TR Property Investment Trust plc

Report & Accounts for the year ended
31 March 2006

TR Property Investment Trust plc

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TR Property Investment Trust plc

Highlights

- **Share price total return of 66.3%**
- **NAV total return of 56.5%**
- **Dividend per share increase of 19.3%**
- **Outperformed Benchmark for 8th consecutive year**

Dividend

Subject to shareholder approval at the Annual General Meeting on 18 July 2006, a final dividend of 1.90p (2005: 1.55p) per ordinary share will be paid on 28 July 2006 to shareholders on the register on 30 June 2006. The shares will be quoted ex-dividend on 28 June 2006.

The objective of TR Property Investment Trust plc **is to maximise shareholders' total returns by investing in property shares and property on an international basis. Over 90% of the Company's assets are currently invested in Pan-European listed property securities with the balance in directly owned UK real estate.**

Investment Selection	The investment selection process seeks to identify well managed companies of all sizes, especially those with a focus on a particular type of real estate business. We generally regard future growth and capital appreciation potential more highly than immediate initial yield or discount to asset value.
Benchmark	The Benchmark is the S&P/Citigroup European Property Index in Sterling (the Citigroup Index). The Citigroup Index, against which the manager's performance is measured by the Board, comprises 96 companies and is itself a sub-index of the S&P/Citigroup Global Property Index, a longstanding and widely used benchmark in the world of real estate securities. The Citigroup Index is freefloat based and calculated daily on a price only and total return basis. The Benchmark website **www.globalindices.standardandpoors.com** contains further details.
Capital Growth	Over the past five years the net asset value per share has risen by 207%. Over the same period the Benchmark Index has risen by 133%.
Income	Over the past five years the annual net dividend per share has grown by 19.4% p.a. compound.
Independent Board	The directors are all independent of the management company and meet regularly to consider investment strategy and to monitor performance.
Shares easy to buy	Details of how the shares can be bought through the TR Property Share Plan and the TR Property ISA are given on the inside back cover.
Website	Information about the Company can be found on the website **www.trproperty.co.uk**

Financial Highlights

	31 March 2006	31 March 2005 (Restated)	Change
Revenue			
Total income (£'000)	**23,143**	19,741	+17.2%
Income from operations before tax (£'000)	**13,874**	11,793	+17.6%
Earnings per ordinary share	**81.29p**	34.02p	+138.9%
Revenue earnings per ordinary share	**3.44p**	2.85p	+20.7%
Net dividend per share	**3.40p**	2.85p	+19.3%
Balance Sheet			
Investments held at fair value (£'000)	**881,943**	598,395	+47.4%
Shareholders' funds (£'000)	**770,593**	504,705	+52.7%
Shares in issue at end of period (m)	**343.9**	346.4	-0.7%
Gearing	**12%**	16%	
Net asset value per share	**224.11p**	145.71p	+53.8%

Performance
Assets and Benchmark

	Year ended 31 March 2006	Year ended 31 March 2005
Benchmark performance (price only)	**+43.3%**	+24.6%
NAV change	**+53.8%**	+27.8%
Benchmark performance (total return)	**+48.0%**	+29.1%
NAV total return	**+56.5%**	+30.5%
IPD Monthly Index total return**	**+20.9%**	+18.0%
Total return from direct property	**+21.5%**	+13.4%

Performance
Share Price

	31 March 2006	31 March 2005	Change
Share price at 31 March	**209.5p**	128.5p	+63.0%
Share price total return	**+66.3%**	+38.5%	
Market capitalisation at 31 March	**£720m**	£445m	+61.8%

Sources: Thames River Capital/**IPD monthly to March 2006

Chairman's Statement

Peter Salsbury BSc *Chairman*
23 May 2006

Introduction

The Trust has had an exceptional year. As at 31 March 2006 the net asset value per share had grown by more than 50% and outpaced our Benchmark Index for the eighth successive year. Shareholders' funds exceeded £750m and gross assets approached £900m. The share price rose by over 60% as the discount to net asset value has narrowed. Revenue per share increased by 20% and this has allowed the Board to recommend another significant dividend increase. During the year we have reviewed the fund management agreement with Thames River Capital and agreed a fee percentage rebate up to 2009. Other features of the year included another increase in the proportion of the Trust's equity owned by private investors and, in the recent Budget, the announcement of the framework for the proposed introduction of UK REITs.

International Accounting Standards (IFRS)

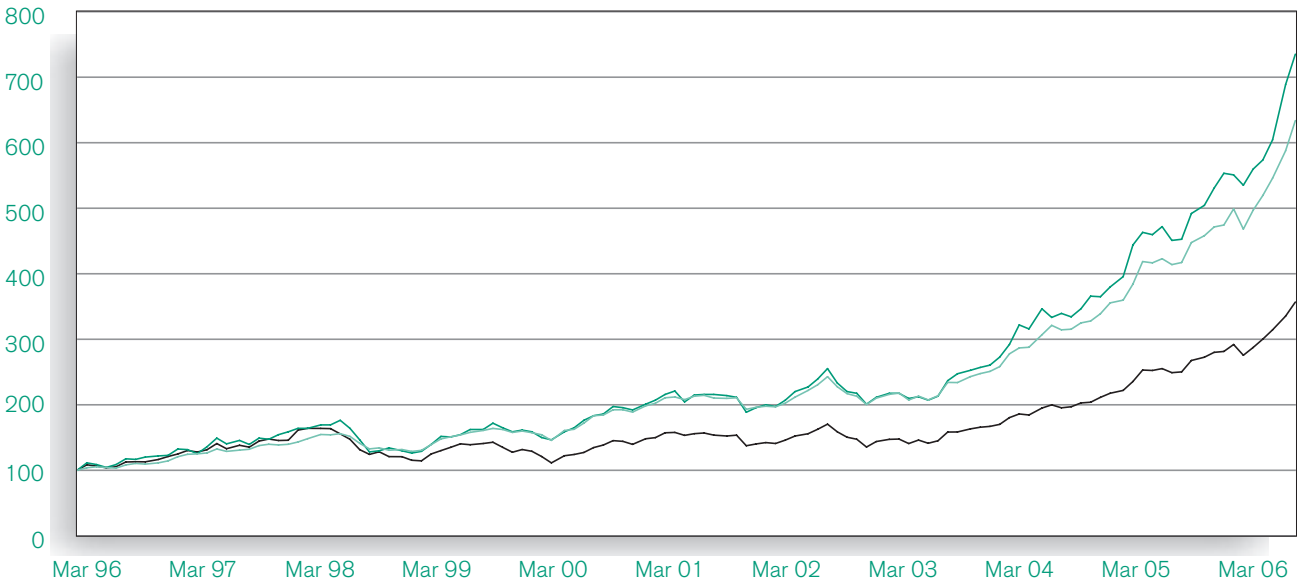
These are the first full year accounts produced under the new International Financial Reporting Standards (IFRS), and there are various changes in the format and layout of the numbers. A detailed explanation of the changes can be found in the Finance Report (starting on page 33), and comparisons between the current and previous numbers are detailed in the notes to the financial statements. As I commented at the interim stage, we are conscious that these changes make the accounts longer and more difficult to follow than before. We have therefore made our explanatory notes as full as possible, and we welcome the efforts being made by the AITC to simplify and standardise the reporting requirements for investment trusts. Overall the impact of IFRS on the substance of the numbers is not significant.

Market Background

Commercial property markets across the world have continued to see extraordinary levels of investor demand over

Chairman's Statement continued

Ten Year Performance (price only)



Index of TR Property net asset value and share price compared with a composite benchmark index comprising the FTSE Real Estate Index (for the period 31 March 1996 to 30 September 2001) and the S&P/Citigroup European Property Index (for the period 1 October 2001 to 31 March 2006)

Composite Benchmark Index TR Property Share Price TR Property Net Asset Value

the past twelve months, demand which has far outpaced the supply of investment grade property. As a result, and despite generally fragile tenant demand, capital values have continued to rise and initial yields to fall across all our markets. Against this background property shares have performed remarkably well.

UK REITs

Full details of the proposed UK REIT structure were eventually announced in the recent Budget. In essence, fully quoted UK property companies are being offered the opportunity to enter into a special tax status where, subject to certain rules, they will be free of capital gains tax on their real estate portfolios and suffer no corporation tax on their net rental income. The cost of entry will be a 2% levy on their gross property assets. The rules to which they must adhere include gearing limits, income distribution limits and shareholder ownership limits. The proposals, which may yet be subject to alteration and amendment during the debate on the Finance Bill, appear to be commercially attractive, and we expect the majority of the larger UK property companies to enter the REIT structure when it commences at the start of 2007.

A number of shareholders have raised the question of whether TR Property could or should become a REIT. The Board cannot see any benefit in such a move. To qualify as a REIT, a minimum of 75% of our assets would have to comprise directly held commercial property, and the Trust would therefore become a property company. By so doing we would lose our investment trust status, which already gives us freedom from capital gains tax. As an investment trust, we do not have freedom from corporation tax, but cost of entry into REIT status, which would currently be £17m, compares with a current corporation tax bill of around £1m p.a. To maintain REIT status we should have to renounce investment in property securities, a field where our management team's talents have been rather well employed.

Performance

Over the twelve months ended on 31 March 2006, the Trust's asset value per share rose by 53.8% to 224.11p and the share price increased by 63% to 209.5p. These increases compare with a rise of 43.3% in our Benchmark Index over the same period. The annual total returns, which include the value of the net dividends paid during the period, were 56.5% for the net asset value, 66.3% for the share price and 48% for the Benchmark. Property equities outperformed general equity markets over the year, in which the total return on the FTSE All-Share Index was 28.1% and the total return from the DJ STOXX 600 (in Euros) was 31.4%. The extent of the outperformance has resulted in our managers earning the maximum performance fee of 1% of adjusted shareholders' funds.

Chairman's Statement continued

Ten years ago, at the end of March 1996, the net asset value was 35.2p per share and the share price was 28.5p. The total compound annual price growth over the decade has been 20.3% p.a. for the asset value and 22.1% p.a. for the share price. The total return numbers, which assume reinvestment of the net dividends, are 25.3% p.a. for the share price and 23.4% p.a. for the net asset value. Over the same ten year period, the compound annual total returns from the Trust's Benchmark Index and from the FTSE All-Share Index have been 16.3% p.a. and 8.4% p.a., respectively.

Revenue

The revenue earnings for the year are 3.44p per share, an increase of 20.7% over the 2.85p per share reported last year. Our total income, including the service charges we made to our tenants, increased by 17.2% to £23.1m, while expenses, including interest, property outgoings and management fees, rose by 16.6%. That left pre-tax revenue 17.6% higher at £13.9m. The tax charge was lower, in percentage terms, than last year, and revenue earnings also benefited from share repurchases.

Ten years ago, in the year ending March 1996, the revenue earnings per share were 1.35p and the full year dividend was 0.98p per share. The annual compound growth figures for revenue earnings and dividends per share over the decade have been 9.8% p.a. and 13.23% p.a. respectively. Comparable growth rates for our Benchmark are not available. The Retail Price Index has risen by an average of 2.5% p.a. over the period. The growth in revenue and in dividends, though excellent, has nowhere near matched the growth in the asset value. This is because the asset values of our investee companies and their share prices have risen far faster than their rental income receipts, their overall revenue and their dividend distributions.

Revenue Outlook

Our managers are advising the Board that, subject to unforeseen circumstances, they expect the Trust's revenue per share to increase modestly in the current financial year in line with the anticipated average dividend increases from the companies in which we hold shares.

With the imminent arrival of UK REITs, I should like to make some early comment on implications for our revenue in the financial year starting in April 2007. The proposed legislation will give REITs freedom from corporation tax on their net rental revenue and will require a 90% distribution of this revenue. With the objective of tax neutrality the Government has classed such distributions as property income rather than dividends, so that this income will be taxable at a higher rate. Nevertheless, despite this tax change, the average net payout to REIT shareholders is currently expected to rise significantly. At present the Trust has large amounts of capital invested in UK companies whom we expect to elect for UK REIT status in 2007, and on an unchanged portfolio, we would expect a very healthy, but as yet unquantifiable, increase in our income.

The Trust has a total return objective. It is free of taxation on capital gains on its assets but bears corporation tax on its revenue; thus a pound of capital gain has more net worth to shareholders than a pound of income. Our large investments in potential UK REITs have been made with this total return objective in mind and not primarily as a future source of stable high income. Evidence from overseas markets suggests that UK companies that become REITs may see their shares rise to trade at a premium to asset value while, at the same time, they may alter their business strategies to concentrate more on income stability than on future capital growth. There is no certainty, under these circumstances, that the Trust will continue to wish to hold large investments in UK REITs, and therefore shareholders are advised not to assume that the Trust will be bound to receive an abnormal increase in its revenue beyond April 2007.

Dividend

The Board is recommending to shareholders a final dividend of 1.9p per share, an increase of 22.6% over the final dividend of 1.55p per share paid last year. Together with the interim dividend of 1.5p per share already paid, this produces a total payment of 3.4p per share for the year, a 19.3% increase over the total of 2.85p per share paid last year.

Discount

The gap between the share price and the asset value has been narrowing over the last three years and in the last twelve months the discount has fallen from 11.5% to a year end level of around 7%. As a result, the share price has grown faster than the net asset value per share. This narrowing has been in line with the discount movement across the whole of the UK Investment Trust sector, something which reflects good performance and therefore the increased demand for investment trust shares generally.

Share Repurchases

The narrowing of the discount has meant that opportunities for worthwhile share repurchases were

Chairman's Statement continued

scarce or non-existent. I reported at the interim stage that we had bought back 2.516m shares at an average of 132.75p in the first half of the year. No repurchases were made in the second half.

Last year I commented on the shrinkage of our investment universe and how repurchases were helping to control the size of the Trust in such an environment. This year, for the first time in a decade, we have seen a marked expansion in property share issuance notably on the Continent and on AIM. Our Benchmark has expanded from 84 to 96 companies during the year and is likely to show a similar rate of expansion in the coming year.

Net Debt, Gearing and Currencies

We increased our borrowings over the year from £81m to £98m, but the pace of the increase was less than the rate of growth in our net assets, so our gearing (borrowings as a percentage of net assets) declined from 16% at the start of the year to 12% at the year end. The Trust's gearing level is expected to be between 5% and 20% over the coming six months.

In accordance with the Board's long term policy, all our debt continues to be denominated in Sterling and the Trust's exposure to foreign currency movements is therefore unhedged. Over the year, the Euro rose against the Pound increasing the value of the Trust's overseas assets by some £4.5m in Sterling terms, equivalent to 1.3p per share.

Shareholders and the Shareplan

The Board believes that investment trusts are an excellent vehicle for the long term savings of retail investors and has ensured that our managers handle the Trust's affairs with this in mind. In this context I am pleased that we have seen a steady increase in the numbers of retail investors over several years. At the end of March 2006, personal shareholdings together with the shareholdings of private client stockbrokers and the investments in our Shareplan, PEP and ISA schemes, accounted for over 60% of the capital. This percentage compares with 50% in September 2004.

Shareholders using the Trust's Shareplan, PEP and ISA schemes will be aware that the administration of these schemes was moved to BNP Paribas in April 2005. The level of service received by some holders has not been satisfactory and I apologise to those affected. We have taken action to try and ensure the administrator's service is improved henceforth.

Management Agreement, Personnel and Awards

The fund management agreement with Thames River Capital was reviewed during the year. The Board has agreed a fee percentage rebate for a three-year period to March 2009. Shareholders' funds of up to £450m will continue to attract a fee of 0.7% p.a., but the rate will be reduced to 0.4% p.a. on shareholders' funds in excess of £450m. This rebate has been retrospectively applied to the financial year just ended.

During the year George Gay joined the management team to assist with direct property holdings, giving James Wilkinson more time to cover our equity investments, particularly those in Central and Eastern Europe.

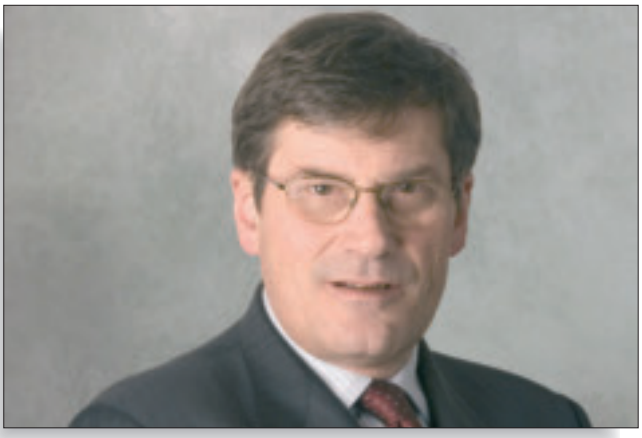
During the last twelve months the Trust has received awards as the best Specialist Investment Trust of the Year from both Investment Week and Moneywise magazines.

Outlook

Last year, and at the interim stage, I commented that the outstanding capital growth seen by property markets must make us wary and vigilant. The scale of the increase in values and the length of this cycle obviously raise questions as to the length of its sustainability. Global trends can blur traditional reference points of valuation and timing, and lead both to poor capital allocation and to exaggerated expectations of future price movements. The market's immediate concerns centre on the interest rate cycle. Capital growth has been fed by low global interest rates and abundant liquidity, though demographics and changes in savings behaviour have also been powerfully at work.

For the moment the Trust remains geared, though at a lower level than normal. Our portfolio is weighted towards stocks whose share prices are still in touch with their underlying asset value and the imminent arrival of the UK REIT regime is gratifying. We are diversifying some of our capital into property related businesses with ratings that may not be wholly dependent on the continued growth of property values. Nevertheless, when the property cycle eventually turns, shareholders should bear in mind that the Trust is a dedicated investor in real estate and real estate securities and that we will continue to adhere to this core strategy.

Manager's Report



Chris Turner *Fund Manager*
23 May 2006

It has been another remarkable year in global property capital markets. Investment demand for commercial real estate has continued to be enormous. In many locations and particularly in the UK and Europe, initial income yields have fallen into uncharted low territory. Whether this territory is unsustainable or whether current yields herald a new order in property's status in the investment world, is the riddle.

Last year I commented that investor demand for high initial income was the primary driving force behind the surge in capital trying to find a home in real estate. Over the year we have seen property initial yields fall across all markets. In the UK the average is down from 5.8% to 5.1% and in some other markets the yield compression has been even greater. At the same time across the world the trend has been for base rates and bond yields to rise. As property yields have fallen and as fixed income yields have risen, so the healthy yield advantage that property and REITs offered over fixed interest has shrunk rapidly. Logically this should have translated into a reduction in demand for real estate as investors switched capital back into bonds. Furthermore, a reduction in demand ought, by now, to be doubly obvious as leveraged investors are forced out of the market as income yields from property assets are now, on average, lower than the cost of borrowed money. As yet, this has not occurred and we have seen no let up whatsoever in investor demand.

