TR Property Investment Trust plc

Report & Accounts for the
year ended 31 March 2012

TR Property Investment Trust plc

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Front Cover: Theatre and Castle Bridge, Schwerin, N.E. Germany

Cautionary statement regarding forward-looking statements

This Annual Report has been prepared for the members of TR Property Investment Trust plc and no one else. The Company, its directors or agents do not accept or assume responsibility to any other person in connection with this document and any such responsibility or liability is expressly disclaimed.

This Annual Report contains certain forward-looking statements with respect to the principal risks and uncertainties facing the Company. By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Annual Report and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.

Overview

The objective of TR Property Investment Trust plc ("the Trust", "the Company" or "the Group") is to maximise shareholders' total returns via investment in the property sector.

The Trust offers investors two share classes:

Ordinary shares – a portfolio invested in the shares of property companies of all sizes on an international basis and also in investment property located in the UK.

Sigma shares – a portfolio invested in the shares of smaller property companies on an international basis. The Sigma share class does not invest in property directly.

Introduction

The Trust was formed in 1905 and has been a dedicated property investor through the Ordinary share class since 1982.

In July 2007 a second share class, the Sigma share class, was introduced. This was created mainly through the conversion of some of the existing Ordinary shares into Sigma shares. Each share class has a dedicated portfolio and is able to pursue independent investment and gearing strategies. However, they are share classes of one corporate entity, the Trust, with a single independent Board of directors.

The Report & Accounts contain the group financial statements and as supplementary information separate income statements and balance sheets for each share class. There is a separate Manager's Report for each share class. The pages in the accounts have been marked in the top corner to highlight whether they refer specifically to one or other of the share classes or to the group as a whole.

The following two pages set out the objective and investment policies for each share class and key financial and performance data. The Manager's Report for each share class comments on how the actual investment activity through the period has followed the proposed policies and the resulting performance.

Independent Board

The directors are all independent of Thames River Capital LLP ("Thames River" or "the Manager") and meet regularly to consider investment strategy, to monitor adherence to the stated objectives and investment policies (set out on the following pages) and to review performance. Details of how the board operates and fulfils its responsibilities are set out in the Directors' Report on pages 48 to 60.

Further Information

General shareholder information and details of how to invest in TR Property Investment Trust plc, including investment through an ISA or saving scheme, can be found on pages 97 to 99. This information can also be found on the Trust's website www.trproperty.co.uk.

Statement of Investment Objective and Policy

Ordinary Shares

Objective

The objective of the Ordinary share class is to maximise shareholders' total returns by investing in property shares and investment property on an international basis.

Benchmark

For the year to 31 March 2012 the benchmark was the FTSE EPRA/NAREIT Developed Europe Total Return Index in Sterling. This index, calculated by FTSE, is free-float based and currently has 84 constituent companies. From 1 April 2012 the net of tax version of this benchmark will be used, the FTSE EPRA/NAREIT Developed Europe Net Total Return Index in Sterling. The benchmark website www.epra.com contains further details about the index and performance.

Investment Policies

Although the investment objective allows for investment on an international basis, the benchmark is a Pan-European Index and the majority of the investments will be located in that geographical area. Direct property investments are located in the UK only.

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 Manager generally regards future growth and capital appreciation potential more highly than immediate initial yield or discount to asset value.

As a dedicated investor in the property sector the fund cannot offer diversification outside that sector, however, within the portfolio there are limitations, as set out below, on the size of individual investments held to ensure diversification within the portfolio.

Asset Allocation Guidelines

To deliver a spread of investment risk, the maximum holding in the stock of any one issuer or of a single asset is limited to 20% of the portfolio. In addition, any holdings in excess of 5% of the portfolio must not in aggregate exceed 50% of the portfolio. These limits are set at the point of acquisition, however, if they were materially exceeded for a significant length of time through market movements, the Manager would seek to remedy the position.

The Manager currently applies the following guidelines for asset allocation:

UK listed equities	25 – 50%	Other listed equities	0 – 5%
European listed equities	45 – 75%	Listed bonds	0 – 5%
		Direct property – UK	5 – 20%

Gearing

The fund may utilise gearing with the purpose of enhancing shareholder returns. The maximum gearing level is 40%, however, the current guideline is 10% net cash to 25% gearing.

The Trust invests in the shares of property companies which themselves employ leverage. The total level of gearing the Trust is exposed to through the balance sheets of investee companies together with the borrowings of the Trust itself is referred to as the "see-through" gearing. The Manager comments on the level of see-through gearing in the Manager's Report.

Capital

Over ten years up to the end of March 2012, the share price has risen by 139% from 64.75p to 154.5p and the net asset value per share has risen by 135% from 78.08p to 183.62p. Over the same period the benchmark price only index has risen by 52.5%.

Income Growth

Over the past ten years the annual net dividend per share has grown by 4 times, equivalent to 15% pa compounded.

Dividend

An interim dividend of 2.40p (2011: 2.30p) per Ordinary share was paid on 10 January 2012 to shareholders on the register on 9 December 2011. A final dividend of 4.20p (2011: 3.70p) per Ordinary share will be paid on 1 August 2012 to shareholders on the register on 6 July 2012. The shares will be quoted ex-dividend on 4 July 2012.

Sigma Shares

Objective

The objective of the Sigma share class is to maximise shareholders' total returns by investing predominantly in the shares of smaller property companies on an international basis.

Benchmark

The benchmark for the year to 31 March 2012 was the FTSE EPRA/NAREIT Small Cap Developed Europe Total Return Index in Sterling. This benchmark, calculated by FTSE, is the FTSE EPRA/NAREIT Developed Europe Total Return Index in Sterling, adjusted to exclude large cap stocks. The large cap threshold and the constituents are adjusted annually. For the year to 31 March 2012 the threshold was £1.1bn. From 1 April 2012 the net of tax version of this benchmark will be used. This will be calculated by FTSE in the same way, the FTSE EPRA/NAREIT Developed Europe Net Total Return Index in Sterling, adjusted to exclude large cap stocks. For the year to 31 March 2013 the large cap threshold will be £0.97bn.

Investment Policies

Although the investment objective allows for investment on an international basis, the benchmark is a Pan-European Index and the majority of the investments will be located in that geographical area.

The investment selection process seeks to identify well managed smaller property companies, especially those with a focus on a particular type of real estate business. The Manager generally regards future growth and capital appreciation potential more highly than immediate initial yield or discount to asset value.

As a dedicated investor in the property sector the fund cannot offer diversification outside that sector, however, within the portfolio there are limitations on the size of individual investments held to ensure diversification within the portfolio.

Asset Allocation Guidelines

To deliver a spread of investment risk, the maximum holding in the stock of any one issuer or of a single asset is limited to 15% of the portfolio. In addition, any holdings in excess of 5% of the portfolio must not in aggregate exceed 40% of the portfolio. These limits are set at the point of acquisition, however, if they were materially exceeded for a significant length of time through market movements, the Manager would seek to remedy the position.

The Fund Manager currently applies the following guidelines for asset allocation:

UK listed equities	35 – 60%	Other listed equities	0 – 10%
European listed equities	35 – 60%	Listed bonds	0 – 5%
		Unquoted investments	0 – 5%

Gearing

The fund may utilise gearing with the purpose of enhancing shareholder returns. The maximum gearing level is 40%, however, the current guideline is 10% net cash to 25% gearing.

The Trust invests in the shares of property companies which themselves are subject to gearing. The total level of gearing the Trust is exposed to through the balance sheets of investee companies together with the borrowings of the Trust itself is referred to as the "see-through" gearing. The Manager comments on the level of see-through gearing in the Manager's Report.

Capital

Since launch in July 2007, the share price has fallen by 33.5% from 106.25p to 70.70p and the net asset value per share has fallen by 23.0% from 122.85p to 94.62p. Over the same period the benchmark price only index has fallen by 33.4%.

Dividend

Due to its focus on smaller market capitalisation companies, some of which are development companies, the dividend yield of Sigma shares is likely to be lower than that of the Ordinary shares.

An interim dividend of 0.95p (2011: 0.90p) per Sigma share was paid on 10 January 2012 to shareholders on the register on 9 December 2011. A final dividend of 1.65p (2011: 1.25p) per Sigma share will be paid on 1 August 2012 to shareholders on the register on 6 July 2012. The shares will be quoted ex-dividend on 4 July 2012.

Financial Highlights and Performance

Ordinary Shares

	Year ended 31 March 2012	Year ended 31 March 2011	% Change
Revenue			
Revenue earnings per share	**7.07p**	6.94p	+1.9
Net dividend per share	**6.60p**	6.00p	+10.0
	At 31 March 2012	At 31 March 2011	% Change
Balance Sheet			
Net asset value per share	**183.62p**	207.08p	-11.3
Share price	**154.50p**	177.10p	-12.8
Net debt	**10%**	7%	
Shareholders' funds (£'000)	**470,472**	530,602	-11.3
Shares in issue at end of period (m)	**256.2**	256.2	–
	Year ended 31 March 2012	Year ended 31 March 2011	
Performance			
Benchmark performance (total return)	**-8.9%**	+15.2%	
NAV total return	**-8.5%**	+15.4%	
Share price total return	**-9.5%**	+12.6%	

Sigma Shares

	Year ended 31 March 2012	Year ended 31 March 2011	% Change
Revenue			
Revenue earnings per share	**2.60p**	2.57p	+1.2
Net dividend per share	**2.60p**	2.15p	+20.9
	At 31 March 2012	At 31 March 2011	% Change
Balance Sheet			
Net asset value per share	**94.62p**	111.94p	-15.5
Share price	**70.70p**	83.45p	-15.3
Net debt	**5%**	8%	
Shareholders' funds (£'000)	**117,773**	139,841	-15.8
Shares in issue at end of period (m)	**124.5**	124.9	-0.3
	Year ended 31 March 2012	Year ended 31 March 2011	
Performance			
Benchmark performance (total return)	**-12.1%**	+16.9%	
NAV total return	**-13.6%**	+16.5%	
Share price total return	**-12.7%**	+19.7%	

Historical Performance *for years ended 31 March*

	2002	2003	2004	2005[D]	2006[D] (Restated)	2007[D]	2008[D]	2009[D]	2010[D]	2011[D]	2012[D]
Gross revenue[A] (£'000)	13,751	16,676	16,247	–	–	–	–	–	–	–	**–**
Total income[B] (£'000)	–	–	–	19,741	23,143	26,226	32,160	32,073	27,782	29,520	**30,973**
Total assets less current liabilities (£'m)	382.7	344.3	440.9	544.7	813.6	1,017.0	725.3	418.6	616.6	688.8	**606.3**
Shareholders' funds (£'m)											
Total	342	304	401	505	771	973	707	400	598	670	**588**
Ordinary shares	342	304	401	505	771	973	568	324	476	531	**470**
Sigma shares	–	–	–	–	–	–	139	76	123	140	**118**
Net revenue (pence per share)											
Earnings – Ordinary	1.86	2.30	2.51	2.85	3.44	4.09	5.79	6.49	5.18	6.94	**7.07**
Earnings – Sigma	–	–	–	–	–	–	0.85	2.91	3.06	2.57	**2.60**
Dividends – Ordinary	1.65	2.05	2.50	2.85	3.40	4.10	5.60	5.75	5.75	6.00	**6.60**
Dividends – Sigma	–	–	–	–	–	–	1.95**	2.00	2.00	2.15	**2.60**
NAV per share (pence)											
Ordinary	78.1*	73.0	113.1	145.7	224.1	290.8	219.6	126.1	185.2	207.1	**183.6**
Sigma	–	–	–	–	–	–	108.6	61.3	98.1	111.9	**94.6**
Share price (pence)											
Ordinary	64.75	59.00	95.00	128.50	209.50	256.50	188.25	106.00	159.40	177.10	**154.50**
Sigma	–	–	–	–	–	–	92.00	39.00	70.50	83.45	**70.70**
Indices of growth Per Ordinary share											
Share price	100	91	147	198	324	396	291	164	246	274	**239**
Net Asset Value	100	94	145	187	287	372	281	161	237	265	**235**
Dividend Net	100	124	152	173	206	242	339	348	348	364	**400**
RPI	100	103	106	109	112	117	122	121	126	133	**138**
Benchmark[C]	100	91	128	160	229	285	213	104	259	175	**153**
Per Sigma share (2007 = launch date)											
Share price						100	87	37	66	78	**67**
Net Asset Value						100	88	50	80	91	**77**
Dividend Net						–	100	103	103	110	**133**
RPI						100	103	103	107	113	**117**
Benchmark[E]						100	88	43	70	79	**67**

(A) Gross revenue – is as set out in the Statement of Total Return prepared under UK GAAP.

(B) Total income – is as set out in the Group Statement of Comprehensive Income prepared in accordance with IFRS.

(C) A composite index comprising the FTSE Real Estate Index up to the end of September 2001, the S&P/Citigroup European Property Index thereafter up to March 2007 and FTSE EPRA/NAREIT Developed Europe Total Return Index thereafter. Source: Thames River Capital.

(D) Figures for 2006 onwards 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.

(E) The benchmark for the Sigma share class was FTSE EPRA/NAREIT Europe Index in Sterling up to 31 March 2009 and FTSE EPRA/NAREIT Small Cap Developed Europe Total Return Index in Sterling, adjusted to exclude "large cap" stocks thereafter. Source: Thames River Capital.

*fully diluted for warrant conversion.

**Includes a special dividend of 1.10p.

Chairman's Statement

Peter Salsbury BSc **Chairman**

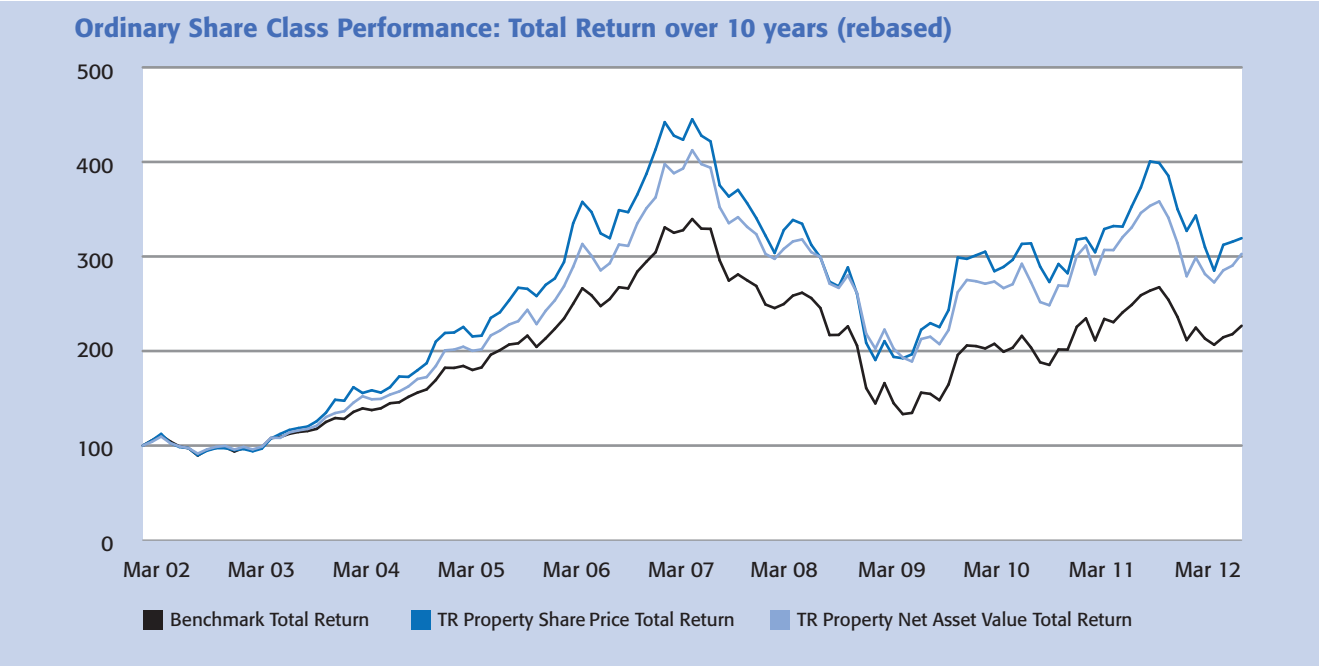
Introduction

My opening comments reiterate two themes that dominate our investment world – the volatility of equity markets and the overarching impact of macro events. The sell off in European equity markets started at the end of June and continued, with intermittent rallies, into the late autumn. After a poorly coordinated response between central banks and member states it was a relief to note both the appointment of technocrat leaders in Greece and Italy as well as the increased scope of European Central Bank intervention with the introduction of 3 year Longer-term Refinancing Operations (LTROs). None of these actions are sufficient to solve the crisis but at least they provide us with some evidence of forward thinking amongst governments and central bankers. The response from the markets was positive with a 20% rally in European equity markets between mid December and mid March. Clearly the Eurozone's problems have not disappeared and at the time of writing markets are, once again, very nervous.

The year end total return figures are a considerable improvement on the Interim position, although disappointingly still negative. Both share classes experienced positive absolute performance in the second half. In addition relative outperformance of their respective benchmarks into this market recovery from mid December aided performance recovery.

Although property companies' share prices fell over the 12 months to March, their earnings did not and it is pleasing to announce both record revenue earnings and significant increases in the final dividends in both share classes.

Chairman's Statement *continued*



The management fee has been re-negotiated giving a slight reduction over last year.

From 1 April 2012 the benchmarks for both share classes were moved to a net of tax basis. The fund is subject to UK corporation tax and withholding taxes on overseas dividends and the net of tax versions of the benchmarks are more appropriate measures of performance and give greater transparency to shareholders.

In addition, the board has reviewed the Performance Fee arrangements. The improvements bring increased transparency and simplification to the calculation whilst ensuring that there is sharp attention paid to cost control by your managers. The scheme should continue to encourage long term investment decisions whilst appropriately incentivising management.

NAV and Share Price Performance

The Ordinary share class showed an NAV total return of -8.46% versus a benchmark total return of -8.89%. However the share price total return was -9.51%.

For the Sigma share class, the NAV total return was -13.56% and the benchmark total return was -12.10%. The Sigma share price total return was -12.74%.

More detail on the absolute and relative returns are set out at the start of each share class report and are commented on by the fund managers.

Revenue Results

Revenue in both share classes has exceeded our managers' half year expectations. Whilst this is primarily a consequence of higher dividend receipts, a lower tax charge also helped. For the Ordinary share class a number of the larger companies moved dividends back from early April to late March, shifting revenue from the 2012/13 financial year into the 2011/12 year. The timing of dividend receipts is outside our control. More detailed comment on revenue and taxation is included in the managers' reports. In summary, the Ordinary revenue earnings per share rose 1.9% to 7.07p per share and the Sigma revenue earnings rose 1.2% to 2.60p per share.

Ordinary Shares Dividend

The Board is proposing to shareholders an Ordinary share class final dividend of 4.20p which compares with the previous year final dividend of 3.70p. Taken together with the interim dividend of 2.40p already paid, this will bring the full year payout to 6.60p an increase of 10.0% over the 6.00p paid last year.

Sigma Share Class Dividend

The Board is proposing to shareholders a Sigma share class final dividend of 1.65p which compares with the previous final year dividend of 1.25p. Taken together with the interim dividend of 0.95p already paid, this will bring the full year payout to 2.60p an increase of 20.9% over the 2.15p paid last year. This is 100% of the Sigma share

Chairman's Statement *continued*

class earnings for the year and a payout ratio which the Managers would expect to set the tone for future dividend payments, subject of course to market conditions.

Revenue Outlook

Details of the revenue outlook are noted in each of the managers' reports. In summary, our managers' are advising the Board that, subject to unforeseen circumstances, they expect that the revenue for the Ordinary share class will be in the order of 6.60p per share, a decline of -6.6%. The expectation of a decline in the Ordinary share class revenue partially reflects the anticipation that the dates of some dividend receipts will move back to April from March. Underlying earnings in local currency from the companies we invest in are not expected to fall. Once again I must highlight that only circa 40% of our revenue is received in Sterling and the managers' outlook is based on current exchange rates.

The Managers expect revenue in the Sigma share class to increase by approximately +7.7% to 2.8p per share, reflecting continued growth in dividend receipts from the companies we invest in. Our medium term forecasts suggest that revenues will continue to grow beyond next year, albeit at a reduced rate.

Net Debt and Gearing

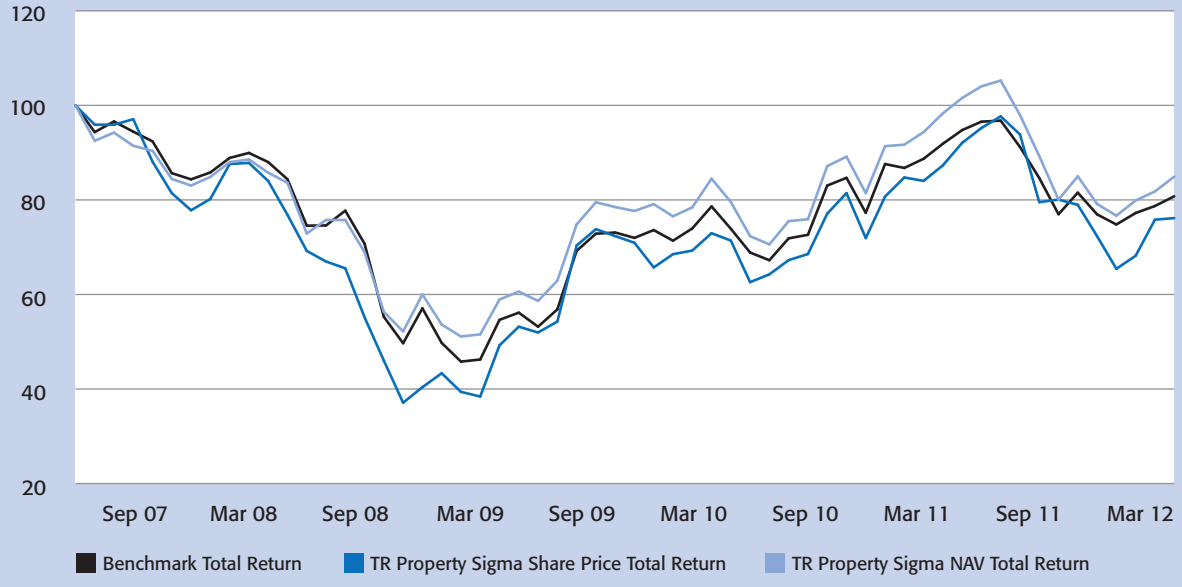
Both share classes had modest gearing throughout the year which fluctuated between 4% and 14%. The Ordinary share class started the year with net debt of £37m and finished the year with £45m. The comparable figures for Sigma are £11m and £6m. The debt facilities continue to be a mixture of short and medium term facilities. Alongside the £15m 2016 debenture loan, the Trust has a £50m one year variable rate multi-currency facility with The Royal Bank of Scotland and a two year £30m facility with ING. The Trust will continue to utilise Contracts for Difference (CFDs) when appropriate to obtain competitively priced gearing.

Currencies

As in previous years, the portfolios' exposure to foreign currencies was not hedged at the income level. Currency hedging continues to be applied at the asset level to ensure that the capital exposure to currencies is not materially different to that of the benchmarks.

Over the year, Sterling appreciated against the Euro by 6%; by 4.5% against the Swedish Krona, and 2.8% against the Norwegian Krone. The only European currency it weakened against was the Swiss Franc, by 1.8%. Sterling has continued to strengthen post the year end.

Sigma Share Class Performance: Total Return since Inception



Chairman's Statement *continued*

Discount and Share Repurchases

The Ordinary share price discount to net asset value started the year at 13.0% and ended the period at 14.3%. The average over the period was 8.5% as the discount tightened abruptly in the middle of the year. The Sigma share price discount to net asset value started the year at 24.4% and ended the period at 23.9%. The average over the period was 21.1%. A total of 0.45m (0.36% of issued) shares were repurchased for cancellation at an average price of 71.1p.

The Board pays close attention to the level of discount to net asset value across each share class and careful consideration has been given to the most appropriate means of optimising the situation for shareholders given the stated objectives of the Company and each share class. The Board seeks to balance a number of considerations in formulating its policy. These include the views of shareholders, the long term focus of each share class, the nature of each class's holdings and the need for liquidity. The Board consider that the long term objective of each share class remains entirely appropriate. Whilst it is cognisant of the short term benefits of share buybacks, it is mindful of the need to balance such buybacks with longer term objectives and the desire of the majority of shareholders to maintain exposure to the sector in a liquid form. It is the Board's view that it would be undesirable to shrink either share class to a level whereby liquidity would be constrained. This is particularly relevant in the case of Sigma, where the market cap has fluctuated around the £100 million level over the last few years.

Outlook

Whilst my introductory comments focused on the positive sentiment exhibited in the first three months of 2012 (being the final quarter of our financial year), I also highlighted the persistent volatility in investor attitudes (and therefore share prices). Drafting these observations in mid May is a case in point, European equities have now fallen -10.2% from their mid March highs as investors whilst appreciating the hugely positive solvency impact of the LTROs, return to focusing again on the unsolved structural issues of Europe. Against this backdrop of instability, your managers intend to concentrate on businesses with sound balance sheets, invested in markets which have the greatest likelihood of employment and wage growth or where the quality real estate has supply constraints. They are taking a defensive stance. One consequence of the current turmoil is a greater divergence of returns across countries, sectors and inevitably at the company level. This led to an increasing concentration of exposure and the managers' reports will elaborate.

Unfashionable as it may be to offer an upbeat message I would like to draw your attention to the revenue results and outlook. Our earnings are dividends and in the Ordinary Share Class these are coupled with some direct property rental income. Quality property companies are continuing to benefit from high levels of tenant occupancy coupled with low short term debt rates and there is no sign of the ECB raising the reference interest rate. Our larger investee businesses also have access to a broad range of funding sources which continues to ensure lenders remain competitive. Borrowing margins are stable for the most secure companies. Whilst rental growth will continue to be hard to come by, most of our Continental European property companies' income is also invariably index linked. Tenant delinquencies also remain surprisingly low by historic standards. Therefore, whilst there remains enhanced volatility in equity prices, the revenue outlook currently appears much more stable.

Peter Salsbury
Chairman
8 June 2012

Managers' Report

Ordinary Share Class & Sigma Share Class

Market Background and Outlook

Marcus Phayre-Mudge MRICS
Fund Manager –
Ordinary share class
8 June 2012

James Wilkinson MRICS
Fund Manager –
Sigma share class

Introduction

We began last year's Managers' Report by highlighting the extreme polarity of property markets, in which good property rose in value and poor property declined. The twelve months to the end of March 2012 has seen a continuation of this theme. Demand for prime office and retail properties in Central London (especially the West End) has rarely been stronger. Both anecdotal evidence and research produced by London's property consultants shows that London remains one of the most highly sought-after locations for domestic and international capital. Conversely, investor demand for Dutch or Belgian offices is scant and prices have been falling throughout the year.

This disparity between the best and worst is mirrored in the significant differences between sovereign, corporate and consumer environments both within Europe and beyond. We see no signs of this situation changing. It will remain a feature of our investment markets for the foreseeable future.

In spite of the obvious issues facing Europe, we remain broadly positive about our markets. Listed real estate companies enjoy favourable access to both debt and equity capital compared to their private counterparts and the year brought a regular flow of announcements concerning successful debt refinancings. The companies we invest in report that whilst negotiations with banks are tough and bank margins (the price of debt the bank charges over the base interest rate) remain elevated, they are able to secure the finance they need to manage their businesses profitably. New equity has been rare but even here there have been some encouraging trends. German companies have raised over €1 billion of fresh equity in the last twelve months and we anticipate further capital being raised for this market over the coming year.

Property company revenues have proven to be remarkably resilient over the last few years. Whilst UK GDP fell by over 7% peak to trough and the revenues of all listed companies in the UK fell similarly between 2008 and 2009, the revenues of the largest listed real estate companies remained broadly flat over this timeframe and outside the UK average revenues actually increased. Rental income dominates the returns that real estate investors receive over time and this relatively high, relatively secure income stream is what attracts many investors to the sector. We forecast that revenues and dividends from the companies we invest in will continue to show positive growth over the next few years, albeit the dispersion of returns will not be uniform. For this reason, we will remain selective in investing shareholders' capital, seeking greatest exposure to the most attractive markets.

Listed property markets offer superior liquidity compared to physical markets. As property equity managers we are able to rapidly alter exposure in response to changing prospects. A glance at the portfolio exposure statistics contained in this report demonstrates that both portfolios are currently heavily exposed to London offices and German residential companies. We firmly believe that over time this focused approach to the best real estate companies operating in Europe's most attractive markets will generate superior returns for investors.

Liquidity, however, comes with a price tag that has been particularly evident in the last few years: volatility. Whilst real estate shares do provide returns in line with the best physical real estate returns over time (and do so with the benefit of best in class management and leverage), in the short term prices can move around independently of underlying asset prices. This is the case against even the most benign economic backdrop so it is hardly surprising that at times of acute macro risk, such as during the last

Market Background and Outlook *continued*

5 years, share prices should prove especially volatile. This volatility is something that we as fund managers have learnt to live with, if not to appreciate. Unfortunately we see little prospect of macro risks subsiding in the short term. The situation in the Eurozone has improved in some respects but not enough for your managers to have full confidence in its short term prospects. There remain economic, political and structural issues to deal with that will take many years to set right.

