000 Direct operating expenses of let rental property 749 Direct operating expenses of vacant property 230 Bad debts 46 Valuation and other professional fees 266 1° Directors' fees 126 1° Administration fee payable to the Manager 102 1° Auditor's remuneration for: - statutory audit 55 5 - tax services 102 3° Other 253 1°		30 June	30 June
Direct operating expenses of let rental property 749 75 Direct operating expenses of vacant property 230 28 Bad debts 46 46 Valuation and other professional fees 266 11 Directors' fees 126 13 Administration fee payable to the Manager 102 10 Auditor's remuneration for: - statutory audit 55 3 - tax services 102 3 Other 253 18		2015	2014
Direct operating expenses of vacant property 230 28 Bad debts 46 46 Valuation and other professional fees 266 17 Directors' fees 126 13 Administration fee payable to the Manager 102 10 Auditor's remuneration for: - statutory audit 55 8 - tax services 102 3 Other 253 18		£'000	£,000
Bad debts 46 Valuation and other professional fees 266 1 Directors' fees 126 13 Administration fee payable to the Manager 102 10 Auditor's remuneration for: - statutory audit 55 5 - tax services 102 3 Other 253 18	Direct operating expenses of let rental property	749	733
Valuation and other professional fees 266 1 Directors' fees 126 13 Administration fee payable to the Manager 102 10 Auditor's remuneration for: - statutory audit 55 55 - tax services 102 3 Other 253 15	Direct operating expenses of vacant property	230	259
Directors' fees 126 13 Administration fee payable to the Manager 102 10 Auditor's remuneration for: 55 8 - statutory audit 55 8 - tax services 102 3 Other 253 19	Bad debts	46	15
Administration fee payable to the Manager 102 102 Auditor's remuneration for: 55 8 - statutory audit 55 8 - tax services 102 3 Other 253 18	Valuation and other professional fees	266	170
Auditor's remuneration for: 55 8 - statutory audit 55 8 - tax services 102 3 Other 253 18	Directors' fees	126	131
- statutory audit 55 - tax services 102 Other 253	Administration fee payable to the Manager	102	102
- tax services 102 3 Other 253 19	Auditor's remuneration for:		
Other 253 19	- statutory audit	55	54
	- tax services	102	36
1,929 1,60	Other	253	197
		1,929	1,697

The valuers, Cushman & Wakefield provide valuation services in respect of the property portfolio. From the quarter ending 30 June 2014, the annual fee is equal to 0.0195 per cent of the aggregate value of the property portfolio paid quarterly. Prior to this, an annual fee equal to 0.0225 per cent of the aggregate value of the property portfolio was paid quarterly.

4. Finance costs

	Year ended	Year ended
	30 June	30 June
	2015	2014
	€'000	£'000
Interest on principal loan amount	1,207	1,361
Interest in respect of rate swap arrangement	4,697	4,617
Amortisation of loan set up costs	29	29
Other interest/fees	22	9
	5,955	6,016

5. Taxation

	Year ended	Year ended
	30 June	30 June
	2015	2014
	£'000	£'000
Current tax		
Current income tax charge	136	504
Adjustment to provision for prior years	(53)	36
Corporation tax charge in respect of distributions to holders of excessive rights	80	_
Total tax charge	163	540

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

Net profit before taxation	40,754	31,453
UK tax at an effective rate of 20.0 per cent (2014: 20.0 per cent)	8,151	6,291
Effects of:		
Capital gains on revaluation of investment properties not taxable	(6,333)	(4,251)
Income not taxable, including interest receivable	(2)	(10)
Expenditure not allowed for income tax purposes (including set-up costs)	683	1,330
Allowable inter company debt financing costs	(1,414)	(2,820)
Deferred tax asset not provided for	(70)	(36)
Adjustment to provision for prior years	(53)	36
REIT exempt income	(879)	_
Corporation tax charge in respect of distributions to holders of excessive rights	80	_
Total tax charge	163	540

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 are its subsidiaries. A fixed annual tax exemption fee of £1,200 per company is payable to the States of Guernsey in respect of this (the annual tax exemption fee was £600 prior to 1 January 2015). No charge to Guernsey taxation arises on capital gains. For the six month period ended 31 December 2014, the Company and its subsidiaries were 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.

From 1 January 2015 the Group elected into the UK REIT regime. The Directors intend to conduct the Group's affairs such that management and control is exercised in the United Kingdom. Subject to continuing compliance with certain rules, the UK REIT rules exempt the profits from the Group's property rental business, arising from both income and capital gains.