Manager's Report continued

Changes in Investments

	Valuation 2005 £'000	Purchases £'000	Sales Proceeds £'000	Appreciation £'000	**Valuation 2006 £'000**	%
Austria	–	8,502	2,452	1,857	**7,907**	0.90
Belgium	7,600	1,087	1,160	1,229	**8,756**	0.99
Finland	2,220	1,891	846	1,847	**5,112**	0.58
France	70,867	19,886	26,866	35,896	**99,783**	11.31
Germany	4,816	6,649	–	6,238	**17,703**	2.01
Greece	–	2,325	–	989	**3,314**	0.38
Italy	11,006	2,299	–	5,902	**19,207**	2.18
Luxembourg	–	2,838	–	531	**3,369**	0.38
Netherlands	62,653	4,487	3,547	21,597	**85,190**	9.65
Spain	24,649	6,437	12,142	21,042	**39,986**	4.53
Sweden	30,764	4,632	4,859	15,121	**45,658**	5.18
Switzerland	3,552	–	–	1,022	**4,574**	0.52
Continental Europe	218,127	61,033	51,872	113,271	**340,559**	38.61
Hong Kong	–	4,057	3,329	347	**1,075**	0.12
Direct Property	56,371	12,631	16,235	11,495	**64,262**	7.29
UK	323,897	44,796	48,683	156,037	**476,047**	53.98
Total	598,395	122,517	120,119	281,150	**881,943**	100.00

Performance

Performance was strong over the year, and the Benchmark return was exceeded by a wider than usual margin. Shareholders' funds rose by more than 50% even after share repurchases and exceeded £750m for the first time, while gross assets approached £900m. We were overweight UK shares throughout the year believing that the UK direct property market returns would be stronger than European returns (correct) and that this, combined with the hopes for a UK REIT, would lead to UK stocks outperforming (correct, but not by much). We reduced our weightings in the shares of UK retail property owners on concerns over lower sales growth in the UK and we increased the portfolio weightings in office property owners on signs that financial services employment was rising. Share sales were mainly from holdings where the shares were priced at above average premiums to what we judged to be the net asset value, and most additions to the portfolio were made either on value grounds or to give exposure to new markets, particularly those in Eastern Europe.

Besides the UK exposure, the portfolio was modestly overweight in France, the Netherlands and Sweden over the year and seriously underweight in Austria, Switzerland, Belgium and Germany. The German underweight was our biggest error as property share prices there rose by 81% over the twelve months. This was in anticipation of the introduction of a German REIT and on the hopes that the German economy will recover and so bring to an end the long period of stagnant tenant demand. We had only one stock that more than doubled in price over the year (Risanamento in Italy) but equally we had positive returns from every single equity holding in the portfolio.

Last year I commented that our investment universe of quoted property shares had been shrinking for a number of years due to public property companies going private. In the last twelve months the situation has reversed and we have seen significant issues of new shares both by companies listing for the first time and by existing companies raising fresh equity capital. Some £8.5bn was added to the total capitalisation of our Benchmark over the year as a result of issuance, and the number of companies in the Index rose from 84 to 96. A further large increase is expected in the current year when the Index is expected to include many of the companies recently floated on AIM.

Manager's Report continued

Investment Portfolio as at 31 March 2006

The 40 largest quoted investments amount to £737,253,000 or 84% of total investments (convertibles and all classes of equity in any one company being treated as one investment)

	Market Value £'000		Market Value £'000		Market Value £'000
Land Securities	110,860	Grainger Trust	13,411	Rugby Estates	7,007
British Land	67,014	Vastned Retail (Netherlands)	12,701	Pirelli Real Estate (Italy)	6,844
Hammerson	52,700	Inmobiliaria Colonial (Spain)	11,735	Deutsche Wohnen (Germany)	6,789
Slough Estates	41,021	Eurocommercial Properties (Netherlands)	10,442	Cofinimmo (Belgium)	6,696
Rodamco Europe (Netherlands)	38,149	Kungsleden (Sweden)	10,055	London Merchant Securities	6,572
Big Yellow Group	32,353	Quintain Estates & Developments	9,350	Wereldhave (Netherlands)	6,474
Unibail (France)	31,620	Bail Investissement Fonciere (France)	9,324	Gecina (France)	5,730
Castellum (Sweden)	30,132	Capital & Regional	8,532	Great Portland Estates	5,562
Liberty International	30,014	Derwent Valley	8,333	Urbis (Spain)	5,265
St Modwen Properties	24,773	Brixton	7,921	Risanamento (Italy)	4,712
Metrovacesa (Spain)	22,986	IVG Immobilien (Germany)	7,789	PSP Swiss Property (Switzerland)	4,574
Fonciere des Regions (France)	22,639	Beni Stabili (Italy)	7,651	BAA	4,560
Klepierre (France)	15,420	Immoeast Immobilien Anlagen (Austria)	7,387		
Corio (Netherlands)	15,046	Helical Bar	7,110		

Property Investment Market Background

As the Chairman has already noted, the very strong investor demand for income producing commercial property investments has continued unabated throughout the year. Buying interest is global by source and from all types of investors. European markets generally saw record levels of investment turnover and pricing during the year. Within the UK, overseas investors have tended to dominate the London market. Investment Property Databank now calculate the calendar total returns of the main European property markets. The best country returns in calendar 2005 came from Ireland where the All Property total return was 24.3% p.a. The UK was again the best performing major European market with a total return of 19.1% made up of income at 5.6% and capital growth at 13.5%. Denmark, Spain and France all had total returns in the 15% to 18% range with Sweden and the Netherlands between 10% and 13%. The German property market was the worst performer with a 0.5% total return.

Tenant Demand

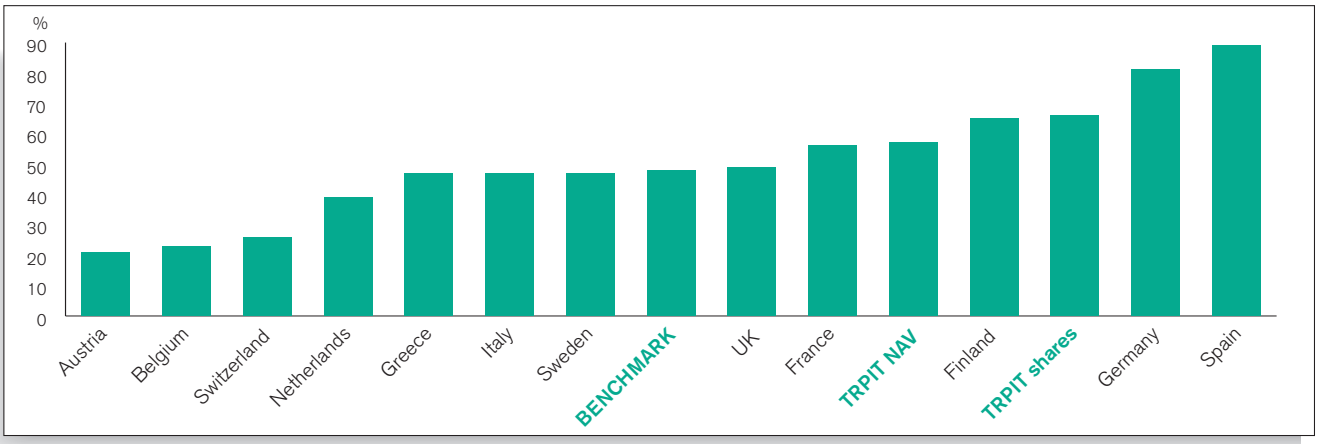
Across all the European countries, yield compression accounted for the vast majority of the capital growth in 2005. The best average rental growth number came from the UK at 2.8% – a modest figure but still above the rate of UK inflation, and growth here was positive in all three use classes. Elsewhere in Europe, where figures are available, retail rental growth was positive and French retail property recorded unexpected 8% rental growth in 2005. Office rental values were static or slightly lower in most locations, save the UK. Here demand continues to improve slowly in the provinces. In London the improvement in financial services employment has led to a good increase in take up, a sharp decline in vacancy rates and a real firming of rental levels, notably in the West End. We expect the London office market to continue to strengthen through 2006. Retail demand is better in Europe than in the UK, where vacancy rates have risen. So far, this has had less impact on rental value growth than might have been expected and the top centres in the UK continue to take market share from older High Streets. Industrial and storage demand has seen little improvement, where rental values are stable in the UK, but have declined slightly in some Continental markets.

Housing Markets

House price movements continue to be less homogeneous than commercial value movements. Across much of Europe house prices have again seen 7%+ growth over the past year and in France, Spain and Denmark the growth has been well over 10%. The major exceptions to this strong growth pattern have been the UK and Germany. In the UK the market has shown greater resilience than we expected

Manager's Report continued

Benchmark Total Returns by Country – Year to end March 2006



and there has been a return to price growth this spring, especially in the London area. We anticipate that UK house prices will see only modest (3% – 6%) growth in the next twelve months. Germany is the odd market out. Home ownership, at below 50%, is the lowest in Western Europe, and the value of a German home is, on average, lower than it was ten years ago. As a result, most Germans do not see housing as a very secure personal investment. Foreign investors have different ideas however. Over the past year there has been a huge flow of capital, mainly from the USA, into German let residential property in the anticipation that Germans can be persuaded that buying their homes is a wise course of action. Meanwhile, Euro base rates are rising and we expect the pace of house price growth to moderate in France and Spain in the current year.

Property Share Background

It was a great year for European property shares. The Benchmark rose by 43.3% in Sterling. Revaluations produced average underlying portfolio growth of around 13%. Sector gearing was close to 100% and this drove average net asset value (NAV) growth to about 25% over the year. The remainder of the capital growth came mainly from an increase in premiums to NAV which stood at an average of around 18% at the year end. Breaking this down, the average Continental premium was 30% and the average in the UK was 3%. The UK average is dragged down because the five leading property companies (which are all in our top ten investments) still stand at discounts to NAV. As the year progressed and share price premiums increased we saw a substantial increase in the number of new issues and rights issues, and a decline in takeover activity.

The table above shows the Benchmark Index returns by country. The large divergence in performance surprised us, given the background of relative similarity of the economic and property market backgrounds. The explanation for the best and worst numbers is generally linked either to corporate activity or to the proposed introduction of REITs.

Investment Activity and Distribution of Assets

It was another relatively inactive year. Our equity market turnover (purchases plus sales divided by two) in the year was some £106m or 16% of the average equity assets owned in the year. We saw gains on every one of our equity holdings but we failed to hold a number of the best performing smaller companies on the Continent. We stayed loyal to our overweight equity position in the UK property shares. Though they outperformed marginally, I am disappointed that they did not do better in price terms, given that their economic returns were better than the market forecasts anticipated and that UK REITs are now close to a reality.

Reflecting the low level of investment activity, the distribution of assets also remained very similar (as is shown in the table on page 15). We intended to increase the proportion of the fund held in direct property during 2005. In the event, we made one major purchase in Slough at the start of the year and then found ourselves repeatedly outbid for other potential stock. We eventually concluded that it was currently a more effective use of

shareholders' funds (and our time) to add to our UK property shareholdings at discounts to NAV rather than to chase prices in the direct market. Meanwhile, the high level of prices allowed us to make a number of sales of property at prices well ahead of valuation.

Largest Equity Investments

Details of our top twenty investments are set out on pages 16 and 17. Many shareholders may find the list very familiar: indeed the top ten companies are identical to last year, though the order has changed slightly reflecting performance and transactions. These top ten were valued at £459m at the year end and represented 52.0% of the Group's total investments. The comparable figures at March 2005 were £310m and 51.8%. (Ten years ago our top ten investments represented 21%.) These ten investments are therefore the engine room of the portfolio. All but two of the stocks (St Modwen and Big Yellow) now have freefloat market capitalisations of over £1bn. Four of the UK stocks (Land Securities, British Land, Hammerson and Liberty) are in the FTSE 100 Index, and Slough Estates is close to entry. Unibail and Rodamco are the largest French and Dutch property companies by freefloat capitalisation. The Trust's largest investment at the year end was 5.75 million shares in Land Securities, which has a current average daily volume of over 3 million shares. The best performer was again Big Yellow with a total return of +86% and the only two shares in our top ten to underperform the Benchmark were Liberty and Slough with total returns of 26% and 41%, respectively.

Revenue

The reported revenue earnings per share increased by 20.7%. Our UK dividend income saw a very healthy 32.7% increase to £8.46m. A number of our larger UK holdings, especially Land Securities and Big Yellow, surprised us with larger dividend increases than we were expecting. We also benefited from timing differences where dividends moved forward into the period. Outside the UK our dividend income rose a healthy 21.0% to £9.73m. By contrast, and as foreseen, our net rental income declined by 26% to £2.10m because we sold income-producing property and switched funds into UK shares and bought unlet buildings. The management fee charged to revenue rose by 19%, a significantly lower percentage than the increase in the shareholders' funds over the year. This was due in part to the fee rebate noted by the Chairman, and in part to the fact that the management fee is now based on funds under management at the beginning rather than the end of each quarter, which reduces the increases in rising markets. Interest costs rose by just under 10% reflecting higher borrowings. Corporation tax has been charged to revenue at a rate of 14.7% compared with 15.2% last year, the slightly lower rate reflecting better than expected withholding tax recovery.

Our current forecasts for revenue growth this year suggest that the rate of increase will be far more modest. For many of our UK investee companies, the current year is likely to mark their transition from the corporation tax regime to REIT status, and this may impact on their dividend decisions. Meanwhile, a number of our recent investments have been in newly floated companies whose dividend policy is not yet established. As a result, we have less than normal visibility regarding some of our income at this stage of the year.

Debt, Gearing and Debentures

Net debt rose over the year by 17% from £81m to £95m, but this pace of growth was far below the percentage increase in the Trust's net assets. As a result, gearing declined for the second year in succession from 16% to 12%. Some £40m of our present debt is in the form of two debentures with coupons of 8.125% and 11.5% repayable in 2008 and 2016, respectively. All of the additional debt drawn down during the year was from our short term floating rate bank facility. Though the facility is multi-currency, 99% of our debt is currently denominated in Sterling.

As in previous years, I would draw shareholders' attention to the fact that our debenture debt had a market value higher than its nominal value. If we were to repay the debenture debt today, the cost to the Trust would be in the order of £49m compared with the face value of £40m. The difference represents a negative value of some 2.7p per share, which is not deducted from the balance sheet asset value. This figure has changed only very slightly over

Manager's Report continued

the year but, thanks to the growth in the assets, now represents only 1.2% of the asset value per share. As the term of debenture debt shortens, the negative value of this debt will logically decline.

The portfolio's see-through gearing, which takes account of our own debt and adds in the proportionate debt of all our equity investments was 98% at March 2006. This figure compares with 88% for our Benchmark at March 2006, and a figure of 99% for our portfolio at March 2005.

Direct Property Portfolio

The direct property portfolio generated a total return of 21.5%, made up of an income return of 4.6% and capital growth of 16.9%. If properties that were either bought or sold during the year are excluded, the performance of the portfolio was 24.1%, 6% of which was income return and 18.1% capital growth. This compares with the Investment Property Databank Monthly Index return for the year of 20.9%, of which 5.8% came from income and 14.4% from capital growth.

Our long term guidance to shareholders has been that the UK directly held property portfolio will form between 10% and 30% of gross assets. At March 2005 the figure was 9% and the Chairman indicated then that we would be looking to reinvest more funds in this section of the portfolio if suitable opportunities arose. In May 2005 we bought Thames Central, an empty 64,000 sq ft office building in Slough, for £11m which raised the percentage to just under 11%, but that proved to be the percentage high for the year which has ended with the property portfolio down at 7% of gross assets.

As I commented earlier, the speed with which markets accelerated in the following months led us to conclude that the Trust's equity was better used buying the shares of geared property companies, often (in the case of UK companies) at a discount to net asset value, rather than endlessly chasing prices to outbid purchasers whose urgency to invest was greater than ours. Meanwhile, the high level of prices allowed us to make a number of sales of property at prices well ahead of valuation.

See-Through Portfolio by Market (%)*

	Index	TRPIT
UK		
City Offices	5.8%	6.3%
West End Offices	4.9%	5.5%
West End Retail	1.6%	1.8%
Docklands	0.7%	0.7%
GLC/SE Offices	1.5%	4.4%
Provincial Offices	0.9%	0.8%
In Town Retail	10.6%	12.3%
Supermarkets	1.5%	1.6%
Retail Warehouses	5.8%	6.6%
Out of Town Retail	2.7%	2.6%
SE Industrials	3.7%	6.9%
Other Industrials	1.7%	2.8%
Leisure	0.8%	0.9%
Residential	1.6%	3.2%
Other	1.7%	1.9%
Total UK	**45.5%**	**58.3%**
Non UK		
Austria	3.0%	0.2%
Belgium	3.4%	1.6%
Central Europe	3.5%	1.9%
France Offices	6.4%	6.3%
France Retail	5.5%	5.2%
France Residential	1.3%	1.4%
France Other	1.7%	2.2%
Germany	2.7%	1.4%
Italy Offices	2.7%	2.0%
Italy Other	1.7%	1.4%
Netherlands Retail	2.2%	2.2%
Netherlands Other	1.2%	0.5%
Spain Residential	1.8%	1.7%
Spain Retail	1.3%	1.4%
Spain Other	1.8%	1.6%
Sweden Offices	5.3%	4.2%
Sweden Industrial	1.0%	1.5%
Sweden Residential	1.9%	2.0%
Switzerland	3.0%	0.5%
Other	3.1%	2.5%
Total	**100.0**	**100.0**
Summary		
Offices	37.9%	34.4%
Retail	38.3%	38.4%
Industrial	8.8%	14.1%
Residential	9.5%	8.3%
Other	5.5%	4.8%

*Combines the underlying property from the Trust's shareholdings and direct property holdings.

Manager's Report continued

We reported the sales of the Trust's industrial property at Wootton Bassett (sale price £2.026m) and its City office building in Lloyd's Avenue, EC3 (sale price £10.25m) at the interim stage. In January we completed the sale of the Trust's portfolio of shared equity housing for just over £3m (previous valuation £2.24m) and just prior to the year end we exchanged contracts to sell its office property in Weybridge for £1.82m (previous valuation £1.3m). Completion occurred post the year end.

Shareholders will recall that last year we sold properties in Battersea and Piccadilly and retained overage provisions. At Battersea, the purchasers have improved the planning permission and the Trust has received an overage payment of £800,000 as a result. The overage at Piccadilly is dependent on Standard Life (the purchaser) exceeding specific rental targets. The development will complete in December 2006.