Property Markets

Cross border investment continues to be intensely focused and as a consequence is fuelling capital value growth in the key 'city states' within our universe – London and to a lesser extent Paris. London has the necessary conditions for long term capital growth (or at least capital preservation for the more bearish) of relatively fixed physical supply combined with the deepest property investment market in Europe (£3.3bn of transactions in Q1 2012). Importantly it is outside the Euro. Whilst this theme has been running for several years it shows no signs of abating. In fact the geopolitical events of the last twelve months have merely strengthened it. Between 2007 and 2011 London experienced inward investment of cross border capital of £52bn, almost five times as much as Manhattan, New York and more than double the nearest rival Paris. This capital has been invested in both commercial and residential markets. Knight Frank estimate that prime residential values rose 11.2% in 2011 and 2.7% in Q1 2012. It is not just investors; occupiers are also increasingly aware of the scarcity of the best space. International luxury brands are paying record rents on Bond Street and the largest listed retail property landlord in Covent Garden, Carnaby and Soho (Shaftesbury) has vacancy of less than 1%. Grade A office space availability is 5.1% in West End and 7.1% in the City of London. In Paris, office rents rose in all submarkets (except the inner suburbs) last year. Vacancy across Greater Paris is 7% and supply is very tight with only 376,000 sq m (circa 1% of stock) being delivered in 2012 and 2013 and two-thirds of that is pre-let. These markets are not immune from the wider economy. However, the diversity of tenants is ensuring steady demand. In the City, it was the insurance and fund management sectors as opposed to traditional banking that dominated take up last year whilst in the West End, technology, telecoms and media dominated rather than the traditional private banking and hedge fund occupiers.

Property's defensive qualities remain its key attraction and that means investors are targeting above average income streams, strong covenants and sub-markets where new supply cannot overwhelm (fragile) demand. For international and domestic institutional investors alike, this has focused their interest into a relatively small number of cities and sub-markets beyond London and Paris. Secondary assets by virtue of lease length, age of building, location or tenant quality continue to underperform.

Offices

In last year's report we identified London, Paris, Stockholm, Oslo, Warsaw and Geneva as office markets experiencing a recovery in demand and a decline in vacancy. Whilst the list has not grown much we would add most of the major German cities, Vienna and Gothenburg. In certain cities, such as Helsinki and Frankfurt take up has been good but high vacancy persists. Scandanavia and Germany with their strong export markets have seen employment levels rise and this is reflected in office demand. However demand is very focused on high quality space. Advances in air handling, wireless technology and business practices have led to much more efficient use of office space. As occupation densities have risen, tenants can afford to pay for quality. Even in these top tier cities, take up is at best merely ensuring modest increases in rental levels. However with growth both anaemic and concentrated the outlook for the remainder is bleak. With double digit vacancy persisting, net rental values are still drifting lower in Amsterdam, Brussels, Dublin and Madrid. Central European cities, with the exception of Warsaw continue to suffer from oversupply with rental values falling.

London is a good example of just how focused office demand is. The M25 market surrounds Greater London and has an office stock of approximately 130 million sq ft with a long term average annual take up of 2.6 million sq ft. Over each of the last 3 years it has been 2.1 million sq ft and 2012 is showing no sign of improvement on 2011. All a very different story to Central London. However the lack of new development has seen vacancy fall from 8.7% to 8.3% and those markets showing signs of rental growth are both closest to London and tightly focused in the western quadrant; Uxbridge, Chiswick, Staines and further afield Guildford, Reading and Maidenhead. Indeed, offices were the only sector to show rental growth (+2.7%) in the IPD quarterly data for the twelve months to March 2012. The data highlights that Central London offices had rental growth of 5.4% hence rents continued to fall elsewhere in the country, including the South East (ex London).

Market Background and Outlook *continued*

Retail

As ever in retail it is about customer draw – the winners have been supra regional shopping centres, big box out of town with excellent communication infrastructure and luxury brand pitches. The lack of wage growth, spending cuts and rising cost of living (particularly food and petrol) has resulted in shrinking disposable income. Rapid evolution in e-tailing is changing the way we all shop. In the UK, the 17.6m internet enabled mobile phone users registered in 2011 was double the 2009 figure. Internet sales are now 10% of all retail sales (ex food) and year on year growth was 20%. Increasingly the retail offer is becoming a leisure experience with high quality food offerings amongst the complete retail mix. The consequence is that dominant centres continue to win market share. At the other end of the retail spectrum, convenience shopping is also critical and retail pitches in densely populated areas are also faring well. It is mid market products and sub regional centres which are being squeezed.

The weakest performers have clearly been those markets suffering the greatest austerity and Spain is a case in point. European property companies with retail assets in Spain reported like-for-like sales volume falls of between 5-15% in 2011. More positively, demand for Central London retail drove rental value growth of 5-10% as London continues to experience high levels of tourist as well as domestic demand. Once again it is the lack of supply which is a clear positive. In the UK, there was only 2.5 million sq ft of new shopping centres completed last year and nearly half of that was Westfield Stratford. This was 30% of the 2008 figure and less than 40% of the long term average. For 2012 the figure will be zero and in 2013 just 1.5 million sq ft (dominated by Lands Securities' Trinity Leeds scheme).

Distribution and Industrial

Take up in logistics was robust in core European markets particularly in the UK, Germany, France and Benelux. Speculative construction remains appropriately subdued and most development is tenant-led 'build to suit'. Much of the take-up has been third party logistics business associated with e-tailing. Once again all the growth has been in prime locations – airports, key city fringes (Paris saw a 48% like-for-like increase in take-up in 2011) and the best located motorway intersections. With average yields on prime logistics still over 7%, investment volumes were strong as investors were drawn to the high income yield. That sub-sector proved to be a stronger performer than the broader industrial market where generally rental values have not held up as well, reflecting the lack of GDP growth across Europe.

Debt and Credit Markets

The availability of debt for real estate investment remains at low levels compared to historic averages. Nonetheless, fears that high debt refinancing needs between 2012 and 2014 would lead to further sharp falls in property values have so far proven to be unfounded. On the whole, banks continue to take a pragmatic approach to their loan portfolios, reducing exposure as and when opportunities arise. Disposals of loan portfolios have increased over the last twelve months, as have the number of joint ventures between banks and investors. Many of these disposals are taking place at significant discounts to the original loan values. That is not to say that these discounts mark a further downturn in property pricing. What is apparent is that market pricing of property shifted to clearance levels some while ago whilst the banks have continued to hold assets at inflated levels. This is why we have often described the current overhang of debt refinancing as more of a problem for the banks than the real estate market.

The problem is particularly acute in Spain, where banks' exposure to commercial real estate totals approximately €340 billion or €400 billion including construction loans. Approximately half of the €340 billion may be problematic according to the Bank of Spain and it is by no means clear that Spain's smaller lenders have sufficient capital to meet losses.

Banks have been supported in their approach by continuing low interest rates and ongoing support from the Bank of England and ECB. Most recently, the 3-year Longer-term Refinancing Operations mounted by the ECB pumped a trillion Euros into the European banking system, boosting bank profit margins and helping to hold down sovereign and corporate bond yields. It looks likely that interest rates in the UK and Eurozone will remain low for at least another 24 months, although this will partly depend on what happens to inflation. Based on financial market pricing, expectations of inflation over the next 5 years are for 1.9% per annum in the Eurozone and 3% per annum in the UK. Of course, these are averages of a great many individual views, both higher and lower than the mid-point. It is therefore by no means certain that anybody actually believes in them. For now, therefore, inflation remains yet another medium term risk to our outlook.

Market Background and Outlook *continued*

This broad overview of debt markets obscures what is a relatively benign situation as far as listed real estate companies are concerned. As referred to in our introduction, listed real estate companies have proven time and again that they are able to refinance at attractive rates. It is not just bank debt that is available to the listed real estate companies. Corporate bond markets remain open and we are seeing increasing involvement from insurance companies. Most recently, Big Yellow, the self-storage operator, secured 15 year debt from Aviva at an average interest rate of 4.9% and Unite Group, a provider of student housing, secured 10 year debt from Legal & General at an average interest rate of 5.05%. Both these deals demonstrate that it is not just traditional assets that are attractive to lenders at the present time.

Property Shares

This was another year in which macro economic factors dominated shareholder returns. In summary, those stocks with greatest exposure to peripheral Eurozone nations such as Greece, Italy and Spain did worst and those with exposure to the strongest and safest economies such as Switzerland, London or Germany did best.

Markets were highly volatile. Usually, market participants are able to assign probabilities to possible outcomes and come up with a range of scenarios against which to value companies. At the current time, so many outcomes are possible and so few of them probable that markets are finding valuations difficult. Election results, comments from politicians, headline statistics and gauges of consumer and business sentiment have all caused huge swings in market direction. The EPRA Index moved through a range of 28.5% over the year. The average underlying discount to net asset value of the index constituent companies hit a low of 3.5% and a high of 24.5% over the period. As we have commented previously, this volatility in share prices was against a backdrop of not only overall stable asset values but also growing earnings and dividends.

At the country level, Switzerland was by far the strongest performer, with a total return of 6.9% in local currency. This was the only country to deliver positive performance over the period. France, the UK and Germany generated total returns in local currency of -3.7%, -3.9% and -5.3% respectively.

At the other end of the spectrum, Spain, Italy and Austria returned negative total returns of -81.6%, -80.5% and -32.2%. Whilst Austria is not in the same economic boat as Italy and Spain, its banks are heavily exposed to Central and Eastern Europe and its property companies tend to be amongst the most highly indebted in Europe.

Currency had a significant impact on returns. In Sterling the Swiss return was +8.6% due to the increasing value of the Swiss Franc whilst Eurozone returns were reduced by approximately 5% due to the falling value of the Euro.

Small cap property shares generally underperformed large caps as investors sought more liquid stocks irrespective of fundamentals. There were a number of exceptions to this. What we regard as the best manufacturers of property returns (those small, active, entrepreneurial property companies that we have always favoured) continued to hold their own. Amongst these, St Modwen Properties in the UK and Terreis in France stand out with total returns of +5.1% and +3.3% respectively.

With interest rates and bond yields so low, dividend yield was an important driver of performance, although often this was short-lived as stocks rose on the approach of the ex-dividend date, only to fall back again shortly after. The average dividend yield in our sector was 5% at the year end, covered 1.3 times by recurring earnings. Our own forecasts show continued earnings growth from the companies we invest in for each of the next three years, which should support dividend growth at least in line with current forecasts of inflation. In any sensible world we would expect this to lend support to share prices. However, we have grown to expect anything but a rational approach in the short term.

There has been little in the way of corporate action over the period. Beyond a handful of small placings, there are only two real themes of note. The first relates to Germany, where listed real estate companies (principally residential) issued over €1 billion in fresh equity. We anticipate further equity issuance and possible IPOs in the coming year. The second concerns a growing level of interest from international investors towards European companies and assets. Whilst the general body of equity investors still see Europe as toxic and best avoided, a handful of specialist investors have taken advantage of depressed share prices and a shakeout in share registers to build stakes. Most interestingly, Simon Property Group of the US has bought 28% of European shopping centre specialist Klepierre. Sovereign wealth funds including Norges Bank, have also built up numerous disclosable positions in companies from Great Portland Estates to British Land.

Market Background and Outlook *continued*

Outlook

The macro situation in Europe remains difficult. Few of us can remember such a prolonged period of negativity towards the region from those both within and without and most forecasters remain decidedly bearish. It doesn't help that the UK has slipped back into technical recession and that much of the Eurozone will almost certainly follow, nor that recent elections in Greece and France have changed the terms of the debate from a focus on austerity to strategies for growth, clouding the issues for governments. Nonetheless, the situation is better than it was twelve months ago, even if it does not always feel like it. The ECB has taken important steps to inject liquidity into the European banking market that have had a similar effect to quantitative easing in the UK and US, boosting asset prices and increasing the velocity of money. The main rescue funds within Europe (the European Financial Stability Facility and the European Stability Mechanism) have effectively been merged and made semi-permanent and the IMF has seen its balance sheet, and therefore firepower, strengthened. Bank regulation and oversight also continues to improve and bank balance sheets are slowly being cleansed of toxicity. Risk is concentrated in certain countries and institutions – one has only to consider the precarious condition of the Spanish regional banks to realise that major hurdles remain. However, the fact that we know where the risk resides and what form it takes is in itself a major step forward.

Beyond the macro issues, our main investment themes have not changed since the half year report to shareholders. As stated in our introduction, we are broadly positive about the overall trajectory of earnings, dividends and asset values. Similarly, we see that listed real estate companies generally benefit from sound balance sheets, favourable access to capital and long average lease terms.

Nonetheless, we expect significant dispersion of returns between the best and worst markets and the best and worst property companies. Plainly, companies with exposure to markets such as West End of London offices and shops or Berlin residential, where demand from both tenants and investors is strong and rents and capital values are therefore rising, will continue to outperform. Conversely, those companies with exposure to poorer markets such as Netherlands or Belgian offices will suffer. Some of these latter companies may be faced with the need to issue new equity.

Successful real estate investment is not a passive activity. The best property companies are led by entrepreneurial and creative business people who are able to manufacture returns from the raw material at their disposal. We remain of the view that the best management teams will be able to outperform over the long term and that seeking to identify these teams is therefore an essential aspect of our management of the Trust. We believe that the current portfolios contain numerous examples of such companies and that given time they will demonstrate their ability to generate strong returns.

Ordinary Shares

Financial Highlights

	Year ended 31 March 2012	Year ended 31 March 2011	% Change
Revenue			
Total revenue return (£'000)	**26,339**	24,896	+5.8
Net revenue profit before tax (£'000)	**20,155**	19,016	+6.0
Revenue earnings per share	**7.07p**	6.94p	+1.9
Net dividend per share[1]	**6.60p**	6.00p	+10.0

	At 31 March 2012	At 31 March 2011	% Change
Balance Sheet			
Investments held at fair value (£'000)	**516,241**	571,264	-9.6
Shareholders' funds (£'000)	**470,472**	530,602	-11.3
Shares in issue at end of period (m)	**256.2**	256.2	–
Net debt[2]	**10%**	7%	
Net asset value per share	**183.62p**	207.08p	-11.3

Performance

	Year ended 31 March 2012	Year ended 31 March 2011
Assets and Benchmark		
Benchmark performance (price only)	**-12.8%**	+10.2%
NAV change	**-11.3%**	+11.8%
Benchmark performance (total return)	**-8.9%**	+15.2%
NAV total return	**-8.5%**	+15.4%
IPD Monthly Index total return*	**6.6%**	+10.7%
Total return from direct property	**12.0%**	+10.7%

	At 31 March 2012	At 31 March 2011	% Change
Share Price			
Share price	**154.50p**	177.10p	-12.8
Share price total return	**-9.5%**	+12.6%	
Market capitalisation	**£396m**	£454m	-12.8

Sources: Thames River Capital/*IPD monthly, one year cumulative.

1. Net dividends per share are the dividends in respect of the financial year ended 31 March 2012. An interim dividend was paid in January 2012 and the final dividend will be paid in August 2012.

2. Net debt is the total value of loans and debentures less cash as a proportion of the Net Asset Value.

Manager's Report

Ordinary Share Class

Marcus Phayre-Mudge MRICS **Fund Manager**

Performance

The Ordinary share class total return at -8.5% was slightly ahead of the benchmark total return of -8.9%. Whilst the total return is disappointingly negative for the year, the figures are a considerable improvement on those reported at the half year when the NAV total return for the first six months of the financial year was -16.2%. Performance of pan European real estate shares over the twelve months to March have been, figuratively speaking, on a rollercoaster. Strong performance in the first quarter, followed by the dramatic sell-off in the summer which deepened into a malaise in the autumn and then an abrupt U-turn in mid December as markets responded to both the ECB's largest ever LTROs as well as the change of political leadership in both Greece and Italy. NAV growth in the fourth quarter was 12%, 220bps ahead of the benchmark as investors bought back into European equities across the board. Our Outlook comments made at the half year remain valid, namely maintaining our focus on good quality, well financed property companies exposed to, where possible, selected sub-markets across Europe with the best demand/supply fundamentals. This approach has served us well over the long term but in periods where the macro backdrop dominates investor sentiment, volatility and correlation between stocks rises. In the same vain, investors sought perceived safe havens between July and December. This resulted in Swiss property companies outperforming hugely in that period, even though the occupational real estate markets, particularly in Zurich, are in no better shape than many other Western European major cities with vacancy close to 10%.

Distribution of Assets

Continental European equities exposure decreased from 58.3% to 55.1% whilst UK equities exposure increased

Manager's Report *continued*

slightly from 33.8% to 34.6%. UK physical property increased from 7.7% to 10.3% following the purchase of Park Place, Vauxhall. This change in the distribution of assets reflects both performance and our market outlook. Whilst the Swiss stocks were the top performing companies, collectively the UK was next, recording -3.9% total return in the period. Our UK physical assets were the outstanding performer recording +12% total return.

Investment Activity

Over the period, turnover (purchases and sales divided by two) totalled 29% of the average total assets over the year. Whilst this is higher than in previous years it reflects both the increased volatility in individual stock prices and the need to react to the dramatic swings in sentiment towards European equities and the property sector. Reviewing the quantum of activity through the year, I was a net investor in the first half, particularly early on throughout April and again in September following the rapid falls in stock prices in the summer months. The second half of the year saw net sales, particularly towards the end of the financial year following the steep price improvements in February and March. However, the overall exposure and gearing within the fund did increase modestly due to the purchase of an office building, Park Place in Vauxhall. Of greater importance to our relative performance were the adjustments to the country focus and individual company exposure. The most significant of these has been the doubling of our exposure to Germany (from 3.2% to 7.3% of the equity portfolio). As mentioned in the Interims, we participated in the IPOs of GSW and Prime Office, as well as the capital increase in Alstria and a rights issue in DIC Asset. In October, the final 25% of GSW owned by its private equity backers was sold and we added significantly to our holding. Whilst we are optimistic about German residential per se, we remain particularly focused on Berlin and the major cities in the west and southern parts of the country. Much of the old East Germany continues to suffer depopulation and is not experiencing the rental growth we are seeing in the remainder of the country. GSW is the 9th largest holding.

The wide dispersion of returns across sub-markets, even within one country, has been a dominant investment theme and this has fed through to the portfolio's construction. For example, in the UK, whilst overall exposure has increased from 33.8% to 34.6% of the equity assets, the exposure to London has increased more dramatically and within Greater London, our focus has been on City and West End markets at the expense

See-Through Portfolio by Market* (%)

	Ordinary Share Class Portfolio	Benchmark 31 March 2012
UK		
City Offices	3.3%	3.0%
West End Offices	5.9%	4.5%
West End Retail	3.0%	2.0%
Docklands	0.5%	0.1%
GLC/SE Offices	3.5%	0.7%
Provincial Offices	0.4%	0.3%
In town Retail	5.7%	4.9%
Supermarkets	0.9%	1.0%
Retail Warehouses	3.3%	3.2%
Out of town Retail	0.9%	2.8%
SE Industrials	2.3%	2.5%
Other Industrials	1.0%	1.1%
Self Storage	2.1%	0.8%
Leisure	0.7%	0.5%
Residential	2.2%	2.6%
Other	1.8%	0.5%
Total UK	37.5%	30.3%
Austria Retail	0.7%	0.8%
Austria Offices	0.1%	0.3%
Austria Residential	0.1%	0.7%
Belgium Retail	0.5%	0.6%
Belgium Offices	0.6%	2.5%
Belgium Residential	0.1%	0.3%
Belgium Logistics	0.2%	0.5%
Central Europe Retail	1.6%	1.4%
Central Europe Offices	0.4%	0.3%
Central Europe Industrial	0.1%	0.5%
Central Europe Other	0.2%	0.2%
Denmark	0.1%	0.2%
Finland Retail	0.3%	1.2%
Finland Offices	0.0%	1.3%
Finland Other	0.0%	0.2%
France Retail	9.9%	9.6%
France Offices	7.5%	7.3%
France Residential	1.0%	0.9%
France Logistics	1.0%	1.4%
France Other	1.7%	1.4%
Germany Retail	1.9%	1.7%
Germany Offices	2.2%	2.0%
Germany Residential	4.9%	5.2%
Germany Logistics	0.5%	1.1%
Germany Other	0.2%	0.3%
Greece Retail	0.0%	0.1%
Greece Offices	0.0%	0.1%
Italy Retail	3.2%	2.1%
Italy Offices	3.4%	1.6%
Italy Logistics	0.0%	0.2%
Italy Residential	0.1%	0.0%
Netherlands Retail	2.6%	2.8%
Netherlands Offices	0.1%	0.7%
Netherlands Other	0.1%	0.3%
Norway	1.5%	1.2%
Portugal	0.2%	0.1%
Russia	0.0%	0.1%
Spain Retail	1.9%	1.9%
Spain Other	0.0%	0.5%
Sweden Retail	2.0%	2.4%
Sweden Offices	5.0%	4.5%
Sweden Industrial	1.3%	1.4%
Sweden Residential	0.3%	0.9%
Sweden Other	0.2%	0.8%
Switzerland Retail	1.0%	1.7%
Switzerland Offices	2.0%	3.3%
Switzerland Residential	0.3%	0.8%
Switzerland Other	0.7%	0.7%
USA	0.3%	0.3%
Other overseas	0.5%	0.8%
Total	100.0%	100.0%

*Combines the underlying property from the Ordinary Portfolio shareholdings and direct property holdings.

Manager's Report *continued*

of Docklands. Our increased investment in Derwent London, Workspace and CLS Holdings alongside Great Portland Estates and the purchase of the office building in Vauxhall all reflect our belief that business space in Greater London (not just the core) will generate greater returns than the rest of the UK. With little prospect for rental growth in traditional office and retail sectors outside the conurbation, our remaining UK focus has been on specific submarkets: self storage (Big Yellow and Safestore), student housing (Unite) and residential land bank manufacturers (St Modwen). With so much weakness in secondary asset values we increased our holdings in businesses with the firepower and agility to take advantage of pricing distress. Management track record is key and both London & Stamford and Max Property are run by seasoned professionals.

Scandinavia proved to be another good example of stock and city specific performance. Finland's largest two listed companies are both heavily exposed to the Helsinki office, industrial and retail markets. The city has suffered from an oversupply of commercial property generally for many years and these weak fundamentals coupled with inappropriate capital structures (too much debt) resulted in poor performance for both these companies. We are not expecting short term improvements and sold out of both. In Norway, fundamentals are sound in both Oslo and Stavanger but Norwegian Properties are struggling to capture this growth. Our holding did not increase in the year. The Swedish exposure did alter over the year, becoming increasingly defensive, favouring the less geared businesses such as Hufvudstaden, whilst maintaining exposure to the principal cities Stockholm, Gothenburg and Malmo. This led to an increased holding in Wihlborgs.

Unibail remains our largest holding. It was the best performing French stock over the year, returning +1.6% in local currency terms. Such strong relative performance resulted in the stock, at times, standing at a considerable premium to its asset value and I took the opportunity to top slice on occasion. The relative overweight position has subsequently been rebuilt as markets sold off in April and May this year. The other large noteworthy investment in France has been Mercialys. Spun out from its parent company Casino, the business owns neighbourhood shopping centres adjacent to Casino hypermarkets. Uniquely in European property stocks it had, until recently, no gearing. In such volatile times this lack of gearing proved very attractive and the stock's total return for the period at -1.05% was a strong outperformance of the benchmark. In March, the company announced that it would take on debt and return approximately 50% of the equity to shareholders, principally Casino.

The volatility of share prices last year was best illustrated by our two Italian positions, Beni Stabili and IGD. Beni, our more substantial holding, receives over 58% of its gross income from Telecom Italia and over 45% of its assets are in prime property in Milan, Rome and Turin. This valuation underpinning did not prevent the stock falling 28% in November alone as investors in Italian debt fled and yields on 10 yr Italian sovereign bonds touched 7%. We have added to our holding during the year accepting short term volatility alongside the opportunity to buy exposure to good quality assets at large discounts.

Gearing, Debt and Debentures

The overall debt position in the share class rose over the year from £37m to £45m. Borrowings peaked at the half year (£52m) which reflected the acquisition of Park Place, Vauxhall in late July. Whilst the increase in the amount of net debt is modest, the fall in asset prices resulted in the gearing ratio rising from 7% to 10%. We also analyse the 'see through' gearing of the portfolio, where we add the assets and the debt of the companies in which we invest to the on-balance sheet assets and debt of the share class. The 'see-through' gearing was 48.2%, whilst the benchmark figure was 48.4%. Although the share class has on balance sheet debt, the unlevered physical property assets which comprise 10% of assets broadly offset this.

Revenue

Revenue earnings per share increased by 1.9% from 6.94p in the year to March 2011 to 7.07p in the year to March 2012.

At the beginning of the financial year we were anticipating a fall in revenue. The main reasons were the expectation that the timing of some dividend receipts (which had moved from April to March in 2011) were likely to revert to payment in April in 2012, effectively skipping our financial year 2011/12. We were also anticipating an increase in the tax charge. Other uncertainties were fluctuations in the exchange rates of European currencies versus sterling and the possibility of increasing interest rates on our floating rate debt.

In fact, Investment Income actually rose by 5.8% over the year from £24.9m to £26.3m. The majority of the

Manager's Report *continued*

increase over our expected earnings was due to the timing of dividends. Three significant payments which had moved from April to March in 2011, were once again paid in March in 2012 and did not, as was feared, move back to April. Income was further bolstered by another company bringing forward a dividend 'ex date' previously anticipated for late April 2012 to March. A considerable number of companies from which we receive significant dividends go ex between the end of March/beginning of April period and the exact timing of these will continue to be uncertain.

As predicted the tax charge increased from 6.4% in 2011 to 10.1%. The tax charge in 2011 was exceptionally low as a significant number of companies distributed earnings from capital accounts and therefore were not obliged to withhold tax on the payments even though these were, in fact, regular distributions of the companies' earnings. We correctly anticipated that this would not reoccur to the same extent in 2012, and that the tax rate would increase markedly. Whilst we continued to receive a small number of dividend receipts from capital reserves, and therefore free of withholding tax in 2012, we do not expect this to be much of a feature in the forthcoming financial year. At the interim stage the tax charge was 9.4%, the further increase was due to a change in the mix of earnings, mainly UK franked and Property Income Distribution income, in the second half.

Exchange rates have been volatile over the period. The Euro was at its strongest at the end of June and then fell, albeit with some rallies, to the financial year end. The peak dividend receipt period is April to June and therefore the average exchange rate for our Euro denominated receipts was not markedly different to the average in the prior year. Our fears of the impact of a weakening Euro were therefore not an issue for the period under report.

Interest rates have not increased through the period, however our two year loan facility does bear a higher margin than the revolving one year facility. This is the price for certainty of debt availability for a longer period, and is reflected in the marginal increase in interest costs. We do believe that it is important in the current environment to diversify our source of debt and debt maturity profile, even though this may mean a marginal increase in cost. To mitigate this, the use of CFDs was introduced and this remains an effective method of gearing and acts as an additional source of competitively priced financing.

Net property rental income has increased marginally. At the gross level income has risen as a result of the purchase of the office building in Vauxhall and the direct operation of the car park at the Colonnades in Bayswater. However the successful lettings to Teva at Harlow were only possible following the surrender of the previous tenant's short remaining lease term. Costs incurred in the

Ordinary Share Class
Changes in Investments

	Valuation 2011 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	**Valuation 2012 £'000**	%
Austria	10,025	1,930	(7,265)	(3,202)	**1,488**	0.3
Belgium	6,568	2,175	(3,565)	(1,034)	**4,144**	0.8
Finland	8,239	838	(6,490)	(2,587)	**–**	–
France	158,874	18,253	(22,867)	(22,310)	**131,950**	25.6
Germany	18,209	26,655	(7,881)	767	**37,750**	7.3
Italy	6,389	5,978	–	(3,306)	**9,061**	1.8
Luxembourg	5,745	–	(5,927)	182	**–**	–
Netherlands	50,385	14,161	(7,633)	(14,174)	**42,739**	8.3
Norway	5,069	2,332	(1,889)	(737)	**4,775**	0.9
Sweden	39,569	9,428	(10,388)	(6,568)	**32,041**	6.2
Switzerland	23,849	4,446	(7,500)	1,825	**22,620**	4.4
Continental Europe	332,921	86,196	(81,405)	(51,144)	**286,568**	55.6
UK	192,964	52,238	(56,261)	(13,135)	**175,806**	34.0
Fixed Interest	1,054	–	(1,093)	39	**–**	–
Direct Property	44,325	8,143	(1,458)	2,857*	**53,867**	10.4
	571,264	146,577	(140,217)	(61,383)	**516,241**	100.0

*Net appreciation/(depreciation) includes amounts in respect of rent free periods.

Manager's Report *continued*

new leasing activities and the cost of operating the car park have increased direct property expenses.

In previous annual reports, we have commented on the prospect of challenging withholding taxes on dividends from certain European countries. Progress has recently been made in the European courts. Claims have been submitted for some periods and we will continue to make claims where appropriate. There is also the possibility of applying the current UK tax treatment of foreign dividends to earlier periods. Revised tax returns have been submitted for earlier periods on the basis of the test case currently being heard by the European courts. The outcome is still uncertain and accordingly no benefit has been recognised in the financial statements.

Revenue Outlook

We expect the underlying earnings (in local currency terms) from the companies in which we invest to continue to grow modestly this year.

However, all the uncertainties we outlined for the previous year remain. As we approach our peak dividend season for foreign income, the Euro is almost 10% weaker against Sterling than at this time last year with a real risk of further weakening. In addition, as highlighted in previous years, there are a number of factors, not within our control, which influence the tax charge. We anticipate a marginally higher tax charge as dividend payments by European companies from capital reserves will be fewer than in the past two years. Also the overall mix of income impacts the tax charge, particularly the proportion of UK income received as Property Income Distributions or franked dividends. The UK REITs do not provide forecasts on the likely split between these two forms of dividend. Once again, another key variable remains the timing of dividend ex dates falling either side of our March year end.