6. Dividends

	Year ended	Year ended
	30 June	30 June
	2015	2014
	£'000	£'000
Dividends on Ordinary Shares:		
Fourth interim for the prior year of 1.25 pence per share paid on		
30 September 2014 (2013: 1.25 pence)	2,886	2,663
First interim of 1.25 pence per share paid on 31 December 2014 (2013: 1.25 pence)	2,886	2,663
Second interim of 1.25 pence per share paid on 31 March 2015 (2014: 1.25 pence)	2,923	2,663
Third interim of 1.25 pence per share paid on 30 June 2015 (2014: 1.25 pence)	2,923	2,851
	11,618	10,840

for the year ended 30 June 2015

6. Dividends (continued)

A fourth interim dividend of 1.25 pence per share will be paid on 30 September 2015 to shareholders on the register on 18 September 2015. Although this payment of £2,923,000 relates to the year ended 30 June 2015, under IFRS it will be accounted for in the year ending 30 June 2016.

7. Earnings per share

The basic and diluted earnings per Ordinary Share are based on the net profit for the year of £40,591,000 (2014: £30,913,000) and on 232,096,635 (2014: 214,347,657) Ordinary Shares, being the weighted average number of shares in issue during the year.

8. Investment properties

	Year ended	Year ended	
	30 June	30 June	
	2015	2014	
	£'000	£'000	
Freehold and leasehold properties			
Opening market value	300,590	276,605	
Capital expenditure and purchase of investment properties	10,457	18,860	
Net sales proceeds	(5,635)	(15,789)	
Gains on investment properties	31,665	21,253	
Movement in lease incentive receivable	413	(339)	
Closing market value	337,490	300,590	
Adjustment for lease incentives	(5,616)	(5,203)	
Balance sheet carrying value	331,874	295,387	

All the Group's investment properties were valued as at 30 June 2015 by qualified professional valuers working in the company of Cushman & Wakefield, Chartered Surveyors. All such valuers are chartered surveyors, being members of the Royal Institute of Chartered Surveyors ('RICS'). Cushman & Wakefield completed a valuation of Group investment properties at 30 June 2015 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, as set out by the International Valuation Standards Committee. 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 £337,490,000 (2014: £300,590,000), however an adjustment has been made for lease incentives of £5,616,000 (2014: £5,203,000) that are already accounted for as an asset.

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

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 19 for further information). No one property accounts for more than 7.5 per cent of total assets less current liabilities of the Group. The market values of the properties are shown on page 14. 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 17. There is also uncertainty in respect of valuations as detailed in market price risk, note 17.

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.

8. Investment properties (continued)

All investment properties are categorised as Level 3 fair values as they use significant unobservable inputs. There have not been any transfers between Levels during the year. Investment properties have been classed according to their real estate sector. Information on these significant unobservable inputs per class of investment property is disclosed below:

Sector	Valuation £'000	Valuation Technique	Significant Assumption	Range*	2015 Weighted Average	Range*	2014 Weighted Average
Retail	71,390 (2014: 71,790)	All Risks Yield	Current Net Rental Income per square foot ('psf') per annum	£1-£122	£32	£(11)-£99	£30
			Estimated Net Rental Value psf per annum	£10-£122	£33	£10-£99	£31
			Net Initial Yield	1.2%-7.6%	5.1%	(9.0)%-18.4%	5.9%
			Equivalent Yield	4.1%-9.4%	5.4%	4.4%-10.6%	5.8%
Retail Warehouse	78,800 (2014: 71,905)	All Risks Yield	Current Net Rental Income psf per annum	£7-£35	£16	£0-£35	£14
			Estimated Net Rental Value psf per annum	£7-£35	£16	£7-£28	£15
			Net Initial Yield	4.4%-6.6%	5.7%	0.0%-7.3%	5.3%
			Equivalent Yield	5.3%-6.9%	5.8%	5.6%-7.3%	6.2%
Office	97,075 (2014: 79,695)	All Risks Yield	Current Net Rental Income psf per annum	£0-£67	£25	£(1)-£64	£28
			Estimated Net Rental Value psf per annum	£4-£77	£31	£4-£71	£29
			Net Initial Yield	0%-10.7%	4.8%	(0.4)%-11.0%	6.6%
			Equivalent Yield	3.9%-11.5%	6.0%	4.2%-10.4%	6.5%
Industrial	90,225 (2014: 77,200)	All Risks Yield	Current Net Rental Income psf per annum	£4-£8	£6	£2-£9	£5
			Estimated Net Rental Value psf per annum	£5-£10	£8	£5-£8	£7
			Net Initial Yield	2.2%-9.4%	5.0%	1.7%-9.5%	5.1%
			Equivalent Yield	5.1%-8.5%	5.8%	5.8%-9.5%	6.6%

^{*} The ranges are based on averages per property and include properties which were vacant at the date of valuation. Individual tenancies within properties may fall outside these ranges.