Aside from the transactions outlined above, activity was largely focussed on securing tenants for vacant space. We began the year with a total of 18,000 sq ft of vacant space. The purchase of Thames Central, Slough increased this to 82,000 sq ft. We ended the year with 47,000 sq ft vacant and since the year end have reduced this to 43,000 sq ft with a further 4,200 sq ft under offer.

The bulk of the reduction in vacancy was achieved at The Colonnades, Bayswater, where we completed a letting of the 7,200 sq ft of offices converted from Budgen's surplus storage space and Slough, where we completed lettings of 15,500 sq ft of space and agreed terms on a further 4,200 sq ft. Once rent free periods have expired, these lettings will deliver additional annual rent of £570,000.

Whilst there has been some improvement in occupational markets since this time last year, conditions remained difficult over the period, with a continuing surplus of supply over demand in all but a very few areas, such as the West End. We were therefore pleased with the lettings achieved and will continue to concentrate on reducing the vacancy rate further in the coming year.

Unquoted Investments

We made no fresh investment in unquoted companies during the year but we continue to evaluate certain propositions.

Outlook

I commented in my opening remarks that the fierce pace of investor demand for commercial property had shown no let up despite the recent rise in borrowing costs. From this I have to conclude that either the market is temporarily insane, or that there are other powerful factors at work leading buyers to continue to pour capital into real estate despite the absence of any yield advantage over bonds. The insanity argument is expounded by some investment strategists and by the media, and certainly the technology equity boom of the last decade is proof that markets are capable of bouts of madness. Maybe the answer to where the market is going can be best gauged by considering where the capital is coming from.

As best we can judge, the majority of the capital flowing into real estate is arriving as a result of positive, relatively long term, decisions being taken by institutions and individual investors across the globe. Many of those investors are of an age to know two things. The first is that home ownership has made them greater wealth than any other asset they have ever owned, and the second is that inflation – the biggest enemy of fixed income savings – may be dormant but is unlikely to be dead. For those millions of investors, many of whom lived through the inflation of the 1970s putting, say, a tenth of their existing or future retirement savings into real estate may not seem insane. Property does not automatically become a silly or expensive investment at the moment when it offers a lower running yield than bonds. It has been calculated that if every saver and every pension fund in the world wanted to hold 10% of their assets in let real estate, then prices might have to double from their current level before such an event could occur. Over the last year, we have tried, as a team, to take opportunities to quiz financial advisors and investors on why they are continuing to allocate capital to real estate after values have risen so far for so long. Few of the many and varied answers we receive suggest that the allocated capital is short term or speculative.

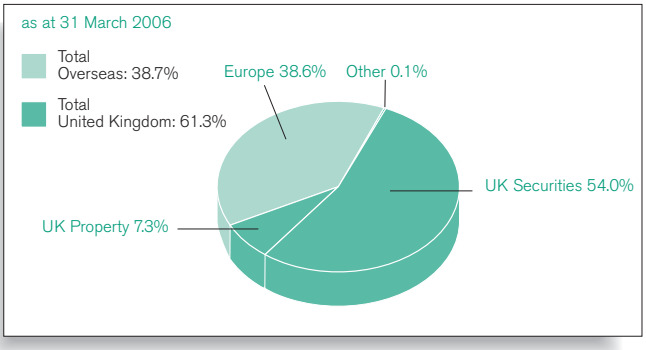
Manager's Report continued

Nevertheless, as the Chairman commented, we need to be wary. We think our investments in the leading UK property companies have above average upside potential due to the arrival of UK REITs and to the improved outlook for office rental growth in the UK. We also believe that these same investments have lower downside potential because the shares are still standing at discounts to asset value and therefore have no premium rating to lose in any sharp market downturn. Outside the Benchmark, we are hunting for property related businesses with rating links to earnings multiples. The largest of these investments, in BAA, has proved a short term success as a result of the recent takeover bid.

Classification of Investments

as at 31 March	2006 £'000	2006 %	2005 (Restated) £'000	2005 (Restated) %
Equities	**814,994**	**92.4**	535,609	89.6
Convertibles	**2,687**	**0.3**	4,337	0.7
Unquoted investments	**–**	**–**	2,078	0.3
Investment properties	**64,262**	**7.3**	56,371	9.4
Total investments	**881,943**	**100.0**	598,395	100.0

Distribution of Investments



as at 31 March	2006 £'000	2006 %	2005 (Restated) £'000	2005 (Restated) %
UK Securities – quoted	**476,047**	**54.0**	321,819	53.8
UK Securities – unquoted	**–**	**–**	2,078	0.3
UK Investment properties	**64,262**	**7.3**	56,371	9.4
UK Total	**540,309**	**61.3**	380,268	63.5
Europe	**340,559**	**38.6**	218,127	36.5
Other	**1,075**	**0.1**	–	–
Total investments	**881,943**	**100.0**	598,395	100.0

Spread of Direct Portfolio by Capital Value (%)

as at 31 March 2006	Office and mixed use	Retail	Industrial and business space	Residential	Total
West End of London	31.9	–	–	–	**31.9**
City of London	–	–	–	–	**–**
Around the M25	39.4	–	12.5	–	**51.9**
Other South East	2.2	–	–	–	**2.2**
Remainder of UK	14.0	–	–	–	**14.0**
Total	**87.5**	**–**	**12.5**	**–**	**100.0**

Portfolio Summary

as at 31 March	2006	2005 (Restated)	2004 (Restated)
Total investments	**£882m**	£598m	£487m
Net assets	**£771m**	£505m	£404m
UK quoted property shares	**54%**	54%	52%
Overseas quoted property stocks	**39%**	37%	33%
Direct property (externally valued)	**7%**	9%	14%
Unquoted investments (including loans)	**–**	–	1%

Lease Lengths within the Direct Property Portfolio

as at 31 March 2006	Gross rental income
less than 1 year (including voids)	35.4%
1 to 3 years	9.0%
4 to 5 years	6.2%
6 to 10 years	26.5%
11 to 15 years	8.9%
Over 15 years	14.0%

Twenty Largest Equity Investments

The twenty largest equity investments (convertibles and all classes of equity in any one company being treated as one investment) were as follows:

	Value % of Gross Assets % of equity owned Share price at 31 March 2006 (2005)	Comment **Note:** Market caps, yields and share price returns all at end March 2006.
1. Land Securities (UK)	**£110.9m (£68.5m)** **12.6% (11.4%)** **1.2% (1.1%)** **1928p (1293p)**	*Europe's largest quoted property company by market capitalisation with an all UK portfolio. The gross assets of £13.7 billion are concentrated on shops and shopping centres (42%), retail warehousing (18%) and Central London offices (34%). Its Trillium subsidiary is a market leader in property outsourcing. Gearing is below sector average at 52%. The gross yield is 2.7%. The five year share price total return has been 166%.*
2. British Land (UK)	**£67.0m (£45.0m)** **7.6% (7.5%)** **1.0% (1.1%)** **1241p (804p)**	*Europe's largest quoted property company measured by gross assets with a portfolio valued at £14.4bn concentrated on City of London offices (24%) and UK retail property including retail warehousing (56%). British Land's largest assets are Broadgate in the City and Meadowhall at Sheffield. Gearing is currently around 85% and the gross yield is 1.5%. The five year share price total return has been 178%.*
3. Hammerson (UK)	**£52.7m (£33.3m)** **6.0% (5.6%)** **1.5% (1.4%)** **1240p (832p)**	*Active in London and Paris, this UK investment and development business holds a portfolio of UK shopping centres and retail parks (50%), Central London offices (20%), Paris shopping centres and retail parks (18%) and Central Paris offices (9%). Gearing is currently around 65% and the gross yield is 1.6%. The five year share price total return has been 179%.*
4. Slough Estates (UK)	**£41.0m (£24.4m)** **4.7% (4.1%)** **1.4% (1.2%)** **667p (488p)**	*Based in Slough, the company develops and owns office and industrial business parks principally in the UK, though it also operates as a developer and investor in California, Paris, Brussels, Germany and Central Europe. Gearing is currently around 70% and the dividend yield is 2.7%. The five year share price total return has been 109%.*
5. Rodamco Europe (Netherlands)	**£38.1m (£26.0m)** **4.3% (4.4%)** **0.7% (0.7%)** **€82.85 (€57.70)**	*Headquartered in Rotterdam, this tax transparent company owns a €9 billion portfolio of high quality shopping centres in the Netherlands (31%), around Stockholm (15%), in France (17%, Paris and Lyon), in Spain and in Central Europe. Gearing is 60%. Gross yield is 4.1%. The five year share price total return has been 153%.*
6. Big Yellow Group (UK)	**£32.4m (£22.9m)** **3.7% (3.8%)** **8.6% (11.3%)** **370p (202p)**	*The UK's leading quoted self storage company, operating primarily in London and the South East from 39 stores, and with a development pipeline of a further 19 stores. The company is exploring the possibility of becoming a REIT. Gearing is around 45% and the gross yield 1.3%. The five year share price total return has been 190%.*
7. Unibail (France)	**£31.6m (£19.5m)** **3.7% (3.3%)** **0.7% (0.7%)** **€149.00 (€91.55)**	*A French company with tax free status which owns a portfolio of shopping centres (45%), Central Paris offices (42%) and Paris exhibition space (13%). Properties include Forum des Halles and Les Quartre Temps in Paris and Citi Europe at Calais. Gearing is 66% and the gross yield 2.6%. The five year share price total return has been 268%.*
8. Castellum (Sweden)	**£30.1m (£24.3m)** **3.4% (4.1%)** **3.0% (3.3%)** **SEK 328.50 (SEK 231.25)**	*Based in Gothenburg, Castellum owns a higher yielding mixed commercial portfolio of £1.6 billion with some 500 properties located in Central and Southern Sweden. The business is run through a series of local offices. The gross yield is 3.2%. The gearing at 85% is low by Swedish standards. The five year share price total return has been 317%.*
9. Liberty International (UK)	**£30.0m (£24.1m)** **3.4% (4.0%)** **0.8% (0.8%)** **1177p (964p)**	*The UK's largest retail specialist investment company owning three of the major out of town centres – Lakeside at Thurrock, the Metrocentre at Gateshead, and Braehead at Glasgow. The portfolio also includes town centre schemes in Watford, Bromley, Nottingham, Manchester, Norwich and Hanley. Gearing is 64%. Net yield is 2.6%. The five year share price total return has been 166%.*
10. St Modwen Properties (UK)	**£24.8m (£22.0m)** **2.8% (3.7%)** **4.0% (5.1%)** **510p (355p)**	*This Birmingham based company is a regeneration specialist operating nationwide. It has a large scale portfolio of sites totalling some 5,000 acres including tired town centres, old industrial complexes and derelict brownfield land. Sites owned include the former Llanwern Steel Works in South Wales, the former Rover car assembly site at Longbridge and the Elephant and Castle Shopping Centre in Southwark. Gearing is 80% and the net yield 1.9%. The five year share price total return has been 431%.*

Twenty Largest Equity Investments continued

	Value % of Gross Assets % of equity owned Share price at 31 March 2006 (2005)	Comment **Note:** Market caps, yields and share price returns all at end March 2006.
11. Metrovacesa (Spain)	**£23.0m (£13.5m)** **2.6% (2.3%)** **0.5% (0.7%)** **€70.10 (€41.27)**	*Spain's largest quoted property company is involved in commercial investment and development and house building. As a result of buying Gecina in 2005, over 50% of the €15.7 billion portfolio is now located in Paris. A tender offer for 20% of the shares at €78 was made in March 2006 but has yet to be implemented. Gearing is 180% and the yield 2.1%. The five year share price total return has been 501%.*
12. Fonciere des Regions (France)	**£22.6m (£11.4m)** **2.6% (1.9%)** **1.6% (1.7%)** **€118.00 (€68.10)**	*Based in Metz, the company invests in higher yielding office, industrial and residential property in the Paris area and regional France. Through partnerships, the company has grown its consolidated portfolio to €6.7 billion with major shareholdings in the quoted Bail Investissement and Fonciere des Murs. Gearing is currently around 125% and the gross yield is 3.3%. The five year share price total return has been 636%.*
13. Klepierre (France)	**£15.4m (£11.0m)** **1.8% (1.9%)** **0.5% (0.5%)** **€102.90 (€69.28)**	*Based in Paris and with tax free status, Klepierre owns a Pan European shopping centre portfolio located in France (46%), Spain, Italy, Belgium, Hungary and Greece. Many of its properties are small malls attached to Carrefour supermarkets. Klepierre is a subsidiary of BNP Paribas, which owns 52% of the equity. Gearing is 104% and the dividend yield is 2.6%. The five year share price total return has been 260%.*
14. Corio (Netherlands)	**£15.0m (£11.6m)** **1.7% (1.9%)** **0.6% (0.6%)** **€53.25 (€43.13)**	*This large Dutch tax transparent company has a €4.4 billion Pan European portfolio of shopping centres (80%) and offices (20%), located in the Netherlands (52%), France (24%), Italy (12%), Spain (7%) and Turkey (5%). The gross yield is 4.6%. Gearing is 60%. The five year share price total return has been 190%.*
15. Grainger Trust (UK)	**£13.4m (£9.1m)** **1.5% (1.5%)** **1.8% (1.8%)** **590p (398p)**	*The UK's largest quoted residential investor owning some 12,000 let houses and flats nationwide (43% in Greater London). The business has recently been extended into equity release and house building in the UK, and into let housing investment in Germany. Gearing is around 120% and the gross yield 1.0%. The five year share price total return has been 360%.*
16. Vastned Retail (Netherlands)	**£12.7m (£9.9m)** **1.4% (1.7%)** **1.6% (1.7%)** **€66.20 (€54.40)**	*This Dutch tax transparent investment company specialises in the ownership and management of shop units and smaller and medium sized shopping centres in the Netherlands (38% of assets), Spain (27%), Belgium (17%) and France (17%). Gearing is 60% and the yield 5.3%. The five year share price total return has been 143%.*
17. Inmobiliaria Colonial (Spain)	**£11.7m (£8.0m)** **1.3% (1.3%)** **0.5% (0.6%)** **€58.00 (€37.34)**	*This Barcelona based office investment company is 47% owned by La Caica, the major Spanish Bank. After buying Fonciere Lyonnais in 2004, 38% of Colonial's portfolio is now invested in Paris offices, 15% in Barcelona offices, and 20% in Madrid offices. The residential development landbank is now under 20% of assets. Gearing is 112% and the yield is 1.9%. The five year share price total return has been 356%.*
18. Eurocommercial Properties (Netherlands)	**£10.4m (£7.8m)** **1.2% (1.3%)** **1.3% (1.3%)** **€32.05 (€25.92)**	*Headquartered in London and listed in Amsterdam, Eurocommercial is a passive tax transparent investment company specialising in shopping centre ownership across Europe. The portfolio split is 42% Italy, 35% France, 16% Sweden and 7% Holland. Gearing is 55% and the gross yield is 4.8%. The five year share price total return has been 140%.*
19. Kungsleden (Sweden)	**£10.1m (£5.3m)** **1.1% (0.9%)** **1.0% (1.0%)** **SEK 295.50 (SEK 150.50)**	*An investment company operating in all the commercial sectors of the Swedish property market and especially in retirement home ownership and in the warehousing and industrial sectors. Investment turnover and gearing (at 260%) are higher than average. The gross yield is 3.7% and the five year total return has been 937%.*
20. Quintain Estates (UK)	**£9.4m (£7.2m)** **1.1% (1.2%)** **1.1% (1.0%)** **680p (533p)**	*A London based investment and development company which specialises in major projects. Their current portfolio includes 58 acres surrounding the new Wembley Stadium and a 49% interest in the Dome site at Greenwich. Gearing is 36%; the net yield is 1.5%. The five year share price total return has been 328%.*

Five year share price total returns are from Bloomberg using the period ended 31 March 2006 and are expressed in local currency and assume the reinvestment of net dividends.

Investment Properties as at 31 March 2006

Value in excess of £10 million

Property	Sector	Tenure	Size (sq ft)	Principal tenants
The Colonnades Bishops Bridge Road London W2	**Mixed Use**	**Freehold**	**44,000 200 space car park 242 residential units**	**NCP Pizza Express Bishops Stores Ltd**
The property comprises a large mixed-use block in Bayswater, constructed in the mid-1970s. We completed the letting of 7,000 sq ft of vacant office space in March of this year.				
Thames Central Hatfield Road Slough	**Offices**	**Freehold**	**63,850**	**Guidance Software, Inc HTC International, Inc**
We acquired this new vacant grade A office building in the summer of 2005 for less than the replacement cost. We re-launched the property with a new name and marketing strategy in November and have since let or agreed terms to let 38% of the space.				

Value in excess of £5 million

Property	Sector	Tenure	Size (sq ft)	Principal tenants
Elizabeth House Duke Street Woking	**Offices**	**Freehold**	**54,150**	**Gallaher**
Located in the centre of Woking, the building is let for 99 years from 1982 with five yearly upwards only rent reviews to approximately two-thirds of rental value. The property is sublet to TM Group plc until 2023. TM Group, who do not occupy the building, have recently completed a refurbishment with a view to attracting new occupiers.				
Cambridge Science Park Cambridge	**Offices**	**Leasehold 125 years from 1987**	**38,500**	**Worldpay Ltd**
Acquired in February 2001, this property was built in 1989 and extensively refurbished in 2000. The tenant, Worldpay Limited, who occupies by way of a 15 year lease from December 2000, is a wholly owned subsidiary of The Royal Bank of Scotland.				
Ferrier Street Industrial Estate, Ferrier Street Wandsworth SW18	**Industrial**	**Freehold**	**35,800**	**Absolute Taste Kougar Tool Hire Ltd Mossimans Page Lacquer**
This well-located Central London industrial estate benefits from a surplus of demand over supply. We have taken a surrender of Wandsworth Borough Council's overriding lease, which had only two years until expiry, and now enjoy direct relationships with the occupiers.				

Investment Properties as at 31 March 2006 continued

Value below £5 million	Property	Sector	Tenure	Size (sq ft)	Principal tenants
	Exchange House **Liphook**	**Offices**	**Freehold**	**9,641**	**Metoc PLC** **Bettamark (UK) Ltd**
	We purchased this property in February 2005, at which point it was 40% vacant. We refurbished the vacant space last summer and completed a letting of half of it to Bettamark. We are continuing to market the remaining vacant space.				
	Locke King House **Balfour Road** **Weybridge**	**Offices**	**Freehold**	**5,250**	
	This property has been sold post the year end.				