On a conservative basis, considering all the above factors, we expect earnings of around 6.60p for the year to March 2013.

Direct Physical Property

The physical property portfolio produced a positive total return for the 12 months of 12.0% made up of a capital return of 7.1% and an income return of 4.9%. This compares to a total return of the IPD Monthly Index of 6.6% made up of a capital return of -0.2% and an income return of 6.8%. On a like for like basis, excluding the purchase in the period, the total return was 13.5% comprising a capital return of 8.8% and an income return of 4.7%. The outperformance was driven primarily by asset management initiatives at Harlow and the Colonnades but also through yield compression across our London focused portfolio.

In July we purchased Park Place, Vauxhall for a total cost of £8.25 million which reflects a net initial yield of 6.75% and a gross capital value of £320 per sq ft. This 25,000 sq ft office is 100% occupied and presents a number of opportunities to increase rents as the leases expire.

At the Colonnades in Bayswater, the Waitrose rent review was settled by third party determination. The rent increased by 14% (£67,000) to £534,000 per annum. Following the surrender of the car park lease with NCP, we installed our preferred operator. Vehicle crime has ceased and occupation is increasing. We also completed a further 20 residential lease extensions receiving in excess of £1.1 million in extension premiums. We have now extended 28% of the 242 residential leases and we are in negotiation with a further 22 residents (9% of the total) who are seeking to extend.

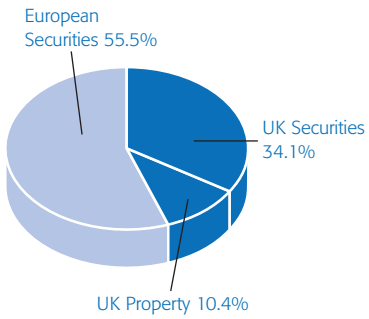
At Harlow, Teva have now leased the remainder of the building but on a phased basis. On completion of the leases to Teva the whole property portfolio's vacancy rate will fall to 0.5% (6.9% at March 2011).

Marcus Phayre-Mudge
Fund Manager – Ordinary Share Class
8 June 2012

Ordinary Shares – Portfolio

Distribution of Investments

as at 31 March 2012



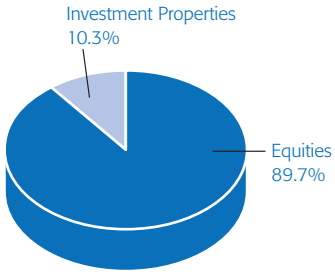
Distribution of Investments

as at 31 March

	2012 £'000	2012 %	2011 £'000	2011 %
UK Securities – quoted	**175,806**	**34.0**	192,964	33.8
– fixed interest	**–**	**–**	1,054	0.2
UK Investment Properties	**53,867**	**10.4**	44,325	7.7
UK Total	**229,673**	**44.4**	238,343	41.7
European Securities				
– quoted	**286,568**	**55.5**	332,921	58.3
Investments held at fair value	**516,241**	**99.9**	571,264	100.0
– CFD debtor[1]	**260**	**0.1**	(22)	0.0
Total investments	**516,501**	**100.0**	**571,242**	**100.0**

Investment Exposure

as at 31 March 2012



Investment Exposure

as at 31 March

	2012 £'000	2012 %	2011 £'000	2011 %
UK Securities – quoted	**175,806**	**33.8**	192,964	33.8
– fixed interest	**–**	**–**	1,054	0.2
– CFD exposure	**3,972**	**0.8**	–	–
UK Investment Properties	**53,867**	**10.3**	44,325	7.7
UK Total	**233,645**	**44.9**	238,343	41.7
European Securities				
– quoted	**286,568**	**55.1**	332,921	58.2
– CFD exposure[2]	**–**	**–**	674	0.1
Total investment exposure[3]	**520,213**	**100.0**	**571,938**	**100.0**

Portfolio Summary

as at 31 March

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Total investments	**£516m**	£571m	£513m	£278m	£565m
Net assets	**£470m**	£531m	£476m	£324m	£568m
UK quoted property shares	**34%**	34%	33%	32%	46%
Overseas quoted property shares	**56%**	58%	56%	51%	41%
Overseas fixed interest	**0%**	0%	1%	0%	0%
Direct property (externally valued)	**10%**	8%	10%	17%	13%

[1]Net unrealised gain/(loss) on CFD contract held as balance sheet debtor/(creditor).
[2]Gross value of CFD positions.
[3]Total investments illustrating market exposure including the gross value of CFD positions.

Ordinary Share Class Investment Portfolio by country *as at 31 March 2012*

	£'000	Market value %
Austria		
CA Immobilien	1,487	0.3
Conwert Immobilien	1	0.0
	1,488	**0.3**
Belgium		
Cofinimmo	2,410	0.5
Befimmo	1,197	0.2
Wereldhave	335	0.1
Warehousing and Distribution de Pauw	202	0.0
	4,144	**0.8**
France		
Unibail-Rodamco	69,410	13.4
Klépierre	14,193	2.8
Gecina	9,635	1.9
Icade	8,362	1.6
Mercialys	8,352	1.6
Foncière des Régions	8,142	1.6
Silic	7,732	1.5
Tour Eiffel	1,621	0.3
CFI	1,596	0.3
ANF Immobilier	1,272	0.3
Terreis	785	0.2
Foncière Lyonnaise	633	0.1
Foncière Europe Logistique	217	0.0
	131,950	**25.6**
Germany		
GSW	13,678	2.6
Deutsche Euroshop	8,237	1.6
Deutsche Wohnen	4,767	0.9
TAG	4,567	0.9
Alstria Office	4,160	0.8
DIC Asset	1,316	0.3
Prime Office	867	0.2
Hahn	158	0.0
	37,750	**7.3**
Italy		
Beni Stabili	6,808	1.3
Immobiliare Grande Distribuzione	2,253	0.4
	9,061	**1.7**
Netherlands		
Corio	22,177	4.3
Wereldhave	7,517	1.5
Eurocommercial Properties	6,689	1.3
Vastned Retail	6,356	1.2
	42,739	**8.3**
Norway		
Norwegian Property	4,775	0.9
	4,775	**0.9**
Sweden		
Castellum	10,464	2.0
Hufvudstaden	7,442	1.4
Wihlborgs	5,782	1.1
Fabege	4,486	0.9
Wallenstam	1,326	0.3
Kungsleden	1,301	0.3
Klovern	1,240	0.2
	32,041	**6.2**

	£'000	Market value %
Switzerland		
PSP Swiss Property	14,376	2.8
Swiss Prime Site	8,244	1.6
	22,620	**4.4**
United Kingdom		
Land Securities	43,974	8.5
Hammerson	25,895	5.0
British Land	22,783	4.4
Derwent London	15,914	3.1
Great Portland Estates	10,661	2.1
SEGRO	6,385	1.2
Shaftesbury	5,884	1.1
St Modwen	5,667	1.1
Safestore Holdings	5,007	1.0
Workspace Group	4,814	0.9
Max Property	3,402	0.7
CLS Holdings	3,269	0.6
London & Stamford Property	3,091	0.6
Big Yellow Group	2,972	0.6
Helical Bar	2,555	0.5
Unite Group	2,437	0.5
Quintain Estates & Developments	2,118	0.4
Hansteen Holdings	1,550	0.3
Capital and Counties	1,481	0.3
Primary Health Properties	810	0.2
Local Shopping REIT	748	0.1
Capital Shopping Centres	724	0.1
Songbird Estates	686	0.1
Capital & Regional	626	0.1
Rugby Estates	447	0.1
Town Centre Securities	435	0.1
Conygar Investment	428	0.1
McKay Securities	394	0.1
Terra Catalyst	294	0.1
Orchid Developments	140	0.0
Trinity Capital	127	0.0
Nanette Real Estate	88	0.0
	175,806	**34.0**
Direct Property	53,867	10.4
	53,867	**10.4**
CFD Positions (included in current assets)	**260**	**0.1**
Total Investment Positions	**516,501**	**100.0**

Twenty Largest Equity Investments – Ordinary Share Class Portfolio

		Shareholding Value % of investment portfolio† % of equity owned Share price at 31 March 2012 (2011)	**Comment** Note: Market caps, yields and share price returns all at end March 2012.
1	Unibail-Rodamco (France)	£69.41m (£83.37m) 13.4% (14.7%) 0.6% (0.7%) €149.95 (€152.85)	Europe's largest quoted property company by both market cap and gross assets, following the June 2007 merger with Rodamco. Its €26bn portfolio is located in France (63%), the Netherlands (6%), Scandinavia (8%), Spain (9%), Austria (7%) and Central Europe (7%). The asset focus rests on very large dominant shopping centres in the main European cities (76% of assets) which generate higher sales density/footfall and lower structural vacancy. The group also runs exhibition/convention centres (8%) and pursues an opportunistic strategy (buy/build and sell) on offices (16%) mostly located in Paris CBD and La Défense. It has a solid capital recycling track record (exceptional dividend of €23 namely 26% of NAV in 2004 and €20 namely 15% of NAV in 2011). The current loan to value is 38%. The five year total shareholder return has been -4.3%.
2	Land Securities (UK)	£43.97m (£37.43m) 8.5% (6.6%) 0.8% (0.7%) 723.0p (733.5p)	The UK's largest real estate investment trust (REIT) by market cap and portfolio value, with a portfolio of £10.8bn including share of joint ventures. The company is exposed to Central London Offices (43%), Shopping Centres (38%) and Retail Warehouses and Supermarkets (11%). In the year, the company announced Rob Noel, the well regarded head of the group's London division, has succeeded Francis Salway as CEO from March 2012. The group has been actively recycling capital out of mature assets and complex development sites, and pushing ahead with its London tower development (20 Fenchurch Street) which we anticipate will get a pre-let agreement in due course and the only major shopping centre to be completed in 2013 (Trinity Leeds) which is 58% pre-let. The redevelopment of the group's Victoria portfolio remains an attractive future opportunity. Last reported loan to value was a low 39% and the five year total shareholder return has been -51.4%.
3	Hammerson (UK)	£25.89m (£14.30m) 5.0% (2.5%) 0.9% (0.5%) 416.0p (446.9p)	This UK-based REIT is active in both the UK and France as an investor and developer. Currently, the £5.5bn portfolio is split: 44% UK Shopping Centres, 22% UK Retail Parks, 24% French Shopping Centres and 10% City Offices. However, in its recent full-year results the group announced its intention to become a retail specialist and dispose its City Office portfolio over the medium term, a decision that has been well received by the market. Since becoming a REIT the group has increasingly focused on income over developments and the new CFO Timon Drakesmith (ex-Great Portland) is aligned with this strategy. Management continues to manage the portfolio well with strong lettings and low vacancy. The development pipeline is currently focused on the large (c. 600,000 sqft) Les Terrasses du Port Shopping Centre in Marseille. The balance sheet remains strong with an LTV of only 35%. The five year total shareholder return has been -56.4%.
4	British Land (UK)	£22.78m (£32.63m) 4.4% (5.8%) 0.5% (0.7%) 480.0p (552.5p)	With a £9.7bn portfolio covering Central London Offices (30%), Retail (53%) Supermarkets (14%) and European Retail (2%), British Land is the UK's second largest REIT. The portfolio has an above-average lease profile (Weighted Average Lease Length to first break of 11.5 years) and exposure to higher quality Retail Warehouses and Supermarkets. The group is currently working on over 3.5m sqft of developments which are c. 50% pre-let. While recent acquisitions appear to lack strategic cohesion they offer an above average income return. While the last reported loan to value ratio was high relative to other UK majors at 48%, it is within the group's target range of 40% to 50%. The five year total shareholder return has been -50.0%.
5	Corio (Netherlands)	£22.18m (£22.45m) 4.3% (4.0%) 0.7% (0.6%) €39.54 (€49.36)	Corio is the seventh largest Pan-European property company (weighted by market cap within the EPRA benchmark) with a €7bn portfolio concentrated on the retail sector (97%). After an eventful year in which it has successfully completed two share issues (raising a total €710m) Corio has entered the German retail market through an exclusive deal with Dutch developer Multi Corporation. Corio acquired a €1.3bn retail portfolio comprising of four operational assets and five developments predominately located in Germany. The portfolio split is now Netherlands (29%), France (27%), Italy (17%), Iberia (10%) Germany (9%) and Turkey (8%). In addition the company has a €2.5 development pipeline (37% committed) with a 7.2% yield on cost which should drive earnings and NAV growth. Leverage is at 41%. The five year total shareholder return has been -23.8%.

†Investment portfolio excluding cash on deposit

Twenty Largest Equity Investments – Ordinary Share Class Portfolio

continued

		Shareholding Value % of investment portfolio† % of equity owned Share price at 31 March 2012 (2011)	**Comment** Note: Market caps, yields and share price returns all at end March 2012.
6	Derwent London (UK)	£15.91m (£14.54m) 3.1% (2.6%) 0.9% (0.9%) 1745p (1643p)	This group is a specialist London REIT operating a £2.6bn portfolio with a specific focus on Offices in the West End and areas bordering the City of London. In contrast to the larger UK REITs, the group is aiming to exploit the supply/demand imbalance in London through refurbishments rather than new developments, with 2.6m sqft of total space (1.1m of net new space) planned for delivery pre-2016. Operational performance in the last year has been strong with the recently completed Angel Building now fully let and significant pre-lets signed on future developments. Demand for space has been driven by the TMT sector and management anticipates this will continue to push rents in the group's low-rent portfolio. Following net disposals in the year, the balance sheet remains strong with a loan-to-value ratio of only 33%. The five year total shareholder return has been -12.3%.
7	PSP Swiss Property (Switzerland)	£14.38m (£10.54m) 2.8% (1.9%) 0.6% (0.4%) CHF 80.10 (CHF 75.65)	Based in Zurich, PSP is a real estate investment company owning a portfolio valued at over CHF 6bn at the end of 2011. 67% of assets by value are located in Zurich, with the remaining properties split mainly between Geneva (14%), Basel (6%) and Bern (4%). Two thirds of rent comes from offices with the majority of the rest from retail and parking fees. The internally-managed company has been successful in reducing the vacancy to 8.3% in 2011 from 13.9% in 2006. PSP has a very solid balance sheet with a 31% LTV, 2.5% average cost of debt and 5.9x interest cover ratio. The five year total shareholder return has been 31.3%.
8	Klépierre (France)	£14.19m (£18.90m) 2.7% (3.3%) 0.3% (0.4%) €25.94 (€28.64)	Klepierre owns a Pan European shopping centre portfolio valued at €16bn located in France (43%), Scandinavia (23%), Italy (11%), Iberia (8%) and Central Europe (7%). The acquisition of the Steen & Strom €2.7bn portfolio in 2008 together (JV with pension fund ABP) has increased diversification in a strong retail property market. Indeed over the course of 2011 the Scandinavian portfolio posted a 3.2% LFL rental growth thanks to 97% occupancy and 8% uplift on re-lettings and renewals. Klepierre has a €1.4bn committed development pipeline mostly on France and Scandinavia with a 8% yield on cost. Klepierre has long been a subsidiary of BNP Paribas. Simon Property Group, the largest global shopping centre REIT acquired a 28.7% stake in March 2011 at a 20% premium to last price and 10% discount to NAV. Simon best-in-class asset management capabilities should help extract operational upside from Klepierre. The five year total shareholder return has been -30.6%.
9	GSW Immobilien (Germany)	£13.68m (£0.00m) 2.7% (0.0%) 1.5% (0.0%) €25.66 (€n/a)	Founded in 1924 and floated in 2011 GSW Immobilien is a pure play on the Berlin residential market. The company owns, leases and manages a portfolio of 53.700 residential units valued at around €2.95bn. A subsidiary of GSW also manages approximately 17.500 residential and commercial units for third parties. The Berlin residential rental market is attractive thanks to a low ownership ratio of 15%, significant household formation rate of 9.1% per annum over last 10 years, and very limited new construction. Although the company's LTV (57%) sits above the sector average this doesn't create much investor concern given the high and stable occupancy (97%) of the portfolio and the granularity of rental income and debt (349 loans with an average maturity of 11.5 years at 4% cost). The total shareholder return since its IPO in April 2011 has been 20.5%.
10	Great Portland Estates (UK)	£10.66m (£13.99m) 2.1% (2.5%) 0.9% (1.2%) 360.0p (385.8p)	This Central London office investor and developer, operates £1.4bn of property with exposure to West End and City Offices and Retail (77% and 23% respectively). The group had another strong year operationally with significant lettings signed at its soon to be completed developments, and the acquisition of Rathbone Place, possibly the best large-scale development opportunity in the West End. Elsewhere the group has run-down rental income in anticipation of future developments and while this has reduced current earnings the future potential is strong. In total, the group has 2.5m sqft of developments. The group remains committed to recycling capital and the strong balance sheet (42% LTV) provides firepower for future acquisitions. The five year total shareholder return has been -28.4%.

Twenty Largest Equity Investments – Ordinary Share Class Portfolio

continued

	Shareholding Value % of investment portfolio† % of equity owned Share price at 31 March 2012 (2011)	**Comment** Note: Market caps, yields and share price returns all at end March 2012.
11 Castellum (Sweden)	£10.46m (£13.59m) 2.0% (2.4%) 0.8% (0.9%) SEK 82.95 (SEK 91.80)	Based in Gothenburg, Castellum is one of the largest real estate companies in Sweden. It owns a SEK 34bn mixed portfolio of higher yielding assets located in Central and Southern Sweden giving it a broad exposure to the Swedish economy. The property portfolio per type consists of 67% offices/retail, 30% logistics/industrial and 3% development/land. Castellum manages its properties actively through six local subsidiaries. The company has an excellent track record delivering stable shareholder returns with a strong focus of cash flow. The company remains conservative relative to its Nordic peers with an LTV 50%, no refinancing issues and development forming only 3% of the balance sheet. The five year shareholder total return has been 4.5%.
12 Gecina (France)	£9.64m (£11.61m) 1.9% (2.1%) 0.2% (0.2%) €78.06 (€97.32)	Gecina has an €12bn French high-quality portfolio of offices (57%), prime residential (31%), healthcare/hotels (10%) and logistics (2%) and 80% of these assets are concentrated in Paris and the Paris Region. Despite the low yielding nature of the residential assets (c. 4.2% net yield) it provides a very resilient cash flow thanks to high occupancy rate (stubbornly above 98% over the past 10 years) and above inflation LFL rental growth (above 2% p.a. since 2005). The struggle for power between the controlling Spanish shareholders has been partly resolved and the corporate governance has improved dramatically with a board reshuffle and a well-regarded independent CEO. These changes coupled with an LTV down to 40% from 47% in 2009 have led credit rating agencies to adopt a more positive stance on the company. In turn Gecina was able to raise €1.1bn of new financing in 2011 at competitive rates (43% of bonds at a 168bp spread). The five year total shareholder return has been -24.0%.
13 Icade (France)	£8.36m (£12.69m) 1.6% (2.2%) 0.3% (0.3%) €66.85 (€87.08)	Icade is a diversified real estate company involved in house building, property management and commercial property rental activity with a €5.3bn portfolio. The major event of 2012 is the announced merger with SILIC which will create the largest French office property company with a total portfolio of €9.3bn. The 100% share-based deal has a compelling industrial logic given the absence of geographical overlaps between the two portfolios and the similar "investor-developer" business models of the two companies. The new entity will have a reasonable level of leverage (LTV of 40%) and will still be able to benefit from the Caisse des Depots (CDC) financial backing. The five year total shareholder return has been -31.1%.
14 Mercialys (France)	£8.35m (£0.00m) 1.6% (0.0%) 0.4% (0.0%) €26.53 (€28.13)	Mercialys owns a French shopping centre portfolio valued at €2.6bn. The company has been listed in 2005 by the food retailer group Casino which retained a controlling stake over the subsequent years. At the time of the IPO the company had two differencing aspects: an absence of debt and a significantly under-rented portfolio. Mercialys has delivered a stunning return for investors over that period (10.2% unleveraged annual IRR) mostly by extracting the rent reversion (€136 average rent per sqm in 2005 vs. €213 per sqm in 2012). In February 2012 Mercialys announced that it will gear up its balance sheet (40% LTV) by returning around 45% of the market cap to shareholders and accelerate disposals. The five year total shareholder return has been 3.6%.
15 Swiss Prime Site (Switzerland)	£8.24m (£13.30m) 1.6% (2.3%) 0.3% (0.5%) CHF 74.90 (CHF 72.45)	Following the merger with Jelmoli SPS has become the largest Swiss investment property company both by market cap and portfolio size (CHF 8.2bn). The group – still externally managed by Credit Suisse – is now predominantly invested in retail (35%) and office (41%) assets throughout Switzerland. During the year the company finished its Prime Tower development which significantly contributed to valuation gains and should enhance EPS in 2012. Investors continue to view Switzerland as a safe haven and as such the shares have performed with the portfolio yield giving a large spread over Swiss ten year bonds. The yield on the stock is close to 5% which compares favorably to the Swiss wider equity index (sub-3%). The five year total shareholder return has been 30.6%.

Twenty Largest Equity Investments – Ordinary Share Class Portfolio

continued

	Shareholding Value % of investment portfolio† % of equity owned Share price at 31 March 2012 (2011)	**Comment** Note: Market caps, yields and share price returns all at end March 2012.
16 Deutsche Euroshop (Germany)	£8.24m (£6.68m) 1.6% (1.2%) 0.7% (0.5%) €26.37 (€26.95)	Deutsche EuroShop is Germany's only public company that invests solely in shopping centres. Its €3.1bn portfolio includes 15 centres in Germany, 2 in Poland and one each in Austria and Hungary. The company is externally managed by ECE, the largest developer/manager of shopping centres in Germany. The occupancy has been kept at remarkably high levels (>99%) over the past few years while their lease contracts have a 10-year duration and are 100% CPI-linked which is unusual in Germany. The LTV is modest in the German context at 47%. The five year total shareholder return has been 18.5%.
17 Foncière des Régions (France)	£8.14m (£15.61m) 1.6% (2.8%) 0.3% (0.4%) €60.03 (€75.19)	Foncière des Régions is a diversified European property company with a consolidated portfolio of €14bn of assets (€9bn in group share). The asset focus rests on French and Italian offices (73% group share) let on long-term lease contracts to tenants such as France Telecom, EDF, IBM, Suez Environment and Telecom Italia. The Italian office exposure is held through Beni Stabili (BNS) which converted into a SIIQ (Italian REIT) in January 2011. The adoption of the tax-transparent regime enabled BNS to lift its recurring post-tax earnings by 50% in 2011. FDR has reduced its stake in BNS to 51% from 68% in order to meet the SIIQ conversion criteria. In addition Foncière des Régions has strategic stakes in sector specialist REITs: Foncière des Murs (French lodging and leisure assets/25% owned), Foncière Développements Logements (French and German residential/32% owned), Foncière Europe Logistique (French and German industrials/67% owned) and Parcs GFR (French car parks/60% owned). The group managed its leveraged balance sheet (59% LTV in 2008) by over-delivering on its disposal targets and renegotiating debt covenants. Leverage is now 49%. The yield is close to 8%. The five year total shareholder return has been -34.5%.
18 Silic (France)	£7.73m (£8.04m) 1.5% (1.4%) 0.6% (0.5%) €82.72 (€98.90)	Silic is an investor in and developer of office and light industrial space in the Paris. Its 1.2m sqm portfolio (valued at €3.2bn) is clustered in business parks: Orly-Rungis, Roissy and La Défense-Nanterre The company has €263m in developments with a projected 8.2% yield on cost and some land bank reserves valued at over €180m. Indeed Silic has one of the largest privately-owned land banks in the Paris region representing an additional building potential of over 1.2 million sqm on their 63-hectare park, which currently houses 376,500 sqm of space. The major event of 2012 is the announced merger with SILIC which will create the largest French office property company with a total portfolio of €9.3bn. The 100% share-based deal has a compelling industrial logic given the absence of geographical overlaps between the two portfolios and the similar "investor-developer" business models of the two companies. The new entity will have a reasonable level of leverage (LTV of 40%) and will still be able to benefit from the Caisse des Depots (CDC) financial backing. The five year total shareholder return has been -21.6%.
19 Wereldhave NV (Netherlands)	£7.52m (£8.39m) 1.5% (1.5%) 0.7% (0.6%) €59.43 (€75.36)	Wereldhave is a diversified Dutch-based REIT with investments throughout Europe (73%) and the United States (24%). Its €2.9bn portfolio is dominated by the office and retail sectors, which represents 96% of assets. In March 2010 Wereldhave acquired €250m of Dutch mid-size shopping centres from Unibail-Rodamco at a 6.1% yield whereby they expanded the portfolio size by 9% and increase the loan-to-value to 36% (from 28% a year earlier). The cost of debt remains very low at 2.9% (due to 56% floating rate debt) but together with some unhedged FX exposure tends to undermine the visibility on future earnings. In February 2012 Wereldhave management announced their intention to dispose of their €800m portfolio over the next 2-3 years which should lower the current 41% LTV. The five year total shareholder return has been -29.1%.
20 Hufvudstaden (Sweden)	£7.44m (£6.31m) 1.4% (1.1%) 0.1% (0.4%) SEK 69.95 (SEK 75.05)	Hufvudstaden has an exceptionally prime retail and office portfolio (SEK 22.2bn) in central Stockholm (~88%) and Gothenburg (~12%) and owns some of Sweden's most iconic buildings. Due to its CBD Stockholm focus, prime assets and strong asset management, Hufvudstaden managed to increase LFL rents by 8% during the year and bring vacancy below 4%. The company has a very defensive balance sheet with an LTV of 18%, and ICR of 7x and 100% fixed debt. The five year total shareholder return has been 3.8%.

Five year share price total returns are from Bloomberg using the period ended 31 March 2012, are expressed in local currency and assume the reinvestment of net dividends.

Ordinary Portfolio Investment Properties *as at 31 March 2012*

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**	**Waitrose Ltd Velmore Ltd**

The property comprises a large mixed-use block in Bayswater, constructed in the mid-1970s. The site extends to approximately 2 acres on the north east corner of the junction of Bishops Bridge Road and Porchester Road, close to Bayswater tube station and the Whiteleys Shopping Centre.

Value less than £10 million

Property	Sector	Tenure	Size (sq ft)	Principal tenants
Field House Station Approach Harlow	**Offices**	**Freehold**	**66,000**	**Teva UK Ltd Close Brothers Ltd**

Located next to Harlow Town railway station, the building was constructed in the late 1980s and comprises a 66,000 sq ft office building on a site of 3.5 acres. The building is multi-let to a variety of tenants with 50% of the property's income expiring in 2021.

Property	Sector	Tenure	Size (sq ft)	Principal tenants
Solstice House 251 Midsummer Boulevard Milton Keynes	**Offices**	**Freehold**	**31,550**	**Exel Europe Ltd**

This 31,550 sq ft office building is situated in the prime office pitch in Milton Keynes and is located between the shopping centre and the railway station. The building is occupied by Exel Europe Ltd (trading as DHL) who have a lease expiring January 2015 and a tenants break option in January 2013.

Property	Sector	Tenure	Size (sq ft)	Principal tenants
Ferrier Street Industrial Estate, Ferrier Street Wandsworth SW18 and adjacent plots	**Industrial**	**Freehold**	**35,800**	**Absolute Taste Kougar Tool Hire Ltd Mossimans Page Lacquer**

The Ferrier Street Industrial Estate occupies a site of just over an acre, 50 metres from Wandsworth Town railway station in an area that is predominantly residential. The estate comprises 16 small industrial units generally let to a mix of small to medium sized private companies.

Property	Sector	Tenure	Size (sq ft)	Principal tenants
Park Place 10-12 Lawn Lane London SW8	**Offices**	**Freehold**	**25,600**	**Nacro Police Federation ETV Media Feed the Minds**

Located on the edge of the Nine Elms regeneration area, 150m from the Vauxhall Cross transport hub, this converted Victorian warehouse provides affordable office space close to the West End and Victoria office markets. The property is split into small suites and is 100% let.