For the majority of properties the fair value was determined by using the market comparable method. This means that valuations performed by Cushman & Wakefield are based on inputs determined from active markets, adjusted for differences in the nature, location or condition of the specific property. Most valuations are based on initial yield, although equivalent yield may also be taken into consideration. In determining the net initial yield, or capital value per square foot, the valuers may have regard to the terms of any existing lease including current rental values, lease length and covenant strength, along with assumptions regarding estimated rental values, rental growth rates, vacancy rates and void or rent free periods expected after the end of each lease.

The highest and best use of the properties do not differ from their current use.

for the year ended 30 June 2015

8. Investment properties (continued)

Sensitivity analysis

The valuations of investment properties are sensitive to changes in the assumed significant unobservable inputs. A significant increase/(decrease) in estimated rental values in isolation would result in a significantly higher/(lower) fair value of the properties. A significant increase/(decrease) in the all risks yield in isolation would result in a significantly (lower)/higher fair value.

There are interrelationships between the yields and rental values as they are partially determined by market rate conditions.

The sensitivity of the valuation to changes in the most significant inputs per class of investment property are shown below:

Estimated movement in fair value		Retail			
of investment properties at	Retail	Warehouses	Offices	Industrial	Total
30 June 2015 arising from:	£'000	€'000	£'000	£'000	£'000
Increase in rental value by 5%	3,570	3,940	4,854	4,511	16,875
Decrease in rental value by 5%	(3,570)	(3,940)	(4,854)	(4,511)	(16,875)
Increase in initial yield by 0.25%	(3,343)	(3,289)	(4,798)	(4,336)	(15,766)
Decrease in initial yield by 0.25%	3,689	3,588	5,324	4,797	17,398
Estimated movement in fair value		Retail			
of investment properties at	Retail	Warehouses	Offices	Industrial	Total
30 June 2014 arising from:	£,000	£'000	£'000	£'000	£'000
Increase in rental value by 5%	3,590	3,595	3,985	3,860	15,030
Decrease in rental value by 5%	(3,590)	(3,595)	(3,985)	(3,860)	(15,030)
Increase in initial yield by 0.25%	(2,897)	(3,236)	(2,911)	(3,628)	(12,672)
Decrease in initial yield by 0.25%	3,151	3,556	3,141	4,004	13,852

9. 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 £51,747,000 to IRPH as at 30 June 2015 (2014: £128,330,000). The principal loan is unsecured and is repayable within 12 months. Interest was payable in arrears at a fixed rate of 7.65 per cent per annum until 31 December 2014. Following the REIT conversion on 1 January 2015, interest is payable in arrears at a fixed rate of 5.5 per cent per annum.

In addition to its investment in the shares of IPTH, FREF had lent £42,729,000 to IPTH as at 30 June 2015 (2014: £87,382,000). This loan is unsecured and is repayable within 12 months. Interest was payable quarterly in arrears at a fixed rate of 7.43 per cent per annum until 31 December 2014. Following the REIT conversion on 1 January 2015, interest is payable in arrears at a fixed rate of 5.5 per cent per annum.

	Class	% of	Country of
Name of subsidiary undertaking	of share	class held	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.

10. Trade and other receivables

	2015	2014
	£'000	£,000
Rents receivable (net of provision for bad debts)	654	520
Other debtors and prepayments	6,207	5,541
	6,861	6,061

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

	Total	<30 days	30-60 days	60-90 days	90-120 days	>120 days
	£,000	£'000	£'000	£'000	€'000	£'000
2015	719	570	84	_	15	50
2014	598	519	-	1	26	52

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 2015 is £65,000 which is the total amount receivable over 90 days per the above table (2014: £78,000).

Included within other debtors and prepayments is the prepayment for rent-free periods recognised over the life of the lease. At 30 June 2015 this amounted to £3,724,000 (2014: £3,068,000). The remaining balance within other debtors and prepayments consists of the reverse lease surrender premium paid on properties at Banbury, New Malden, Bracknell and St. Albans of £1,892,000 (2014: £2,135,000) and also sundry debtors.