Directors

P L Salsbury BSc
Chairman

C M Burton MA

J H M Newsum FRICS

R A Stone MA FCA

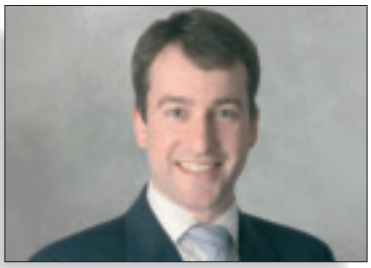
P H Wolton MA

Managers

C M Turner MRICS

M A Phayre-Mudge MRICS

J L Elliott ACA



J F K Wilkinson MRICS

G P Gay MRICS

N G Williamson BSc

D J Trickett ACIS

Directors continued

Peter Salsbury, age 56, retired in 2000 as Chief Executive of Marks and Spencer p.l.c. He now has a Management Consultancy practice specialising in Executive Coaching and Strategy. Additionally he serves on the Council and Strategy Committee of City and Guilds. He was appointed a director of Highway Insurance Holdings plc on 28 March 2006. During his 10 years on the Board at M&S his responsibilities included Commercial Estates, Retail Operations, H.R. as well as Sales and Marketing. He also served on the Board of M&S Financial Services for 5 years. From 1992 until 1995 he was a Director of NORWEB plc. He joined the Board of TRPIT in 1997, and succeeded as Chairman on 26 July 2004.

Caroline Burton, age 56, joined the Board of TRPIT in June 2002. She joined Guardian Royal Exchange plc's Investment Department in 1973 and remained with the group until 1999. From 1987 she was Managing Director of Guardian Asset Management and from 1990 to 1999 Executive Director – Investments of the parent company. She is a non-executive director of Rathbone Brothers plc and Teesland Advantage Property Income Trust Limited. She is also a Member of the Management Committee of Hermes Property Unit Trust. She advises a number of pension funds and charities.

Jeremy Newsum, age 51, is Group Chief Executive of Grosvenor and a Trustee of the Grosvenor Trusts. He is also a Director of Sonae Sierra (Portugal). He was President of the British Property Federation for the year 2001/2002, a member of the Assets Committee of the Church Commissioners from 1993 to 2000, and a Director of the French quoted property company, Société Foncière Lyonnaise, from 1997 to 2002. Other roles include Chairman of the Rector's Property Advisory Committee and a member of the Council of Imperial College, London, and a Trustee of the Urban Land Institute. He joined the Board in 2002.

Richard Stone, age 63, was Deputy Chairman of Coopers and Lybrand (C&L) in 1998 and a member of the Global Board of PricewaterhouseCoopers until he joined the TRPIT Board in 2000. He headed up C&L's Corporate Finance Practice in the UK and Europe, and was also an Insolvency Practitioner. He brings a broad base of business, financial and property experience to the TRPIT Board. He is now Chairman of Drambuie Limited, a non-executive director of Halma plc, a non-executive director of Candover Investments plc and a non-executive director of Gartmore Global Trust PLC. He is Chairman of the TRPIT Audit Committee.

Peter Wolton, age 49, joined the Board of TRPIT in January 2005. He qualified as a chartered surveyor and joined Schroders in 1983 to manage UK equities for institutional clients. He ran Schroders' asset management activities in Japan from 1994 to 1998 and their global retail businesses from 1998 to 2001. From 2002 to 2003 he was Chief Executive of the Investment Management Group at Barings. He is a consultant to Oxford Investment Partners and serves on the Investment Advisory Committees of Charities Aid Foundation (CAF) and Queen Mary College, University of London. He is a director of Dunedin Income Growth Investment Trust plc and a former director of Schroder Japan Growth Fund plc.

All directors are independent of the manager and are members of the Audit Committee.

Chris Turner, age 60, has been the Fund Manager since 1995, first at Henderson Global Investors then, since October 2004, at Thames River Capital. Prior to joining Henderson, Chris was a property share analyst. He qualified as a Chartered Surveyor in 1970.

Marcus Phayre-Mudge, age 38, qualified as a Chartered Surveyor in 1992. He joined Thames River Capital in October 2004, having spent the previous 7 years at Henderson Global Investors, where he also worked on the Trust, first as the Direct Property Manager and, since 2002, as Deputy Fund Manager.

James Wilkinson, age 33, qualified as a Chartered Surveyor in 1998. He joined Thames River Capital in October 2004, from Henderson Global Investors. James was previously at Healey and Baker Investment Managers where he was an Associate Partner. He specialises in direct property investment.

Nikki Williamson, age 29, joined Thames River Capital in 2003. She graduated from Manchester University in 1999 with a BSc (Hons) in Mathematics and Philosophy. She joined the TRPIT team in April 2005 as Investor Relations Manager.

Jo Elliott, age 44, has been Finance Manager since 1995, first at Henderson Global Investors then, since January 2005, at Thames River Capital. She qualified with Ernst & Young as a Chartered Accountant in 1988.

George Gay, age 25, joined Thames River Capital in 2005 as assistant fund manager and qualified as a Chartered Surveyor in 2006. George was previously at niche City investment agent, Morgan Pepper, and has an MA in Property Valuation and Law from City University.

Deborah Trickett, age 48, is the appointed representative of Henderson Secretarial Services Limited, the corporate secretary.

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 7A to the Companies Act 1985 in respect of the year ended 31 March 2006. The report also meets the relevant rules of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the AGM.

Consideration by the Directors of Matters relating to Directors' Remuneration

The Board as a whole considers directors' remuneration. Accordingly a committee to consider matters relating to directors' remuneration has not been appointed. During the year the Board received advice from Stephenson & Co in respect of its consideration of directors' remuneration.

Statement of the Company's Policy on Directors' Remuneration

The Board consists entirely of non-executive directors, who are appointed with the expectation that they will serve for a period of three years. Directors' appointments are reviewed formally every three years thereafter by the Board as a whole. None of the directors has a contract of service and a director may resign by notice in writing to the Board at any time; there are no notice periods. The Company's policy is for the directors to be remunerated in the form of fees, payable quarterly in arrears, to the director personally or to a third party specified by that director. There are no long term incentive schemes, share option schemes or pension arrangements and the fees are not specifically related to the directors' performance, either individually or collectively.

The Company's policy is that the fees payable to the directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the directors and should be sufficient to enable candidates of high calibre to be recruited. The policy is for the Chairman of the Board and the Chairman of the Audit Committee to be paid higher fees than the other directors in recognition of their more onerous roles.

For the year ended 31 March 2006, directors' fees were paid at the annual rates of Chairman: £35,000 (2005: £25,000), Audit Chairman: £25,000 (2005: £15,000) and Directors: £21,000 (2005: £15,000). The policy is to review these rates annually in light of the fees paid to the Boards of other investment trust companies, although such review will not necessarily result in any change to the rates. The actual amounts paid to the directors during the financial year under review are as shown in the box opposite.

Amount of each Director's emoluments (audited)

The fees payable in respect of each of the directors who served during the financial year were as follows:

	AGM rotation date	**31 March 2006 £**	31 March 2005 £
A Ross Goobey[1]	–	**–**	8,031
C M Burton	2008	**21,000**	15,000
J H M Newsum	2008	**21,000**	15,000
P L Salsbury	2006	**35,000**	21,866
R A Stone	2007	**25,000**	15,000
P H Wolton[2]	2008	**21,000**	2,541
TOTAL		**123,000**	77,438

Notes:

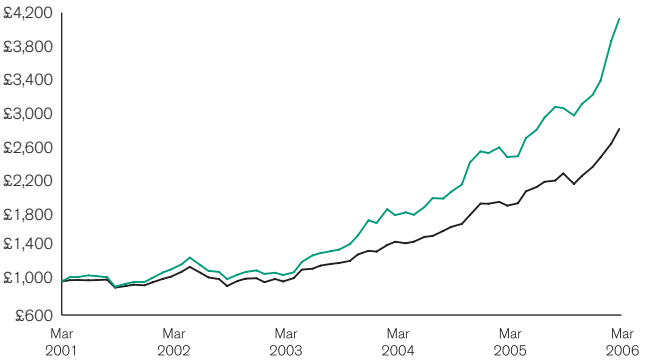
[1] Mr Ross Goobey retired from the Board on 26 July 2004.

[2] Mr Wolton joined the Board on 31 January 2005.

No other remuneration, compensation or expenses were paid or payable by the Company during the year to any of the current or former directors.

Mr Newsum's fees are paid to Grosvenor Investments Limited. The amount so paid was £21,000 + VAT (2005: £15,000 + VAT).

Performance Graph (total return)



TR Property share price total return, assuming the investment of £1,000 on 31 March 2001 and the reinvestment of all dividends (excluding dealing expenses) (Source: Thames River Capital).

S&P/Citigroup European Property Index total return, assuming the notional investment of £1,000 into the Index on 31 March 2001 and the reinvestment of all income (excluding dealing expenses) (Source: Thames River Capital). This is selected as it is the Company's Benchmark Index.

By order of the Board

D J Trickett ACIS

For and on behalf of

Henderson Secretarial Services Limited

Secretary

23 May 2006

Report of the Directors

The directors present the audited accounts of the Group and their report for the year ended 31 March 2006. The Group comprises TR Property Investment Trust plc ("the Company") and a number of subsidiaries.

Status

The Company is an investment company, as defined in Section 266 of the Companies Act 1985, and operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988. It is required to seek Inland Revenue approval of its status as an investment trust under the above-mentioned Section 842 every year, and this approval will continue to be sought. Inland Revenue approval of the Company's status as an investment trust has been received in respect of the year ended 31 March 2005. The directors are of the opinion that the Company has subsequently conducted its affairs in a manner which will enable it to continue to gain such approval. The Company has no employees and the 'close company' provisions do not apply.

Business Review

The following review is designed to provide information primarily about the Company's business and results for the year ended March 2006 and covers:

- Objective and Strategy
- Revenue and Dividends
- Capital Return
- Property Valuation
- Performance Measurement
- Financial Instruments and Management of Risk
- Share Buy-back Activity
- Management Arrangements and Fees
- Basis of Accounting and IFRS
- Environmental Policy

A review of the business is also given in the Chairman's Statement on pages 4 to 7 and a full review of the portfolio and our manager's view on the outlook for the coming financial year are covered in the Manager's Report on pages 8 to 15.

Objective and Strategy

The objective of TR Property Investment Trust plc is to maximise the shareholders' total returns by investing in property shares and property on an international basis.

Approximately 93% of the Company's assets are currently invested in Pan-European listed property securities with the balance in directly owned UK real estate.

The Trust is total return focused and future growth and capital appreciation potential is generally regarded more highly than immediate initial yield or discount to asset value. The investment selection process seeks to identify well managed companies of all sizes, especially those with a focus on a particular type of real estate business.

The Company is a dedicated investor in real estate and real estate securities and will continue to adhere to this strategy.

Revenue and Dividends

	2006	2005	Change
Total earnings per share	81.29p	33.64p	+142%
Revenue earnings per share	3.44p	2.85p	+21%
Dividends per share	3.40p	2.85p	+19%

Total earnings per share include capital gains on investments and have increased by 142% over the year.

Revenue earnings have increased by 21%. Although gross revenue has grown by around 17%, expenses have increased at a lower rate of around 16%, resulting in the greater impact at net level. This is due in part to the reduction in management fee that your Board has agreed with the managers and which is covered later.

The directors recommend the payment of a final dividend of 1.90p per share. Subject to approval at the AGM, the dividend will be paid on 28 July 2006 to shareholders on the register at 30 June 2006. The shares will be quoted ex-dividend from 28 June 2006.

An interim dividend of 1.50p per share was paid on 6 January 2006. The total dividend in respect of the year is, therefore, 3.40p per share.

As explained in the Finance Report on pages 33 and 34, the dividends shown in the Group Statement of Changes in Equity for the year are those dividends which have actually been approved in the period, i.e. the final dividend relating to the financial year ended 31 March 2005 (1.55p per share) and the interim dividend for this period (1.50p per share).

Capital Return

	2006	2005	Change
NAV per share	224.11p	145.71p	+54%
Share price	209.50p	128.50p	+63%

Report of the Directors continued

The year has produced exceptional growth in asset value and shareholders' funds rose by more than 50%, even after share repurchases. The Benchmark returned 43.3% on a price only basis.

Details of the investments are shown within the Manager's Report on pages 8 to 15.

Property Valuation
Valuations of all the Group's properties as at 31 March 2006 have been carried out by external independent valuers. These valuations have been adopted in the accounts. Details of the values and changes in fixed assets are shown in note 10 to the financial statements.

Performance Measurement
The directors consider performance measured against the Benchmark, the S&P/Citigroup European Property Index in Sterling (the Citigroup Index), to be the key performance indicator for the Company. The Citigroup Index comprises 96 companies and is itself a sub-index of the S&P/Citigroup Global Property Index, a longstanding and widely used benchmark in the world of real estate securities. The Citigroup Index is freefloat based and calculated daily on a price only and total return basis.

On a total return basis the Fund returned over 56.5% against the Benchmark total return of 48.0%. The Fund figures are stated after taking account of the performance fee, and this year for the first time the outperformance was such that the performance fee was limited to its maximum level. This is an excellent result and a very satisfying outcome for the first full year of the management contract with Thames River.

Financial Instruments and the Management of Risk
By its nature as an investment trust, the Company is exposed to market price risk, foreign currency risk and interest rate risk. The Company's policies for managing these risks are outlined in note 11 to the financial statements. Further information on the management of risk and internal controls is contained in the Corporate Governance Report on pages 27 to 30.

Share Buy-back Activity
The Board has not set a specific discount at which shares will be repurchased. However, there has been considerable activity in recent years and around 30% of the ordinary shares and 80% of the warrant issue (2002) have been repurchased since the Board first took the decision to buy back shares in 1999. The narrowing of the discount during the last financial year, however, meant that worthwhile opportunities were scarce. 2,516,286 shares were repurchased in the first two months of the year, but since then no repurchases have been made.

Management Arrangements and Fees
Investment management services have been provided by Thames River Capital LLP ("Thames River"), accounting and administrative services by BNP Paribas Fund Services UK Limited, custodial services by JPMorgan Chase and corporate secretarial services by Henderson Secretarial Services Limited.

The fund management agreement with Thames River Capital was reviewed during the year. The Board has secured a rebate on the management fees for the period to March 2009 which has also been applied retrospectively to the year just ended. The performance fee arrangement remains unchanged. The significant terms of the agreement are as follows:

- Notice Period
  The investment management agreement ("IMA") provides for termination of the agreement by either party without compensation on the provision of not less than 12 months' written notice.
- Management Fee
  A base management fee of 0.70% p.a. on the Trust's net asset value is payable quarterly in advance to the Investment Manager. For the period up to 31 March 2009 this will be reduced to 0.40% p.a. on that portion of the Trust's net asset value which exceeds £450 million. The fee is based on the Trust's net asset value (determined in accordance with the AITC method of valuation) on the last day of March, June, September and December respectively.

  The management fee includes a number of services such as administrative services and company secretarial services which are provided by third parties. The Trust has a direct contractual relationship with the parties providing these services and the fees incurred are deducted from the gross fees due to Thames River. This affords the Trust a high degree of transparency and control in respect of these services.

  A number of these expenses were previously paid directly by the Trust and not included in the management fee. In the current year this has led to a saving of around £300,000 for the Trust in administrative expenses.

Report of the Directors continued

- Performance Fee
  In addition to the management fee, the Board has agreed to pay the Investment Manager a performance related fee in respect of a performance period if certain performance objectives are achieved.

  A performance fee will become payable if the total return of group equity shareholders' funds, as defined in the IMA with Thames River, at 31 March each year outperforms the total return of the Company's Benchmark plus 2% (the "hurdle rate"); this outperformance (expressed as a percentage) will be known as the "percentage outperformance". Any fee payable will be the amount equivalent to the group equity shareholders' funds at 31 March each year, multiplied by the percentage outperformance, then multiplied by 15%.

The maximum performance fee payable in any period will be 1% of the group equity shareholders' funds (as defined). If any fee exceeds 1% of group equity shareholders' funds, such excess will be carried forward and applied to reduce any percentage underperformance in future performance periods. At 31 March 2006, an excess of £5.8m is being carried forward.

If the total return of group equity shareholders' funds for any performance period is less than the hurdle rate for the relevant performance period, such underperformance (expressed as a percentage) will be carried forward. No fee will be payable unless the total return on group equity shareholders' funds outperforms the hurdle rate, after taking into account any accumulated percentage underperformance for previous periods to the extent it is not offset by the overperformance offset described above.

Basis of Accounting and IFRS

On the basis of the Board's expected long term split of returns, in the form of capital gains and income in equal proportions, the Group charges 50% of finance costs to capital. One-third of the management fee is deemed to relate to the administration of the Trust and is charged to revenue. The remainder is split on the same basis as finance costs and 50% charged to capital. The overall result is that two-thirds of the management fee is charged to revenue and one-third to capital. All performance fees are charged to capital.

This is the first full year the accounts have been presented under IFRS. This has resulted in some changes in accounting policies and changes to the presentation of the accounts.

Prior year amounts have been restated under IFRS and reconciliations between the previously reported figures under UK GAAP and the restated figures under IFRS are shown in the notes to the financial statements. Further explanatory notes are included in the Finance Report on pages 33 and 34.

Environmental Policy

In respect of the direct property portfolio, there is an environmental assessment prior to purchase to identify possible contamination or materials considered environmentally harmful. Remedial action is taken where appropriate. Tenants are encouraged to pursue their own environmental procedures.

Annual General Meeting

The Annual General Meeting ("AGM") will be held on Tuesday 18 July 2006 at 12 noon. The Notice of Meeting is set out on pages 57 and 58, and an explanation of the business to be conducted is given on page 59.

Directors

All the directors held office throughout the year.

Directors' retirement by rotation and re-election is subject to the Articles of Association, the Combined Code (as revised in July 2003) and the revised AITC Code of Corporate Governance.

The Articles of Association require that up to one-third of the directors must retire every year and that every director must retire by rotation at least every three years. They may then offer themselves for re-election. The director retiring by rotation at the forthcoming AGM is Mr Salsbury who, being eligible, offers himself for re-election.

Directors' Interests in Shares

The directors' interests in the share capital of the Company are shown in the table below:

	31 March 2006 Ordinary shares of 25p	1 April 2005 Ordinary shares of 25p
With beneficial interest:		
C M Burton	22,000	22,000
J H M Newsum	31,193	31,193
P L Salsbury	55,000	45,000
R A Stone	80,000	80,000
P H Wolton	7,500	7,500

There have been no changes in the directors' interests between the end of the financial year and the date of this report.

There were no contracts subsisting during or at the end of the year in which a director of the Company is or was materially interested and which is or was significant in

Report of the Directors continued

relation to the Company's business. No director has a contract of service with the Company.

Payment of Suppliers

It is the Company's payment policy for the current financial year to obtain the best possible terms for all business. The Company agrees with its suppliers the terms on which business will take place and it abides by these terms. There were no trade creditors at 31 March 2006.