Spread of Direct Portfolio by Capital Value (%)

as at 31 March 2012

	Office	Retail	Industrial	Residential and Ground Rents	Other	Total
West End of London	8.6%	20.1%		12.0%	5.0%	45.7%
Inner London*	14.5%	1.8%	15.7%			32.0%
Around M25	15.3%					15.3%
Other South East	7.0%					7.0%
Total	**45.4%**	**21.9%**	**15.7%**	**12.0%**	**5.0%**	**100.0%**

*Inner London defined as inside the North and South circular

Lease Lengths within the Direct Property Portfolio

as at 31 March	Gross rental income
less than 1 year (including voids)	37.1%
1 to 3 years	16.0%
4 to 5 years	31.5%
6 to 10 years	14.4%
11 to 15 years	–
Over 15 years	1.0%
	100%

Ordinary Share Class Statement of Comprehensive Income (unaudited)

for the year ended 31 March 2012

	Year ended 31 March 2012			Year ended 31 March 2011		
	Revenue Return £'000	**Capital Return £'000**	**Total £'000**	Revenue Return £'000	Capital Return £'000	Total £'000
Investment income						
Investment income	**21,749**	**–**	**21,749**	20,581	–	20,581
Other operating income	**32**	**–**	**32**	23	–	23
Gross rental income	**3,257**	**–**	**3,257**	3,041	–	3,041
Service charge income	**1,249**	**–**	**1,249**	1,222	–	1,222
(Losses)/gains on investments held at fair value	**–**	**(61,383)**	**(61,383)**	–	54,135	54,135
Net movement on foreign exchange	**–**	**(22)**	**(22)**	–	340	340
Net returns on contracts for difference	**52**	**202**	**254**	29	(22)	7
Total income/(loss)	**26,339**	**(61,203)**	**(34,864)**	24,896	54,453	79,349
Expenses						
Management and performance fees	**(2,493)**	**(1,246)**	**(3,739)**	(2,494)	(1,247)	(3,741)
Repayment of prior years' VAT	**117**	**58**	**175**	59	30	89
Direct property expenses, rent payable and service charge costs	**(1,795)**	**–**	**(1,795)**	(1,577)	–	(1,577)
Other expenses	**(720)**	**–**	**(720)**	(689)	–	(689)
Total operating expenses	**(4,891)**	**(1,188)**	**(6,079)**	(4,701)	(1,217)	(5,918)
Operating profit/(loss)	**21,448**	**(62,391)**	**(40,943)**	20,195	53,236	73,431
Finance costs	**(1,293)**	**(1,293)**	**(2,586)**	(1,179)	(1,179)	(2,358)
Profit/(loss) from operations before tax	**20,155**	**(63,684)**	**(43,529)**	19,016	52,057	71,073
Taxation	**(2,041)**	**1,070**	**(971)**	(1,223)	828	(395)
Total comprehensive income/(loss)	**18,114**	**(62,614)**	**(44,500)**	17,793	52,885	70,678
Earnings/(loss) per Ordinary share	**7.07p**	**(24.44)p**	**(17.37)p**	6.94p	20.61p	27.55p

Ordinary Share Class Balance Sheet (unaudited)

as at 31 March 2012

	2012 £'000	2011 £'000
Non-current assets		
Investments held at fair value	**516,241**	571,264
	516,241	571,264
Current assets		
Debtors	**6,414**	5,707
Cash and cash equivalents	**2,944**	3,012
	9,358	8,719
Current liabilities	**(39,937)**	(33,840)
Net current liabilities	**(30,579)**	(25,121)
Total assets less current liabilities	**485,662**	546,143
Non-current liabilities	**(15,190)**	(15,541)
Net assets	**470,472**	530,602
Net asset value per Ordinary share	**183.62p**	207.08p

Sigma Shares

Financial Highlights

	Year ended 31 March 2012	Year ended 31 March 2011	% Change
Revenue			
Total revenue return (£'000)	**4,634**	4,624	+0.2
Net revenue profit before tax (£'000)	**3,503**	3,485	+0.5
Revenue earnings per share	**2.60p**	2.57p	+1.2
Net dividend per share[1]	**2.60p**	2.15p	+20.9

	At 31 March 2012	At 31 March 2011	% Change
Balance Sheet			
Investments held at fair value (£'000)	**123,501**	150,308	-17.8
Shareholders' funds (£'000)	**117,773**	139,841	-15.8
Shares in issue at end of period (m)	**124.5**	124.9	-0.3
Net debt[2]	**5%**	8%	
Net asset value per share	**94.62p**	111.94p	-15.5

Performance

	Year ended 31 March 2012	Year ended 31 March 2011
Assets and Benchmark		
Benchmark performance (price only)	**-15.3%**	+13.1%
NAV change	**-15.5%**	+14.1%
Benchmark performance (total return)	**-12.1%**	+16.9%
NAV total return	**-13.6%**	+16.5%

	Year ended 31 March 2012	Year ended 31 March 2011	% Change
Share Price			
Share price	**70.70p**	83.45p	-15.3
Share price total return	**-12.7%**	+19.7%	
Market capitalisation	**£88m**	£104m	-15.4

[1]Net dividends per share are the dividends in respect of the financial year ended 31 March 2012. Interim dividends were paid in January 2012 and the final dividend will be paid in August 2012.
[2]Net debt is the total value of loans and debentures less cash as a proportion of Net Asset Value.

Source: Thames River Capital.

Manager's Report

Sigma Share Class

James Wilkinson MRICS **Fund Manager**

Performance

Over the year to 31 March 2012 the Sigma share NAV total return was -13.6%. The benchmark total return was -12.1%. This marks a significant improvement from the half year position but it is nevertheless disappointing to have to report a year of negative returns for shareholders. As we described in the Market Background section, the year saw further turmoil in stock markets in general and very high levels of volatility. In this period of heightened fear, smaller, less liquid companies suffered disproportionately and the Sigma share class underperformed the Ordinary share class by 5.1%. This is the first time since Sigma's launch in July 2007 that smaller companies have underperformed larger ones.

Such an outcome prompts us to examine the strategies we employ to achieve the Sigma class's objective and the portfolio we have put in place as a result. The Sigma class's objective is to maximise shareholders' returns by investing in the shares of smaller real estate companies. Our experience is that over time smaller real estate companies generate superior returns when compared to their larger peers. We see a number of reasons for this. Small companies tend to be focused businesses with a clear and easily defined strategy. They are often led by entrepreneurial individuals or small teams with significant personal financial exposure to the businesses they run. These leaders are able to make fast and effective decisions that are implemented without dilution by multiple management layers. Small businesses can also be more easily fine-tuned to the economic climate than large ones. Individual deals can make a significant difference to a small company's balance sheet and P&L.

Manager's Report *continued*

In our view, real estate is not a business where economies of scale count for very much. The most notable exception is shopping centre investment and development, where the ability to offer scale and an international platform to retailers is clearly of great importance. On the whole, however, small real estate companies do not suffer from disproportionately high finance or administrative costs. Indeed, they are often financed and run more efficiently than larger companies. Of course, the impact that management decisions and individual deals can have cuts both ways. One of our chief tasks, therefore, is to identify management who will use the features of small companies to shareholders' advantage rather than cost.

We have assembled a portfolio that is heavily exposed to precisely these sorts of companies. Many of the companies we invest in are not only attractive from a bottom up perspective but are also operating in environments that we consider to be the most secure from a macro perspective. Of the top 10 positions, which account for 40.2% of total portfolio value, only one (Eurocommercial) is exposed to anything other than the UK, Germany or Sweden. On a see-through basis the Sigma portfolio was 63% exposed to the UK, Germany, Sweden and Switzerland at the year end.

Markets at the current time are not well suited to investors who take bottom up decisions for the long term. As the adage goes, the only thing that goes up in bear markets is correlation and Sigma's own share price has suffered irrespective of its exposure. Nevertheless, your managers are confident about the long term prospects for the core shareholdings within the Sigma portfolio. These companies represent our pick of the top real estate management teams in Europe and are true manufacturers of returns. Whilst volatility is likely to remain high for at least the next twelve months, we continue to believe that the long term prospects are good and that the fundamental characteristics of small cap real estate stocks will reassert themselves over time.

Investment Activity and Distribution of Assets

Over the period, turnover (purchases and sales divided by two) totalled £62.8m, which equates to 46% of average investments over the period. This compares to turnover of 41% for the year to the end of March 2011 and is a result of the large fluctuations in prices and relative values between different stocks over the year.

See-Through Portfolio by Market (%)

	Sigma Share Class Portfolio	Benchmark 31 March 2012
UK		
City offices	0.9%	0.9%
Docklands	0.9%	0.1%
In town retail	3.8%	1.1%
Leisure	0.5%	0.0%
Other	1.9%	2.0%
Other industrial	1.5%	1.6%
Other London and SE offices	2.1%	1.5%
Other OOT retail	0.4%	0.5%
Provincial offices	0.5%	0.6%
Residential	4.3%	5.2%
Retail warehouses	0.9%	0.6%
SE Industrial	1.0%	0.9%
Self storage	1.7%	2.1%
Supermarkets	0.1%	0.1%
West End offices	2.5%	1.7%
West End retail	2.7%	0.8%
Total UK	25.7%	19.8%
Austria Offices	0.4%	0.5%
Austria Residential	1.5%	2.2%
Austria Retail	0.2%	0.2%
Belgium Logistics	0.0%	0.8%
Belgium Offices	1.9%	3.0%
Belgium Retail	0.4%	0.6%
Central Europe Industrial	0.0%	0.1%
Central Europe Offices	2.1%	2.6%
Central Europe Other	0.1%	0.1%
Central Europe Residential	0.6%	0.2%
Central Europe Retail	1.4%	0.8%
Finland Offices	1.1%	3.1%
Finland Other	0.3%	0.6%
Finland Retail	0.8%	2.1%
France Logistics	2.3%	0.5%
France Offices	3.5%	2.0%
France Other	2.3%	0.6%
France Residential	0.4%	0.2%
France Retail	4.1%	1.9%
Germany Logistics	1.5%	1.2%
Germany Offices	7.2%	9.6%
Germany Other	0.7%	0.8%
Germany Residential	12.0%	12.1%
Germany Retail	3.8%	3.5%
Greece Offices	0.0%	0.2%
Italy Logistics	0.1%	0.0%
Italy Offices	3.1%	2.4%
Italy Residential	0.1%	0.1%
Italy Retail	4.5%	2.2%
Netherlands Industrial	0.1%	0.4%
Netherlands Offices	0.5%	0.8%
Netherlands Retail	1.4%	1.6%
Norway Offices	3.0%	2.5%
Norway Retail	0.0%	0.0%
Other Overseas	0.3%	0.8%
Russia Industrial	0.0%	0.1%
Russia Offices	0.1%	0.1%
Russia Retail	0.0%	0.1%
Spain Offices	0.0%	0.4%
Spain Residential	0.0%	0.3%
Spain Retail	0.5%	0.6%
Sweden Logistics	1.7%	2.0%
Sweden Offices	6.3%	7.1%
Sweden Other	0.8%	1.2%
Sweden Residential	0.8%	3.2%
Sweden Retail	1.8%	2.7%
Switzerland Offices	0.2%	0.8%
Switzerland Other	0.0%	0.6%
Switzerland Residential	0.2%	0.3%
Switzerland Retail	0.2%	0.5%
Total	100.0%	100.0%

Manager's Report *continued*

Sales exceeded purchases by £4.3m, reducing gearing over the year, from 8% to 5%. Our caution towards the Eurozone is largely reflected in the repositioning of our stocks rather than in the level of debt that we carry within the share class. Over the year we increased exposure to the UK and Germany by 10%. Germany now accounts for 25.2% of see-through exposure, only marginally behind the UK at 25.7%. The majority of this German exposure is to residential investment within companies such as GSW and Deutsche Wohnen, which own large portfolios of rental assets in key German cities. German residential is an area of the market that we expect to continue to show good levels of capital and revenue growth in the medium term, backed by highly granular and relatively low risk income streams.

Our French exposure totals 12.6%. This is largely made up of holdings in a group of small, highly specialised companies including logistics investor and developer Argan; Greater Paris operator Terreis, and retail and hotel investor ANF. These companies are prime examples of the manufacturers of returns that we ideally seek out as the core of the portfolio. Fonciere Paris France, another Ile-de-France focused investor and one of last year's top 20 positions, was acquired by a consortium of French life insurers during the year at a significant premium to its prevailing share price. We have held FPF within the Trust since its IPO in 2006, since when its total return has been 25%, compared to the EPRA total return of -37.3%.

Exposure to Sweden has fallen over the year, from 15.9% to 11.4%. This partly reflects our view that the Swedish market is relatively fully valued compared to other markets. However, we have also rotated out of Hufvudstaden, which over time has increased in size to the extent that it can no longer be considered a small cap stock.

We have less than 0.5% see-through exposure to Greece, Ireland or Spain. Italian exposure totals 7.7%. This reflects our holdings in Beni Stabili, IGD and Eurocommercial, which own high quality portfolios largely exposed to the wealthier areas of Northern Italy.

Debt, Gearing and Debenture

The overall debt position in the share class fell from £11.9m to £7.4m over the year. Net debt was £6m. Gearing reduced from 8% to 5%. We signed the two year multi-currency facility with ING in May last year and renewed the one year facility with RBS in December. Together with the debenture maturing in 2016 and the ability to use CFDs we consider that we have sufficient flexibility to meet likely financing needs over the coming period.

Revenue

Revenue earnings per share increased by 1.2% from 2.57p in the year to March 2011 to 2.60p in the year to March 2012.

At the half year stage we were pointing to earnings of around 2.40p. The main reason for the difference between this and the year end result was a significant dividend due around the year end, which was anticipated to fall into April. In fact this dividend went ex on the last day of the financial year. In addition, the tax charge at the year end at 7.5% is slightly lower than at the interim stage due to lower than anticipated withholding taxes in the second half.

Although gearing has decreased over the period, finance costs are at the same level as the prior year. In May 2011 the Trust entered into a two year loan facility with ING. This was allocated between the two share classes in the same way as the one year revolving facility from RBS. The two year loan facility does bear a higher margin and non-utilisation fee than the revolving one year facility, the price for certainty of debt availability for a longer period. As stated for the Ordinary share class, we do believe that it is important in the current environment to diversify our source of debt and debt maturity profile, even though this may mean a marginal increase in cost. The use of CFDs is also available as an additional method of gearing which is competitively priced.

The dividend of 2.60p for the year is a full payout of the earnings. We indicated in the last annual report that we expected to be able to increase the ratio from the 84% seen in 2011 in the future. The Sigma share class has now been in existence for almost five years. The first three years saw a complete overhaul of the portfolio as the inherited Ordinary share class stocks were divested and reinvested in the target small cap stocks in order to meet the new share class objective. The dividend payouts in the first few years were cautious as we anticipated that dividend receipts from the smaller cap stocks would be more erratic and less progressive. In addition we were keen to leave ourselves with the ability to invest in fledgling companies that are focused on development opportunities and capable of delivering superior capital returns. However, having run an entirely small cap portfolio

Manager's Report *continued*

for a number of years we are now confident that we can maintain a higher level of dividend whilst also having the ability to pursue the lower yielding opportunities with the potential for significant capital out-performance. Shareholders can also be reassured that having built up a significant level of revenue reserves in the Sigma class, the directors have the ability to maintain the dividend should earnings, for the short term, show some volatility.

There continues to be the prospect of legal challenges to withholding taxes on dividends from certain European countries. Progress has recently been made in the European courts. We have already submitted our own claims for some periods and will continue to make claims where appropriate.

There is also the possibility of applying the current UK tax treatment of foreign dividends to earlier periods. Revised tax returns have been submitted for earlier periods on the basis of the case currently being heard by the EU courts in relation to this. At this stage the outcome is still uncertain and accordingly no benefit has been recognised in the financial statements.

Revenue Outlook

We expect the underlying earnings from the companies in which we invest to continue to grow modestly. In addition a number of new companies have been added to the portfolio, which are expected to have a positive impact on revenue earnings.

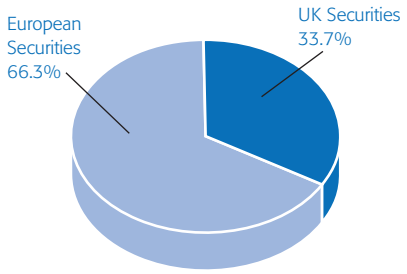
However, a number of uncertainties remain. The Euro exchange rate is almost 10% weaker than at this time last year with real risk of further weakening. The timing of some significant dividends close to the year end, remains a factor. The tax charge is also difficult to accurately predict, particularly as the majority of the tax incurred is actually withholding tax on non-UK earnings. Withholding tax rates are subject to change and rates vary between territories so changes to the geographic focus of the portfolio will impact upon the tax charge.

Overall, we expect a modest increase in earnings for the year to March 2013 to around 2.8 p per share.

James Wilkinson
Fund Manager – Sigma Share Class
8 June 2012

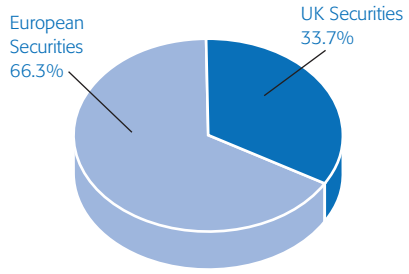
Sigma Shares – Portfolio

Distribution of investments
as at 31 March 2012



Distribution of investments as at 31 March 2012	2012 £'000	2012 %	2011 £'000	2011 %
UK Securities:				
– Quoted	41,653	33.7	45,141	30.0
European Securities:				
– Quoted				
France	13,359	10.8	16,085	10.7
Netherlands	9,731	7.9	15,928	10.6
Sweden	12,703	10.3	24,129	16.1
Germany	26,581	21.5	12,915	8.6
Other	18,709	15.2	35,276	23.4
– Fixed Interest	765	0.6	834	0.6
Investments held at fair value	123,501	100.0	150,308	100.0
– CFD debtor	28	0.0	–	–
Total Investments	**123,529**	**100.0**	**150,308**	**100.0**

Investment Exposure
as at 31 March 2012



Investment Exposure as at 31 March 2012	2012 £'000	2012 %	2011 £'000	2011 %
UK Securities:				
– Quoted	41,653	33.7	45,141	30.0
European Securities:				
– Quoted				
France	13,359	10.8	16,085	10.7
Netherlands	9,731	7.9	15,928	10.6
Sweden	12,703	10.3	24,129	16.1
Germany	26,581	21.5	12,915	8.6
Other	18,709	15.1	35,276	23.4
– Fixed Interest	765	0.6	834	0.6
– CFD exposure	192	0.1	–	–
Total investment exposure	**123,693**	**100.0**	**150,308**	**100.0**

Changes in Investments as at 31 March	Valuation 2011 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	Valuation 2012 £'000	%
Austria	9,757	671	(2,051)	(3,479)	**4,898**	4.0
Belgium	4,259	3,367	(3,673)	(688)	**3,265**	2.6
Finland*	8,543	944	(4,259)	(2,468)	**2,760**	2.2
France	16,085	4,622	(5,157)	(2,191)	**13,359**	10.8
Germany*	13,619	21,206	(7,288)	(306)	**27,231**	22.1
Italy	5,932	1,349	–	(3,085)	**4,196**	3.4
Luxembourg	1,157	–	(1,393)	236	**–**	–
Netherlands	15,928	6,252	(8,355)	(4,094)	**9,731**	7.9
Norway	5,322	1,906	(4,062)	(103)	**3,063**	2.5
Sweden	24,129	4,893	(13,156)	(3,163)	**12,703**	10.3
Switzerland	436	172	–	34	**642**	0.5
Continental Europe	105,167	45,382	(49,394)	(19,307)	**81,848**	66.3
UK – equities	45,141	15,262	(15,584)	(3,166)	**41,653**	33.7
	150,308	60,644	(64,978)	(22,473)	**123,501**	100.0

*Includes fixed interest investments

Sigma Share Class

Top 20 Holdings at 31 March 2012

Security	Country	Holding value in £'000	% of total equity portfolio value
Great Portland Estates	United Kingdom	7,117	5.8
GSW	Germany	7,016	5.7
Deutsche Euroshop	Germany	5,744	4.7
Eurocommercial Properties	Netherlands	4,892	4.0
Shaftesbury	United Kingdom	4,866	3.9
Deutsche	Germany	4,689	3.8
Fabege	Sweden	4,617	3.7
Wihlborgs Fastigheter	Sweden	3,999	3.2
London & Stamford	United Kingdom	3,312	2.7
Capital & Counties	United Kingdom	3,298	2.7
Vastned Retail	Netherlands	3,262	2.6
Befimmo	Belgium	3,178	2.6
Foncière des Murs	France	3,065	2.5
Norwegian Property	Norway	3,063	2.5
Workspace	United Kingdom	2,907	2.4
Tour Eiffel	France	2,827	2.3
Alstria Office	Germany	2,725	2.2
CA Immobilien	Austria	2,636	2.1
Kungsleden	Sweden	2,610	2.1
Beni Stabili	Italy	2,370	1.9

The value of the largest twenty holdings at 31 March 2012 totalled £78m and represented 63% of the portfolio.

Top 20 Holdings at 31 March 2011

Security	Country	Holding value in £'000	% of total equity portfolio value
Eurocommercial Properties	Netherlands	11,155	7.4
Great Portland Estates	United Kingdom	8,227	5.5
Shaftesbury	United Kingdom	6,436	4.3
CA Immobilien	Austria	5,667	3.8
Hufvudstaden	Sweden	5,335	3.6
Norwegian Property	Norway	5,322	3.5
Fabege	Sweden	5,127	3.4
Alstria Office	Germany	4,933	3.3
Sponda	Finland	4,508	3.0
Deutsche Euroshop	Germany	4,334	2.9
Kungsleden	Sweden	4,221	2.8
Conwert Immobilien	Germany	4,090	2.7
Castellum	Sweden	4,073	2.7
Beni Stabili	Italy	3,937	2.6
Citycon	Finland	3,905	2.6
Tour Eiffel	France	3,545	2.4
Foncière Paris France	France	3,228	2.2
Befimmo	Belgium	2,976	2.0
Vastned Retail	Netherlands	2,881	1.9
Workspace	United Kingdom	2,830	1.9

The value of the largest twenty holdings at 31 March 2011 totalled £97m and represented 65% of the portfolio.

Sigma Share Class Investment Portfolio by country

as at 31 March 2012

	Market value £'000	Market value %
Austria		
CA Immobilien	2,636	2.1
Conwert Immobilien	2,262	1.8
	4,898	**3.9**
Belgium		
Befimmo	3,178	2.6
Warehousing & Distribution	87	0.1
	3,265	**2.7**
Finland		
Sponda	2,125	1.7
Citycon	520	0.4
	2,645	**2.1**
France		
Foncière des Murs Managers	3,065	2.5
Tour Eiffel	2,827	2.3
Argan	2,346	1.9
ANF	1,668	1.4
CFI Compagnie Foncière	1,618	1.3
Terreis	1,147	0.9
Altarea	393	0.3
Foncière Europe Logistique	295	0.2
	13,359	**10.8**
Germany		
GSW	7,016	5.7
Deutsche Euroshop	5,744	4.7
Deutsche Wohnen	4,689	3.8
Alstria Office	2,725	2.2
TAG	1,822	1.5
DIC Asset	1,548	1.3
Prime Office	1,118	0.9
VIB Vermoegen	1,067	0.9
Patrizia	643	0.5
Hahn	209	0.2
	26,581	**21.7**
Italy		
Beni Stabili	2,370	1.9
Immobiliare Grande Distribuzione	1,826	1.5
	4,196	**3.4**
Netherlands		
Eurocommercial Properties	4,892	4.0
Vastned Retail	3,262	2.6
Nieuwe Steen Investments	1,577	1.3
	9,731	**7.9**
Norway		
Norwegian Property	3,063	2.5
	3,063	**2.5**

	Market value £'000	Market value %
Sweden		
Fabege	4,617	3.7
Wihlborgs Fastigheter	3,999	3.2
Kungsleden	2,610	2.1
Klovern	937	0.8
Ljungberggruppen	540	0.4
	12,703	**10.2**
Switzerland		
Allreal	459	0.4
Mobimo	183	0.1
	642	**0.5**
United Kingdom		
Great Portland Estates	7,117	5.8
Shaftesbury	4,866	3.9
London & Stamford Property	3,312	2.7
Capital & Counties	3,298	2.7
Workspace	2,907	2.4
St Modwen Properties	2,170	1.7
Quintain Estates & Developments	1,888	1.5
Safestore Holdings	1,835	1.5
Unite Group	1,732	1.4
Local Shopping REIT	1,337	1.1
UK Commercial Property Trust	1,193	1.0
Metric Property Investment	1,182	1.0
Max Property	1,175	1.0
Hansteen Holdings	1,017	0.8
CLS Holdings	929	0.7
Town Centre Securities	918	0.7
Conygar Investment	803	0.6
Helical Bar	732	0.6
Songbird Estates	546	0.4
Big Yellow Group	522	0.4
NewRiver Retail	384	0.3
Grainger	314	0.3
Capital & Regional	274	0.2
Terra Catalyst	266	0.2
Rugby Estates	266	0.2
Pactolus Hungarian	160	0.1
McKay Securities	138	0.1
Trinity Capital	117	0.1
Orchid Developments	98	0.1
Primary Health Properties	95	0.1
Nanette Real Estate	62	0.1
	41,653	**33.7**
Fixed Interest		
TAG Immobilien 6.5% 10/12/15 (Germany)	650	0.5
Citycon 4.5% 02/08/13 (Finland)	115	0.1
	765	**0.6**
CFD Positions (included in current assets)	**28**	**0.0**
Total portfolio	**123,529**	**100.0**

Twenty Largest Equity Investments – Sigma Share Class Portfolio

		Shareholding Value % of investment portfolio† % of equity owned Share price at 31 March 2012 (2011)	**Comment** Note: Market caps, yields and share price returns all at end March 2012.
1	Great Portland Estates (UK)	£7.12m (£8.23m) 5.8% (5.5%) 0.6% (0.7%) 360.0p (385.8p)	This Central London office investor and developer, operates £1.4bn of property with exposure to West End and City Offices and Retail (77% and 23% respectively). The group had another strong year operationally with significant lettings signed at its soon to be completed developments, and the acquisition of Rathbone Place, possibly the best large-scale development opportunity in the West End. Elsewhere the group has run-down rental income in anticipation of future developments and while this has reduced current earnings the future potential is strong. In total, the group has 2.5m sqft of developments. The group remains committed to recycling capital and the strong balance sheet (42% LTV) provides firepower for future acquisitions. The five year total shareholder return has been -28.4%.
2	GSW Immobilien (Germany)	£7.02m (£0.00m) 5.7% (0.0%) 0.8% (0.0%) €25.66 (€n/a)	Founded in 1924 and floated in 2011 GSW Immobilien is a pure play on the Berlin residential market. The company owns, leases and manages a portfolio of 53,700 residential units valued at around €2.95bn. A subsidiary of GSW also manages approximately 17,500 residential and commercial units for third parties. The Berlin residential rental market is attractive thanks to a low ownership ratio of 15%, significant household formation rate of 9.1% per annum over last 10 years, and very limited new construction. Although the company's LTV (57%) sits above the sector average this doesn't create much investor concern given the high and stable occupancy (97%) of the portfolio and the granularity of rental income and debt (349 loans with an average maturity of 11.5 years at 4% cost). The total shareholder return since its IPO in April 2011 has been 20.5%.
3	Deutsche Euroshop (Germany)	£5.74m (£4.32m) 4.7% (2.9%) 0.5% (0.4%) €26.37 (€26.95)	Deutsche EuroShop is Germany's only public company that invests solely in shopping centres. Its €3.1bn portfolio includes 15 centres in Germany, 2 in Poland and one each in Austria and Hungary. The company is externally managed by ECE, the largest developer/manager of shopping centres in Germany. The occupancy has been kept at remarkably high levels (>99%) over the past few years while their lease contracts have a 10-year duration and are 100% CPI-linked which is unusual in Germany. The LTV is modest in the German context at 47%. The five year total shareholder return has been 18.5%.
4	Eurocommercial Properties (Netherlands)	£4.89m (£11.15m) 4.0% (7.4%) 0.5% (0.9%) €28.36 (€34.96)	Based in London and listed in Amsterdam, with Dutch REIT status, the company is a specialist shopping centre investor operating in Northern Italy (39%), France (35%) and Sweden (26%) with a €2.6bn portfolio. The company is actively managed, reflected in a vacancy rate below 1% and a long dated debt profile by European standards (7 years). The loan to value ratio is 43% and the five year total shareholder return has been -12.9%.
5	Shaftesbury (UK)	£4.87m (£6.43m) 3.9% (4.3%) 0.4% (0.5%) 493.0p (473.1p)	A specialist investor in the West End of London with a £1.7bn portfolio split across Retail/Restaurant (71%), Offices (18%) and Residential (11%). The group continues to benefit from weak Sterling which is enticing foreign consumers to the iconic West End. As a result, vacancy of 5.1% remains low. The new CEO Brian Bickell (ex CFO) took the reigns in October 2011 and we expect a seamless continuation of the group's strategy. The London Olympics will bring a large number of additional tourists to the West End and benefit the group's retailers. A strong balance sheet with an LTV of 29.7% offers the opportunity for accretive acquisitions and redevelopments. The five year total shareholder return is -5.6%.