11. 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.

12. Bank loan and interest rate swap liability

		2015	2014
Opening loan drawn down 109,000 112,000 Loan repaid (7,000) (3,000) Set up costs (100) (100) Accumulated amortisation of set up costs 58 29 Accrued variable rate interest on bank loan 1,028 1,001		£'000	£'000
Loan repaid (7,000) (3,000) Set up costs (100) (100) Accumulated amortisation of set up costs 58 29 Accrued variable rate interest on bank loan 1,028 1,001	Facility	115,000	115,000
Set up costs (100) (100) Accumulated amortisation of set up costs 58 29 Accrued variable rate interest on bank loan 1,028 1,001	Opening loan drawn down	109,000	112,000
Accumulated amortisation of set up costs 58 29 Accrued variable rate interest on bank loan 1,028 1,001	Loan repaid	(7,000)	(3,000)
Accrued variable rate interest on bank loan 1,001	Set up costs	(100)	(100)
	Accumulated amortisation of set up costs	58	29
Total due 102,986 109,930	Accrued variable rate interest on bank loan	1,028	1,001
	Total due	102,986	109,930

The Company has a £115 million facility with Lloyds TSB Bank plc ('Lloyds'), of which £102 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); #

for the year ended 30 June 2015

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

- 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 5.105 per cent per annum.

The fair value of the liability in respect of the interest rate swap contract at 30 June 2015 is £6,587,000 of which £4,658,000 is treated as a current liability (2014: £9,235,000 of which £4,459,000 is treated as a current liability). This is based on the marked to market value. The interest rate swap is classified as Level 2 under the hierarchy of fair value measurements.

The first £12.5 million is a fixed term loan at LIBOR plus 2.0 per cent. Interest accrues on the remainder of 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. From 1 January 2015, the margin increased to 70.5 basis points per annum following conversion to a UK REIT. Prior to 1 January 2015, the margin was 45 basis points per annum on a loan to value ratio below 40 per cent. The amount payable by the Company in respect of the variable LIBOR part of the bank loan is fixed at 5.105 per cent through an interest rate swap against £100 million of the loan. The additional £2 million of the loan drawn down pays interest at one month LIBOR plus 70.5 basis points based on a loan to value ratio below 40 per cent since 1 January 2015; prior to 1 January 2015, the interest was at one month LIBOR plus 45 basis points. Interest on the swap is payable quarterly. The interest rate swap expires on 10 January 2017. The loan is repayable on 10 January 2017. In the Directors' opinion, the carrying value of the loan is not significantly different to its fair value, given the short length of time until the loan matures. It is classified under level 2 in the valuation hierarchy.

13. Trade and other payables

	2015	2014
	£'000	£'000
Rental income received in advance	3,682	3,699
VAT payable	825	789
Manager's fees payable	519	453
Other payables	1,886	1,169
	6,912	6,110

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

14. Share capital and reserves

	£,000
Allotted, called-up and fully paid	
230,855,539 Ordinary Shares of 1 pence each in issue at 30 June 2014	2,309
Issue of 3,000,000 Ordinary Shares of 1 pence each	30
233,855,539 Ordinary Shares of 1 pence each in issue at 30 June 2015	2,339

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 page 5 and in note 1(n).

The Company issued 3,000,000 Ordinary Shares during the year (2014: 22,805,048) for a consideration of £2,638,000 (2014: £18,183,000). The surplus of net proceeds received from the issue of new shares over the par value of such shares is £2,608,000 (2014: £17,955,000) and is credited to the special distributable reserve.

14. Share capital account and reserves (continued)

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 a 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 6 to the accounts and borrowings are set out in note 12.

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 2015 or 30 June 2014.

15. Net asset value per share

The net asset value per Ordinary Share is based on net assets of £226,829,000 (2014: £192,569,000) and 233,855,539 (2014: 230,855,539) Ordinary Shares, being the number of Ordinary Shares in issue at the year-end.

16. 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 2. The total charge to the Consolidated Statement of Comprehensive Income during the year was $\mathfrak{L}1,974,000$ (2014: $\mathfrak{L}453,000$) 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 Remuneration Report on pages 23 and 24 and in note 3. Total fees for the year were £125,920 (2014: £131,000) of which £34,000 (2014: £nil) remained payable at the year-end.

The Group has no ultimate controlling party.