Share Capital Changes

At 1 April 2005 the Company had 346,366,286 ordinary shares in issue. During the financial year under review, the Company made market purchases for cancellation of 2,516,286 ordinary shares of 25 pence each representing approximately 0.7% of the issued share capital as at 31 March 2005; the aggregate consideration paid by the Company was £3,340,000. The number of ordinary shares in issue on 31 March 2006 was 343,850,000.

Since 1 April 2006, and up to the date of this document, the Company has made no further purchases for cancellation.

All the share buy-backs during the last financial year were repurchased prior to the AGM in July 2005. Therefore the power granted to directors at the last AGM has not been used to date. The Company will seek to renew the power to make market purchases of ordinary shares at this year's AGM.

Substantial Share Interests

Shareholder	% of issued shares
Legal & General Investment Management	**3.88**
M&G Investment Management	**3.26**

Declarations of interests in the issued share capital of the Company, at 30 April 2006, are set out above.

In addition, at 30 April 2006 the following shareholders held over 3% of the share capital on a non-discretionary basis:

Shareholder	% of issued shares
TR Property ISA/PEP and Shareplan Schemes	6.80
UBS Wealth Management Limited	5.36
Rensburg Sheppards Investment Management Limited	4.74
Brewin Dolphin Securities Limited	4.27
F&C Investment Management Limited	3.69
JP Morgan Asset Management UK Limited	3.50

ISAs/PEPs

The Company has conducted its affairs, and will continue to conduct its affairs, in such a way as to comply with the Individual Savings Accounts and Personal Equity Plan Regulations.

Directors' Indemnity

Directors' and officers' liability insurance cover is in place in respect of the directors. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as directors, in which they are acquitted or judgement is given in their favour by the court.

Directors' Statement as to Disclosure of Information to Auditors

The directors who were members of the Board at the time of approving the Report of the Directors are listed on pages 20 and 21 of these financial statements. Each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Shareholder Information

Further information on the Company can be found on pages 61 to 63.

Going Concern

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities which are readily realisable and, accordingly, it has adequate financial resources to continue in operational existence for the foreseeable future.

Registered Auditor

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming AGM.

By order of the Board

D J Trickett ACIS
For and on behalf of
Henderson Secretarial Services Limited
Secretary
23 May 2006

Corporate Governance

Corporate Governance Report

The Board of Directors ("the Board"/"the directors") is accountable to shareholders for the governance of the Company's affairs.

Application of the AITC Code's Principles

This statement describes how the principles of the revised AITC Code of Corporate Governance ("the AITC Code") issued by the Association of Investment Trust Companies in February 2006, have been applied to the affairs of the Company. Prior to February 2006 the Company reported on how it had complied with the Combined Code on Corporate Governance issued by the Financial Reporting Council ("the FRC") in July 2003. In February 2006, the FRC confirmed that investment trust companies who report against the revised AITC Code (instead of the Combined Code on Corporate Governance) will be deemed to have met their obligations under paragraph 9.8.6 of the Listing Rules.

The principles laid down by the two Codes are similar but there are some areas where the AITC Code is more specifically applicable to investment trust companies. In complying with the AITC Code, the Company is not required to report on the role of a chief executive, executive directors' remuneration and the need for an internal audit function, which are all irrelevant to investment trust companies.

The AITC Code comprises 21 principles. The directors attach importance to the matters set out in the AITC Code and believe that, during the period under review, they have complied with all of the principles of the AITC Code.

Composition and Independence of the Board

The Board currently consists of five directors, all of whom are non-executive and are independent of the Investment Manager. No director has served on the Board for more than nine years; none has any other links to the Investment Manager; they all have other professional employment. Accordingly, all five directors are regarded as being free of any conflicts of interest and no issues in respect of independence arise.

The Chairman is Mr Salsbury. A senior independent director has not been identified as the Board considers that all the directors have different qualities and areas of expertise on which they may lead when issues arise, and to whom concerns can be conveyed. The directors' biographies, on page 21, demonstrate the breadth of investment, commercial and professional experience relevant to their positions as directors of the Company.

Board Committees

The Board has established an Audit Committee as set out on page 29. The Board does not have a Nominations Committee, Remuneration Committee or a Management Engagement Committee: the functions of each of these committees are carried out by the Board as part of the agendas of regular Board meetings.

Tenure Policy

No director has a contract of employment with the Company. Directors' terms and conditions for appointment are set out in letters of appointment which are available for inspection at the Registered Office of the Company and will be available at the AGM.

The Company's Articles of Association provide that up to one-third of the directors must retire by rotation at each AGM, but may then offer themselves for re-election. The terms of the directors' appointments also provide that a director shall be subject to election at the first AGM after appointment and to re-election at least every third year thereafter. Under the Company's Articles of Association, all directors must retire by the next AGM after they attain the age of 70.

The Board believes that each of the directors exercises independent judgement and that length of service does not diminish the contribution from a director. The Board is conscious of the need to maintain continuity on the Board, and believes that retaining directors with sufficient experience and extensive knowledge of the Company and the markets is of great positive benefit to shareholders. Moreover, long-serving directors are less likely to take a short-term view.

Performance Evaluation

In order to review the effectiveness of the Board and its Audit Committee and of the individual directors, the Chairman has put in place, and carried out, an appraisal process. This was implemented by way of a questionnaire and interviews with the Chairman. In respect of the

Corporate Governance continued

Chairman, the interview was conducted by the Chairman of the Audit Committee. The process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and the Committee, the contribution of individual directors, as well as building on and developing individual and collective strengths.

The Chairman confirms that, in the light of the formal performance evaluation, the performance of each of the directors continues to be effective and to demonstrate commitment to his or her role, including commitment of time for Board and Committee meetings and any other duties. The Board believes it has a good balance of skills, experience, ages and length of service to ensure it operates effectively.

The performance of the Company is considered in detail at each Board meeting.

Directors' Remuneration

As the Board has no executive directors and no employees and is comprised solely of non-executive directors, a Remuneration Committee has not been established. The Board determines and approves directors' fees following proper consideration, having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs.

The Company's Articles of Association limit the aggregate fees payable to the Board to a total of £150,000 per annum. Detailed information on the remuneration arrangements for the directors of the Company can be found in the Directors' Remuneration Report on page 22.

Appointment of New Directors

The directors have determined that, due to the size of the Board and the independence of each of its members, there is no requirement for a separate Nominations Committee.

The Board annually reviews its size and structure, and is responsible for succession planning. The Board has an open mind regarding the use of external recruitment consultants or internal process, and has, in the past, chosen to combine both routes to ensure best practice.

Directors' Training

When a new director is appointed, he/she is offered training by the Investment Manager. Directors are also provided on a regular basis with key information on the Company's activities, including regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the Board as they arise. Directors ensure that they are updated on regulatory, statutory and industry matters.

Board Meetings

The number of meetings of the Board and the Audit Committee held during the year under review, and the attendance of individual directors, are shown below:

Meetings

	Board	Audit
No. of meetings in the year	**6**	**3**
Peter Salsbury	6	3
Caroline Burton	6	3
Jeremy Newsum	6	3
Richard Stone	6	3
Peter Wolton	6	3

In addition to formal Board and Committee meetings, directors also attend a number of informal meetings to represent the interests of the Group.

The Board

The Board is responsible for the effective stewardship of the Company's affairs. Certain strategic issues are monitored by the Board at meetings against a framework which has been agreed with the managers. Additional meetings may be arranged as required. The Board has a formal schedule of matters specifically reserved for its decision, which are categorised under various headings, including strategy, management, structure, capital, financial reporting, internal controls, gearing, asset allocation, share price discount, contracts, investment policy, finance, risk, investment restrictions, performance, corporate governance and Board membership and appointments.

In order to enable them to discharge their responsibilities, all directors have full and timely access to relevant information. At each meeting, the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objectives and is responsible for setting asset

Corporate Governance continued

allocation, investment and gearing limits within which the Fund Manager has discretion to act and thus supervises the management of the investment portfolio, which is contractually delegated to the Investment Manager.

The Board has responsibility for the approval of unquoted investments and any investments in in-house funds managed or advised by the Investment Manager. It has also adopted a procedure for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

Further details of the Board's consideration of key operational matters is contained in the Business Review section of the Report of the Directors on pages 23 to 25.

Internal Controls

The Board has overall responsibility for the Group's systems of internal controls and for reviewing their effectiveness. The Investment Manager is responsible for the day to day investment management decisions on behalf of the Group. Accounting and Company Secretarial services have both been outsourced. A statement of these responsibilities is shown on pages 23 to 26 in the Report of the Directors.

The internal controls aim to ensure that assets of the Group are safeguarded, proper accounting records are maintained, and the financial information used within the business and for publication is reliable. Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the controls of the Group by a series of regular investment performance and attribution statements, financial and risk analyses and Fund Manager reports, and quarterly control reports. Key risks have been identified and controls put in place to mitigate them, including those not directly the responsibility of the Investment Manager.

The effectiveness of the internal controls is assessed on a continuing basis by the Compliance and Risk departments of the Investment Manager, the Administrator and the Corporate Secretary. Each maintains its own system of internal controls, and the Board and Audit Committee receive regular reports from them. The control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage, rather than eliminate, risk of failure to achieve objectives.

The Board has established a process for identifying, evaluating and managing any major risks faced by the Group. The process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 ("the Turnbull Guidance").

The Board undertakes an annual review of the Group's system of internal controls, and the business risks have been analysed and recorded in a risk map that is reviewed regularly. The Board receives each quarter a formal report from each of the Investment Manager, the Administrator and the Corporate Secretary detailing the steps taken to monitor the areas of risk, including those that are not directly their responsibility, and which report the details of any known internal control failures. The Board also has direct access to company secretarial advice and services provided by Henderson Secretarial Services Limited, which, through its nominated representative, is responsible for ensuring that the Board and Committee procedures are followed and that applicable regulations are complied with.

Audit Committee

The Audit Committee ("the Committee") comprises all the members of the Board. The Committee Chairman is Mr Stone. The Board has satisfied itself that at least one Committee member has recent and relevant financial experience.

The Committee has written terms of reference, which clearly define its responsibilities and duties. These can be found on the website, are available on request, and will also be available for inspection at the AGM.

The Committee meets at least twice a year to review the internal financial and non-financial controls, to consider and recommend to the Board for approval the contents of the draft Interim and Annual Reports to shareholders, and to review the accounting policies and significant financial reporting judgements. In addition, the Committee reviews the Auditors' independence, objectivity, effectiveness, appointment, remuneration, the quality of the services of the service providers to the Company, and, together with the Investment Manager, reviews the Company's compliance with financial reporting and regulatory requirements. Representatives of the Investment

Corporate Governance continued

Manager's, Administrator's and Corporate Secretary's internal audit and compliance departments may attend these meetings at the Chairman's request.

Representatives of Ernst & Young LLP, the Company's auditors, attend the Committee meetings at which the draft Annual Report and Accounts are reviewed, and are given the opportunity to speak to the Committee members without the presence of the representatives of the Investment Manager.

The Chairman of the Audit Committee will be present at the AGM to deal with questions relating to the Accounts.

Appointment of the Investment Manager

As the Board comprises all independent directors, no separate Management Engagement Committee has been established.

The Board has delegated to external third parties, including the Investment Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of assets), the day to day accounting, company secretarial, administration and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation insofar as they relate to the affairs of the Company. These contracts are reviewed annually by the Board. The Board and the Investment Manager operate in a supportive, co-operative and open environment.

The Board receives and considers regular performance reports from the Investment Manager, the Administrator and the Corporate Secretary, and ad hoc reports and information are supplied to the Board as required.

The Board reviews the performance of the Investment Manager at each Board meeting, and is responsible for an annual review of the terms of the Management Agreement to ensure the terms remain competitive and sensible to shareholders and to determine whether or not the Investment Manager should be retained. At the Board meeting in January 2006, the Board confirmed that Thames River Capital LLP should be retained as the Investment Manager for the financial year ending 31 March 2007.

Voting Policy

The Board has approved a corporate governance voting policy which, in its opinion, accords with current best practice whilst maintaining a primary focus on financial returns.

Relations with Shareholders

Shareholder relations are given high priority by both the Board and the Investment Manager. The prime medium by which the Company communicates with shareholders is through the Interim and Annual Reports which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by the daily calculation and by the publication at the London Stock Exchange of the net asset value of the Company's ordinary shares and a monthly factsheet.

At each AGM a presentation is made by the Fund Manager following the business of the meeting. Shareholders have the opportunity to address questions to the Chairman and the Chairman of the Audit Committee at the AGM. All shareholders are encouraged to attend the AGM.

It is the intention of the Board that the Annual Report and Accounts and Notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM, or to contact the Board at any other time, are invited to do so by writing to the Company Secretary at the registered address given on page 63.

General presentations are given to both shareholders and analysts following the publication of the annual results. All meetings between the Fund Manager and shareholders are reported to the Board.

Socially Responsible Investment

Good corporate governance extends to a company's policies on the environment, employment, human rights and community relationships. Corporations are playing an increasingly important role in global economic activity and the adoption of good corporate governance enhances a company's economic prospects by reducing the risk of government and regulatory intervention and any ensuing damage to its business or reputation. The Company's policy remains the long-term maximisation of shareholders' total return.

Statement of Directors' Responsibilities

in respect of the Financial Statements

The directors are required by UK company law to prepare financial statements for each financial year which present fairly the state of affairs of the Company and the Group as at the end of the financial year and of the net revenue of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2006. The directors also confirm that International Financial Reporting Standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Independent Auditors

to the members of TR Property Investment Trust plc

We have audited the group and parent company financial statements (the "financial statements") of TR Property Investment Trust plc for the year ended 31 March 2006 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Statement of Changes in Equity, the Group and Company Cash Flow Statements and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report and the group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable United Kingdom law and International Financial Reporting Standards as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation and that the information given in the directors' report is consistent with the financial statements.

We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises Highlights of the Year, Profile, Financial Highlights and Performance Information, Chairman's Statement, Manager's Report, Twenty Largest Equity Investments, Investment Properties, the unaudited part of the Directors' Remuneration Report, Report of the Directors, the Corporate Governance Statement and the Finance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2006 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the parent company's affairs as at 31 March 2006;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP
Registered auditor
London

23 May 2006

Finance Report

IFRS

As highlighted in the interim report, TR Property Investment Trust plc produces consolidated accounts and therefore is obliged to adopt international accounting standards ("International Financial Reporting Standards" or "IFRS") for the financial year ended 31 March 2006.

The interim numbers were prepared on the basis of the accounting policies expected to be adopted in these full year financial statements. It was noted at the time that changes to either the basis of accounting, or presentation, may be necessary due to changes in standards or the issuance of new guidance notes. There have also been changes in interpretation as accountants and auditors became more familiar with the use of the new standards.

At the interim stage we explained the more important changes from the previous UK GAAP presentation. We have produced a similar explanation below as there have been some changes since the interim stage and also for the benefit of readers making a comparison to the prior year annual report.

The financial statements and notes thereto are set out on pages 35 to 56. The accounting policies adopted are set out in full, together with reconciliations of restated opening balances detailing the differences between the figures as previously reported under UK GAAP and under IFRS. The description below is not intended to replace the notes in the accounts, but to assist with the understanding.

Group Income Statement

The Group Statement of Total Return has been replaced by the Group Income Statement. Under IFRS there is no differentiation between capital and revenue gains and losses. However, as an investment company, only the revenue earnings of TR Property Investment Trust plc may be distributed. The three-column presentation setting out revenue and capital items has therefore been retained by investment trust companies. The total column of the Group Income Statement represents the profit and loss account of the Group.

Dividends

The Group Income Statement shows the profit for the period before any distributions. Dividends are shown in a new statement: the Group Statement of Changes in Equity. Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements for the period in which the dividends are approved. The dividends shown in these accounts for the year to 31 March 2006 are the final dividend in respect of the year ended 31 March 2005, declared on 24 May 2005 and the interim dividend declared on 23 November 2005. This differs from the previous treatment, where dividends were accrued against the earnings to which they related, even though they were not declared and paid until after the period end. The final dividend in respect of the year to 31 March 2006 announced on 23 May 2006 will be reflected in the 2007 accounts.

Fair Value of Investments

IFRS requires that quoted investments are valued at fair value which equates to "bid" (selling) prices whereas previously they were shown at mid-market prices. On the Group Balance Sheet, they are now included as "non-current assets" instead of "fixed assets". The impact of this change is shown in each of the Opening Balance Reconciliations in notes 21 and 22 of the financial statements.

Transaction Costs

There has been a change from the presentation at the interim stage in respect of transaction costs.

As in prior years, the transaction costs have been treated as part of the cost, or deducted from the proceeds, of the transaction as appropriate. They have not been included as an expense charged to capital and set out on the face of the Group Income Statement as they were at the interim stage. These costs are separately identified by way of a note to the accounts. We believe that treating the costs as an expense may result in them being included with administrative and operating costs in the Trust's total Expense Ratio (TER) calculation and that inclusion of transaction costs relating to investment activity would distort TER comparison between funds.

Finance Report continued

Leasehold Investment Properties

In countries with a leasehold tradition, such as the UK, leasehold investment properties have not, in the past, been treated very differently from freeholds. The valuer makes allowances for the rent that the "owner" of the leasehold must pay to the superior landlord, and for the fact that the property will ultimately revert to the superior landlord at the end of the lease.

IAS 40 on investment properties and IAS 17 on leases allow leasehold investment properties to appear in the balance sheet as investment properties, but the accounting treatment of freehold and leasehold properties is very different.

As under the previous accounting convention, freehold properties are carried in the accounts at fair value – i.e. valuation. Any leasehold property, however, must be treated as if it is held under a finance lease and the present value of the rental payments to be made to the superior landlord over the life of the lease must be shown as a liability in the balance sheet. The investment property is carried at fair value (i.e. valuation), with the present value of the rental payments made under the headlease added back (as these have been allowed for in the valuation). The net carrying value is therefore the same as under the previous convention. However, a balance sheet liability has been created where none was previously shown, thus introducing financial gearing where none existed before.

One property in our portfolio has been accounted for in this way: our long leasehold at Cambridge. The liability for the future ground rent payments of £1.6m is included in the Group Balance Sheet Current Liabilities.

Under IAS 40, any revaluation gains on investment properties must be taken directly to the Group Income Statement rather than the revaluation reserve. The presentation of this on the Group Income Statement does not differ from that shown previously on the Group Statement of Total Return. In the Group Balance Sheet, however, these gains form part of the retained earnings, rather than a revaluation reserve.

Gross Rental Income

Rental income includes all service charges and other costs recovered from the tenants. The amounts paid to third parties for the provision of all services are then deducted as an expense in the Group Income Statement. Previously, only the net rental was brought into the rental income line. The overall impact on net profit is therefore nil; however, the revenue and expense lines have been inflated by these service charge costs.