Twenty Largest Equity Investments – Sigma Share Class Portfolio

continued

		Shareholding Value % of investment portfolio† % of equity owned Share price at 31 March 2012 (2011)	**Comment** Note: Market caps, yields and share price returns all at end March 2012.
6	Deutsche Wohnen (Germany)	£4.69m (£2.63m) 3.8% (1.8%) 0.5% (0.4%) €11.05 (€10.19)	Deutsche Wohnen is a German listed residential company with a portfolio of €2.9bn comprising 51,103 units in total, of which 50,626 are residential units and 477 are commercial properties. The predominant share of the portfolio is located in the regions of Berlin, Frankfurt/Main and the Rhine-Main area. During the year the company implemented a successful capital increase in order to finance new acquisitions. The current loan to value is 55%. The five year total shareholder return has been -48.2%.
7	Fabege (Sweden)	£4.62m (£5.17m) 3.7% (3.5%) 0.5% (0.5%) SEK 57.00 (SEK 48.80)	Fabege is a Swedish real-estate investment company with a portfolio of over SEK 29bn. It has a pure Stockholm exposure with 57% in central Stockholm and the remainder in the suburbs. The company has a strong emphasis on development which currently accounts for around 20% of the balance sheet. It has contributed significantly to capital growth over 2011 and should lead to strong cash-flow growth over the next two years as it is 85% pre-let (by GLA). The loan to value stands at 57% with the company taking steps to hedge/fix more debt at low rates throughout the year (now 76%). The company has also diversified its debt by entering the secured bond market as lending has become more difficult in the Nordics. One concern is the impending tax case (the Cyprus case) which is hoped to be resolved in the near future. The five year total shareholder return has been -15.2%.
8	Wihlborgs (Sweden)	£4.00m (£1.36m) 3.2% (0.9%) 0.6% (0.2%) SEK 93.25 (SEK 188.00)	Wihlborgs is a Swedish real estate company with SEK 18bn of assets purely focussed on the Oresund region. 74% of its assets are in office/retail, 19% are in industrial/warehouse and the remainder is in projects and land. Wihlborgs has a cash flow orientated strategy and aims to create value through asset management, development and transactions. Due to the strength of management and geographical focus Wihlborgs has one of the highest returns on equity in the sector and we expect this to continue. At the year end the company had an LTV of 58%, an ICR of 2.8x and low cost of debt of ~3.5%. The five year total shareholder return has been 56.0%.
9	London & Stamford (UK)	£3.31m (£0.00m) 2.7% (0.0%) 0.6% (0.0%) 110.0p (125.0p)	The property company set-up by Raymond Mould and Patrick Vaughan targets opportunistic acquisitions in distressed real estate markets. The group has no sector bias and evaluates all opportunities as they arise. The group built a substantial distribution portfolio which it recently sold and has made good returns on Meadowhall shopping centre since it purchased a 50% share from British Land, which it is now looking to sell. Over the last year management has been building a war chest of c. £800m (including JV funds) through capital recycling as it expects significant acquisition opportunities will emerge over the next 12 to 18 months. The current LTV is 37% and the total shareholder return since IPO in November 2007 has been 34.6%.
10	Capital & Counties (UK)	£3.30m (£2.78m) 2.7% (1.9%) 0.3% (0.2%) 192.0p (168.5p)	Capital & Counties operates as a West End specialist retail owner with its Covent Garden assets and offers significant exposure to London residential development with the long-term redevelopment of Earls Court from exhibition centre to residential. Progress at Covent Garden has been strong with international retailers taking space and helping to transform the area from a tourist attraction to a shopping destination in its own right. At Earls Court progress has been a little slower than hoped given the complexity of the site. However, it has submitted the outline planning for the entire area and is due to receive its first detailed planning consent at the Seagrave Road car-park site. We anticipate land values here will increasingly reflect the residential opportunity. The loan to value remains low at 29% and will reduce as the group exits its JV with Great Portland Estates. Since being spun out of Liberty International in May 2010 the total shareholder return has been 45.2%.

Twenty Largest Equity Investments – Sigma Share Class Portfolio

continued

	Shareholding Value % of investment portfolio† % of equity owned Share price at 31 March 2012 (2011)	**Comment** Note: Market caps, yields and share price returns all at end March 2012.
11 Vastned Retail (Netherlands)	£3.26m (£2.88m) 2.6% (1.9%) 0.5% (0.3%) €39.20 (€51.65)	Pan-European retail real estate investor with Dutch REIT status. Its €2.1bn high-yielding portfolio is concentrated in the Netherlands (37%), Spain (19%), France (23%) and Belgium (16%). The company also has exposure to Turkey and Portugal. The company's new strategic objective includes raising the exposure to high street retail to 65% from 50% of the current portfolio. Management are of the opinion that this sub-market should deliver higher rental growth, better occupancy level and better capital performance over time. It also intends to create high street retail clusters in targeted cities (e.g. Bordeaux). The loan to value rate is 43% and the five year total shareholder return has been -23.9%.
12 Befimmo (Belgium)	£3.18m (£2.98m) 2.6% (2.0%) 0.4% (0.3%) €49.62 (€61.64)	Befimmo's portfolio of €1.9bn is focused mostly on offices in Brussels and has a sizeable development and refurbishment pipeline with a total cost of €175m over the next three years. The most sizeable development scheme is the Paradis building in Liege (€95m or 5% of total portfolio) which will host the Finance Federal Public Service from 2014 with a lease maturing in 2038. One of the main attributes of Befimmo is the long lease duration of 9 years and the 65% exposure to public tenants (Belgian state and European commission). The portfolio occupancy rate of 94.3% also compares favourably to the market level of 88.5%. The loan to value stands at 44% and the yield is 8%. The five year total shareholder return has been -22.4%.
13 Foncière Des Murs (France)	£3.07m (£2.44m) 2.5% (1.6%) 0.3% (0.2%) €19.45 (€22.55)	A separately traded subsidiary of Foncière des Regions. The company owns a €3.2bn portfolio and specialises in the hotel (54%), restaurant and garden centre (23%), nursing home (14%) and leisure (9%) sectors mostly in France (15% in Belgium and Portugal). The residual firm lease length is 8 years with no vacancy. The principal tenant is the Accor hotel group (Ibis, Mercure and Novotel) The freefloat is limited to 10 % but the share register is rock-solid, comprised of life insurance groups (CA Predica, Generali Vie, BNP Cardif) and Foncière des Régions (26%). The loan-to-value ratio has been reduced to 48% from 62% in December 2009.The five year total shareholder return has been 0.7%.
14 Norwegian Property (Norway)	£3.06m (£5.34m) 2.5% (3.6%) 0.6% (0.9%) NOK 8.87 (NOK 10.15)	Norwegian Property is a commercial real estate investor/developer. Its has 39% of its assets in CBD Oslo, a further 48% in the suburbs (Skoyen, Nydalen and various other areas) and 13% in Stavanger. The current portfolio yield is 6.1%. Through various property transactions during the year Norwegian Property has managed to reduce its LTV to 59% (including vendor financing). The total shareholder return since listing has been -85.2%.
15 Workspace (UK)	£2.91m (£2.80m) 2.4% (1.9%) 0.6% (0.9%) 235.0p (27.25p)	Workspace operates a £730m portfolio split across flexible studio and office space (75%) and small-unit light industrial (25%). Although the vacancy rate is high at 12.6%, this covers space currently being developed and space that has recently been refurbished. The group target a vacancy rate of c.10% which it has found offers the best combination of space flexibility and rental growth. In a protracted process Jamie Hopkins (a current non-exec director) was appointed as the new CEO from April 2012. This decision was largely a surprise for the market and we wait to see how Mr Hopkins impacts the group. In the year, the group raised £62.5m in a rights issue to fund c. £100m of development activity over the next two to three years. Development is split across residential conversion, new-for-old business centre development and refurbishment/extension of current space As a result of the rights issue the loan-to-value ratio reduced significantly to 41%. The five year total shareholder return has been -92.4%.

Twenty Largest Equity Investments – Sigma Share Class Portfolio

continued

	Shareholding Value % of investment portfolio† % of equity owned Share price at 31 March 2012 (2011)	**Comment** Note: Market caps, yields and share price returns all at end March 2012.
16 Société de la Tour Eiffel (France)	£2.83m (£3.56m) 2.3% (2.4%) 1.4% (1.1%) €42.80 (€65.00)	Tour Eiffel has a portfolio valued at €1bn equally split between the Greater Paris region and French provincial cities. The asset mix is Offices (81%), sorting centers (10%), nursing homes (5%) and light industrials (4%). The high yielding nature of the portfolio (7.8%) together with a moderate cost of debt makes Tour Eiffel an attractive dividend play. The quality of the portfolio has improved (62% of buildings are new or delivered over the past 10 years). The company is 10% owned by its management team which is a positive. The loan to value is 58%. The five year total shareholder return has been -55.1%.
17 Alstria Office (Germany)	£2.72m (£4.97m) 2.2% (3.3%) 0.5% (0.8%) €8.34 (€9.81)	Alstria is the largest REIT in Germany. It owns a high-quality office portfolio of 80 properties valued at €1.53bn, a valuation yield of 6.5% with an average lease length of 7.7 years. 45% of the portfolio is located in Hamburg (mostly let to the City of Hamburg with an average lease length of 13.2 years) and a further 20% is in Stuttgart. During the year the company successfully completed a 10.9% capital increase in March in order to fund new acquisitions. The loan to value at year-end stood at 50.2% with no near term refinancing needs (until mid 2014). The total shareholder return has been -35.7% since the IPO in April 2007.
18 CA Immoblien (Austria)	£2.64m (£5.66m) 2.1% (3.8%) 0.4% (0.6%) €8.53 (€13.00)	CA Immo is a Vienna listed commercial property investor and developer with a €5.2bn portfolio located in Austria (13.9%), Germany (45.3%) and Eastern Europe (40.8%). Assets valued at €934m are under development (18% of gross assets), the bulk of which are located in Germany (83%). During the year the company fully integrated the Europolis acquisition increasing the portfolio from €3.5bn to €5.2bn and the NOI by 71%. The loan-to-value at year end is 56%. The five year total shareholder return has been -64.8%.
19 Kungsleden (Sweden)	£2.61m (£4.24m) 2.1% (2.8%) 0.4% (0.5%) SEK 45.80 (SEK 62.00)	Kungsleden is a Swedish commercial real-estate company with a property portfolio of over SEK 25bn. The property portfolio is geographically spread and high yielding (7.2%). The portfolio is split between commercial properties (50%), the Hemso public properties (44%) and modular homes (6%). During the year Hemso (the public properties) became an independent company and deconsolidated from Kungsledens accounts although Kungsleden still owns a 50% share. One concern is the impending tax case (the Cyprus case) which is hoped to be resolved in the near future. The company has a balance sheet loan-to-value ratio of 61% although the see-through LTV is 68%. The five year total shareholder return is 39.4%.
20 Beni Stabili (Italy)	£2.37m (£3.93m) 1.9% (2.6%) 0.3% (0.3%) €0.45 (€0.73)	A pure Italian office player with a €4.3bn portfolio in Milan (42%) and Rome (10%). The group was historically a passive real estate owner but this changed with the take-over from Foncière des Regions (which controls 51% of Beni Stabili). The group now embraces a more cash flow focused model and has become a SIIQ (Italian REIT) in January 2011. The adoption of the tax-transparent regime has lifted BNS recurring post-tax earnings by 50% in 2011. This new model includes a more systematic disposal of low-yielding assets. Although the portfolio is composed of good quality assets and nearly half of the rents are secured through long leases to Telecom Italia, the stock has been highly correlated to developments in the Italian sovereign yield curve. The five year total shareholder return has been -57.4%.

Five year share price total returns are from Bloomberg using the period ended 31 March 2012, are expressed in local currency and assume the reinvestment of net dividends.

Sigma Share Class Statement of Comprehensive Income (unaudited)

for the year ended 31 March 2012

	Year ended 31 March 2012			Year ended 31 March 2011		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
Investment income						
Investment income	**4,615**	**–**	**4,615**	4,610	–	4,610
Other operating income	**19**	**–**	**19**	14	–	14
(Losses)/gains on investments held at fair value	**–**	**(22,473)**	**(22,473)**	–	17,381	17,381
Net movement on foreign exchange	**–**	**849**	**849**	–	(191)	(191)
Net returns on contracts for difference	**–**	**28**	**28**	–	–	–
Total income/(loss)	**4,634**	**(21,596)**	**(16,962)**	4,624	17,190	21,814
Expenses						
Management and performance fees	**(704)**	**(352)**	**(1,056)**	(692)	(346)	(1,038)
Repayment of prior years' VAT	**27**	**14**	**41**	14	7	21
Other expenses	**(155)**	**–**	**(155)**	(161)	–	(161)
Total operating expenses	**(832)**	**(338)**	**(1,170)**	(839)	(339)	(1,178)
Operating profit/(loss)	**3,802**	**(21,934)**	**(18,132)**	3,785	16,851	20,636
Finance costs	**(299)**	**(299)**	**(598)**	(300)	(300)	(600)
Profit/(loss) from operations before tax	**3,503**	**(22,233)**	**(18,730)**	3,485	16,551	20,036
Taxation	**(261)**	**–**	**(261)**	(274)	–	(274)
Total comprehensive income/(loss)	**3,242**	**(22,233)**	**(18,991)**	3,211	16,551	19,762
Earnings/(loss) per Sigma share	**2.60p**	**(17.83)p**	**(15.23)p**	2.57p	13.25p	15.82p

Sigma Share Class Balance Sheet (unaudited)

as at 31 March 2012

	2012 £'000	2011 £'000
Non-current assets		
Investments held at fair value	**123,501**	150,308
	123,501	150,308
Current assets		
Debtors	**5,105**	7,295
Cash and cash equivalents	**1,445**	1,176
	6,550	8,471
Current liabilities	**(9,429)**	(16,089)
Net current liabilities	**(2,879)**	(7,618)
Total assets less current liabilities	**120,622**	142,690
Non-current liabilities	**(2,849)**	(2,849)
Net assets	**117,773**	139,841
Net asset value per Sigma share	**94.62p**	111.94p

Directors

Peter Salsbury – Chairman

Peter Salsbury, retired in 2000 as Chief Executive of Marks & Spencer plc ("M&S"). He now has a Management Consultancy practice specialising in Executive Coaching and Strategy and is Chairman of Molten Consultancy. During his 10 years on the Board at M&S his responsibilities included Commercial Estates, Retail Operations, HR, as well as Sales and Marketing. He also served on the Board of M&S Financial Services for 5 years. He joined the Board of TRPIT in 1997, and succeeded as Chairman on 26 July 2004.

Caroline Burton

Caroline Burton, 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. She is a non-executive director of Rathbone Brothers plc, Blackrock Smaller Companies Trust plc, Liverpool Victoria Friendly Society Ltd and a Member of the Management Committee of Hermes Property Unit Trust. She advises a number of pension funds and charities.

Simon Marrison

Simon Marrison, joined the Board of TRPIT on 28 September 2011. He is the European CEO and Chief Investment Officer for LaSalle Investment Management. Based in Paris since 1990 he has considerable experience in the European property arena.

Hugh Seaborn

Hugh Seaborn, joined the Board of TRPIT on 24 July 2007. He is a Chartered Surveyor and has considerable experience in the property arena; he is currently the Chief Executive Officer of the Cadogan Estate and a member of the Council and Audit Committee of the Duchy of Lancaster. From 2000 to 2009, he was Chief Executive Officer of the Portman Estate and he is a past Chairman of the Westminster Property Association.

Paul Spencer

Paul Spencer CBE, joined the Board of TRPIT on 1 August 2007. He is Chairman of State Street Managed Pension Funds Ltd, the Rolls-Royce Group plc Pension Fund and the BT Pension Fund. He also sits on the Boards of WPP Group plc (where he chairs the Audit Committee) and Nipponkoa Insurance Group (Europe) Ltd. He is Chairman of the TRPIT Audit Committee.

Richard Stone

Richard Stone, was Deputy Chairman of Coopers and Lybrand ("C&L") and in 1998 became 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 Ltd and of Candover Investments plc and a non-executive director of Henderson Global Trust plc. He is the Senior Independent Director for TRPIT.

David Watson

David Watson joined the Board of TRPIT on 1 April 2012. He is a Chartered Accountant and has had a distinguished career in the Financial Services Industry. He spent 9 years as Finance Director of M&G Group plc, where he was a director of four equity investment trusts, and most recently at Aviva plc as Chief Finance Officer of Aviva General Insurance. He is currently a non-executive director of Charles Taylor Consulting plc, Kames Capital plc and Hermes Fund Managers Limited, where he is Chairman of the Audit Committee.

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

Managers

Marcus Phayre-Mudge

Marcus Phayre-Mudge, Fund Manager – Sigma Share Class up to 31 March 2011 – Fund Manager Ordinary Share Class from 1 April 2011. He joined Henderson Global Investors in January 1997, initially managing the direct property portfolio within the Trust and latterly focusing on real estate equities, managing a number of UK and Pan European real estate equity funds in addition to activities in the Trust. Marcus moved to Thames River Capital in October 2004 where he is also fund manager of Thames River Property Growth & Income Fund Limited. Prior to joining Henderson, Marcus was an investment surveyor at Knight Frank (1990) and was made an Associate Partner in the fund management division (1995). He qualified as a Chartered Surveyor in 1992 and has a BSc (Hons) in Land Management from Reading University.

James Wilkinson

James Wilkinson, Fund Manager – Sigma Share Class from 1 April 2011. James joined the Trust's team at Henderson in October 2002, taking responsibility for the direct property investments. He was also a portfolio manager and member of the property securities team at Henderson. James moved with Marcus to Thames River Capital in October 2004 gradually increasing his involvement in the equities component of the Trust. James was appointed deputy fund manager of the Thames River Property Growth & Income Fund in 2007 and is currently the lead fund manager for the Thames River Real Estate Securities Fund. Prior to joining Henderson he was Associate Partner at Healey & Baker Investment Managers where he spent six years. James qualified as a Chartered Surveyor in 1998. He has a BA (Hons) in Philosophy from University of East Anglia and an MA in Property Valuation and Law from City University Business School.

Jo Elliott

Jo Elliott, Finance Manager, has been Finance Manager since 1995, first at Henderson Global Investors then, since January 2005, at Thames River Capital, when she joined as CFO for the property team. She joined Henderson Investors in 1995, where she most recently held the position of Director of Property, Finance & Operations, Europe. Previously she was Corporate Finance Manager with London and Edinburgh Trust plc and prior to that was an investment/treasury analyst with Heron Corporation plc. Jo has a BSc (Hons) in Zoology from the University of Nottingham and qualified as a Chartered Accountant with Ernst & Young in 1989.

George Gay

George Gay, Direct Property Fund Manager, has been the direct property fund manager since 2008. He joined Thames River Capital in 2005 as assistant direct property manager and qualified as a Chartered Surveyor in 2006. George was previously at niche City investment agent, Morgan Pepper where as an investment graduate he gained considerable industry experience. He has an MA in Property Valuation and Law from City University.

Other members of Thames River Capital's Property Fund Management team include Alban Lhonneur, Daniel Winterbottom and Paul May. Further details can be found at www.thamesriver.co.uk

Directors' Remuneration Report

Introduction

This report has been prepared in compliance with Part 15 of the Companies Act 2006 and the Large and Medium-Sized Companies and Group (Accounts and Reports) Regulations 2008. The report also meets the relevant Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to directors' remuneration. A resolution to approve the report will be proposed at the AGM.

Consideration by the Directors of Matters relating to Directors' Remuneration

Directors' remuneration is reviewed annually by the Management Engagement Committee which was formed in November 2006 and comprises the Chairman and all directors of the Trust. The Management Engagement Committee last met in March 2012. At this meeting it was agreed that there would be no change to directors' remuneration for 2012/13.

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 terms of their appointment are detailed in a letter to them when they join the Board. The Trust'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 Trust's policy is that the fees payable to the directors should reflect the time spent by the Board on the Trust'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, the Chairman of the Audit Committee and the Senior Independent Director to be paid higher fees than the other directors in recognition of their more onerous roles. It is intended that this policy will continue for the forthcoming year.

For the year ended 31 March 2012, directors' fees were paid at the annual rates of Chairman: £70,000 (2011: £70,000), Audit Committee Chairman and Senior Independent Director: £35,000 (2011: £35,000) and all other directors: £30,000 (2011: £30,000). The actual amounts paid to the directors during the financial year under review are as shown in the table below.

Amount of each director's emoluments (audited)

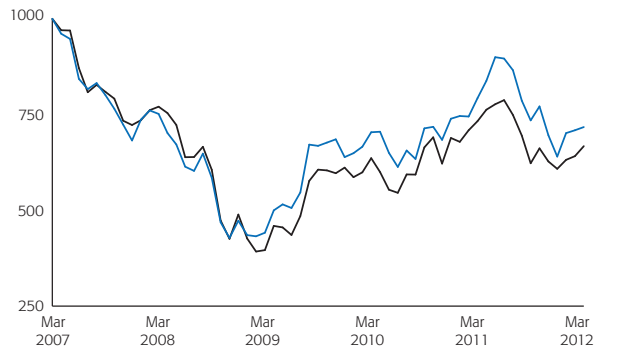
The fees payable in respect of each of the directors who served during the financial year were as follows:

	31 March 2012 £	31 March 2011 £
C M Burton	**30,000**	30,000
S Marrison (appointed on 28 September 2011)	**15,245**	–
P L Salsbury	**70,000**	70,000
H Seaborn	**30,000**	30,000
P Spencer	**35,000**	35,000
R A Stone	**35,000**	35,000
P H Wolton (retired on 31 January 2011)	**–**	25,083
TOTAL	**215,245**	225,083

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

Directors' Remuneration Report *continued*

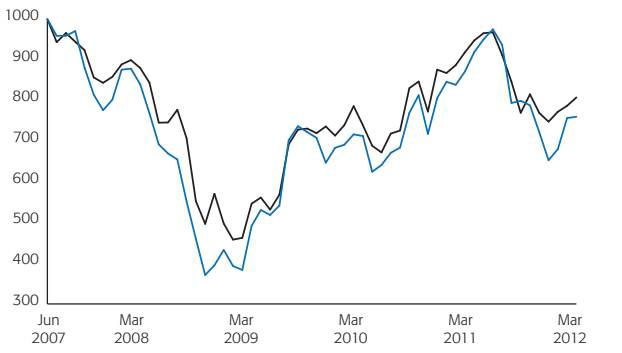
Performance Graph – Share Price Total Return for Ordinary Share Class



TR Property Ordinary share price total return, assuming the investment of £1,000 on 31 March 2007 and the reinvestment of all dividends (excluding dealing expenses). (Source: Thames River Capital.)

FTSE EPRA/NAREIT Developed Europe Total Return Index (in Sterling) assuming the notional investment of £1,000 into the Index on 31 March 2007 and the reinvestment of all income (excluding dealing expenses). (Source: Thames River Capital.)

Performance Graph – Share Price Total Return for Sigma Share Class



TR Property Sigma share price total return, assuming investment of £1,000 on launch date, 24 July 2007 and the reinvestment of all dividends (excluding dealing expenses). (Source: Thames River Capital.)

FTSE EPRA/NAREIT Developed Europe Total Return Index (in Sterling) until March 2009 then FTSE EPRA/NAREIT Small Cap Developed Europe Total Return Index (in Sterling) thereafter, assuming the notional investment of £1,000 into the Index on 24 July 2007 and the reinvestment of all income (excluding dealing expenses). (Source: Thames River Capital.)

By order of the Board
Jonathan Carslake
For and on behalf of
Capita Company Secretarial Services
Secretary
8 June 2012

Report of the Directors

The directors present the audited accounts of the Group and the Company and their report for the year ended 31 March 2012. The Group comprises TR Property Investment Trust plc and its subsidiaries. The review of the business of the Company, recent events and outlook are contained within the Chairman's Statement, on pages 6 to 9, which forms part of this Report of the Directors by reference.

Status

The Company is an investment company, as defined in Section 833 of the Companies Act 2006, and operates as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010. It is required to seek HM Revenue & Customs' ("HMRC") approval of its status as an investment trust under the above-mentioned Section 1158 every year, and this approval will continue to be sought. HMRC approval of the Company's status as an investment trust has been received in respect of the year ended 31 March 2011. The directors are of the opinion that the Trust has subsequently conducted its affairs in a manner which will enable it to continue to gain such approval. The Trust has no employees and the 'close company' provisions do not apply. With effect from 1 January 2012 the conditions and process for approval as an investment trust have been simplified. The directors do not consider that the simplifications will have any impact on the Company's status as an investment trust.

Share capital

At 31 March 2012, the Company has two classes of share: Ordinary shares of 25 pence each and Sigma shares of 12.5 pence each. The Ordinary shares represent 80.4% and the Sigma shares represent 19.6% of equity shareholders' funds.

Business Review

The following review is designed to provide information primarily about the Group's business and results for the year ended 31 March 2012 and covers:

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

The results and performance of the two share classes are reviewed separately. Full details of each portfolio, the results for the financial year to 31 March 2012 and the Manager's views on the outlook for the coming financial year for each share class are covered in the Manager's Report for the Ordinary share class on pages 16 to 20 and for the Sigma share class on pages 30 to 34.

Ordinary share class

Objective and Strategy

The objective of the Ordinary share class of the Trust is to maximise the shareholders' total returns by investing in property shares and investment property on an international basis.

As at 31 March 2012, 89.6% of the Ordinary share class' net assets were invested in Pan-European listed property securities and 10.4% in directly owned UK real estate.

The Ordinary share class portfolio is focused on total return. 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 investment policies are described on page 2.

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

Revenue and Dividends

	2012	2011	Change
Revenue earnings per share	**7.07p**	6.94p	+1.9%
Dividends per share	**6.60p**	6.00p	+10.0%

Total returns per Ordinary share, which include capital gains and losses on investments, amounted to a loss of 17.37p per share.

The capital loss of 24.44p per share was reflective of the performance of the property equity market through the period which is covered in detail in the Manager's Report.

Revenue earnings per share increased by 1.9%. Details are set out in the Manager's Report on page 18.

The directors recommend the payment of a final dividend of 4.20p per Ordinary share. Subject to approval at the AGM, the dividend will be paid on 1 August 2012 to shareholders on the register on 6 July 2012. The Ordinary shares will be quoted ex-dividend from 4 July 2012. The total dividend in respect of the year is, therefore, 6.60p per Ordinary share, an increase of 10.0% over the prior year.

With earnings of 7.07p, the dividend for the year of 6.60p is fully covered. In arriving at their dividend proposal the directors also reviewed the income forecasts for the year to March 2013.

The dividends shown in the Group Statement of Changes in Equity for the year are those dividends which have actually been paid in the period, i.e. the final dividend relating to the financial year ended 31 March 2011 (3.70p per share) and the interim dividend for this period (2.40p per share).

Report of the Directors *continued*

Capital Return

	2012	2011	Change
NAV per share	**183.62p**	207.08p	-11.3%
Share price	**154.50p**	177.10p	-12.8%

Shareholders' funds fell by 11.3%. The Benchmark declined by -12.8% on a price only basis.

Details of the investments are shown within the Manager's Report on pages 21 to 27.

Property Valuation

Valuations of all the Group's properties as at 31 March 2012 have been carried out by an external independent valuer. These valuations have been adopted in the accounts. Details of the values and changes in investments are shown in note 10 to the financial statements.

Performance Measurement

The directors consider performance measured against the benchmark to be the key performance indicator for the share class.

For the year to 31 March 2012 the Benchmark was the FTSE EPRA/NAREIT Developed Europe Total Return Index in Sterling. This index, calculated by FTSE, is free float based and currently has 84 constituent companies.

On a total return basis the share class returned -8.5% against the benchmark total return of -8.9%.

The performance for the financial year just ended and the outlook for the forthcoming financial year are covered in detail in the Chairman's Statement, Market Background and Outlook and Ordinary Share Class Manager's Report on pages 6 to 20.

From 1 April 2012 the benchmark for the share class will be the FTSE EPRA/NAREIT Developed Europe Net Total Return Index in Sterling. This benchmark is calculated in exactly the same way as the previous benchmark, however, it takes into account the fact that dividends are generally received net of withholding tax. This is considered to be a closer representation of the Company's own position than the gross of tax benchmark, and will present a fairer reflection of the Company's performance. It will also enable some simplification of the performance fee arrangement which is described in detail later in this Statement.

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 171 million Ordinary shares have been repurchased since the Board first took the decision to buy back shares in 1999. During the year to 31 March 2012, the Company did not repurchase any Ordinary shares.

Sigma Share Class

Objective and Strategy

The objective of the Sigma share class is to maximise the shareholders' total returns by investing in the shares of smaller property companies on an international basis.

The definition of smaller companies is set out through the market capitalisation of the constituents of the benchmark which is adjusted annually as described below.

As at 31 March 2012 the portfolio was invested in Pan European property shares.

As with the Ordinary share class, the Sigma share class is a dedicated investor in the real estate sector and will continue to adhere to this strategy.

Revenue and Dividends

	2012	2011	Change
Revenue earnings per Sigma share	**2.60p**	2.57p	+1.2%
Dividends per Sigma share	**2.60p**	2.15p	+20.9%

Total earnings per Sigma share, which include capital gains and losses on investments, amounted to a loss of 17.83p per share.

Revenue earnings for the period amounted to 2.60p per Sigma share.

The dividends shown in the Group Statement of Changes in Equity for the year are those dividends which have actually been paid in the period, i.e the final dividend relating to the financial year ended 31 March 2011 (1.25p per share) and the interim dividend for this period (0.95p per share).

The directors recommend the payment of a final dividend of 1.65p per Sigma share. Subject to approval at the AGM, the dividend will be paid on 1 August 2012 to shareholders on the register on 6 July 2012. The Sigma shares will be quoted ex-dividend from 4 July 2012. The total dividend in respect of the year is, therefore, 2.60p per Sigma share, an increase of almost 21% over the prior year dividend.

Capital Return

	2012	2011	Change
NAV per Sigma share	**94.62p**	111.94p	-15.5%
Sigma share price	**70.70p**	83.45p	-15.3%

Falls in property equity prices resulted in a decrease in shareholders' funds of -15.5% per Sigma share. Over the same period the price only element of the benchmark declined by -15.3%.

Details of the investments held in the Sigma portfolio are shown in the Manager's Report on pages 35 to 41.

Performance Measurement

The directors consider performance measured against the benchmark to be the key performance indicator for the share class.

The benchmark, provided by FTSE, is the FTSE EPRA/NAREIT Small Cap Developed Europe Total Return Index in Sterling. This is the FTSE EPRA/NAREIT

Report of the Directors *continued*

Developed Europe Index in Sterling adjusted to exclude those stocks with a market cap exceeding a defined level or "Cap". The Cap is redefined each year by reference to the overall capital movement of the Small Cap Index over the preceding Financial Year. For the year to 31 March 2012 the Cap was £1.1bn. For the year to 31 March 2013, the Cap will be £0.97bn.

The constituents are reviewed annually. In order to avoid volatility, at the annual review, only companies with a Sterling equivalent market capitalisation of 20% or more in excess of the revised Cap will leave the benchmark. Existing EPRA Developed Europe constituents join only if their Sterling equivalent market capitalisation is 20% or more less than the revised Cap. During the year, any company joining the FTSE EPRA/NAREIT Developed Europe Total Return Index will also join the small cap index if the Sterling equivalent of their market capitalisation is less than the defined Cap at the time of entry.