17. 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, interest rate risk and market price risk. There was no foreign currency risk as at 30 June 2015 or 30 June 2014 as assets and liabilities are maintained in Sterling.

The Board reviews and agrees policies for managing the Group's risk exposure. These policies are summarised below and have remained unchanged for the year under review. These disclosures include, where appropriate, consideration of the Group's investment properties which, whilst not constituting financial instruments as defined by IFRS, are considered by the Board to be integral to the Group's overall risk exposure.

Credit risk

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

for the year ended 30 June 2015

17. Financial instruments and investment property (continued)

At 30 June 2015 and 2014, the maturity of the Group's financial assets due within three months were:

Financial assets

	2015	2014
	Three months	Three months
	or less	or less
	£'000	£'000
Cash	4,656	16,773
Rent receivable	654	520
Other debtors	821	531
	6,131	17,824

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.

The Group has a diversified tenant portfolio. The maximum credit risk from the rent receivables of the Group at 30 June 2015 is £654,000 (2014: £520,000). The maximum credit risk is stated after deducting the bad debt provision of £65,000 (2014: £78,000).

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 2015 the provision was £65,000 (2014: £78,000). Of this amount £43,000 was subsequently written off and £5,000 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 12) 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.

17. Financial instruments and investment property (continued)

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

Financial liabilities 2015

	More than			
three months				
Three months	but less	More than		
or less	than one year	one year	Total	
£'000	£'000	£'000	£'000	
1,371	1,025	103,248	105,644	
1,164	3,494	1,929	6,587	
1,886	519	-	2,405	
4,421	5,038	105,177	114,636	
	More than			
	three months			
Three months	but less	More than		
or less	than one year	one year	Total	
£'000	£'000	£'000	£'000	
1,353	1,053	113,177	115,583	
1,115	3,344	4,776	9,235	
	or less £'000 1,371 1,164 1,886 4,421 Three months or less £'000 1,353	three months Dut less or less than one year £'000 1,371 1,025 1,164 3,494 1,886 519 4,421 5,038 More than three months Three months or less or less than one year £'000 £'000 1,353 1,053	three months Three months or less than one year £'000 £'000 £'000 1,371 1,025 103,248 1,164 3,494 1,929 1,886 519 - 4,421 5,038 105,177 More than three months Three months but less More than or less than one year £'000 £'000 1,353 1,053 113,177	

Interest rate risk

Trade and other payables

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.

1,622

4,090

4,397

117,953

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 2015

	Within 1 year £'000	Between 1-5 years £'000	More than 5 years £'000	Total £'000
Floating rate				
Cash	4,656	-	-	4,656
Bank loan	-	(102,000)	-	(102,000)
Fixed rate				
Interest rate swap	(4,658)	(1,929)	-	(6,587)
	(2)	(103,929)	_	(103,931)

^{*}Bank loan is hedged by the principal value of the swap of £100 million.

1,622

126,440

for the year ended 30 June 2015

17. Financial instruments and investment property (continued)

As at 30 June 2014

Within	Between	More than	
1 year	1-5 years	5 years	Total
£'000	£'000	£'000	£'000
16,773	-	_	16,773
-	(109,000)	_	(109,000)
(4,459)	(4,776)	-	(9,235)
12,314	(113,776)		(101,462)
	1 year £'000 16,773 - (4,459)	1 year 1-5 years £'000 £'000 16,773 — (109,000) (4,459) (4,776)	1 year 1-5 years 5 years £'000 £'000 16,773 (109,000) - (4,459) (4,776) -

^{*}Bank loan is hedged by the principal value of the swap of £100 million.

Interest is receivable on cash at a variable rate. At the year-end rates receivable ranged from 0.5 per cent on current account balances to 0.16 per cent for deposit account balances. Interest is payable on the first £12.5 million of the bank loan at a variable rate of LIBOR plus 2.0 per cent; the remaining bank loan pays interest at LIBOR plus a margin of 0.705 per cent. The effect of the interest rate swap is to fix LIBOR on £100 million of the loan at 5.105 per cent per annum. The effective rate of interest on the loan is 0.74 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 £1.0 million (2014: £1.6 million). A decrease of 0.5 per cent would have reduced net assets by £1.0 million (2014: £1.6 million). These movements principally relate to the valuation of the interest rate swap. These movements are calculated as at 30 June 2015 which may not be reflective of actual future conditions.