Valuation of Debt

In accordance with the recommendation made by the AITC, TR Property Investment Trust plc has chosen not to fair value the debt shown in the financial statements. Debt is shown at amortised cost. The fair value of the debt will continue to be disclosed in the notes to the financial statements in the full annual report.

Deferred Tax

Under IFRS provision has to be made for any potential tax liability on revaluation surpluses. As an investment trust, the Company does not incur capital gains tax, so for all assets held by the Trust this is not an issue. However, some properties have been held in subsidiaries, either to ensure the investment trust status tests are not breached (there are strict rules on sources of qualifying income) or for commercial reasons. Provision for capital gains tax has therefore been made for the revaluation surpluses of property assets held by subsidiaries to the extent that the gain cannot be sheltered by brought forward capital losses or non trade debits. An adjustment has also been made in respect of the prior year figures.

Reported Daily NAVs

TR Property Investment Trust plc reports a daily NAV to the London Stock Exchange. It should be noted that a capital only NAV is reported in accordance with the AITC recommendations. It does not reflect retained earnings and is not on the same basis as the numbers reported in these financial statements.

Two NAVs are released, one valuing the debt at amortised cost, as in the financial statements, and the second marking the debt to fair value.

Group Income Statement

for the year ended 31 March 2006

Notes		Year ended 31 March 2006 Revenue Return £'000	Capital Return £'000	Total £'000	Year ended 31 March 2005 (Restated see note 22) Revenue Return £'000	Capital Return £'000	Total £'000
	Investment income						
2	Investment income	**18,249**	**–**	**18,249**	14,527	–	14,527
4	Other operating income	**104**	**–**	**104**	113	–	113
3	Gross rental income	**3,044**	**–**	**3,044**	3,870	–	3,870
3	Service charge income	**1,746**	**–**	**1,746**	1,231	–	1,231
	Gains on investments held at fair value	**–**	**280,820**	**280,820**	–	115,969	115,969
	Total income	**23,143**	**280,820**	**303,963**	19,741	115,969	135,710
	Expenses						
5	Management and performance fees	**2,812**	**10,826**	**13,638**	2,343	2,595	4,938
3	Direct property expenses, rent payable and service charge costs	**2,685**	**–**	**2,685**	2,242	–	2,242
6	Other expenses	**580**	**–**	**580**	459	–	459
7	Finance costs	**3,192**	**3,192**	**6,384**	2,904	2,904	5,808
	Total operating expenses	**9,269**	**14,018**	**23,287**	7,948	5,499	13,447
	Income from operations before tax	**13,874**	**266,802**	**280,676**	11,793	110,470	122,263
8	**Taxation**	**(2,036)**	**1,075**	**(961)**	(1,795)	(1,252)	(3,047)
	Net profit	**11,838**	**267,877**	**279,715**	9,998	109,218	119,216
9	**Earnings per ordinary share**	**3.44p**	**77.85p**	**81.29p**	2.85p	31.17p	34.02p

The total column of this statement represents the Group Income Statement, prepared in accordance with IFRS. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Trust Companies. All items in the above statement derive from continuing operations.

All income is attributable to the equity shareholders of the parent company. There are no minority interests.

The notes on pages 39 to 56 form part of these accounts.

Group and Company Balance Sheets

as at 31 March 2006

Notes		Group 2006 £'000	Group (Restated see note 22) 2005 £'000	Company 2006 £'000	Company (Restated see note 22) 2005 £'000
	Non-current assets				
10	Investments held at fair value (note 1(f))	**881,943**	598,395	**862,573**	559,299
10	Investments in subsidiaries	**–**	–	**51,321**	47,174
		881,943	598,395	**913,894**	606,473
	Current assets				
12	Debtors	**1,431**	2,182	**1,362**	1,743
	Cash and cash equivalents	**2,701**	123	**2,642**	61
		4,132	2,305	**4,004**	1,804
13	**Current liabilities**	**72,521**	53,098	**147,305**	103,572
	Net current liabilities	**68,389**	50,793	**143,301**	101,768
	Total assets less current liabilities	**813,554**	547,602	**770,593**	504,705
13	**Non-current liabilities**	**42,961**	42,897	**–**	–
	Net assets	**770,593**	504,705	**770,593**	504,705
	Capital and reserves				
14	Ordinary called up share capital	**85,962**	86,591	**85,962**	86,591
15	Share premium	**37,063**	37,063	**37,063**	37,063
15	Capital redemption reserve	**36,343**	35,714	**36,343**	35,714
16	Retained earnings	**611,225**	345,337	**611,225**	345,337
	Net assets attributable to ordinary shareholders	**770,593**	504,705	**770,593**	504,705
19	**Net asset value per share**	**224.11p**	145.71p	**224.11p**	145.71p

These accounts were approved by the directors and authorised for issue on 23 May 2006

P Salsbury – Director

The notes on pages 39 to 56 form part of these accounts.

Group and Company Statement of Changes in Equity

Notes	for the year ended 31 March 2006	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Total £'000
	Net assets at 31 March 2005 (as restated)	86,591	37,063	35,714	345,337	504,705
	Ordinary shares repurchased	(629)	–	629	(3,340)	(3,340)
	Net gain for the period	–	–	–	279,715	279,715
17	Ordinary dividends paid	–	–	–	(10,487)	(10,487)
	Net assets at 31 March 2006	**85,962**	**37,063**	**36,343**	**611,225**	**770,593**

	for the year ended 31 March 2005	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Total £'000
	Net assets at 31 March 2004 (as restated)	88,604	37,063	33,701	244,631	403,999
	Ordinary shares repurchased	(2,013)	–	2,013	(9,006)	(9,006)
	Net gain for the period	–	–	–	119,216	119,216
17	Ordinary dividends paid	–	–	–	(9,504)	(9,504)
	Net assets at 31 March 2005 (as restated)	86,591	37,063	35,714	345,337	504,705

The notes on pages 39 to 56 form part of these accounts.

Group and Company Cash Flow Statements

as at 31 March 2006

	Group 2006 £'000	Group (Restated see note 22) 2005 £'000	Company 2006 £'000	Company 2005 £'000
Net cash inflow from operating activities before finance costs	**11,883**	10,945	**15,768**	10,913
Net cash outflow from finance costs	**(6,468)**	(5,754)	**(6,734)**	(6,392)
Net cash inflow from operating activities	**5,415**	5,191	**9,034**	4,521
Investing activities				
Purchase of investments	**(125,257)**	(88,778)	**(125,053)**	(86,908)
Sale of investments	**120,156**	102,024	**116,220**	100,567
Loan stock redeemed	**–**	(250)	**–**	(250)
Net cash (outflow)/inflow from investing activities	**(5,101)**	12,996	**(8,833)**	13,409
Net cash inflow before financing activities	**314**	18,187	**201**	17,930
Financing activities				
Purchase of own shares	**(3,340)**	(9,006)	**(3,340)**	(9,006)
Equity dividends paid	**(10,487)**	(9,504)	**(10,487)**	(9,504)
Net cash outflow from financing activities	**(13,827)**	(18,510)	**(13,827)**	(18,510)
Decrease in cash	**(13,513)**	(323)	**(13,626)**	(580)
Effect of foreign exchange rate changes	**(119)**	27	**(119)**	27
Change in cash and cash equivalents	**(13,632)**	(296)	**(13,745)**	(553)
Net debt at start of period	**(81,460)**	(81,164)	**(41,439)**	(40,886)
Net debt at end of period	**(95,092)**	(81,460)	**(55,184)**	(41,439)

Reconciliation of income from operations before tax to net cash inflow from operating activities

	Group 2006 £'000	Group (Restated see note 22) 2005 £'000	Company 2006 £'000	Company 2005 £'000
Net income from operations before tax	**280,676**	122,263	**280,983**	119,113
Gains on investments including transaction costs	**(280,820)**	(115,969)	**(282,895)**	(107,786)
Decrease/(increase) in operating debtors	**325**	(571)	**70**	(219)
Increase/(decrease) in operating creditors	**7,399**	1,138	**13,041**	(4,917)
Net tax paid	**(741)**	(403)	**(741)**	(403)
Performance fees paid	**(1,424)**	(1,267)	**(1,424)**	(1,267)
Net cash inflow from operating activities	**5,415**	5,191	**9,034**	4,521

The notes on pages 39 to 56 form part of these accounts.

Notes to the Financial Statements

1 Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (IFRIC).

These are the first financial statements prepared in accordance with IFRS. Previously the financial statements were prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) including the Statement of Recommended Practice "Financial Statements of Investment Trust Companies". UK GAAP differs in certain respects from IFRS.

The Group and Company financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

Reconciliations of the Group and Company Balance Sheets, Group Statement of Total Return to the Group Income Statement and Group Cash Flow at date of conversion (1 April 2005) are shown in notes 21 and 22.

a Basis of consolidation

The Group accounts consolidate the financial statements of the Company and its subsidiaries to 31 March 2006. Companies, other than subsidiaries, in which the Group has an investment representing 20% or more of the voting rights and over which it exerts significant influence, are treated as associates. The Group accounts include the appropriate share of the results and reserves of these companies based on the latest available accounts. Other companies, in which the Group has an investment representing 20% or more of the voting rights but where the directors consider that the Group does not exert significant influence, are not treated as associates and are accounted for as investments.

b Income

Dividends receivable on equity shares are treated as revenue for the period on an ex-dividend basis. Where no ex-dividend date is available, dividends receivable on or before the period end are treated as revenue for the period. Provision is made for any dividends not expected to be received. The fixed returns on debt securities and non-equity shares are recognised on a time apportionment basis and, if material, so as to reflect the effective yield on each such security. Interest receivable from cash and short term deposits is accrued to the end of the period.

c Expenses

All expenses and finance costs are accounted for on an accruals basis. An analysis of retained earnings broken down into revenue (distributable) and capital (non-distributable) items is given in note 16. In arriving at this breakdown, expenses have been presented as revenue items except as follows:

– expenses which are incidental to the acquisition or disposal of an investment;

– expenses are presented as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect, the investment management fees and finance costs are allocated 50% to revenue and 50% to capital to reflect the Board's expectations of long term investment returns. One third of the management fees is deemed to relate to the administration of the Trust and charged to revenue. The remainder is split on the same basis as finance costs and 50% charged to capital. The overall result is that two thirds of management fees are charged to revenue and one third to capital. All performance fees are charged to capital.

– the finance cost in respect of capital instruments other than equity shares is calculated so as to give a constant rate of return on the outstanding balance.

d Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the Group Income Statement.

The tax effect of different items of expenditure is allocated between capital and revenue using the Group's effective rate of tax for the year. The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

The Company is an investment trust under s.842 Income and Corporation Taxes Act 1988 and, as such, is not liable for tax on capital gains. Capital gains arising in subsidiary companies are subject to capital gains tax.

e Properties

The purchase and sale of properties is recognised to be effected on the date unconditional contracts are exchanged.

f Investments

When a purchase or sale is made under contract, the terms of which require delivery within the timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date.

All the Group's investments are defined under IFRS as investments designated as fair value through profit or loss but are also described in these financial statements as investments held at fair value.

All investments are designated upon initial recognition as held at fair value, and are measured at subsequent reporting dates at fair value, which, for quoted investments, is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Unquoted investments or investments for which there is only an inactive market are held at fair value which is based on valuations made by the directors in accordance with IPEVCA guidelines and using current market prices, trading conditions and the general economic climate.

In its financial statements the Company recognises its investments in subsidiaries at fair value.

g Movements in fair value

Changes in the fair value of all investments held at fair value are recognised in the Group Income Statement. On disposal, realised gains and losses are also recognised in the Group Income Statement.

h Non-current liabilities

All loans and debentures are initially recognised at cost, being the fair value of the consideration received, less issue costs where applicable. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement. The costs of arranging any interest-bearing loans are capitalised and amortised over the life of the loan.

i Foreign currency translation

Transactions involving foreign currencies are converted at the rate ruling at the date of the transaction.

Foreign currency monetary assets and liabilities are translated into Sterling at the rate ruling on the balance sheet date. Foreign exchange differences are recognised in the Group Income Statement.

j Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risks of changes in value.

New standards and interpretations not applied

During the year, the IASB and IFRIC have issued the following standards and interpretations to be applied to financial statements with periods commencing on or after the following dates:

International Accounting Standards (IAS/IFRS)

	Effective date
IFRS 1 Amendment relating to IFRS 6	1 January 2006
IFRS 4 Insurance Contracts (amendment to IAS 30 and IFRS 4 - Financial Guarantee Contracts)	1 January 2006
IFRS 6 Exploration for and Evaluation of Mineral Assets	1 January 2006
IFRS 6 Amendment relating to IFRS 6	1 January 2006
IFRS 7 Financial Instruments: Disclosures	1 January 2007
IAS 1 Amendment - Presentation of Financial Statements: Capital Disclosures	1 January 2007
IAS 19 Amendment - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
IAS 39 Fair Value Option	1 January 2006
IAS 39 Amendments to IAS 30 - Transition and Initial Recognition of Financial Assets and Financial Liabilities (Day 1 Profits)	1 January 2006
IAS 39 Cash Flow Hedge Accounting	1 January 2006
IAS 39 Amendment to IAS 39 and IFRS 4 - Financial Guarantee Contracts	1 January 2006
IAS 21 Amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 January 2006
International Financial Reporting Interpretations Committee (IFRIC)	
IFRIC 4 Determining whether an arrangement contains a lease	1 January 2006
IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2006
IFRIC 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 December 2005
IFRIC 8 Scope of IFRS 2	1 May 2006
IFRIC 9 Reassessment of Embedded Derivatives	1 June 2006

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application. Upon adoption of IFRS 7, the Group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. There will be no effect on reported income or net assets.

2 Investment income

	2006 £'000	2005 £'000
Dividends from UK listed investments	**8,464**	6,376
Dividends from overseas listed investments	**9,733**	8,045
Interest from listed investments	**52**	106
	9,785	8,151
	18,249	14,527

Notes to the Financial Statements continued

3 Net rental income

	2006 £'000	2005 £'000
Gross rental income	**3,044**	3,870
Service charge income	**1,746**	1,231
Direct property expenses, rent payable and service charge costs	**(2,685)**	(2,242)
	2,105	2,859

4 Interest receivable and similar income

	2006 £'000	2005 £'000
Interest receivable	**104**	107
Other income	**–**	6
	104	113

5 Management and performance fees

	2006 Revenue Return £'000	2006 Capital Return £'000	2006 Total £'000	2005 Revenue Return £'000	2005 Capital Return £'000	2005 Total £'000
Management fee	**2,428**	**1,214**	**3,642**	2,039	1,019	3,058
Managers' performance fee	**–**	**8,029**	**8,029**	–	1,219	1,219
Irrecoverable VAT thereon	**384**	**1,583**	**1,967**	304	357	661
	2,812	**10,826**	**13,638**	2,343	2,595	4,938

A summary of the terms of the management agreement is given in the Report of the Directors on pages 24 and 25.

6 Other administrative expenses

(including irrecoverable VAT)	2006 £'000	2005 £'000
Directors' fees (Directors' Remuneration Report on page 22)	**127**	80
Auditors' remuneration:		
for audit services (note (a) below)	**98**	82
Other expenses payable to the management company (note (b) below)	**–**	42
Marketing	**–**	25
Other expenses	**355**	230
	580	459

(a) Includes £70,000 (2005: £50,000) relating to the parent undertaking.

(b) Other expenses payable to the management company relate to share plan administration services.

7 Finance costs

	2006 £'000	2005 £'000
Bank loans and overdrafts repayable within 1 year	**2,576**	2,036
Debentures repayable between 1 and 5 years	**2,046**	2,033
Debentures repayable after more than 5 years	**1,762**	1,739
	6,384	5,808
Amount allocated to capital	**(3,192)**	(2,904)
Total allocated to revenue	**3,192**	2,904

8 Taxation on net return on ordinary activities

a Analysis of charge in the year

	2006 Revenue Return £'000	2006 Capital Return £'000	2006 Total £'000	2005 Revenue Return £'000	2005 Capital Return £'000	2005 Total £'000
UK corporation tax at 30%	**1,953**	**(764)**	**1,189**	1,712	(346)	1,366
Overseas taxation	**100**	**–**	**100**	357	–	357
	2,053	**(764)**	**1,289**	2,069	(346)	1,723
Overprovision in respect of prior years	**(71)**	**(360)**	**(431)**	(279)	–	(279)
Current tax charge for the year	**1,982**	**(1,124)**	**858**	1,790	(346)	1,444
Deferred taxation	**54**	**49**	**103**	5	1,598	1,603
	2,036	**(1,075)**	**961**	1,795	1,252	3,047

b Factors affecting current tax charge for the year

The tax assessed for the period is lower than the standard rate of corporate tax in the UK for a large company (30%). The difference is explained below:

	2006 £'000	2005 £'000
Net profit on ordinary activities before taxation	**13,874**	11,793
Corporation tax at 30%	**4,162**	3,538
Effects of:		
Non-taxable UK dividends	**(2,539)**	(1,949)
Overseas withholding taxes	**100**	357
Overprovision in respect of prior years	**(71)**	(279)
Disallowable expenses	**96**	93
Other short term timing differences	**234**	30
Current tax charge for the year	**1,982**	1,790

8 Taxation on net return on ordinary activities continued

The Group has not recognised deferred tax assets of £5,301,000 (2005: £2,181,000) arising as a result of excess management expenses and excess non trade debits. These expenses will only be utilised if the Group has profits chargeable to corporation tax in future accounting periods. It is considered too uncertain that the Group will generate such profits and, on this basis, the deferred tax asset in respect of these expenses has not been recognised. A deferred tax asset of £50,000 was utilised during the year (2005: £50,000 carried forward).

Due to the Company's status as an Investment Trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments. In respect of properties held in subsidiaries, provision for capital gains tax has been made for revaluation surpluses not sheltered by brought forward capital losses or non trade debits.

c Provision for deferred taxation

The amounts of deferred taxation provided at 30% comprise:

	2006 Revenue Return £'000	2006 Capital Return £'000	2006 Total £'000	2005 Revenue Return £'000	2005 Capital Return £'000	2005 Total £'000
Accelerated capital allowances	**168**	**–**	**168**	164	–	164
Unutilised losses carried forward	**–**	**–**	**–**	(50)	–	(50)
Capital gains	**–**	**2,994**	**2,994**	–	2,945	2,945
	168	**2,994**	**3,162**	114	2,945	3,059
Shown as:						
Deferred tax asset	**–**	**–**	**–**	(50)	–	(50)
Deferred tax liability	**168**	**2,994**	**3,162**	164	2,945	3,109
	168	**2,994**	**3,162**	114	2,945	3,059

The movement in provision in the year is as follows:

	Revenue Return 2006 £'000	Capital Return 2006 £'000	Total 2006 £'000
Provision at the start of the year	**114**	**2,945**	**3,059**
Deferred tax charge in Group Income Statement:			
Accelerated capital allowances	**4**	**–**	**4**
Unutilised losses carried forward	**50**	**–**	**50**
Capital gains	**–**	**49**	**49**
Provision at the end of the year	**168**	**2,994**	**3,162**

9 Earnings per ordinary share

Total earnings per ordinary share are based on the net earnings on ordinary activities after taxation of £279,715,000 (2005: £119,216,000 as restated) and on the weighted average number of ordinary shares in issue during the year, being 344,113,406 (2005: 350,376,971).