On a total return basis the Sigma share class returned -13.6% against a Benchmark total return of -12.1%.

From 1 April 2012 the benchmark for the share class will be the FTSE EPRA/NAREIT Small Cap Europe Net Total Return Index in Sterling. This benchmark is calculated in exactly the same way as the previous benchmark, however, it takes into account the fact that dividends are generally received net of withholding tax. This is considered to be a closer representation of the Company's own position than the gross of tax benchmark, and will present a fairer reflection of the Company's performance and also enable some simplification of the performance fee arrangement which is described in detail later in this Statement.

The performance for the financial year just ended and the outlook for the forthcoming financial year are covered in detail in the Chairman's Statement, Market Background and Outlook and Sigma Share Class Manager's Report on pages 6 to 14 and 31 to 34.

Share Buy-back Activity

During the year to 31 March 2012, the Company repurchased 450,000 Sigma shares. Since 1 April 2012 to the date of this report, the Company repurchased 250,000 Sigma shares.

Financial Instruments and the Management of Risk

By its nature as an investment trust, the portfolios of both share classes are 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 56 to 60.

Management Arrangements and Fees

Throughout the period investment management services have been provided by Thames River Capital LLP, accounting, custodial and administrative services by BNP Paribas Securities Services, and company secretarial services by Capita Company Secretarial Services.

The significant terms of the investment management agreement with Thames River are as follows:

- Notice Period
  The investment management agreements ("IMAs") provide for termination of the agreements by either party without compensation on the provision of not less than 12 months' written notice.
- Management Fees
  Ordinary share class
  The fee for the Ordinary share class for the period under review was a fixed fee of £2,782,500 plus an ad valorem fee of 0.20% pa based on the net asset value (determined in accordance with the Association of Investment Companies ("AIC") method of valuation) of the Ordinary share class on the last day of March, June, September and December, payable quarterly in advance.

  The fee arrangements were reviewed at the end of the financial year, and for the year to March 2013 the fixed fee element will be reduced to £2,754,325 with no change to the ad valorem fee. The fee arrangements will be reviewed once again at the end of the financial year.

  Sigma share class
  The fee for the Sigma share class for the period under review was a fixed fee of £682,500 plus an ad valorem fee of 0.30% pa based on the net asset value (determined in accordance with the AIC method of valuation) of the Sigma share class on the last day of March, June, September and December, payable quarterly in advance.

  The fee arrangements were reviewed at the end of the financial year, and for the year to March 2013 the fixed fee element will be reduced to £675,675 with no change to the ad valorem fee. The fee arrangements will be reviewed once again at the end of the financial year.

  For both share classes the management fee includes fund accounting and administrative services, safe custody and company secretarial services which are all provided by third parties. The Company 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 Company a high degree of transparency and control in respect of these services.
- Performance Fees
  In addition to the management fees, the Board has agreed to pay the Investment Manager performance related fees in respect of an accounting period if certain performance objectives are achieved. For the year under review the arrangements were:

Report of the Directors *continued*

Ordinary share class
A performance fee is payable if the total return of adjusted net assets attributable to Ordinary shareholders, 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) is known as the "percentage outperformance". Any fee payable will be the amount equivalent to the adjusted net assets attributable to Ordinary shareholders at 31 March each year multiplied by the percentage outperformance, then multiplied by 15%.

The maximum performance fee payable for the period is capped at 2% of the adjusted net assets attributable to Ordinary shareholders. However, if the adjusted net assets at the end of the period are less than at the beginning of the period, the maximum performance fee payable will be limited to 1% of the adjusted net assets attributable to the Ordinary shareholders.

If any fee exceeds the relevant cap (2% or 1% as applicable), such excess will be carried forward and applied to reduce any percentage underperformance in future periods. If the total return of Ordinary equity shareholders' funds for any performance period is less than the hurdle rate for the relevant performance periods, such underperformance (expressed as a percentage) will be carried forward. No fee will be payable unless the adjusted net assets for the particular share class outperform the hurdle rate, after taking into account any accumulated percentage underperformance for previous periods to the extent it is not offset by the overperformance offsets described above. There were no performance fees payable in the year ended 31 March 2012 (2011: nil).

Sigma share class
A performance fee is payable if the total return of adjusted net assets attributable to Sigma shareholders, 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) is known as the "percentage outperformance". Any fee payable is the amount equivalent to the adjusted net assets attributable to Sigma shareholders at 31 March each year multiplied by the percentage outperformance, then multiplied by 20%.

The maximum performance fee payable in any period is capped at 5% of the adjusted net assets attributable to Sigma shareholders unless the adjusted net assets at the end of the period are less than at the beginning of the period when the maximum performance fee payable will be limited to 1% of the adjusted net asset attributable to the Sigma shareholders. If any fee exceeds the relevant cap (5% or 1% as applicable), such excess will be carried forward and applied to reduce any percentage underperformance in future periods.

If the total return of Sigma equity shareholders' funds for any performance period is less than the hurdle rate for the relevant performance periods, such underperformance (expressed as a percentage) will be carried forward. No fee will be payable unless the adjusted net assets for the particular share class outperform the hurdle rate, after taking into account any accumulated percentage underperformance for previous periods to the extent it is not offset by the overperformance offsets described above. There were no performance fees payable in the year ended 31 March 2012 (2011: nil).

At the end of the financial period the Board undertook a review of the performance fee arrangements with the following objectives:

- Simplification of the performance fee calculation
- Increased transparency for shareholders
- Ensure attention to cost control
- Appropriate incentivisation of the Manager
- Enable the Manager to take long-term investment decisions

The Manager and the Board have agreed to a number of amendments to the performance fee arrangements to meet these objectives and to ensure that the Managers' and the Shareholders' interests are fully aligned. The principal changes are set out below.

The performance fee payable to the Manager is calculated by reference to the change in shareholders funds over each financial year, compared with the performance of a benchmark index over the same period. In order to make a valid comparison with the benchmark, the performance fee calculation requires a number of adjustments to the closing shareholders funds in order to arrive at "adjusted net assets" for each share class. To simplify the calculation the number of these adjustments has been reduced with some consequential changes to the benchmark and hurdle rate.

From 1 April 2012 the Fund will use the net of tax version of the existing indices (FTSE EPRA/NAREIT Developed Europe Net Total Return Index in Sterling for the Ordinary share class and FTSE EPRA/NAREIT Small Cap Developed Europe Net Total Return Index in Sterling for the Sigma share class) as the reference benchmarks. As a result adjustments for the income and withholding taxes suffered by the Fund will no longer need to be made.

Fund performance will be compared with the benchmark on a net of costs basis. This ensures that the manager is rewarded on the same basis as the shareholders, i.e. net of

Report of the Directors *continued*

management fees and expenses, and incentivises the manager to control all costs. Previously management fees were added back into the calculation to arrive at adjusted net assets, these will no longer be added back.

In order for a Performance fee to be paid in any financial year, the Fund performance must exceed the performance of the benchmark by over 1% (the "hurdle"). The performance fee is based on the performance in excess of the hurdle. In the previous performance fee arrangements a hurdle of 2% was required, however, as noted above, fund management fees were previously added back in the calculation of performance. The reduction of the hurdle from 2% to 1% reflects the fact that comparison of the Fund performance is now on a net of costs basis rather than a gross basis. With management fees embedded in the fund performance figures investors have greater transparency than was previously the case. The Manager is also incentivised to reduce all management costs.

It is important that the Manager is incentivised over the long term. Some investments are made with a long term view. In the volatile markets we have experienced in recent years capital preservation is paramount. Although we expect the Manager to consistently outperform the benchmark, providing it does this it should not be penalised for failing to meet the hurdle when calculating performance fees payable in subsequent years. Therefore, although the Manager must exceed the benchmark by more than 1% (the "hurdle") in any financial period in order for a performance fee to be paid, in the event that the benchmark is exceeded but the hurdle is not, that outperformance of the benchmark can be carried forward to offset past or future underperformance. These amounts can be used for offset purposes only and therefore cannot have the effect of creating a fee in a year where a fee would not otherwise be payable or increasing the fee in that year.

Under the previous arrangements underperformance of the hurdle had been carried forward in years even where there had been outperformance of the benchmark itself. This had the effect of materially increasing the hurdle to be applied despite cumulative long term outperformance of the various benchmarks in both share classes. The Board believed that these arrangements were no longer acting as an incentive.

For the Ordinary share class the performance has been recalculated incorporating the changes to the fee arrangements outlined above from 1 April 2007. This is the date on which the Fund moved from the SSSB Index to its current benchmark, the EPRA index. This exercise is solely for the purpose of calculating any carry forward of out performance or underperformance. The result is that at 31 March 2012 there is a carry forward of outperformance of 1.8% in the Ordinary share class.

For the Sigma share class the performance has been recalculated beginning on 1 April 2010. This was the date the Board introduced the current, more appropriate and stable small cap benchmark for the Sigma share class and the date on which the transition of the portfolio to meet the share class objectives had been completed. The result is that at 31 March 2012 there is a carry forward of underperformance of 1.2% in the Sigma share class.

All other terms of the Performance Fee arrangements remain in place. In particular the caps on total potential performance fees payable have not altered.

In addition, a further cap has been imposed based on the Group Equity Shareholders' Funds. Total fees paid to the Manager in any one year (Management and Performance Fees) may not exceed 4.99% of Group Equity Shareholders' Funds.

Allocation of Costs between Revenue and Capital

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 Company 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.

Allocation of Costs Between Share Classes

Each share class has its own management fee structure and is invoiced directly for management fees which are allocated between capital and revenue accounts on the basis of allocation described above.

Administration costs incurred specifically by a single share class are charged to that share class.

The remaining corporate expenses are allocated to the share class in the proportion to their relative Net Asset Values at the end of the previous accounting period.

Environmental Policy

The Company considers that good corporate governance extends to policies on the environment and has therefore adopted an environmental policy in respect of its investments in both physical property and listed property companies. Within the context of the overall aim of the Company to maximise shareholders' returns, the directors will seek to limit the Company's and its investee companies' impact on the environment and will comply with all relevant legislation relating to our operations and activities.

The environmental statements and behaviour of all the companies in which the Company invests are taken into account in decision-making. Good environmental management can play a part in overall risk management and also have a financial impact in terms of savings

Report of the Directors *continued*

through energy and water efficiency. Where appropriate, the manager will engage with investee companies to raise concerns about environmental matters.

So far as direct property investments in the Ordinary share class portfolio are concerned, the Company conducts environmental audits prior to purchase to identify possible contamination or materials considered environmentally harmful. The Company will take remedial action or enforce tenant obligations to do so wherever appropriate. Our advisers assess the environmental impact of our properties on an ongoing basis and will take all necessary action to comply with environmental responsibilities.

Annual General Meeting (the "AGM")

The AGM will be held on Tuesday, 24 July 2012 at 12 noon. The Notice of Meeting is set out on pages 90 to 93, and an explanation of the business to be conducted is given on pages 94 and 95.

Resolution 13 – Authority of directors to allot shares

A general authority to allot new shares was given to the directors at the Trust's AGM in 2011. The directors are proposing to renew the general authority to allot shares at the 2012 AGM. The authority to allot will be on broadly the same terms as the resolution passed at the 2011 AGM, and takes account of ABI guidelines. The directors have no present intention to allot new shares, however consider it appropriate to maintain the flexibility that the authority provides.

Resolutions 14 and 15 will be proposed as special resolutions which require a majority of at least 75% of those present and voting to be passed.

Resolution 14 – Disapplication of statutory pre-emption rights

This resolution will empower the directors to allot shares (or sell any shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

Resolution 15 – Authority to Purchase Own Shares

The Company's Articles permit the Company to purchase its own shares out of capital profits. Under the Listing Rules of the Financial Services Authority a company is permitted to purchase up to 14.99% of its issued equity share capital through market purchases pursuant to a general authority granted by shareholders in general meeting.

The current authority which permits the Company to purchase up to 14.99% of its issued Ordinary and Sigma shares expires at the conclusion of the forthcoming AGM. The Board believes that the Company should continue to have authority to make market purchases of its own Ordinary and Sigma shares for cancellation. The Board is therefore seeking to renew its power to make market purchases of Ordinary and Sigma shares. Accordingly, a special resolution to authorise the Company to make market purchases of up to 14.99% of the Company's issued Ordinary and Sigma share capital at the date of the AGM is proposed, with the shares purchased to be cancelled. Based on the number of shares in issue at the date of this Report, 14.99% of the Company's issued Ordinary share capital is equivalent to 38,408,128 Ordinary shares and 14.99% of the Company's issued Sigma share capital is equivalent to 18,620,878 Sigma shares. These figures have been calculated on the basis that there is no change in the issued share capital between the date of this Report and the AGM to be held on 24 July 2012.

Any purchase of shares would be made at a discount to the prevailing Net Asset Value, thus enhancing the Net Asset Value of the remaining shares. The terms of the resolution will restrict the price payable to the effect that it could not be less than 25p per share for Ordinary shares and 12.5p per share for Sigma shares (being the nominal values) and not more than 5% above the average of the closing mid-market quotations for the five business days immediately preceding the date on which the Company agrees to buy the shares concerned.

Recommendation

The directors consider that all the resolutions are in the interests of the Company and shareholders taken as a whole and recommend that all shareholders vote in favour of the resolutions, as the directors intend to, in respect of their own beneficial holdings of 181,686 Ordinary shares and 245,174 Sigma shares.

Ordinary share class	**31 March 2012**	31 March 2011
	Ordinary shares of 25p	Ordinary shares of 25p
With beneficial interest:		
C M Burton	**18,700**	18,700
S Marrison	**–**	–
P L Salsbury	**32,500**	32,500
R A Stone	**100,000**	115,000
H Seaborn	**15,486**	15,486
P Spencer	**15,000**	15,000

Sigma share class	**31 March 2012**	31 March 2011
	Sigma shares of 12.5p	Sigma shares of 12.5p
With beneficial interest:		
C M Burton	**6,600**	6,600
S Marrison	**–**	–
P L Salsbury	**115,000**	115,000
R A Stone	**60,000**	60,000
H Seaborn	**38,574**	38,574
P Spencer	**25,000**	25,000

Report of the Directors *continued*

Other Statutory Information

Directors' Interests in Shares

The directors' interests in the share capital of the Company are shown in the tables on page 53.

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 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 2012 (2011: same).

Donations

The Company made no political or charitable donations during the year (2011: nil).

Share Capital Changes

At 1 April 2012 the Company had 256,225,000 Ordinary shares and 124,472,000 Sigma shares in issue.

Since 1 April 2012 to the date of this report, the Company has made no market purchases for cancellation of Ordinary shares and has repurchased 250,000 Sigma shares.

At the AGM in 2011 the directors were given power to buy back 38,408,128 Ordinary shares. Since the AGM the directors have not bought back any Ordinary shares under this authority. The outstanding authority is therefore 38,408,128 shares. This authority will expire at the 2012 AGM. Also at the AGM in 2011, the directors were given power to buy back 18,695,828 Sigma shares of 12.5 pence each. Since the AGM the directors have bought back 500,000 Sigma shares under this authority. The outstanding authority is therefore 18,195,828 shares. This authority will also expire at the 2012 AGM. The Company will seek to renew the power to make market purchases of Ordinary and Sigma shares at this year's AGM.

Rights and obligations attaching to shares

Subject to applicable statutes and other shareholders' rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. Subject to the Articles, the Companies Act 2006 and other shareholders' rights, unissued shares are at the disposal of the Board.

Voting

At a general meeting of the Company, when voting is by a show of hands, each holder of Ordinary shares and each holder of Sigma shares has one vote. If a poll vote is called for then each holder of Ordinary shares has a weighted vote in accordance with the underlying Net Asset Value of each Ordinary share and similarly each Sigma shareholder has a weighted vote in accordance with the underlying Net Asset Value of each Sigma share. The procedure used to determine the relevant weighting of each share is outlined in the Articles. The number of votes given to each shareholder on a poll is determined by multiplying the 'Share Voting Number' by the number of shares held by each shareholder. For each class of share the 'Share Voting Number' is a number equal to the Net Asset Value of the assets attributable to that class, divided by the number of shares in that class in issue on the Voting Calculation Date (a date six weeks before the general meeting is convened). The Net Asset Values of the assets attributable to each class of shares is calculated every day by the Administrator.

Restrictions on voting

Holders of Sigma shares do not have the right to vote at general meetings of the Company on resolutions which relate only to the Ordinary shares, other than where the Board determines that such a resolution will have a substantial adverse impact on the holders of Sigma shares and/or where it is a requirement of the Listing Rules that all shareholders are entitled to vote. The same restrictions on voting apply to the holders of Ordinary shares in relation to the Sigma shares.

No member shall be entitled to vote if he has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act 2006.

Deadlines for voting rights

Votes are exercisable at the general meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives.

The Articles provide a deadline for submission of proxy forms of not less than 48 hours (or such shorter time as the Board may determine) before the meeting (not excluding non-working days).

Transfer of shares

Any shares in the Company may be held in uncertificated form and, subject to the Articles, title to uncertificated shares may be transferred by means of a relevant system. Subject to the Articles, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer must be executed by or on behalf of the transferor and (in the case of a partly-paid share) the transferee.

Report of the Directors *continued*

The Board may, in its absolute discretion and without giving any reason, decline to register any transfer of any share which is not a fully paid share. The Board may also decline to register a transfer of a certificated share unless the instrument of transfer: (i) is duly stamped or certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty and is accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require; (ii) is in respect of only one class of share; and (iii) if joint transferees, are in favour of not more than four such transferees.

The Board may decline to register a transfer of any of the Company's certificated shares by a person with a 0.25% interest (as defined in the Articles) if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act 2006, unless the transfer is shown to the Board to be pursuant to an arm's length sale (as defined in the Articles).

Significant Voting Rights – Ordinary shares

Shareholder	% of Ordinary share voting rights*
Legal & General Investment Management Limited (UK)	3.49

Declarations of interests in voting rights of the Company, at 31 March 2012, are set out above.

In addition, at 31 March 2012 the following shareholders held over 3% of the voting rights on a non-discretionary basis:

Shareholder	% of Ordinary share voting rights*
Brewin Dolphin Limited	7.19
Investec Wealth & Investment Ltd	5.90
HSBC Global Asset Management (UK) Limited	5.55
Quilter	4.71
Rathbone Investment Management Limited[1]	4.52
Collins Stewart Wealth Management	3.56
Barclays Private Bank (UK)	3.55
F&C Investment Management plc	3.21

[1]Caroline Burton, a non executive director of the Company, is also a non executive director of Rathbone Brothers plc ("Rathbone") who currently hold 11,573,223 Ordinary shares in the Company, representing circa 4.5 per cent. of the total voting rights. In her capacity as a non executive director of Rathbone, Ms Burton has no discretionary control over the Rathbone investment or voting rights in the Company.

Significant Voting Rights – Sigma shares

Shareholder	% of Sigma share voting rights*
Legal & General Investment Management Ltd. (UK)	3.53

Declarations of interests in voting rights of the Company at 31 March 2012, are set out above.

In addition at 31 March 2012 the following shareholders held over 3% of the voting rights on a non-discretionary basis:

Shareholder	% of Sigma share voting rights*
Reliance Mutual Insurance Society Ltd	6.56
Scottish Widows Investment Partnership Ltd	6.50
CG Asset Management Ltd	4.95
F&C Asset Management plc	4.49
Laxey Partners Ltd	4.14
Wells Capital Management Inc	3.73
Henderson Global Investors Ltd	3.49
Merseyside Pension Fund	3.23

*See page 54 for further information on the voting rights of Ordinary and Sigma shares.

Since 31 March 2012 to the date of this report, the Company has not been informed of any notifiable changes with respect to the Ordinary or Sigma share class holdings.

ISAs

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 Regulations. Both Ordinary shares and Sigma shares can be held in Individual Savings Accounts.

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.

To the extent permitted by law and by the Company's Articles of Association, the Company has entered into deeds of indemnity for the benefit of each director of the Company in respect of liabilities which may attach to them in their capacity as directors of the Company. These provisions, which are qualifying third party indemnity provisions as defined by section 234 of the Companies Act 2006, were introduced in January 2007 and currently remain in force.

Shareholder Information

Further information on the Company can be found on pages 97 to 99.

Going Concern

The Board has prepared forecasts which demonstrate that the Company will be able to continue to meet its liabilities as and when they fall due. In addition to its cash and remaining uncalled debt facilities, 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.

Report of the Directors *continued*

After due consideration, the Board considers that the Company has adequate resources to meet its business needs and it is therefore appropriate to adopt the going concern basis in preparing these financial statements.

Corporate Governance

Corporate Governance Report

The Board of directors is accountable to shareholders for the governance of the Company's affairs.

Application of the AIC Code's Principles

This statement describes how the principles of the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council (the "FRC") in May 2010 have been applied to the affairs of the Company. The Code can be viewed at www.frc.org.uk.

In applying the principles of the Code, the directors have also taken account of the Code of Corporate Governance published by the AIC, which established the framework of best practice specifically for the Boards of investment trust companies. There is some overlap in the principles laid down by the two Codes and there are some areas where the AIC Code is more flexible for investment trust companies. The AIC Code can be viewed at www.theaic.co.uk.

The directors believe that during the period under review they have complied with the provisions of the Code, insofar as they apply to the Company's business, and with the provisions of the AIC Code.

Composition and Independence of the Board

The Board currently consists of seven directors, all of whom are non-executive and are independent of the Investment Manager. None of the directors have any other links to the Investment Manager. The Trust believes that diversity of experience and approach, including gender diversity, amongst board members is of great importance and it is the Trust's policy to give careful consideration to issues of board balance and diversity when making new appointments.

Powers of the directors

Subject to the Company's Articles of Association, the Companies Act and any directions given by special resolution, the business of the Company is managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. In particular, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertakings, property, assets and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company to any third party.

Directors

The Chairman is Mr Salsbury. The directors' biographies, on page 44, demonstrate the breadth of investment, commercial and professional experience relevant to their positions as directors of the Company.

Directors' retirement by rotation and re-election is subject to the Articles of Association, the UK Corporate Governance Code and the AIC Code of Corporate Governance.

In accordance with the UK Corporate Governance Code, all directors will be subject to annual re-election.

The Board has considered the continued appointments of Mr Salsbury, who has served on the Board for fourteen years and Ms Burton who has served on the Board for ten years. They have no other links to the Investment Manager. The Board subscribes to the AIC Code view that length of tenure is not necessarily an issue, rather the directors' contribution. The Board is conscious of the benefits of continuity on the Board and believes that retaining directors with sufficient experience of both the Company and the markets is of great benefit to shareholders. Moreover, long-serving directors are less likely to take a short-term view. The Board has concluded that Mr Salsbury and Ms Burton continue to make valuable contributions and, notwithstanding their length of service, believes that they remain independent in character and judgement.

Mr Stone, who has served on the Board since 2000, will not be seeking re-election and he will retire from the Board of directors following the AGM on 24 July 2012. Following Mr Stone's retirement from the Board, Ms Burton will become the Senior Independent Director of the Trust.

Mr Seaborn and Mr Spencer, being eligible, will also offer themselves for re-election in accordance with the UK Corporate Governance Code. The Board has concluded that Mr Seaborn and Mr Spencer continue to make valuable contributions and believe that they remain independent in character and judgement.

Mr Marrison was appointed to the Board with effect from 28 September 2011. Mr Marrison has considerable experience in the European property arena and is Head of Europe and Chief Investment officer for LaSalle Investment Management.

Mr Watson was appointed to the Board with effect from 1 April 2012. Mr Watson is a Chartered Accountant and has wide experience in financial services, including the operation and oversight of Unit and Investment Trusts. He is a non-executive director of Charles Taylor Consulting plc, Kames Capital plc and Hermes Fund Managers Limited.

In accordance with the Articles of Association, resolutions to elect Mr Marrison and Mr Watson will be proposed at the forthcoming AGM.

Accordingly, all directors are regarded as being free of any conflicts of interest and no issues in respect of independence arise.

Board Committees

The Board has established an Audit Committee and a Management Engagement Committee, which also carries out the functions of a Remuneration Committee. Further

Report of the Directors *continued*

details are set out below. The Board does not have a Nominations Committee. This function is carried out by the Board as part of the agenda of regular Board meetings when required.

Audit Committee
The Audit Committee ("the Committee") comprises all the members of the Board. It has been the Trust's policy, as a small Board, to include all directors on all committees. This encourages unity, clear communication and prevents duplication of discussion between the Board and the Audit Committee. The Committee Chairman is Mr Spencer. 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 Trust's 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 Manager's internal audit and compliance departments may attend these meetings at the Chairman's request.

Non-audit fees of £18,000 (including VAT) were paid to Ernst & Young LLP for tax compliance work. The Board monitors the Company's relationship with its external auditor with a view to ensuring that the external auditor does not provide non-audit services that have the potential to impair or appear to impair the independence of their audit role.

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 Manager.

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

Management Engagement Committee
The Management Engagement Committee ("MEC") comprises the Chairman and all directors of the Company.

The MEC meets at least on an annual basis, towards the end of the financial year. The MEC met in March 2012.

The MEC reviews, on an annual basis, the performance of Thames River and its continued suitability to manage the Company's portfolio. It also reviews the terms of the Investment Management Agreement, to ensure they are competitive and fair and in the best interests of the shareholders, and to negotiate terms where appropriate. At the MEC meeting in March 2012, the MEC confirmed that Thames River should be retained as the Investment Manager for the financial year ending 31 March 2013.

In addition to the Investment Management role, the Board has delegated to external third parties the custodial services (which include the safeguarding of assets), the day to day accounting, company secretarial services, administration and registration services. Each of these contracts was entered into after full and proper consideration of the quality 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 MEC.

In addition to the reviews by the MEC the Board reviews and considers performance reports from the Investment Manager at each Board meeting. The Board also receives regular reports from the Administrator and Company Secretary and the Investment Manager also reports to the Board on the performance of all other third party service providers.

Directors' Remuneration
Directors' remuneration is reviewed by the MEC on an annual basis. The MEC 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 results of the most recent review are set out in the Directors' Remuneration Report on pages 46 and 47.

The Company's Articles of Association limit the aggregate fees payable to the Board to a total of £250,000 per annum. Detailed information on the remuneration arrangements for the directors of the Company can be found in the Directors' Remuneration Report.

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 on display at the AGM.

Performance Evaluation
The Board evaluation process this year was focused on identifying where performance had improved and where there is more to do.

The performance of the Board, Audit Committee and the Chairman were considered separately. Questionnaires were completed by each Member of the Board, externally collated, and the Chairman interviewed board

Report of the Directors *continued*

members individually. The Chairman's effectiveness was assessed by all other board members and views fed back to the Senior Independent Director.

The Chairman and the Senior Independent Director confirm that the performance of each director continues to be effective and demonstrates their commitment to their role. This includes extensive time for ad hoc communications throughout the year in addition to formal board and committee meetings.

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

All directors, apart from Richard Stone who is retiring, are offering themselves for re-election at the Company's forthcoming AGM. It is considered that each of them merit re-election by shareholders.

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 Committees held during the year under review, and the attendance of individual directors, are shown below:

Meetings

	Board	Audit	MEC
No. of meetings in the year	**6**	**2**	**1**
Peter Salsbury	6	2	1
Caroline Burton	6	2	1
Simon Marrison*	3/3	1/1	1
Richard Stone	6	2	1
Hugh Seaborn	6	2	1
Paul Spencer	6	2	1

*Appointed on 28 September 2011.

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

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 Manager. 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 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 48 to 52.

Conflicts of Interest
In line with the Companies Act 2006, the Board has the power to authorise any potential conflicts of interest that may arise and impose such limits or conditions as it thinks fit. A register of conflicts is maintained and is reviewed at every Board meeting to ensure all details are kept up-to-date. Appropriate authorisation will be sought prior to the appointment of any new director or if any new conflicts arise.

Internal Controls
The Board has overall responsibility for the Group's systems of internal controls and for reviewing their effectiveness. The 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.

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

Report of the Directors *continued*

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, 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 Manager.

The effectiveness of the internal controls is assessed on a continuing basis by the Compliance and Risk departments of the Manager, the Administrator and the Company 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.

As the Company has no employees and its operational functions are undertaken by third parties, the Audit Committee does not consider it necessary for the Company to establish its own internal audit function. Instead, the Audit Committee relies on internal control reports received from its principal service providers to satisfy itself as to the controls in place.

The Board has established a process for identifying, evaluating and managing any major risks faced by the Group. The Board undertakes an annual review of the Group's system of internal controls in line with the Turnbull guidance. Business risks have also been analysed by the Board and recorded in a risk map that is reviewed regularly. Each quarter the Board receives a formal report from each of the Manager, the Administrator and the Company 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 Capita Company Secretarial Services, which, through its nominated representative, is responsible for ensuring that the Board and Committee procedures are followed and that applicable regulations are complied with.

These controls have been in place throughout the period under review and up to the date of signing the accounts.

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.

The exercise of voting rights attached to the Trust's portfolio has been delegated to Thames River who take a global approach to engagement with issuers and their management in all of the jurisdictions in which it invests. Thames River are required to include on their website a disclosure about the nature of their commitment to the FRC's Stewardship Code and details may be found at www.thamesriver.co.uk.

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 of the Net Asset Value of the Company's Ordinary and Sigma shares which is published at the London Stock Exchange, and interim management statements.

This information is also available on the Company's website, www.trproperty.co.uk together with a monthly factsheet and Manager commentary.

At each AGM a presentation is made by the Managers 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 96.

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

Policies relating to physical property either held directly or by the companies in which the Trust invests, is described in the Directors' Report under Environmental Policy on page 52.