Market price risk

The Group's strategy for the management of market price risk is driven by the investment policy as outlined within the Business Model and Strategy on page 5. The management of market price risk is part of the investment management process and is typical of commercial property investment. The portfolio is managed with an awareness of the effects of adverse valuation movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders. Investments in property and property-related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. Such risk is minimised through the appointment of external property valuers. The basis of valuation of the property portfolio is set out in detail in the accounting policies and note 8.

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 14. A 10 per cent increase in the value of the investment properties held as at 30 June 2015 would have increased net assets available to shareholders and increased the net income for the year by £33.2 million (2014: £29.5 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.

18. Capital commitments

The Group had no capital commitments as at 30 June 2015 (2014: £nil).

19. 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):

	2015 £'000	2014 £'000
Less than one year	17,828	16,935
Between one and five years	55,394	55,527
Over five years	68,424	71,039
Total	141,646	143,501

The largest single tenant at the year end accounted for £1.3 million and 6.6 per cent of the current annual rental income (2014: £1.3 million and 6.8 per cent of current annual rental income).

The unoccupied property expressed as a percentage of estimated total rental value was 3.3 per cent at the year-end (2014: 5.7 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 12 and 13.

20. 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 12 and 13.

21. Alternative Investment Fund Managers ('AIFM') Directive

In accordance with the AIFM Directive, information in relation to the Group's leverage and the remuneration of the Company's AIFM, F&C Investment Business Limited, is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy is available from F&C Investment Business Limited on request and the numerical remuneration disclosures in relation to the AIFM's first relevant accounting period will be made available in due course.

The Group's maximum and average actual leverage levels at 30 June 2015 are shown below:

Leverage exposure	Gross method	Commitment method
Maximum limit	400%	400%
Actual	190%	192%

for the year ended 30 June 2015

21. Alternative Investment Fund Managers ('AIFM') Directive (continued)

For the purposes of the AIFM Directive, leverage is any method which increases the Group's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of the Group's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Group's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Incorporation. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

Detailed regulatory disclosures to investors in accordance with the AIFM Directive are contained on the Company's website under Key Documents.

22. Post Balance Sheet Event

The Board has been considering a refinancing of the existing loan facility with Lloyds Bank plc (the 'Existing Facility') which is due for repayment in January 2017 and has agreed terms to refinance this through a new long-term term loan facility with Canada Life Investments and a new revolving credit facility with Barclays Bank plc (the 'New Facilities'). The Group has entered into heads of terms with Canada Life Investments and Barclays Bank plc for new debt facilities of up to £110 million, under a proposed £90 million 11 year term loan with Canada Life Investments and a £20 million 5 year revolving credit facility with Barclays.

Based on UK Gilt rates as at the current date, and assuming the New Facilities are drawn down in full, it is estimated that the total interest rate payable under the New Facilities would be approximately 3.3 per cent per annum.

Glossary of Terms

Corporate Terms

AAF – Audit and Assurance Faculty guidance issued by the Institute of Chartered Accountants in England and Wales.

AIC - Association of Investment Companies. This is the trade body for Closed-end Investment Companies (www.theaic.co.uk).

AIFMD – Alternative Investment Fund Managers Directive. Issued by the European Parliament in 2012 and 2013, the Directive required that all investment vehicles in the European Union, including Closed-end Investment Companies, must have appointed a Depositary and an Alternative Investment Fund Manager before 22 July 2014. The Board of Directors of a Closed-end Investment Company, nevertheless, remains fully responsible for all aspects of the company's strategy, operations and compliance with regulations.

Benchmark - This is a measure against which an Investment Company's performance is compared. The Company does not have a formal Benchmark but does report its performance against the Investment Property Databank ('IPD') Quarterly Universe, which is used to determine whether a performance fee is payable to the Manager (see note 2 to the Accounts.)

Closed-end Investment Company – A company with a fixed issued ordinary share capital which is traded on an exchange at a price not necessarily related to the Net Asset Value of the company and where shares can only be issued or bought back by the company in certain circumstances. This contrasts with an open-ended investment company, which has units not traded on an exchange but issued or bought back from investors at a price directly related to the Net Asset Value.

Depositary – Under AIFMD rules applying from July 2014, the Company must appoint a Depositary, whose duties in respect of investments, cash and similar assets include: safekeeping; verification of ownership and valuation; and cash monitoring. Under AIFMD regulations, the Depositary has strict liability for the loss of the Company's financial assets in respect of which it has safekeeping duties. The Depositary's oversight duties include, but are not limited to, oversight of share buy backs, dividend payments and adherence to investment limits. The Company's Depositary is JP Morgan Europe Limited.