9 Earnings per ordinary share continued

Revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation of £11,838,000 (2005: £9,998,000) and on the weighted average number of ordinary shares in issue during the year, being 344,113,406 (2005: 350,376,971). Capital return per ordinary share is based on net capital gains of £267,877,000 (2005: £109,218,000 as restated) and on the same weighted average number of ordinary shares in issue during the year.

10 Investments held at fair value

(i) Analysis of investments

	Group 2006 £'000	Group (Restated see note 22) 2005 £'000	Company 2006 £'000	Company (Restated see note 22) 2005 £'000
Listed in the United Kingdom	**476,047**	321,819	**476,047**	321,819
Listed abroad	**341,634**	218,127	**341,634**	218,127
Investment properties	**64,262**	56,371	**44,892**	17,275
Unquoted investments	**–**	2,078	**–**	2,078
Investments held at fair value	**881,943**	598,395	**862,573**	559,299
Investments in subsidiaries at net asset value	**–**	–	**51,321**	47,174
	881,943	598,395	**913,894**	606,473

(ii) Gains on investments held at fair value

	31 March 2006 £'000	(Restated see note 22) 31 March 2005 £'000
Realised gains on sale of investments	**57,326**	39,558
Movement in unrealised appreciation	**223,613**	76,384
Net movement on foreign exchange	**(119)**	27
	280,820	115,969

(iii) Business segment reporting

	Valuation 31 March 2005 (Restated see note 22) £'000	Additions/ (disposals) £'000	Net appreciation £'000	Valuation 31 March 2006 £'000	Gross revenue 31 March 2006 £'000
Listed investments	542,024	6,002	269,655	**817,681**	**18,249**
Direct property	56,371	(3,604)	11,495	**64,262**	**4,790**
	598,395	2,398	281,150	**881,943**	**23,039**

10 Investments held at fair value continued

(iv) Geographical segment reporting

	Valuation 31 March 2005 (Restated see note 22) £'000	Additions/ (disposals) £'000	Net appreciation £'000	**Valuation 31 March 2006 £'000**	**Gross revenue 31 March 2006 £'000**
UK listed equities and convertibles	323,897	(3,887)	156,037	**476,047**	**8,516**
UK direct property	56,371	(3,604)	11,495	**64,262**	**4,790**
Continental European listed equities	218,127	9,161	113,271	**340,559**	**9,733**
Other listed equities	–	728	347	**1,075**	**–**
	598,395	2,398	281,150	**881,943**	**23,039**

Included in the above figures are purchase costs of £337,000 (2005: £386,000) and sales costs of £167,000 (2005: £76,000). These comprise mainly stamp duty and commission.

(v) Substantial share interests

The Group has the following substantial interests, all of which are registered and operating in England and Wales:

Name of Company	Class of Shares held	Percentage Holding of Class	Principal Activities
Rugby Estates	Ordinary 20p	12.2%	Property investment

The Group also held interests in 3% or more of any class of capital in six investee companies. None of these investments is considered significant in the context of these financial statements.

11 Derivatives and other financial instruments

The Group's financial instruments, other than derivatives, comprise securities and other investments, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income.

The Group has little exposure to credit and cash flow risk. Unquoted investments in the portfolio are subject to liquidity risk. This risk is taken into account by the directors when arriving at their valuation of these items.

The principal risks the Group faces in its portfolio management activities are:

- market price risk (i.e. movements in the value of investment holdings caused by factors other than interest rate or currency movement);
- foreign currency risk;
- interest rate risk.

The Investment Manager's policies for managing these risks are summarised below and have been applied throughout the year.

(i) Market Price Risk

By the very nature of its activities, the Group's investments are exposed to market price fluctuations. Further information on the investment portfolio and investment policy is set out in the Manager's Report on pages 8 to 15.

11 Derivatives and other financial instruments continued

(ii) Foreign Currency Risk

A proportion of the Group's portfolio is invested in overseas securities and their sterling value can be significantly affected by movements in foreign exchange rates. The Group may hedge foreign currency movements outside the Eurozone by funding investments in overseas securities with unsecured loans denominated in the same currency.

(iii) Interest Rate Risk

The majority of the Group's borrowings are at a fixed rate. A proportion of term loans may be hedged by the use of interest rate swaps and cap contracts. Short term borrowings are not hedged.

(iv) Use of Derivatives

It is not the Group's policy to enter into derivative contracts other than for the purposes of hedging against price movements in the value of particular constituents of the portfolio or interest rate exposures.

Foreign currency and interest rate exposures at 31 March 2006 (using exchange rates of 1.4334 Euros, 13.4598 Hong Kong Dollars, 13.5185 Swedish Krona and 2.2667 Swiss Francs to £1) are:

	Financial Assets				Financial Liabilities			
	Fixed interest £'000	Floating rate £'000	Non interest bearing £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Non interest bearing £'000	Total £'000
Sterling	2,687	2,701	471,283	476,671	39,967	56,800	14,875	111,642
Euro	–	–	293,835	293,835	–	1,197	–	1,197
Swedish Krona	–	–	45,658	45,658	–	–	–	–
Swiss Francs	–	–	4,574	4,574	–	–	–	–
Hong Kong Dollars	–	–	1,075	1,075	–	1,026	–	1,026
	2,687	2,701	816,425	821,813	39,967	59,023	14,875	113,865

Foreign currency and interest rate exposures at 31 March 2005 (using exchange rates of 1.4540 Euros, 13.3089 Swedish Krona and 2.2523 Swiss Francs to £1) were:

	Financial Assets (Restated note 22)				Financial Liabilities (Restated note 22)			
	Fixed interest £'000	Floating rate £'000	Non interest bearing £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Non interest bearing £'000	Total £'000
Sterling	4,338	159	321,497	325,994	39,952	44,698	9,072	93,722
Euro	–	–	183,052	183,052	–	78	–	78
Swedish Krona	–	967	30,764	31,731	–	789	–	789
Swiss Francs	–	–	3,552	3,552	–	–	–	–
	4,338	1,126	538,865	544,329	39,952	45,565	9,072	94,589

The fixed rate assets have a weighted average life of 8.0 years (2005: 12.8 years) and a weighted average interest rate of 8.7% (2005: 8.1%) per annum. The non interest bearing assets represent the equity element of the investment portfolio. Floating rate financial assets and liabilities consist primarily of bank balances, loans and overdrafts; their respective interest rates are linked to LIBOR.

11 Derivatives and other financial instruments continued

(v) Currency Exposure

The currency denomination of the Group's financial assets and liabilities is shown above.

(vi) Primary Financial Instruments

Securities and other investments are included in the balance sheet at fair values.

12 Debtors

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Amounts falling due within one year:				
Securities and properties sold for future settlement	**–**	37	**–**	37
Tax recoverable	**107**	216	**107**	216
Deferred taxation	**–**	50	**–**	50
Prepayments and accrued income	**930**	1,458	**869**	1,133
Other debtors	**394**	421	**386**	307
	1,431	2,182	**1,362**	1,743

13 Current and non-current liabilities

	Group 2006 £'000	Group (Restated see note 22) 2005 £'000	Company 2006 £'000	Company (Restated see note 22) 2005 £'000
Amounts falling due within one year:				
Bank loans and overdrafts	**57,826**	41,631	**57,826**	41,500
Securities and properties purchased for future settlement	**1,197**	3,937	**1,197**	3,937
Amounts due to Group undertakings	**–**	–	**76,538**	54,040
Deferred taxation	**168**	164	**–**	–
Managers' performance fees payable	**9,420**	1,424	**9,420**	1,424
Accruals and deferred income	**1,343**	1,276	**431**	273
Other creditors	**2,567**	4,666	**1,893**	2,398
	14,695	11,467	**89,479**	62,072
Current liabilities	**72,521**	53,098	**147,305**	103,572
Non-current liabilities:				
Debenture loans (a) and (b) below	**39,967**	39,952	**–**	–
Deferred taxation	**2,994**	2,945	**–**	–
	42,961	42,897	**–**	–

The total amount of secured creditors is £40,000,000 (2005: £40,000,000).

13 Current and non-current liabilities continued

Debenture Loans

(a) £15,000,000 (2005: £15,000,000) participation by TR Property Finance Limited, a subsidiary, in 11.5% 2016 several debenture stock issued by Trustco Finance plc, which is guaranteed by the Company by a floating charge over its assets. The fair value of this debenture at 31 March 2006 was £21,803,000 (2005: £21,482,000).

(b) £25,000,000 (2005: £25,000,000) 8.125% 2008 debenture stock in the name of Trust Union Finance (1991) PLC, a subsidiary, which is guaranteed by the Company by a floating charge over its assets. The fair value of this debenture at 31 March 2006 was £26,849,000 (2005: £26,998,000).

14 Called up share capital

Share capital

The balance classified as share capital includes the nominal value proceeds on issue of the equity share capital, comprising ordinary shares of 25p.

	Authorised		Issued, allotted and fully paid	
	Number	£'000	Number	£'000
Ordinary shares of 25p				
At 1 April 2005	779,170,350	194,793	346,366,286	86,591
Shares repurchased	–	–	(2,516,286)	(629)
At 31 March 2006	**779,170,350**	**194,793**	**343,850,000**	**85,962**

During the year, the Company made market purchases for cancellation of 2,516,286 ordinary shares of 25p each, representing 0.7% of the number of shares in issue at 31 March 2005. The aggregate consideration paid by the Company for the shares was £3,340,000. Shares are repurchased in order to enhance shareholder value.

15 Share premium and capital redemption reserve

Share premium

The balance classified as share premium includes the premium above nominal value from the proceeds on issue of the equity share capital, comprising ordinary shares of 25p.

Capital redemption reserve

The capital redemption reserve is used to record the amount equivalent to the value of purchases of the Company's own shares in order to maintain the Company's capital.

16 Retained earnings

	Group 2006 £'000	Group (Restated see note 22) 2005 £'000	Company 2006 £'000	Company (Restated see note 22) 2005 £'000
Unrealised appreciation	**474,209**	250,596	**480,347**	256,280
Realised reserves	**112,363**	71,439	**114,444**	74,013
	586,572	322,035	**594,791**	330,293
Revenue reserve	**24,653**	23,302	**16,434**	15,044
	611,225	345,337	**611,225**	345,337

Notes to the Financial Statements continued

16 Retained earnings continued

Group unrealised appreciation at 31 March 2006 includes £nil (2005: £2,034,000 as restated) relating to unlisted fixed asset investments and £18,719,000 (2005: £13,089,000 as restated) relating to investment properties.

Company unrealised appreciation at 31 March 2006 includes £21,488,000 (2005: £19,375,000 as restated) relating to unlisted fixed asset investments and £7,568,000 (2005: £1,385,000 as restated) relating to investment properties.

17 Dividends

	Year ended 31 March 2006 £'000	Restated Year ended 31 March 2005 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2005 of 1.55p (2004: 1.40p) per ordinary share	**5,344**	4,961
Interim dividend for the year ended 31 March 2006 of 1.50p (2005: 1.30p) per ordinary share	**5,158**	4,543
Write-back of dividends provided in prior year	**(15)**	–
	10,487	9,504
Proposed final dividend for the year ended 31 March 2006 of 1.90p (2005: 1.55p) per ordinary share	**6,533**	5,344

The final dividend accrued in respect of the year ended 31 March 2005, at 1.55p per share, amounted to £5,344,000 (31 March 2004: 1.40p per share, amounting to £4,961,000). The buy-backs of the Company's shares, after 31 March 2005, but before the record date of the final dividend, resulted in a write-back of dividends accrued in respect of the year but not in the event payable. The figure for the dividends paid is net of this write-back.

The proposed final dividend has not been included as a liability in these financial statements.

Set out below is the total dividend to be paid in respect of the year. This is the basis on which the requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered.

	Year ended 31 March 2006 £'000	Restated Year ended 31 March 2005 £'000
Interim dividend for the year ended 31 March 2006 of 1.50p (2005: 1.30p) per ordinary share	**5,158**	4,543
Proposed final dividend for the year ended 31 March 2006 of 1.90p (2005: 1.55p) per ordinary share	**6,533**	5,344
	11,691	9,887

18 Company revenue account

As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own revenue account. The net revenue after taxation of the Company dealt with in the accounts of the Group was £11,877,000 (2005: £9,737,000).

19 Net asset value per ordinary share

Net asset value per ordinary share is based on net assets attributable to ordinary shares of £770,593,000 (2005: £504,705,000 as restated) and on 343,850,000 (2005: 346,366,286) ordinary shares in issue at the year end.

20 Commitments and contingent liabilities

At 31 March 2006 the Group had capital commitments of £nil (2005: £450,000). There were no contingent liabilities at 31 March 2006 and 31 March 2005.

The Company has guaranteed a £15,000,000 (2005: £15,000,000) participation in 11.5% 2016 secured debenture stock and a £25,000,000 (2005: £25,000,000) 8.125% 2008 debenture stock (see note 13).

21 Restatement of opening balances as at 31 March 2004

At 1 April 2005 the Group and the Company adopted International Financial Reporting Standards.

In accordance with IFRS 1, First Time Adoption of Financial Reporting Standards, the following is a reconciliation of the figures at 31 March 2004 previously reported under the applicable UK Accounting Standards and with the Statement of Recommended Practice, to the restated IFRS results for the Group and the Company.

(a) Group

	Notes	Previously reported 31 March 2004 £'000	Effect of transition to IFRS £'000	Restated 31 March 2004 £'000
Fixed asset investments	1	486,266	1,052	487,318
Current assets		8,342	–	8,342
Creditors: amounts falling due within one year	1,2	(53,668)	3,555	(50,113)
Total assets less current liabilities		440,940	4,607	445,547
Creditors: amounts falling due after more than one year		(40,201)	(1,347)	(41,548)
		400,739	3,260	403,999
Capital and reserves				
Called up share capital		88,604	–	88,604
Share premium		37,063	–	37,063
Capital redemption reserve		33,701	–	33,701
Other reserves	3	223,524	(223,524)	–
Revenue reserve/retained earnings	1,2,3,4	17,847	226,784	244,631
		400,739	3,260	403,999

Notes to the reconciliation

1. Investments are all classified as held at fair value under IFRS and quoted equities are carried at bid prices which equates to their fair value. They were carried at mid prices previously. The resultant difference of £354,000 is included in retained earnings. The present value of the future lease payments on long leases in the investment property portfolio has been included both in the valuation and as a creditor. This is valued at £1,406,000.
2. No provision has been made for the final dividend on ordinary shares for the year ended 31 March 2004 of £4,961,000 as this was not declared until after the balance sheet date. Under IFRS the dividend is not recognised until approved or paid. This is therefore added to retained earnings.
3. Under IFRS, there is no differentiation between capital and revenue gains/losses. The previous heading of Other reserves is now included under the heading Retained earnings.
4. Under IFRS, £1,347,000 of deferred taxation has been provided on potential capital gains on investment properties held in subsidiaries.

21 Restatement of opening balances as at 31 March 2004 continued

(b) Company

	Notes	Previously reported 31 March 2004 £'000	Effect of transition to IFRS £'000	Restated 31 March 2004 £'000
Fixed asset investments	1,4	499,829	(1,701)	498,128
Current assets		7,841	–	7,841
Creditors: amounts falling due within one year	1,2	(106,681)	4,961	(101,720)
Total assets less current liabilities		400,989	3,260	404,249
Creditors: amounts falling due after more than one year		(250)	–	(250)
		400,739	3,260	403,999
Capital and reserves				
Called up share capital		88,604	–	88,604
Share premium		37,063	–	37,063
Other reserves	3	265,222	(265,222)	–
Revenue reserve/retained earnings	1,2,3,4	9,850	268,482	278,332
		400,739	3,260	403,999

Notes to the reconciliation

1. Investments are all classified as held at fair value under IFRS and quoted equities are carried at bid prices which equates to their fair value. They were carried at mid prices previously. The resultant difference of £354,000 is included in retained earnings.
2. No provision has been made for the final dividend on ordinary shares for the year ended 31 March 2004 of £4,961,000 as this was not declared until after the balance sheet date. Under IFRS the dividend is not recognised until approved or paid. This is therefore added to retained earnings.
3. Under IFRS, there is no differentiation between capital and revenue gains/losses. The previous heading of Other reserves is now included under the heading Retained earnings.
4. Under IFRS, £1,347,000 of deferred taxation has been provided on potential capital gains on investment properties held in subsidiaries. The value of investments has been restated accordingly.

22 (a) Restatement of balances as at 31 March 2005

At 1 April 2005 the Group and the Company adopted International Financial Reporting Standards.

In accordance with IFRS 1, First Time Adoption of Financial Reporting Standards, the following is a reconciliation of the figures at 31 March 2005 previously reported under the applicable UK Accounting Standards and in accordance with the Statement of Recommended Practice, to the restated IFRS results for the Group and the Company.

(i) Group

	Notes	Previously reported 31 March 2005 £'000	Effect of transition to IFRS £'000	Restated 31 March 2005 £'000
Fixed asset investments	1	597,348	1,047	598,395
Current assets		2,305	–	2,305
Creditors: amounts falling due within one year	1,2	(57,036)	3,938	(53,098)
Total assets less current liabilities		542,617	4,985	547,602
Creditors: amounts falling due after more than one year	4	(39,952)	(2,945)	(42,897)
		502,665	2,040	504,705
Capital and reserves				
Called up share capital		86,591	–	86,591
Share premium		37,063	–	37,063
Capital redemption reserve		35,714	–	35,714
Other reserves	3	325,339	(325,339)	–
Revenue reserve/retained earnings	1,2,3,4	17,958	327,379	345,337
		502,665	2,040	504,705

Notes to the reconciliation

1. Investments are all classified as held at fair value under IFRS and quoted equities are carried at bid prices which equates to their fair value. They were carried at mid prices previously. The resultant difference of £359,000 is included in retained earnings. The present value of the future lease payments on long leases in the investment property portfolio has been included both in the valuation and as a creditor. This is valued at £1,406,000.
2. No provision has been made for the final dividend on ordinary shares for the year ended 31 March 2005 of £5,344,000 as this was not declared until after the balance sheet date. Under IFRS the dividend is not recognised until approved or paid. This is therefore added to retained earnings.
3. Under IFRS, there is no differentiation between capital and revenue gains/losses. The previous heading of Other reserves is now included under the heading Retained earnings.
4. Under IFRS, £2,945,000 of deferred taxation has been provided on potential capital gains on investment properties held in subsidiaries.