The Company's objective remains the long-term maximisation of shareholders' total return.

Compliance Statement

The directors acknowledge that the Company did not

Report of the Directors *continued*

comply with the following provisions of the UK Corporate Governance Code in the year ended 31 March 2012.

A.2.1 Due to the nature and structure of the Company the Board of non-executive directors does not feel it is necessary to appoint a chief executive.

B.2.1 The Board does not have a separate Nominations Committee. This function is carried out by the Board as part of the agenda of regular Board meetings when required.

C.3.5 As the Company has no employees and its operational functions are undertaken by third parties, the Audit Committee does not consider it necessary for the Company to establish its own internal audit function.

D.2.1 The Board does not have a separate Remuneration Committee. The functions of a Remuneration Committee are carried out by the MEC.

Statutory Auditor
The Audit Committee is satisfied that Ernst & Young LLP is independent of the Company. A resolution to re-appoint Ernst & Young LLP as the Company's Auditor will be put to shareholders at the forthcoming AGM.

Directors' statement as to disclosure of information to auditors
The directors who were members of the board at the time of approving the directors' report are listed on page 44. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the group's auditors in connection with preparing 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.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Responsibility statement
Each of the directors listed on page 44 confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' Report, includes a fair review of the development and performance of the business and the position of the Trust, together with a description of the principal risks and uncertainties that it faces.

By order of the Board
Jonathan Carslake
For and on behalf of
Capita Company Secretarial Services
Secretary

8 June 2012

Statement of directors' responsibilities in relation to the Group financial statements

The directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Under Company Law the directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that period. In preparing the Group financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board
Peter Salsbury
Chairman

8 June 2012

The Board members are listed on page 44.

Independent Auditors' Report

to the members of TR Property Investment Trust plc

We have audited the financial statements of TR Property Investment Trust plc for the year ended 31 March 2012 which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Changes in Equity, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 61, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2012 and of the group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 55, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Ashley Coups (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

11 June 2012

Group Statement of Comprehensive Income

for the year ended 31 March 2012

Notes		Year ended 31 March 2012 Revenue Return £'000	Capital Return £'000	Total £'000	Year ended 31 March 2011 Revenue Return £'000	Capital Return £'000	Total £'000
	Investment income						
2	Investment income	**26,364**	**–**	**26,364**	25,191	–	25,191
4	Other operating income	**51**	**–**	**51**	37	–	37
3	Gross rental income	**3,257**	**–**	**3,257**	3,041	–	3,041
3	Service charge income	**1,249**	**–**	**1,249**	1,222	–	1,222
10	(Losses)/gains on investments held at fair value	**–**	**(83,856)**	**(83,856)**	–	71,516	71,516
	Net movement on foreign exchange	**–**	**827**	**827**	–	149	149
10	Net returns on contracts for difference	**52**	**230**	**282**	29	(22)	7
	Total income/(loss)	**30,973**	**(82,799)**	**(51,826)**	29,520	71,643	101,163
	Expenses						
5	Management and performance fees	**(3,197)**	**(1,598)**	**(4,795)**	(3,186)	(1,593)	(4,779)
5	Repayment of prior years' VAT	**144**	**72**	**216**	73	37	110
3	Direct property expenses, rent payable and service charge costs	**(1,795)**	**–**	**(1,795)**	(1,577)	–	(1,577)
6	Other administrative expenses	**(875)**	**–**	**(875)**	(850)	–	(850)
	Total operating expenses	**(5,723)**	**(1,526)**	**(7,249)**	(5,540)	(1,556)	(7,096)
	Operating profit/(loss)	**25,250**	**(84,325)**	**(59,075)**	23,980	70,087	94,067
7	Finance costs	**(1,592)**	**(1,592)**	**(3,184)**	(1,479)	(1,479)	(2,958)
	Profit/(loss) from operations before tax	**23,658**	**(85,917)**	**(62,259)**	22,501	68,608	91,109
8	Taxation	**(2,302)**	**1,070**	**(1,232)**	(1,497)	828	(669)
	Total comprehensive income/(loss)	**21,356**	**(84,847)**	**(63,491)**	21,004	69,436	90,440
9a	**Earnings/(loss) per Ordinary share**	**7.07p**	**(24.44)p**	**(17.37)p**	6.94p	20.61p	27.55p
9b	**Earnings/(loss) per Sigma share**	**2.60p**	**(17.83)p**	**(15.23)p**	2.57p	13.25p	15.82p

The Total column of this statement represents the Group's Statement of Comprehensive Income, 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 Companies. All items in the above statement derive from continuing operations.

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

The notes on pages 67 to 89 form part of these accounts.

Group and Company Statement of Changes in Equity

for the year ended 31 March 2012	Share Capital* Ordinary £'000	Share Capital* Sigma £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Retained Earnings* Ordinary £'000	Retained Earnings* Sigma £'000	Total £'000
At 31 March 2011	64,056	15,615	43,162	43,638	393,743	110,229	670,443
Net loss for the period	–	–	–	–	(44,500)	(18,991)	(63,491)
Shares repurchased	–	(56)	–	56	–	(333)	(333)
Dividends paid	–	–	–	–	(15,630)	(2,744)	(18,374)
At 31 March 2012	**64,056**	**15,559**	**43,162**	**43,694**	**333,613**	**88,161**	**588,245**

for the Year ended 31 March 2011	Share Capital* Ordinary £'000	Share Capital* Sigma £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Retained Earnings* Ordinary £'000	Retained Earnings* Sigma £'000	Total £'000
At 31 March 2010	64,181	15,615	43,162	43,513	338,641	92,965	598,077
Net profit for the period	–	–	–	–	70,678	19,762	90,440
Shares repurchased	(125)	–	–	125	(826)	–	(826)
Dividends paid	–	–	–	–	(14,750)	(2,498)	(17,248)
At 31 March 2011	64,056	15,615	43,162	43,638	393,743	110,229	670,443

* The Ordinary/Sigma split is for information only and has not been audited.

The notes on pages 67 to 89 form part of these accounts.

Group and Company Balance Sheets

as at 31 March 2012

Notes		Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
	Non-current assets				
10	Investments held at fair value	**639,742**	**617,992**	721,572	700,872
10	Investments in subsidiaries	**–**	**48,202**	–	44,753
		639,742	**666,194**	721,572	745,625
	Current assets				
12	Debtors	**7,158**	**7,076**	8,892	8,637
	Cash and cash equivalents	**4,389**	**4,128**	4,188	3,876
		11,547	**11,204**	13,080	12,513
14	**Current liabilities**	**(45,005)**	**(89,018)**	(45,819)	(87,547)
	Net current liabilities	**(33,458)**	**(77,814)**	(32,739)	(75,034)
	Total assets less current liabilities	**606,284**	**588,380**	688,833	670,591
14	**Non-current liabilities**	**(18,039)**	**(135)**	(18,390)	(148)
	Net assets	**588,245**	**588,245**	670,443	670,443
	Capital and reserves				
15	Called up share capital	**79,615**	**79,615**	79,671	79,671
16	Share premium account	**43,162**	**43,162**	43,162	43,162
16	Capital redemption reserve	**43,694**	**43,694**	43,638	43,638
17	Retained earnings	**421,774**	**421,774**	503,972	503,972
	Equity shareholders' funds	**588,245**	**588,245**	670,443	670,443
	Net asset value per:				
20a	Ordinary share	**183.62p**	**183.62p**	207.08p	207.08p
20b	Sigma share	**94.62p**	**94.62p**	111.94p	111.94p

These accounts were approved by the directors of TR Property Investment Trust plc (Company No: 84492) and authorised for issue on 8 June 2012.

P Salsbury – Director

The notes on pages 67 to 89 form part of these accounts.

Group and Company Cash Flow Statements

as at 31 March 2012

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Reconciliation of operating revenue to net cash inflow from operating activities				
(Loss)/profit from operations before tax	**(62,259)**	**(61,901)**	91,109	90,908
Financing activities	**3,184**	**3,628**	2,958	3,774
Losses/(gains) on investments and derivatives held at fair value through profit or loss	**83,029**	**81,677**	(71,665)	(72,680)
Decrease/(increase) in accrued income	**453**	**431**	(349)	(271)
Net purchases of investments	**(2,106)**	**(3,173)**	(4,259)	(18,232)
Decrease/(increase) in sales settlement debtor	**1,905**	**1,905**	(2,071)	(2,071)
(Decrease)/increase in purchase settlement creditor	**(4,142)**	**(4,142)**	4,268	4,268
(Increase)/decrease in other debtors	**(426)**	**(577)**	4,056	3,552
(Decrease)/increase in other creditors	**(66)**	**2,219**	224	15,570
Scrip dividends included in investment income	**–**	**–**	(837)	(837)
Net cash inflow from operating activities before interest and taxation	**19,572**	**20,067**	23,434	23,981
Interest paid	**(3,184)**	**(3,628)**	(2,958)	(3,774)
Taxation paid	**(1,679)**	**(1,679)**	(1,329)	(1,329)
Net cash inflow from operating activities	**14,709**	**14,760**	19,147	18,878
Financing activities				
Equity dividends paid	**(18,374)**	**(18,374)**	(17,248)	(17,248)
Repurchase of shares	**(333)**	**(333)**	(826)	(826)
Drawdown/(repayment) of loans	**3,372**	**3,372**	(8,538)	(8,538)
Net cash used in financing activities	**(15,335)**	**(15,335)**	(26,612)	(26,612)
Decrease in cash	**(626)**	**(575)**	(7,465)	(7,734)
Cash and cash equivalents at start of the year	**4,188**	**3,876**	11,445	11,402
Foreign exchange movements	**827**	**827**	208	208
Cash and cash equivalents at end of the year	**4,389**	**4,128**	4,188	3,876

The notes on pages 67 to 89 form part of these accounts.

Notes to the Financial Statements

1 Accounting policies

The financial statements for the year ended 31 March 2012 have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee (IASC) that remain in effect, to the extent that they have been adopted by the European Union and as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

The Group and Company financial statements are expressed in Sterling, which is their functional and presentational currency. Sterling is the functional currency because it is the currency of the primary economic environment in which the Group operates. Values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

a Basis of consolidation

The Group accounts consolidate the financial statements of the Company and its subsidiaries to 31 March 2012. 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 and Property Income Distributions (PIDs) receivable on equity shares are treated as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available, dividends receivable on or before the year end are treated as revenue for the year. Provision is made for any dividends not expected to be received. Where the Group has elected to receive these dividends in the form of additional shares rather than cash the amount of cash dividend foregone is recognised as income. Differences between the value of shares received and the cash dividend foregone are recognised in the capital returns of the Group Statement of Comprehensive Income. The fixed returns on debt securities are recognised on a time apportionment basis 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 year.

c Expenses

All expenses and finance costs are accounted for on an accruals basis. An analysis of retained earnings broken down into revenue and capital items is given in note 17. 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. One third of the management fees is deemed to relate to the administration of the Company and charged to revenue. The remainder are allocated 50% to revenue return and 50% to capital return to reflect the Board's expectations of long term investment returns. 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 return.

Expenses are allocated between the share classes as follows:

– management fees are charged separately to each share class;
– administration costs incurred specifically by a single share class are charged to that class;
– other corporate expenses are allocated to the share class in proportion to the share classes' relative net asset values at the end of the previous accounting period.

d Finance costs

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. One half of the finance costs is charged to capital return.

Finance costs are allocated to the share class utilising the capital instrument.

Notes to the Financial Statements *continued*

1 Accounting policies continued

e 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 Statement of Comprehensive Income.

The tax effect of different items of expenditure is allocated between capital and revenue for the Ordinary shares and the Sigma shares 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 brought forward tax losses held within TR Property Investment Trust plc prior to the introduction of the new Sigma share class have been split between the Ordinary shares and the Sigma shares based on the proportion of Ordinary shares converted to Sigma shares on 24 July 2007 (18.9943%). Tax losses will in the future only be transferred from one share class to another to the extent that there are insufficient current year losses available to the share class claiming the losses to cover the taxable income arising.

The Company is an investment trust under s.1158 of the Corporation Tax Act 2010 and, as such, is not liable for tax on capital gains. Capital gains arising in subsidiary companies are subject to capital gains tax.

f Investment property

Investment property

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. The purchase and sale of properties is recognised to be effected on the date unconditional contracts are exchanged.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the Group Statement of Comprehensive Income in the year in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the Group Statement of Comprehensive Income in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

Revaluation of Investment Properties

The Group carries its investment properties at fair value (market value) revalued twice a year, with changes in fair values being recognised in the Group Statement of Comprehensive Income. The Group engaged Drivers Jonas Deloitte as independent valuation specialists to determine market value as at 31 March 2012.

Valuations of Investment Properties

Determination of the market value of investment properties has been prepared on the basis defined by the RICS Valuation Standards 6th Edition (The Red Book) as follows:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Notes to the Financial Statements *continued*

1 Accounting policies continued

The valuation takes into account future cash flow from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These assumptions are based on local market conditions existing at the balance sheet date.

In arriving at their estimates of market values as at 31 March 2012, the valuers have used their market knowledge and professional judgement and have not only relied solely on historical transactional comparables.

Rental income

Rental income receivable under operating leases is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option. Premiums received to terminate or extend leases are recognised in the capital account of the Group Statement of Comprehensive Income when they arise.

Service charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the period in which the expense can be contractually recovered. Service charges and other such receipts are included gross of the related costs in revenue as the directors consider that the Group acts as principal in this respect.

g 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, being the net asset value of each subsidiary.

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

Derivatives

Derivatives are held at fair value based either on traded prices or directors' fair valuation to the extent that traded prices are unavailable. Gains and losses on derivative transactions are recognised in the Group Statement of Comprehensive Income. They are recognised as capital and are shown in the capital column of the Group Statement of Comprehensive Income if they are of a capital nature and are recognised as revenue and shown in the revenue column of the Group Statement of Comprehensive Income if they are of a revenue nature. To the extent that any gains or losses are of a mixed revenue and capital nature, they are apportioned between revenue and capital accordingly.

CFDs are synthetic equities and are valued by reference to the investments' underlying market values.

Notes to the Financial Statements *continued*

1 Accounting policies continued

The sources of the returns under the derivative contract (e.g. notional dividends, financing costs, interest returns and capital changes) are allocated to the revenue and capital accounts in alignment with the nature of the underlying source of income and in accordance with the guidance given in the AIC SORP. Notional dividend income or expenses arising on long or short positions are apportioned wholly to the revenue account. Notional interest income on short positions is allocated wholly to the revenue account. Notional interest expense on long positions is apportioned between revenue and capital in accordance with the Board's long term expected returns of the Company (currently determined to be 50% to the revenue account and 50% to capital reserves). Changes in value relating to underlying price movements of securities in relation to CFD exposures are allocated wholly to capital reserves.

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 on an effective interest rate basis.

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 Statement of Comprehensive Income.

j Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits.

k Adoption of new and revised Standards

Standards and Interpretations effective in the current period

The accounting policies adopted are consistent with those of the previous consolidated financial statements except as follows.

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 April 2011:
– IAS 24 Related Party Disclosures, effective 1 January 2011;
– IAS 32 Financial Instruments: Presentation – Classification of Rights Issues, effective 1 February 2010;
– IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective 1 July 2010;
– Improvements to IFRSs (Issued May 2010), effective 1 January 2011;

When the adoption of the standard or interpretation is deemed to have an impact on the consolidated financial statements or the performance of the Group, its impact is described below:

IFRS 7 Financial Instruments – Disclosures (Amended)

The amendment emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

Early adoption of standards and interpretations

The standards issued before the reporting date that become effective after 31 March 2012 will not have a material effect on equity or profit for the subsequent period. The Group has not early adopted any new International Financial Reporting Standard or Interpretation.

Notes to the Financial Statements *continued*

1 Accounting policies continued

Standards, amendments and interpretations issued but not yet effective up to the date of issuance of the Group financial statements are listed below:

IAS 1 Financial Statement Presentation – Presentation of items of Other Comprehensive Income, effective 1 July 2012

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment will affect presentation only and has no impact on the Group's financial position or performance.

IAS 12 Income Taxes – Recovery of Underlying Assets, effective 1 January 2012

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Further, it introduces the requirement that deferred tax on depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The Group is currently assessing the full impact of the amendments.

IAS 27 Separate Financial Statements, effective 1 January 2013

As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

IAS 28 Investments in Associates and Joint Ventures, effective 1 January 2013

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures and describes the application of the equity method to investments in joint ventures in addition to associates. This amendment is not expected to have any impact on the accounting policies, financial position or performance of the Trust as it does not have any investments in Associates and Joint Ventures.

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements, effective 1 July 2011

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement, effective 1 January 2013

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements, effective 1 January 2013

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that address the accounting for consolidated financial statements. It also includes the issues raised in SIC – 12 Consolidation – Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Group is currently assessing the full impact of this standard.

IFRS 11 Joint Arrangements, effective 1 January 2013

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC – 13 Jointly-controlled Entities – Non-monetary Contributions by Venturers.

IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. JCEs under current IAS 31 that will be classified as joint ventures under IFRS 11 will transition from proportionate consolidation to the equity method by aggregating the carrying values previously recorded, testing that amount for impairment and then using that amount as deemed cost for applying the equity method going forward.

The application of this new standard will not impact the financial position of the Group.

Notes to the Financial Statements *continued*

1 Accounting policies continued

IFRS 12 Disclosure of Involvement with Other Entities, effective 1 January 2013

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

IFRS 13 Fair Value Measurement, effective 1 January 2013

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance.

IFRS 7 & IAS 32 Offsetting of Financial Instruments, effective 1 January 2013 and 1 January 2014 respectively

The amendments to IAS 32 and IFRS 7 on offsetting of financial instruments are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The clarifying amendments to IAS 32 are effective for the annual periods beginning on or after 1 January 2014. The new disclosures in IFRS 7 are required for annual periods beginning on or after 1 January 2013. The Group is currently assessing the impact that these amendments will have on the financial position.

2 Investment income

	2012 £'000	2011 £'000
Dividends from UK listed investments	**1,900**	2,583
Dividends from overseas listed investments	**18,416**	18,079
Scrip dividends from overseas listed investments	**–**	837
Interest from listed investments	**55**	331
Property income distributions	**5,993**	3,361
	26,364	25,191

3 Net rental income

	2012 £'000	2011 £'000
Gross rental income	**3,257**	3,041
Service charge income	**1,249**	1,222
Direct property expenses, rent payable and service charge costs	**(1,795)**	(1,577)
	2,711	2,686

Operating Leases

The Group has entered into commercial leases on its property portfolio. Commercial property leases typically have lease terms between 5 and 15 years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

Future minimum rentals receivable under non-cancellable operating leases as at 31 March are as follows:

	2012 £'000	2011 £'000
Within 1 year	**3,100**	2,700
After 1 year but not more than 5 years	**7,700**	7,400
More than 5 years	**2,300**	2,300
	13,100	12,400

Notes to the Financial Statements *continued*

4 Other operating income

	2012 £'000	2011 £'000
Interest receivable	**27**	13
Underwriting commission	**24**	24
	51	37

5 Management and performance fees

	2012 Revenue Return £'000	2012 Capital Return £'000	2012 Total £'000	2011 Revenue Return £'000	2011 Capital Return £'000	2011 Total £'000
Management fee	**3,197**	**1,598**	**4,795**	3,186	1,593	4,779
Repayment of prior years' VAT (Note 13)	**(144)**	**(72)**	**(216)**	(73)	(37)	(110)
Performance fee	**–**	**–**	**–**	–	–	–
	3,053	**1,526**	**4,579**	3,113	1,556	4,669

A summary of the terms of the management agreement is given in the Report of the Directors on pages 50 to 52.

6 Other administrative expenses

(including irrecoverable VAT)	2012 £'000	2011 £'000
Directors' fees (Directors' Remuneration Report on pages 46 and 47)	**215**	225
Auditors' remuneration:		
– for audit of the financial statements	**89**	85
– for audit of the financial statements of subsidiaries	**19**	18
– for other services	**18**	5
Other expenses	**534**	517
	875	850

7 Finance costs

	2012 £'000	2011 £'000
Bank loans and overdrafts repayable within 1 year	**1,413**	1,187
Debentures repayable between 1 and 5 years	**1,771**	–
Debentures repayable after more than 5 years	**–**	1,771
	3,184	2,958
Amount allocated to capital return	**(1,592)**	(1,479)
Amount allocated to revenue return	**1,592**	1,479

Notes to the Financial Statements *continued*

8 Taxation

a Analysis of charge in the year

	2012 Revenue Return £'000	2012 Capital Return £'000	2012 Total £'000	2011 Revenue Return £'000	2011 Capital Return £'000	2011 Total £'000
UK corporation tax at 26% (2011: 28%)	**756**	**(732)**	**24**	470	(766)	(296)
Overseas taxation	**1,555**	**–**	**1,555**	1,203	88	1,291
	2,311	**(732)**	**1,579**	1,673	(678)	995
Overprovision in respect of prior years	**4**	**–**	**4**	(167)	–	(167)
Current tax charge for the year	**2,315**	**(732)**	**1,583**	1,506	(678)	828
Deferred taxation	**(13)**	**(338)**	**(351)**	(9)	(150)	(159)
	2,302	**(1,070)**	**1,232**	1,497	(828)	669

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 of 26% (2011: 28%). The difference is explained below:

	2012 Revenue Return £'000	2012 Capital Return £'000	2012 Total £'000	2011 Revenue Return £'000	2011 Capital Return £'000	2011 Total £'000
Net profit on ordinary activities before taxation	**23,658**	**(85,917)**	**(62,259)**	22,501	68,608	91,109
Corporation tax charge at 26% (2011: 28%)	**6,151**	**(22,338)**	**(16,187)**	6,300	19,210	25,510
Effects of:						
Non taxable losses/(gains) on investments	**–**	**21,465**	**21,465**	–	(20,210)	(20,210)
Tax relief on expenses charged to capital	**–**	**78**	**78**	–	84	84
Non-taxable income	**–**	**(60)**	**(60)**	–	–	–
Non-taxable UK dividends	**(494)**	**–**	**(494)**	(723)	–	(723)
Non-taxable overseas dividends	**(4,782)**	**–**	**(4,782)**	(5,377)	–	(5,377)
Overseas withholding taxes	**1,555**	**–**	**1,555**	1,203	88	1,291
Overprovision in respect of prior years	**–**	**–**	**–**	(167)	–	(167)
Losses utilised not charged for	**(123)**	**–**	**(123)**	–	–	–
Disallowable expenses	**6**	**–**	**6**	4	–	4
Deferred tax not provided	**–**	**–**	**–**	268	–	268
Rate change on deferred tax	**(11)**	**–**	**(11)**	(11)	–	(11)
Current tax charge/(credit) for the year	**2,302**	**(855)**	**1,447**	1,497	(828)	669

The Group has not recognised deferred tax assets of £371,000 (2011: £949,000) arising as a result of losses carried forward. As at 31 March 2012 this asset related solely to losses in subsidiary companies. It is considered too uncertain that the Group will generate profits in these companies that the losses would be available to offset against and, on this basis, the deferred tax asset in respect of these expenses has not been recognised.

Notes to the Financial Statements *continued*

8 Taxation continued

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.

In March 2012 as part of the 2012 Budget, the UK Government announced its intention to legislate to reduce the rate of Corporation Tax to 24% with effect from April 2012, which was subsequently enacted under the provisions of the Provisional Collection of Taxes Act 1968. The effect of this reduction is reflected in the unrecognised tax assets disclosed in this note.

c Provision for deferred taxation

The amounts of deferred taxation provided at 24% (2011: 26%) comprise:

Group	2012 Revenue Return £'000	2012 Capital Return £'000	2012 Total £'000	2011 Revenue Return £'000	2011 Capital Return £'000	2011 Total £'000
Capital gains	**–**	**2,904**	**2,904**	–	3,242	3,242
Accelerated capital allowances	**135**	**–**	**135**	148	–	148
Shown as:						
Deferred tax liability	**135**	**2,904**	**3,039**	148	3,242	3,390

Company	2012 Revenue Return £'000	2012 Capital Return £'000	2012 Total £'000	2011 Revenue Return £'000	2011 Capital Return £'000	2011 Total £'000
Capital gains	**135**	**–**	**135**	148	–	148
Shown as:						
Deferred tax liability	**135**	**–**	**135**	148	–	148

The movement in provision in the year is as follows:

Group	2012 Revenue Return £'000	2012 Capital Return £'000	2012 Total £'000	2011 Revenue Return £'000	2011 Capital Return £'000	2011 Total £'000
Provision at the start of the year	**148**	**3,242**	**3,390**	157	3,392	3,549
Accelerated capital allowances	**(13)**	**–**	**(13)**	(9)	–	(9)
Capital gains	**–**	**(338)**	**(338)**	–	(150)	(150)
Provision at the end of the year	**135**	**2,904**	**3,039**	148	3,242	3,390

Company	2012 Revenue Return £'000	2012 Capital Return £'000	2012 Total £'000	2011 Revenue Return £'000	2011 Capital Return £'000	2011 Total £'000
Provision at the start of the year	**148**	**–**	**148**	157	–	157
Accelerated capital allowances	**(13)**	**–**	**(13)**	(9)	–	(9)
Provision at the end of the year	**135**	**–**	**135**	148	–	148

Notes to the Financial Statements *continued*

9 Earnings/(loss) per share

a Earnings/(loss) per Ordinary share

The earnings per Ordinary share can be analysed between revenue and capital, as below.

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Net revenue profit	**18,114**	17,793
Net capital (loss)/profit	**(62,614)**	52,885
Net total (loss)/profit	**(44,500)**	70,678
Weighted average number of shares in issue during the year	**256,225,000**	256,514,041
	pence	pence
Revenue earnings per share	**7.07**	6.94
Capital (loss)/earnings per share	**(24.44)**	20.61
(Loss)/earnings per Ordinary share	**(17.37)**	27.55

b Earnings/(loss) per Sigma share

The earnings per Sigma share can be analysed between revenue and capital, as below.

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Net revenue profit	**3,242**	3,211
Net capital (loss)/profit	**(22,233)**	16,551
Net total (loss)/profit	**(18,991)**	19,762
Weighted average number of shares in issue during the year	**124,697,820**	124,922,000
	pence	pence
Revenue earnings per share	**2.60**	2.57
Capital (loss)/earnings per share	**(17.83)**	13.25
(Loss)/earnings per Sigma share	**(15.23)**	15.82

Notes to the Financial Statements *continued*

9 Earnings/(loss) per share continued

c Reconciliation of Group and Share Class Earnings

	2012 Revenue Return £'000	2012 Capital Return £'000	2012 Total £'000
Net profit/(loss) per Group Statement of Comprehensive Income	**21,356**	**(84,847)**	**(63,491)**
Net profit/(loss) per Ordinary Share Class Statement of Comprehensive Income	**18,114**	**(62,614)**	**(44,500)**
Net profit/(loss) per Sigma Share Class Statement of Comprehensive Income	**3,242**	**(22,233)**	**(18,991)**
	21,356	**(84,847)**	**(63,491)**
Weighted average number of Ordinary shares in issue during the year	**256,225,000**	**256,225,000**	**256,225,000**
Weighted average number of Sigma shares in issue during the year	**124,697,820**	**124,697,820**	**124,697,820**
Net earnings/(loss) per Ordinary share	**7.07p**	**(24.44)p**	**(17.37)p**
Net earnings/(loss) per Sigma share	**2.60p**	**(17.83)p**	**(15.23)p**

10 Investments held at fair value

(i) Analysis of investments

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Listed in the United Kingdom	**217,459**	**217,459**	239,159	239,159
Listed overseas	**368,416**	**368,416**	438,088	438,088
Investment properties	**53,867**	**32,117**	44,325	23,625
Investments held at fair value	**639,742**	**617,992**	721,572	700,872
Investments in subsidiaries at fair value	**–**	**48,202**	–	44,753
	639,742	**666,194**	721,572	745,625

(ii) Gains on investments held at fair value

	31 March 2012 £'000	31 March 2011 £'000
Gains on sale of investments	**20,681**	29,464
Movement in investment holding gains	**(104,537)**	42,052
(Losses)/gains on investments held at fair value	**(83,856)**	71,516
Net movement on foreign exchange	**827**	149
	(83,029)	71,665

Notes to the Financial Statements *continued*

10 Investments held at fair value continued

(iii) Business segment reporting

	Valuation 31 March 2011 £'000	Net additions/ (disposals) £'000	Net appreciation/ (depreciation) £'000	**Valuation 31 March 2012 £'000**	**Gross revenue 31 March 2012 £'000**
Listed investments	677,247	(4,659)	(86,713)	**585,875**	**26,364**
Direct property	44,325	6,685	2,857*	**53,867**	**3,257**
	721,572	2,026	(83,856)	**639,742**	**29,621**
Contracts for difference	(22)	80	230	**288**	**52**
	721,550	2,106	(83,626)	**640,030**	**29,673**

(iv) Geographical segment reporting

	Valuation 31 March 2011 £'000	Net additions/ (disposals) £'000	Net appreciation/ (depreciation) £'000	**Valuation 31 March 2012 £'000**	**Gross revenue 31 March 2012 £'000**
UK listed equities and convertibles	238,105	(4,345)	(16,301)	**217,459**	**7,893**
UK direct property	44,325	6,685	2,857*	**53,867**	**3,257**
Continental European listed equities	437,254	779	(70,382)	**367,651**	**18,416**
Fixed interest	1,888	(1,093)	(30)	**765**	**55**
	721,572	2,026	(83,856)	**639,742**	**29,621**
Contracts for difference	(22)	80	230	**288**	**52**
	721,550	2,106	(83,626)	**640,030**	**29,673**

*Net appreciation/(depreciation) includes amounts in respect of rent free periods.