Discount (or Premium) – If the share price of an Investment Company is less than its Net Asset Value per share, the shares are trading at a discount. If the share price is greater than the Net Asset Value per share, the shares are trading at a premium.

Dividend - The income from an investment. The Company currently pays dividends to shareholders quarterly.

GAAP - Generally Accepted Accounting Practice. This includes UK GAAP and International GAAP (IFRS or International Financial Reporting Standards applicable in the European Union). The Company's financial statements are prepared in accordance with IFRS as adopted by the FLI

Gearing – Unlike open-ended investment companies, Closed-end Investment Companies have the ability to borrow to invest. This term is used to describe the level of borrowings that an Investment Company has undertaken. The higher the level of borrowings, the higher the gearing ratio.

Leverage – As defined under AIFMD rules, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Leverage is broadly equivalent to Gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

Manager – The Company's investment manager is F&C Investment Business Limited, and its property manager is F&C REIT Property Asset Management plc. Further details are set out on page 7 and in note 2 to the accounts.

Market Capitalisation – The stock market value of a company as determined by multiplying the number of shares in issue, excluding those shares held in treasury, by the market price of the shares.

Net Assets (or Shareholders' Funds) – This is calculated as the value of the investments and other assets of an Investment Company, plus cash and debtors, less borrowings and any other creditors. It represents the underlying value of an Investment Company at a point in time.

Net Asset Value ('NAV') per Ordinary Share – This is calculated as the net assets of an Investment Company divided by the number of shares in issue, excluding those shares held in treasury.

Ongoing Charges – All operating costs incurred by the Company, expressed as a proportion of its average Net Assets over the reporting year. The costs of buying and selling investments and derivatives are excluded, as are

Glossary of Terms (continued)

interest costs, taxation, non-recurring costs and the costs of buying back or issuing Ordinary Shares.

Ordinary Shares – The main type of equity capital issued by conventional Investment Companies. Shareholders are entitled to their share of both income, in the form of dividends paid by the Investment Company, and any capital growth. As at 30 June 2015 the Company had only Ordinary Shares in issue.

Share Price – The value of a share at a point in time as quoted on a stock exchange. The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange.

SORP – Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the AIC.

Total Assets – This is calculated as the value of the investments and other assets of an Investment Company, plus cash and debtors.

Total Return – The return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets.

Property Terms

Break Option – A clause in a Lease which provides the landlord or tenant with an ability to terminate the Lease before its contractual expiry date.

Covenant Strength - This refers to the quality of a tenant's financial status and its ability to perform the covenants in the Lease.

Estimated Rental Value ('ERV') – The estimated annual market rental value of a property as determined by the Company's External Valuer. This will normally be different from the actual rent being paid.

External Valuer – An independent external valuer of a property. The Company's External Valuer is Cushman & Wakefield and detailed information regarding the valuation of the Company's properties is included in note 8 to the accounts.

Fixed and Minimum Uplift Rents – Rents subject to fixed uplifts at an agreed level on agreed dates stipulated within the Lease, or rents subject to contracted minimum uplifts at specified review dates.

Lease - A legally binding contract between a landlord and a tenant which sets out the basis on which the tenant is permitted to occupy a property, including the Lease length.

Lease Incentive – A payment used to encourage a tenant to take on a new Lease, for example by a landlord paying a tenant a sum of money to contribute to the cost of a tenant's fit-out of a property or by allowing a rent free period.

Lease Re-gear – This term is used to describe the renegotiation of a Lease during the term and is often linked to another Lease event, for example a Break Option or Rent Review.

Lease Renewal – The renegotiation of a Lease with the existing Tenant at its contractual expiry.

Lease Surrender – An agreement whereby the landlord and tenant bring a Lease to an end other than by contractual expiry or the exercise of a Break Option. This will frequently involve the negotiation of a surrender premium by one party to the other.

Net Income – The net income from a property after deducting ground rent and non-recoverable expenditure.

Net Initial Yield – The initial Net Income from a property at the date of purchase, expressed as a percentage of the gross purchase price including the costs of purchase.

Property Income Distribution (PID) – A dividend received by a shareholder of the Company in respect of profits and gains of the Tax Exempt Business of the UK resident members of the Group or in respect of the profits or gains of a non-UK resident member of the Group insofar as they derive from its UK qualifying property rental business.