22 (a) Restatement of balances as at 31 March 2005 continued

(ii) Company

	Notes	Previously reported 31 March 2005 £'000	Effect of transition to IFRS £'000	Restated 31 March 2005 £'000
Fixed asset investments	1,4	609,777	(3,304)	606,473
Current assets		1,804	–	1,804
Creditors: amounts falling due within one year	2	(108,916)	5,344	(103,572)
Total assets less current liabilities		502,665	2,040	504,705
		502,665	2,040	504,705
Capital and reserves				
Called up share capital		86,591	–	86,591
Share premium		37,063	–	37,063
Capital redemption reserve		35,714	–	35,714
Other reserves	3	333,597	(333,597)	–
Revenue reserve/retained earnings	1,2,3,4	9,700	335,637	345,337
		502,665	2,040	504,705

Notes to the reconciliation

1. Investments are all classified as held at fair value under IFRS and quoted equities are carried at bid prices which equates to their fair value. They were carried at mid prices previously. The resultant difference of £359,000 is included in retained earnings.
2. No provision has been made for the final dividend on ordinary shares for the year ended 31 March 2005 of £5,344,000 as this was not declared until after the balance sheet date. Under IFRS the dividend is not recognised until approved or paid. This is therefore added to retained earnings.
3. Under IFRS, there is no differentiation between capital and revenue gains/losses. The previous heading of Other reserves is now included under the heading Retained earnings.
4. Under IFRS, £2,945,000 of deferred taxation has been provided on potential capital gains on investment properties held in subsidiaries. The value of investments has been restated accordingly.

22 (b) Reconciliation of the Group Statement of Total Return to the Group Income Statement for the year ended 31 March 2005

Under IFRS the Group Income Statement is the equivalent of the Group Statement of Total Return as reported previously.

	Notes	£'000	Per share p
Total transfer to reserve per Group Statement of Total Return		110,932	31.66
Add back dividends paid and proposed on ordinary shares	1	9,887	2.82
Change from mid to bid basis at 31 March 2004	2	354	0.10
Change from mid to bid basis at 31 March 2005	2	(359)	(0.10)
Deferred tax provision	3	(1,598)	(0.46)
Net profit per Group Income Statement		119,216	34.02

Notes to the reconciliation

1. All dividends authorised and paid during the period are dealt with through the Group and Company Statement of Changes in Equity.
2. The portfolio valuations at 31 March 2004 and 31 March 2005 are required to be valued at fair value under IFRS. These values differ from the previous valuations by £354,000 and £359,000 respectively.
3. Deferred tax has been provided on potential capital gains on investment properties held in subsidiaries.

(c) Reconciliation of the Group Cash Flow Statement for the year ended 31 March 2005

	Notes	Previously reported cash flows 2005 £'000	Effect of transition to IFRS £'000	Adjusted cash flows 2005 £'000
Net cash inflow from operating activities	1,2	10,337	(5,146)	5,191
Returns on investments and servicing of finance	1	(5,754)	5,754	–
Taxation	2	608	(608)	–
Net cash inflow from financial investment	3	12,996	27	13,023
Equity dividends paid	4	(9,504)	9,504	–
Net cash inflow before financing		8,683	9,531	18,214
Financing	4	(9,006)	(9,504)	(18,510)
Decrease in cash		(323)	27	(296)
Transfer of foreign exchange movements to reconciliation of cash and cash equivalents		–	(27)	(27)
Total		(323)	–	(323)

Notes to the reconciliation

1. Bank and debenture interest paid are now shown under operating activities rather than servicing of finance.
2. Taxation recovered is now disclosed under operating activities.
3. Foreign exchange movements now appear in the Group Cash Flow Statement.
4. Dividends paid are now disclosed under financing.

23 Subsidiaries

The Group has the following principal subsidiaries, all of which are registered and operating in England and Wales:

Name of Company	Principal Activities
Trust Union Properties Ltd	Property investment and dealing
TR Property Finance Ltd	Investment holding and finance
Trust Union Properties (Bayswater) Ltd	Property investment
* The Colonnades Ltd	Property investment
* Trust Union Finance (1991) plc	Debenture issuing vehicle
Trustco Finance PLC	Debenture issuing vehicle

* Indirectly held

All the subsidiaries are wholly owned and all the holdings are ordinary shares. The Group also has other subsidiaries which are either not trading or not significant.

Notice of Annual General Meeting

Notice is hereby given that the One Hundred and Second Annual General Meeting of TR Property Investment Trust plc will be held at the Royal Automobile Club, 89 Pall Mall, London SW1Y 5HS on Tuesday 18 July 2006 at 12 noon for the following purposes:

Ordinary Business

1 To receive the Report of the Directors and the Audited Accounts for the year ended 31 March 2006.

2 To approve the Directors' Remuneration Report for the year ended 31 March 2006.

3 To declare a final dividend of 1.90p per ordinary share.

4 To re-elect Mr P L Salsbury as a director.

5 To re-appoint Ernst & Young LLP as auditors of the Company.

6 To authorise the directors to determine the remuneration of the auditors.

Special Business

To consider and, if thought fit, to pass the following resolution as a special resolution:

7 THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 ("the Act") to make market purchases (within the meaning of Section 163 of the Act) of ordinary shares of 25 pence each in the capital of the Company ("Shares") on such terms and in such manner as the Directors may from time to time determine provided that:

(a) the maximum number of Shares hereby authorised to be purchased shall be 14.99% of the Company's ordinary shares in issue at the date of the Annual General Meeting (equivalent to 51,543,115 ordinary shares of 25p each at 23 May 2006, the date of this Notice of Annual General Meeting);

(b) the maximum price (exclusive of expenses) at which a Share may be purchased shall not exceed 105 per cent. of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase;

(c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 25p, being the nominal value per Share; and

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2007 or, if earlier, 18 months from the passing of this resolution, save that the Company may before such expiry enter into a contract to purchase Shares under which such purchases will or may be completed or executed wholly or partly after the expiration of this authority and may make a purchase of Shares in pursuance of any such contract.

By order of the Board

D J Trickett ACIS
Henderson Secretarial Services Limited
Secretary
23 May 2006

Notice of Annual General Meeting continued

Notes

1 Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of the Company at 7.00pm on 16 July 2006 shall be entitled to attend and/or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after that time on 16 July 2006 shall be disregarded in determining the rights of any person to attend or vote at the Meeting. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

2 A shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote on his/her behalf. A proxy need not be a member of the Company. The number of votes cast by proxy for each resolution will be communicated to shareholders at or following the AGM and will be available on request.

3 A form of proxy is enclosed and to be valid must be lodged with the Registrar of the Company not less than 48 hours before the time fixed for the Meeting. Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person.

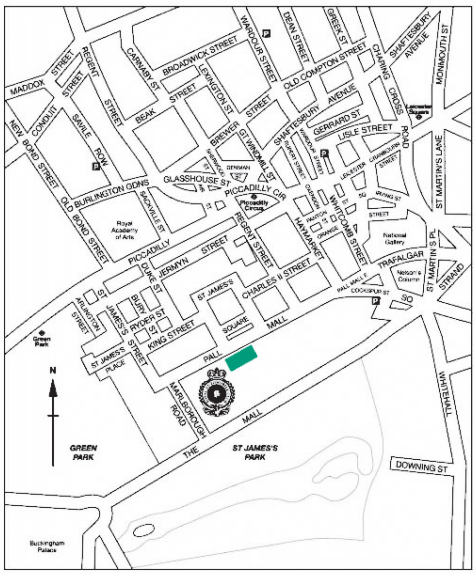
4 This notice is sent for information only to holders of debentures issued by Trust Union Finance (1991) PLC.

5 The Register of Directors' Interests kept by the Company in accordance with Section 325 of the Companies Act 1985 will be open for inspection at the AGM.

6 By attending the Meeting, members and their proxies and representatives are understood by the Company to have confirmed their agreement to receive any communications (including communications relating to the Company's securities) made at the Meeting.

7 The Registered Office of the Company is 4 Broadgate, London EC2M 2DA.

8 **Shareholders' attention is drawn to the fact that a dress code exists at the Royal Automobile Club. Gentlemen are required to wear tailored business suits, or tailored jackets and trousers, together with collared shirts and ties at all times and in all areas of the club. Cravats are not permitted. Ladies are expected to dress with commensurate formality according to the occasion and within the spirit of these rules. Shareholders are requested to note that this dress code will be enforced and use of the facilities will be refused in the event of non-adherence.**



Royal Automobile Club
89 Pall Mall, London SW1Y 5HS

Explanation of Notice of Annual General Meeting

Resolutions 1, 2 and 3: Accounts, Remuneration Report & Dividend

These are the resolutions which deal with the presentation of the audited accounts, the approval of the directors' remuneration report and the declaration of the final dividend. The vote to approve the remuneration report is advisory only and will not require the Company to alter any arrangements detailed in the report should the resolution not be passed.

Resolution 4: Re-election of Director

Resolution 4 deals with the re-election of Mr P L Salsbury as director. Under the Articles of Association, Mr Salsbury is required to retire by rotation at the Annual General Meeting; he has confirmed he will offer himself for re-election.

Resolutions 5 and 6: Auditors

These deal with the re-appointment of the auditors, Ernst & Young LLP, and the authorisation for the directors to determine their remuneration.

Resolution 7: Authority to make Market Purchases of the Company's own Shares

At the Annual General Meeting held on 19 July 2005, a special resolution was proposed and passed, giving the directors authority, until the conclusion of the Annual General Meeting in 2006, to make market purchases of the Company's own issued ordinary shares up to a maximum of 51,685,520 (representing approximately 14.99% of the issued share capital as at 24 May 2005, the date of the Notice of the AGM) for cancellation. This authority will expire at this year's Annual General Meeting.

Your Board is proposing that they should be given renewed authority to purchase ordinary shares in the market. Your Board believes that to make such purchases in the market at appropriate times and prices is a suitable method of enhancing shareholder value. The Company would, within guidelines set from time to time by the Board, make either a single purchase or a series of purchases, when market conditions are suitable, with the aim of maximising the benefits to shareholders.

Where purchases are made at prices below the prevailing net asset value per share, this will enhance the net asset value for the remaining shareholders. It is therefore intended that purchases would only be made at prices below net asset value. Your Board considers that it will be most advantageous to shareholders for the Company to be able to make such purchases as and when it considers the timing to be favourable and therefore does not propose to set a timetable for making any such purchases.

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations") came into force on 1 December 2003. The Regulations enable companies in the United Kingdom to hold in treasury any of their own shares they have purchased with a view to possible resale at a future date, rather than cancelling them. If the Company does re-purchase any of its shares, the directors do not currently intend to hold any of the shares re-purchased in treasury. The shares so re-purchased will continue to be cancelled.

The rules of the UK Listing Authority limit the price which may be paid by the Company to 105% of the average middle-market quotation for an ordinary share on the 5 business days immediately preceding the date of the relevant purchase. The minimum price to be paid will be 25p per ordinary share (being the nominal value). Also these rules limit a listed company to purchases of shares representing up to 15% of its issued ordinary share capital through the market pursuant to a general authority such as this. For this reason, the Company is limiting its authority to make such purchases to 14.99% of the Company's ordinary shares in issue at the date of the Annual General Meeting; this is equivalent to 51,543,115 ordinary shares of 25p each (nominal value £12,885,778) at 23 May 2006, the date of the Notice of AGM. The authority will last until the Annual General Meeting of the Company to be held in 2007 or, if earlier, 18 months from the passing of the resolution.

A special resolution is one that requires a majority of at least 75% of those present and voting to be passed.

Glossary of Terms

Discount

The amount by which the market price per share of an Investment Trust Company is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

Dividend Yield

The annual dividend expressed as a percentage of the share price.

Gearing

Total debt comprising debentures, loan stock, bank loans and overdrafts less cash at bank and short term deposits divided by shareholders' funds.

Net Asset Value

The value of the total assets less the liabilities. Liabilities for this purpose include both current and long-term liabilities. To calculate the net asset value per ordinary share, divide the net asset value by the number of shares in issue.

Ordinary shares

Confer certain rights to the holder as laid down in the Articles of Association. These include entitlements to any income distributions paid by the Company, to all undistributed net income if the Company is wound-up and certain voting rights. They rank for payment of capital after repayment of borrowings.

Premium

The amount by which the market price per share of an Investment Trust Company exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

General Shareholder Information

Historical Performance for years ended 31 March

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005† (Restated)	**2006†**
Gross revenue (£'000)	14,643	11,986	12,868	15,182	12,693	13,307	13,751	16,676	16,247	–	**–**
Total revenue income (£'000)	–	–	–	–	–	–	–	–	–	19,741	**23,143**
Net revenue (per share)											
Earnings	1.54	1.42	1.34	1.97	1.41	1.58	1.86	2.30	2.51	2.85	**3.44**
Dividends	0.98	1.03	1.12	1.27	1.32	1.40	1.65	2.05	2.50	2.85	**3.40**
Total assets less current liabilities (£m)	191.4	248.3	308.9	292.5	305.8	382.7	382.7	344.3	440.9	544.7	**813.6**
NAV per share (p)	35.3	44.0	54.4*	52.0*	56.5*	73.2*	78.1*	73.0	113.1	145.7	**224.1**
Indices of growth (per share)											
Share Price	100	125	169	152	159	204	227	207	333	451	**735**
Net Asset Value	100	125	155	147	161	208	222	207	321	412	**631**
Dividend Net	100	105	114	130	135	143	168	209	255	291	**347**
Benchmark**	100	128	164	130	122	153	156	141	200	249	**357**

*fully diluted for warrant conversion

**a composite index comprising the FTSE Real Estate Index up to the end of September 2001 and the S&P/Citigroup European Property Index thereafter

Source: Thames River Capital

†Figures for 2006 have been prepared in accordance with IFRS. Figures for 2005 have been restated in accordance with IFRS. All previous figures were prepared under UK GAAP.

Release of Results

The half year results will be announced in late November. The full year results were announced in late May.

Annual General Meeting

The AGM is held in London in July.

Dividend Payment Dates

Dividends are paid on the ordinary shares as follows:

Interim : early January

Final : late July

Dividend Payments

Dividends can be paid to ordinary shareholders by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar. Alternatively, shareholders can write to the Registrar (the address is given on page 63 of this report) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

General Shareholder Information continued

Share Price Listings

The market price of the Company's ordinary shares is published daily in The Financial Times. Some of the information is published in other leading newspapers. The Financial Times also shows figures for the estimated net asset values and the discounts applicable.

Share Price Information

The ISIN code/SEDOL (Stock Exchange Daily Official List) number of the Company's ordinary shares is GB0009064097/0906409. Other sources include Bloomberg (TRY.LN) and Reuters (TRY.L).

Internet

Details of the market price and net asset value of the shares can be found at **www.trproperty.co.uk** on the Company's website.

Shareholders who hold their shares in certificated form can check their holdings with the Registrar, Computershare Investor Services PLC, via **www.computershare.com**. Please note that to gain access to your details on the Computershare site you will need the holder reference number stated on the top left hand corner of your share certificate.

Disability Act

Copies of this Report and Accounts and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate.

You can contact the Registrar, Computershare Investor Services PLC, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator, by dialling 0870 702 0005. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for Deaf People) you should dial 18001 followed by the number you wish to dial.

For investors through the TR Property Share Plan, ISA or PEP, a textphone telephone service is available on 01733 285714. This service is available during normal business hours.

Nominee Share Code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at meetings when invited to do so by the Chairman.

Investors in the TR Property Share Plan, ISA or PEP receive all shareholder communications. A letter of direction is provided to facilitate voting at general meetings of the Company.

Directors and other Information

Directors
P L Salsbury (Chairman)
C M Burton
J H M Newsum
R A Stone
P H Wolton

Registered Office
4 Broadgate
London EC2M 2DA
Telephone: 020 7818 1818
Facsimile: 020 7818 1819

Registered Number
Registered as an investment company in England and Wales No. 84492

Investment Manager
Thames River Capital LLP, authorised and regulated by the Financial Services Authority

51 Berkeley Square
London W1J 5BB
Telephone: 020 7360 1200
Facsimile: 020 7360 1300

Fund Manager:
C M Turner MRICS
Deputy Manager:
M A Phayre-Mudge MRICS
Finance Manager:
J L Elliott ACA
Direct Property Portfolio Manager:
J F K Wilkinson MRICS
Assistant Direct Property Manager
G P Gay MRICS
Investor Relations Manager:
N G Williamson

The Company is a member of the Association of Investment Trust Companies

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represented by D J Trickett ACIS

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Computershare Investor Services PLC
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Telephone: 0870 702 0010

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London EC2M 2PP

Solicitors
Slaughter and May
One Bunhill Row
London EC1Y 8YY

Share Plan, ISAs and PEPs
BNP Paribas Fund Services UK Limited
Block C, Western House
Lynchwood Business Park
Peterborough PE2 6BP

TR Property Share Plan

BNP Paribas Fund Services UK Limited offers a Share Plan providing a simple and flexible way of investing in **TR Property Investment Trust plc**. The Share Plan offers the following:

- **Regular savings from £50 per month/quarter, or lump sum investments from £500**
- **An income reinvestment facility. Alternatively, you can have dividends paid to your bank or building society account**
- **All paperwork and documentation is simplified and reduced to a minimum**
- **Half yearly valuations with consolidated tax certificate**

TR Property ISA

You can invest directly in **TR Property Investment Trust plc** through the TR Property ISA. The ISA offers the following:

- **Tax free income and tax free growth**
- **Regular savings from £100 per month or an initial lump sum investment from £2,000, and further lump sums of £500**
- **An income reinvestment facility. Alternatively, you can have dividends paid to your bank or building society account**
- **Half yearly valuations and reports**
- **Both Mini and Maxi ISAs available for investment by lump sum or regular savings**

Under the TR Property PEP and ISA, you are permitted to transfer your existing PEP or ISA funds into the Trust. Investments retain their tax-efficient status during and after transfer.

Please remember that the value of your investment can fall as well as rise and you may not get back the amount originally invested. Tax assumptions may change if the law changes and the value of tax relief will depend upon your individual circumstances.

Further Information

Please consult our website **www.trproperty.co.uk** or write to:

BNP Paribas Fund Services UK Limited
(TR Property Investment Trust plc Share Plan/ISA/PEP)
Block C, Western House
Lynchwood Business Park
Peterborough
PE2 6BP

Alternatively, please contact your professional adviser for further information or call our Investor Services Department on 0845 358 1113.

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TR Property Investment Trust plc is managed by

Thames River Capital

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