Rent Review – A periodic review of rent during the term of a Lease, as provided for within a Lease agreement.

Reversion – Increase in rent estimated by the Company's External Valuer, where the passing rent is below the ERV. The increases to rent arise on rent reviews and lettings.

Tenant's Improvements – This term is used to describe a wide range of works that are usually carried out by a tenant, at its own cost, and usually require the landlord's prior approval.

Voids – The amount of rent relating to properties which are unoccupied and generating no rental income. Stated as a percentage of ERV.

Notice of Annual General Meeting

Notice is hereby given that the eleventh Annual General Meeting of F&C UK Real Estate Investments Limited will be held at Exchange House, Primrose Street, London EC2A 2NY on 25 November 2015 at 12 noon for the following purposes.

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

- That the Annual Report and Consolidated Accounts for the year ended 30 June 2015 be received and approved.
- 2. That the Directors' Annual Report on Remuneration be approved.
- That Mr V Lall, who retires annually, be re-elected as a Director.
- That Mr A E G Gulliford, who retires annually, be re-elected as a Director.
- 5. That Mr D Ross, be elected as a Director.
- 6. That Mr M Carpenter, be elected as a Director.
- 7. That Ernst & Young LLP, be re-appointed as Auditor until the conclusion of the next Annual General Meeting.
- 8. That the Directors be authorised to determine the Auditor's Remuneration.

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

- 9. That the Directors of the Company be and 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") for cash, including by way of a sale of ordinary shares held by the Company as treasury shares, or as if any pre-emption rights in relation to the issue of shares set out in the Listing Rules made by the Financial Conduct 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 £233,855 being 10 per cent of the nominal value of the issued share capital of the Company, as at 28 September 2015.
- 10.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 2016 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2016, 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

PO Box 255, Trafalgar Court, Les Banques

St. Peter Port, Guernsey GY1 3QL

28 September 2015

Notice of Annual General Meeting (continued)

Notes

- 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 23 November 2015.
- 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 23 November 2015. 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 23 November 2015. 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.
- 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.
- As at 28 September 2015, the latest practicable date prior to publication of this document, the Company had 233,855,539 ordinary shares in issue with a total of 233,855,539 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 Computershare Investor Services (Guernsey) Limited, c/o Queensway House, Hilgrove Street, St. Helier, Jersey JE1 1ES on request. Where dividends are paid directly to shareholders' bank accounts, dividend tax vouchers are sent directly to shareholders' registered addresses.

Share Price

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

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to Computershare Investor Services (Guernsey) Limited, c/o Queensway House, Hilgrove Street, St. Helier, Jersey JE1 1ES under the signature of the registered holder.

Shareholder Enquiries

Contact Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St. Peter Port, Guernsey 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 2015/16	
25 November 2015	Annual General Meeting
December 2015	Payment of first interim dividend
February 2016	Announcement of interim results
February 2016	Posting of Interim Report
March 2016	Payment of second interim dividend
June 2016	Payment of third interim dividend
September 2016	Announcement of annual results
September 2016	Posting of Annual Report
September 2016	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
30 June 2014	307,275	192,569	83.4	84.0	0.7	14.4	5.00	1.4
30 June 2015	331,744	226,829	97.0	99.5	2.6	17.5	5.00	1.4

^{*}as a percentage of average net assets (excluding direct property expenses).

Warning to shareholders - Beware of Share Fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non existent, or to buy shares at an inflated price in return for an upfront payment.

If you are approached by fraudsters please tell the Financial Conduct Authority ('FCA') by using the share fraud reporting form at **www.fca.org.uk/scams** where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**. If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

[†] post the merger with ISIS Property Trust.

Corporate Information

Directors (all non-executive)

Quentin Spicer (Chairman)‡
Andrew E G Gulliford§
Vikram Lall*
Mark Carpenter
David Ross†

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

Alternative Investment Fund Manager ('AIFM') and Investment Manager

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

Property Manager

Tel: 01481 745001

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

Property Valuers

Cushman & Wakefield 48 Warwick Street London W1B 5NL

‡Chairman of the Nomination Committee

§Chairman of the Property Valuation Committee

*Chairman of the Audit Committee

†Chairman of the Management Engagement Committee

Website:

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

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
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

Depositary

JPMorgan Europe Limited 25 Bank Street Canary Wharf London E14 5JP



Registered Office

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

Registrars

Computershare Investor Services (Guernsey) Limited c/o Queensway House Hilgrove Street St. Helier Jersey Channel Islands JE1 1ES