Included in the above figures are purchase costs of £493,000 (2011: £282,000) and sales costs of £230,000 (2011: £135,000). These comprise mainly stamp duty and commission.

(v) Substantial share interests

The Group held interests in 3% or more of any class of capital in 6 companies we invest in. None of these investments is considered significant in the context of these financial statements. See note 22 on page 89 for further details of subsidiary investments.

(vi) Fair values of financial assets and financial liabilities

Financial assets and financial liabilities are either carried in the Balance Sheet at their fair value (investments) or the balance sheet amount is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals and cash at bank).

Notes to the Financial Statements *continued*

10 Investments held at fair value continued

Fair value hierarchy disclosures

The table below sets out fair value measurements using the IFRS 7 fair value hierarchy

Financial assets at fair value through profit or loss
At 31 March 2012

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	**584,960**	**–**	**150**	**585,110**
Fixed interest investments	**765**	**–**	**–**	**765**
Contracts for difference	**–**	**288**	**–**	**288**
	585,725	**288**	**150**	**586,163**

At 31 March 2011

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	675,231	–	150	675,381
Fixed interest investments	1,888	–	–	1,888
Contracts for difference	–	(22)	–	(22)
	677,119	(22)	150	677,247

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in an active market for identical assets.
Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices within level 1.
Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the Group are explained in the accounting policies in notes 1(f) and 1(g).

There were no transfers during the year between Level 1 and Level 2.

11 Financial Instruments

Risk management policies and procedures

The Group invests in equities and other investments for the long term in pursuit of the Investment Objectives set out for each share class on pages 2 and 3. The Group is exposed to a variety of risks that could result in either a reduction or an increase in the profits available for distribution by way of dividends.

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

- Market risk (comprising price risk, currency risk and interest rate risk)
- Liquidity risk
- Credit risk

The Investment Manager's policies and processes for managing these risks are summarised on pages 79 to 84 and have been applied throughout the year.

Notes to the Financial Statements *continued*

11.1 Market Price Risk

By the very nature of its activities, the Group's investments are exposed to market price fluctuations.

Management of the risk

The Manager runs diversified portfolios for each share class and reports to the Board on the portfolio activity and performance at each board meeting. The Board monitors the investment activity and strategy to ensure it is compatible with the stated objectives for each share class.

The Group's exposure to changes in market prices on its quoted equity investments and investment property portfolio, was as follows:

	2012 £'000	2011 £'000
Investments held at fair value	**639,742**	721,572

Concentration of exposure to price risks

As set out in the Investment Policies for each share class on pages 2 and 3, there are guidelines to the amount of exposure to a single company, geographical region or direct property. These guidelines ensure an appropriate spread of exposure to individual or sector price risks. As an investment company dedicated to investment in the property sector, the Group is exposed to price movements across the property asset class as a whole.

Price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the value of shareholders' funds to an increase or decrease of 15% in the fair values of the Group's equity and direct property investments. This level of change is consistent with the illustration shown in the previous year. The sensitivity analysis is based on the Group's equity, CFD and direct property exposure at each balance sheet date, with all other variables held constant.

	2012 Increase in fair value £'000	**2012 Decrease in fair value £'000**	2011 Increase in fair value £'000	2011 Decrease in fair value £'000
Statement of Comprehensive Income – profit after tax				
Revenue return	**(127)**	**127**	(148)	148
Capital return	**95,952**	**(95,952)**	108,178	(108,178)
Change to the profit after tax for the year/shareholders' funds	**95,825**	**(95,825)**	108,030	(108,030)
Change to total earnings/(loss):				
per Ordinary share	**30.19p**	**(30.19)p**	33.39p	(33.39)p
per Sigma share	**14.85p**	**(14.85)p**	18.00p	(18.00)p

11.2 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.

Management of the risk

The Board receives a report at each board meeting on the proportion of the investment portfolio held in Sterling, Euros or other currencies. The Group may sometimes hedge foreign currency movements outside the Eurozone by funding investments in overseas securities with unsecured loans denominated in the same currency.

Cash deposits are held in Sterling and/or Euro denominated accounts.

Notes to the Financial Statements *continued*

11.2 Currency Risk continued

Foreign currency exposure

At the reporting date the Group had the following exposure:
(Sterling has been shown for reference)

Currency	2012	2011
Sterling	**33.5%**	36.2%
Euro	**48.4%**	49.6%
Swedish Krona	**9.3%**	8.8%
Other	**8.8%**	5.4%

The following table sets out the Group's total exposure to foreign currency risk and the net exposure to foreign currencies of the monetary assets and liabilities:

2012	Sterling £'000	Euro £'000	Swedish Krona £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	**4,676**	**1,422**	**1,044**	**16**
Cash at bank and on deposit	**1,940**	**547**	**1,893**	**9**
Bank loans and overdrafts	**(35,500)**	**(4,584)**	**–**	**–**
Payables (due to brokers, accruals and other creditors)	**(4,036)**	**(817)**	**–**	**–**
FFX Positions	**(26,241)**	**(2,346)**	**7,304**	**21,215**
CFD Positions (Gross Exposure)	**4,164**	**–**	**–**	**–**
Total foreign currency exposure on net monetary items	**(54,997)**	**(5,778)**	**10,241**	**21,240**
Investments held at fair value	**271,859**	**292,572**	**44,744**	**31,100**
Non-current liabilities	**(18,039)**	**–**	**–**	**–**
Total net currency exposure	**198,823**	**286,794**	**54,985**	**52,340**

2011	Sterling £'000	Euro £'000	Swedish Krona £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	2,748	2,320	3,763	61
Cash at bank and on deposit	2,512	1,121	232	323
Bank loans and overdrafts	(31,400)	(5,312)	–	–
Payables (due to brokers, accruals and other creditors)	(3,403)	(5,363)	(282)	–
FFX Positions	7,458	–	(8,896)	1,379
CFD Positions (Gross Exposure)	–	–	674	–
Total foreign currency exposure on net monetary items	(22,085)	(7,234)	(4,509)	1,763
Investments held at fair value	283,484	339,714	63,698	34,676
Non-current liabilities	(18,390)	–	–	–
Total net currency exposure	243,009	332,480	59,189	36,439

Notes to the Financial Statements *continued*

11.2 Currency Risk continued

Foreign currency sensitivity

The following table illustrates the sensitivity of the profit after tax for the year on the Group's equity in regard to the exchange rates for Sterling/Euro and Sterling/Swedish Krona and other currencies.

It assumes the following changes in exchange rates:
Sterling/Euro +/- 15% (2011: 15%)
Sterling/Swedish Krona +/- 15% (2011: 15%)
Sterling/Other +/- 15% (2011: 15%)

If Sterling had strengthened against the currencies shown, this would have had the following effect:

	Year ended 31 March 2012			Year ended 31 March 2011		
	Euro £'000	**Swedish Krona £'000**	**Other £'000**	Euro £'000	Swedish Krona £'000	Other £'000
Statement of Comprehensive Income – profit after tax						
Revenue return	**(1,793)**	**(360)**	**(85)**	(1,743)	(248)	(111)
Capital return	**(38,167)**	**(5,831)**	**(4,054)**	(44,280)	(8,389)	(4,520)
Change to the profit after tax for the year/shareholders' funds	**(39,960)**	**(6,191)**	**(4,139)**	(46,023)	(8,637)	(4,631)

	2012	2011
Change to total earnings:		
per Ordinary share	**(15.27)p**	(17.63)p
per Sigma share	**(8.98)p**	(11.30)p

If Sterling had weakened against the currencies shown, this would have had the following effect:

	Year ended 31 March 2012			Year ended 31 March 2011		
	Euro £'000	**Swedish Krona £'000**	**Other £'000**	Euro £'000	Swedish Krona £'000	Other £'000
Statement of Comprehensive Income – profit after tax						
Revenue return	**2,426**	**487**	**115**	2,359	335	150
Capital return	**51,543**	**7,890**	**5,483**	59,899	11,350	6,115
Change to the profit after tax for the year/shareholders' funds	**53,969**	**8,377**	**5,598**	62,258	11,685	6,265

	2012	2011
Change to total earnings:		
per Ordinary share	**20.65p**	23.85p
per Sigma share	**12.07p**	15.28p

Notes to the Financial Statements *continued*

11.3 Interest rate risk

Interest rate movements may affect:

- the fair value of any investments in fixed interest securities
- the fair value of the debenture loan
- the level of income receivable from cash at bank and on deposit
- the level of interest expense on any variable rate bank loans
- the prices of the underlying securities held in the portfolios

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions. Property companies usually have borrowings themselves and the level of gearing and structure of its debt portfolio is a key factor when assessing the investment in a property company.

The Group has fixed and variable rate borrowings. The interest rate on the debenture loan is fixed, details are set out in note 14. In addition to the debenture the Group has an unsecured, multi-currency revolving loan facility which carries a variable rate of interest based on the currency drawn, plus a margin. This facility totals £80,000,000 (2011: £50,000,000).

The Manager considers both the level of debt on the balance sheet of the Group (i.e. the debenture and any bank loans drawn) and the "see-through" gearing, taking into account the assets and liabilities of the underlying investments, when considering the investment portfolio. These gearing levels are reported regularly to the Board.

The majority of the Group's investment portfolio is non-interest bearing. As a result the Group's financial assets are not directly subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Interest rate risk exposure

The exposure at 31 March of financial assets and financial liabilities to interest rate risk is shown by reference to:
– floating interest rates: when the interest rate is due to be re-set
– fixed interest rates: when the financial instrument is due to be repaid.

The Group's exposure to floating interest rates on assets is £4,389,000 (2011: £4,188,000).
The Group's exposure to fixed interest rates on assets is £765,000 (2011: £1,888,000).
The Group's exposure to fixed interest rates on liabilities is £55,084,000 (2011: £51,712,000).

Interest receivable and finance costs are at the following rates:
– Interest received on cash balances, or paid on bank overdrafts, is at a margin over LIBOR or its foreign currency equivalent (2011: same)
– Interest paid on borrowings under the multi-currency loan facility is at a margin over LIBOR or its foreign currency equivalent for the type of loan
– The finance charge on the debenture stock was at an interest rate of 11.81% (2011: 11.81%).

The year end amounts are not representative of the exposure to interest rates during the year as the level of exposure changes as investments are made in fixed interest securities, borrowings are drawn down and repaid, and the mix of borrowings between floating and fixed interest rates changes.

Interest rate sensitivity

A change of 2% on interest rates at the reporting date would have had the following direct impact:

	2012 2% Increase £'000	**2012 2% Decrease £'000**	2011 2% Increase £'000	2011 2% Decrease £'000
Change to shareholders' funds	**(528)**	**528**	(468)	468
Change to total earnings/(loss):				
per Ordinary share	**(0.19)p**	**0.19p**	(0.14)p	0.14p
per Sigma share	**(0.04)p**	**0.04p**	(0.09)p	0.09p

This level of change is not representative of the year as a whole, since the exposure changes throughout the period.
This assessment does not take into account the impact of interest rate changes on the market value of the investments the Group holds.

Notes to the Financial Statements *continued*

11.4 Liquidity risk

Unquoted investments in the portfolio are subject to liquidity risk. The Group held one unquoted investment throughout the financial year (see 11.6 below).

In certain market conditions, the liquidity of direct property investments may be reduced. At 31 March 2012, 9% of the Group's investment portfolio was held in direct property investments.

At 31 March 2012, 91% of the Group's investment portfolio is held in listed securities which are predominantly readily realisable.

Management of the risk

The Manager sets guidelines for the maximum exposure of the portfolio to unquoted and direct property investments. These are set out in the Investment Policies on pages 2 and 3. All unquoted investments and direct property investments with a value over £1 million must be approved by the Board for purchase.

11.5 Credit risk

The failure of a counterparty to a transaction to discharge its obligations under that transaction could result in the Group suffering a loss.

Management of the risk

Investment transactions are carried out with a number of brokers, whose credit standing is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker. Cash at bank is only held with banks with high quality external credit ratings.

11.6 Fair values of financial assets and financial liabilities

Except for the debenture loans which are measured at amortised cost, the fair values of the financial assets and financial liabilities are either carried in the balance sheet at their fair value (investments) or the balance sheet amount is a reasonable approximation of fair value (debtors, creditors, cash at bank and bank overdrafts, accruals and prepayments).

The fair values of the listed investments are derived from the bid price or last traded price at which the securities are quoted on the London Stock Exchange and other recognised exchanges.

The fair values of Contracts For Difference are based on the underlying listed investment value as set out above and the amount due from or to the counterparty under the contract is recorded as an asset or liability accordingly.

The fair values of the properties are derived from an open market (Red Book) valuation of the properties on the Balance Sheet date by an independent firm of valuers (Drivers Jonas Deloitte).

There was one unquoted investment at the Balance Sheet date, Nanette Real Estate, with a value of £88,000 in the Ordinary Share Class and £62,000 in the Sigma Share Class.

The amounts of change in fair value for such investments recognised in the profit or loss for the year was a loss of £83,626,000 (2011: gain of £71,494,000).

11.7 Capital management policies and procedures

The Group's capital management objectives are:
– to ensure that it will be able to continue as a going concern; and
– to maximise the total return to its equity shareholders through an appropriate balance of equity capital and debt.

The equity capital of the Group at 31 March 2012 consisted of called up share capital, share premium, capital redemption and revenue reserves totalling £588,245,000 (2011: £670,443,000). The Group does not regard the debenture and loans as permanent capital.

Notes to the Financial Statements *continued*

12 Debtors

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Amounts falling due within one year:				
Securities and properties sold for future settlement	**2,461**	**2,461**	4,366	4,366
Tax recoverable	**588**	**588**	390	390
Prepayments and accrued income*	**3,389**	**3,305**	3,836	3,736
Amounts receivable in respect of contracts for difference	**288**	**288**	–	–
Other debtors	**432**	**434**	300	145
	7,158	**7,076**	8,892	8,637

*Includes amounts in respect of rent free periods

13 VAT recoveries on management fees

Over the last four years, the Company's previous Manager, Henderson Global Investors and the Company's current Manager, Thames River Capital made successful claims for VAT incorrectly paid for the periods between March 2001 and September 2004, January 1990 to December 1996 and October 2004 to June 2007.

18.9943% of the refunds were allocated to the Sigma share class and 81.0057% to the Ordinary share class in accordance with the ratio of Ordinary shares which converted to Sigma shares when the Sigma share class was created in July 2007.

The allocation of the total refunds received in the financial years ended 31 March 2012 and 2011 between the two share classes across the income and capital accounts is summarised below.

Ordinary share class:

	Year ended 31 March 2012			Year ended 31 March 2011		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
VAT refund received	**117**	**58**	**175**	59	30	89

Sigma share class:

	Year ended 31 March 2012			Year ended 31 March 2011		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
VAT refund received	**27**	**14**	**41**	14	7	21

Notes to the Financial Statements *continued*

14 Current and non-current liabilities

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Amounts falling due within one year:				
Bank loans and overdrafts	**40,084**	**40,084**	36,712	36,712
Securities and properties purchased for future settlement	**1,729**	**1,729**	5,871	5,871
Amounts due to subsidiaries	**–**	**44,315**	–	42,301
Tax payable	**1,368**	**1,368**	1,346	1,346
Accruals and deferred income	**964**	**796**	1,109	629
Amounts payable in respect of contracts for difference	**–**	**–**	22	22
Other creditors	**860**	**726**	759	666
	45,005	**89,018**	45,819	87,547
Non-current liabilities:				
Debenture loan	**15,000**	**–**	15,000	–
Deferred taxation	**3,039**	**135**	3,390	148
	18,039	**135**	18,390	148

The total amount of secured creditors is £15,000,000 (2011: £15,000,000).

Debenture loan

£15,000,000 (2011: £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 2012 was £19,584,000 (2011: £19,297,000).

The Company and Group have complied with the terms of the debenture agreement throughout the year.

Multi-currency revolving loan facilities

The Group also has unsecured, multi-currency, revolving short-term loan facilities totalling £80,000,000 (2011: £50,000,000). £64,000,000 of these loans may be drawn by the Ordinary share class and £16,000,000 by the Sigma share class. At 31 March 2012, the Ordinary share class had drawn down £35,500,000 (2011: £27,700,000) and the Sigma share class had drawn down £4,584,000 (2011: £9,012,000).

Notes to the Financial Statements *continued*

15 Called up share capital

a Ordinary share capital

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

	Issued, allotted and fully paid Number	Issued, allotted and fully paid £'000
Ordinary shares of 25p		
At 1 April 2011 and 31 March 2012	256,225,000	64,056

During the year, the Company made no market purchases for cancellation.

b Sigma share capital

The balance classified as Sigma share capital includes the nominal value proceeds on issue of the Sigma equity share capital comprising Sigma share of 12.5p.

	Issued, allotted and fully paid Number	Issued, allotted and fully paid £'000
Sigma shares of 12.5p		
At 1 April 2011	124,922,000	15,615
Shares repurchased	(450,000)	(56)
At 31 March 2012	124,472,000	15,559

During the year, the Company made market purchases for cancellation of 450,000 Sigma shares of 12.5p each, representing 0.36% of the number of shares in issue at 31 March 2011. The aggregate consideration paid by the Company for the shares was £333,000. Shares are repurchased in order to enhance shareholder value.

Since 31 March 2012, 250,000 Sigma shares have been purchased for cancellation for an aggregate consideration of £167,000.

16 Share premium account and capital redemption reserve

Share premium account

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 and Sigma shares 12.5p.

Capital redemption reserve

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

17 Retained earnings

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Investment holding gains	**85,992**	**97,664**	190,766	201,106
Realised capital reserves	**295,823**	**290,793**	276,229	271,705
	381,815	**388,457**	466,995	472,811
Revenue reserve	**39,959**	**33,317**	36,977	31,161
	421,774	**421,774**	503,972	503,972

Group investment holding gains at 31 March 2012 include a £1,346,000 loss (2011: same) relating to unlisted investments and gains of £13,389,000 (2011: £10,816,000) relating to investment properties.

Company investment holding gains at 31 March 2012 include gains of £23,715,000 (2011: £19,810,000) relating to unlisted subsidiary investments and a £6,309,000 revaluation loss (2011: £6,766,000) relating to investment properties. Dividends are only distributable from the revenue reserve.

Notes to the Financial Statements *continued*

18 Dividends

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Amounts recognised as distributions to equity holders in the year:		
Second interim dividend for the year ended 31 March 2011 of 3.70p (2010: 3.45p final dividend) per Ordinary share	**9,480**	8,857
Second interim dividend for the year ended 31 March 2011 of 1.25p per Sigma share (2010: 1.10p final dividend)	**1,559**	1,374
Interim dividend for the year ended 31 March 2012 of 2.40p (2011: 2.30p) per Ordinary share	**6,150**	5,893
Interim dividend for the year ended 31 March 2012 of 0.95p (2011: 0.90p) per Sigma share	**1,185**	1,124
	18,374	17,248
Amounts not recognised as distributions to equity holders in the year:		
Proposed final dividend for the year ended 31 March 2012 of 4.20p (2011: 3.70p second interim dividend) per Ordinary share	**10,761**	9,480
Proposed final dividend for the year ended 31 March 2012 of 1.65p (2011: 1.25p second interim dividend) per Sigma share	**2,050**	1,559

The final dividend has not been included as a liability in these financial statements in accordance with IAS 10 "Events after the Balance Sheet date".

Set out below is the total dividend to be paid in respect of the year. This is the basis on which the requirements of s.1158 of the Corporation Tax Act 2010 are considered.

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Interim dividend for the year ended 31 March 2012 of 2.40p (2011: 2.30p) per Ordinary share	**6,150**	5,893
Interim dividend for the year ended 31 March 2012 of 0.95p (2011: 0.90p) per Sigma share	**1,185**	1,124
Proposed final dividend for the year ended 31 March 2012 of 4.20p (2011: 3.70p second interim dividend) per Ordinary share	**10,761**	9,480
Proposed final dividend for the year ended 31 March 2012 of 1.65p (2011: 1.25p second interim dividend) per Sigma share	**2,050**	1,559
	20,146	18,056

Notes to the Financial Statements *continued*

19 Company revenue account

As permitted by Section 408 of the Companies Act 2006, 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 £20,530,000 (2011: £20,379,000).

20 Net asset value per share

a Net asset value per Ordinary share

Net asset value per Ordinary share is based on the net assets attributable to Ordinary shares of £470,472,000 (2011: £530,602,000) and on 256,225,000 (2011: 256,225,000) Ordinary shares in issue at the year end.

b Net asset value per Sigma share

Net asset value per Sigma share is based on the net assets attributable to Sigma shares of £117,773,000 (2011: £139,841,000) and on 124,472,000 (2011: 124,922,000) Sigma shares in issue at the year end.

21 Commitments and contingent liabilities

At 31 March 2012 and 31 March 2011 the Group had no capital commitments or contingent liabilities.

The Company has guaranteed a £15,000,000 (2011: £15,000,000) participation in 11.5% 2016 several debenture stock (see note 14).

22 Subsidiaries

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

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

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.

* Indirectly held

23 Related party transactions disclosures

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Company for each of the relevant categories specified in IAS 24 *Related Party Disclosures* is provided in the audited part of the Directors' Remuneration Report on pages 46 and 47.

Directors' transactions

Dividends totalling £17,000 (£12,000 Ordinary share class and £5,000 Sigma share class) were paid in the year in respect of shares held by the Company's directors.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of TR Property Investment Trust plc will be held at 12 noon on Tuesday 24 July 2012 at the Royal Automobile Club, 89/91 Pall Mall, London SW1Y 5HS for the purpose of transacting the following business:

To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 13 will be proposed as Ordinary Resolutions and Resolutions 14 and 15 shall be proposed as Special Resolutions.

1 To receive the Report of the Directors and the Audited Accounts for the year ended 31 March 2012.

2 To approve the Directors' Remuneration Report for the year ended 31 March 2012.

3* To declare a final dividend of 4.20 pence per Ordinary share.

4** To declare a final dividend of 1.65 pence per Sigma share.

5 To elect Simon Marrison as a director.

6 To elect David Watson as a director.

7 To re-elect Hugh Seaborn as a director.

8 To re-elect Paul Spencer as a director.

9 To re-elect Caroline Burton as a director.

10 To re-elect Peter Salsbury as a director.

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

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

13 THAT the directors be generally and unconditionally authorised pursuant to and in accordance to Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to a nominal value of £26,262,720 (being approximately 33% of the total issued share capital of the Company as at the latest practicable date prior to publication of the notice of the meeting) provided that this authority shall expire at the date of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 24 October 2013), save that the Company shall be entitled to make offers or agreements before the expiry of this authority which would or might require shares to be allotted or rights to be granted after such expiry and the directors shall be entitled to allot shares and grant rights pursuant to any such offers or agreements as if this authority had not expired.

14 THAT

(a) (subject to the passing of Resolution 13 set out above) the directors be empowered pursuant to Section 570 and Section 573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 13 above and/or to sell shares held by the Company as treasury shares for cash as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(i) the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities:

(aa) to shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(bb) to holders of other equity securities, as required by the rights of those securities, or as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(ii) in the case of the authority granted under Resolution 13 and/or in the case of any sale of treasury shares for cash, to the allotment (otherwise than under paragraph (i) above) of equity securities or sale of treasury shares up to a nominal amount of £3,979,200 (being approximately 5% of the total issued share capital of the Company as at the latest practicable date prior to publication of the notice of meeting),

(b) the power given by this resolution shall expire upon the expiry of the authority conferred by Resolution 13 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

Notice of Annual General Meeting *continued*

15* ** THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 25 pence each and Sigma shares of 12.5 pence each in the capital of the Company on such terms and in such manner as the directors may from time to time determine provided that:

(a) the maximum number of Ordinary 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 38,408,128 Ordinary shares of 25 pence each at 8 June 2012, the date of this Notice of Annual General Meeting);

(b) the maximum number of Sigma shares hereby authorised to be purchased shall be 14.99% of the Company's Sigma shares in issue at the date of the Annual General Meeting (equivalent to 18,620,878 Sigma shares of 12.5 pence each at 8 June 2012, the date of this Notice of Annual General Meeting);

(c) the maximum price (exclusive of expenses) which may be paid for any such share shall not be more than the higher of:

(i) 105% of the average of the middle market quotations for an Ordinary share (if an Ordinary share is being purchased) or of a Sigma share (if a Sigma share is being purchased) as taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Company agrees to buy the shares concerned; and

(ii) the higher of the price of the last independent trade and the highest current independent bid for an Ordinary share or Sigma share (as the case may be) in the Company on the trading venue where the purchase is carried out at the relevant time.

(d) the minimum price (exclusive of expenses) which may be paid for an Ordinary share shall be 25 pence, being the nominal value per Ordinary share and for Sigma shares the minimum price shall be 12.5 pence, being the nominal value per Sigma share;

(e) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2013 or at any other general meeting prior to such time, save that the Company shall be entitled to enter into a contract to purchase Ordinary shares and/or Sigma shares which will, or may, be completed or executed wholly or partly after the power expires and the Company may purchase Ordinary shares and/or Sigma shares pursuant to such contract as if the power conferred hereby had not expired.

*** In accordance with the Articles of Association holders of Sigma shares do not have the right to vote on a declaration of a dividend in respect of the Ordinary shares.**

**** In accordance with the Articles of Association holders of Ordinary shares do not have the right to vote on a declaration of a dividend in respect of the Sigma shares.**

***** Holders of Ordinary shares will vote on Resolution 15 only in respect of market purchases of Ordinary shares and holders of Sigma shares will vote on Resolution 15 only in respect of market purchases of Sigma shares.**

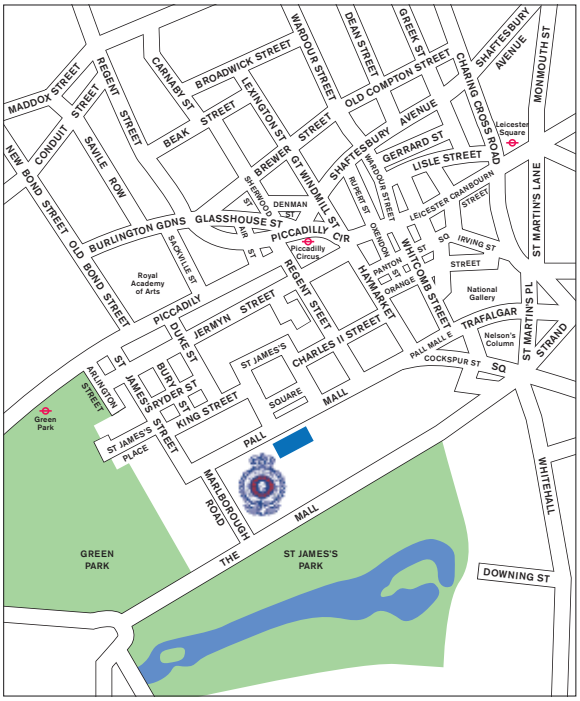
Registered Office:
51 Berkeley Square
London
W1J 5BB

Registered in England No: 84492

By Order of the Board
Jonathan Carslake
For and on behalf of
Capita Company Secretarial Services
Secretary
8 June 2012

Notice of Annual General Meeting *continued*

Directions Pall Mall Clubhouse



The Royal Automobile Club has a dress code: Jacket and Tie.

Notes to the Notice of Annual General Meeting

1 Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting ("AGM") provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. To appoint more than one proxy, the proxy form should be photocopied and the name of the proxy to be appointed indicated on each proxy form together with the number of shares that such proxy is appointed in respect of. To be valid any proxy form or other instrument appointing a proxy must be returned by post, by courier or by hand to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, or alternatively, by going to www.eproxyappointment.com and following the instructions provided. All proxies must be appointed by no later than 48 hours before the time of the AGM. The return of a completed proxy form or other such instrument will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.

2 In order to be able to attend and vote at the AGM or any adjourned meeting, (and also for the purpose of calculating how many votes a person may cast) a person must have his/her name entered on the Register of Members of the Company by 6.00 pm on 22 July 2012 (or 6.00 pm on the date 2 days before any adjourned meeting). Changes to entries on the Register of Members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

3 Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

4 Any corporation which is a member of the Company can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

5 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to given instructions to the person holding the shares as to the exercise of voting rights.

6 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on 24 July 2012 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and

Notice of Annual General Meeting *continued*

those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Computershare Investor Services PLC (CREST Participant ID: 3RA50), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7 Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

8 A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at www.trproperty.com.

9 Members satisfying the thresholds in section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the Annual General Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Annual General Meeting. A resolution may properly be moved at the Annual General Meeting unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's consitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. A request made pursuant of this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.

10 Members satisfying the thresholds in section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Annual General Meeting. A matter may properly be included in the business at the Annual General Meeting unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant of this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the Annual General Meeting.

11 Biographical details of the directors are shown on page 44 of the Annual Report & Accounts.

12 As at 8 June 2012 (being the latest practicable day prior to publication of the notice of the meeting), the issued share capital of the Company is 256,225,000 Ordinary shares of 25p each and 124,222,000 Sigma shares of 12.5p each. Therefore, the total number of voting rights in the Company at at 8 June 2012 is 380,447,000. Shareholders are reminded that on a poll vote, the total number of votes cast is calculated according to the NAV per Ordinary share and the NAV per Sigma share.

13 The terms of reference of the Audit Committee, the Management Engagement Committee and the Letters of Appointment for directors will be available for inspection for at least 15 minutes prior to and during the Company's AGM.

Explanation of Notice of Annual General Meeting

Resolutions 1, 2, 3 and 4: Accounts, Directors' Remuneration Report and Dividends

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 dividends. 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.

Resolutions 5 and 6: Election of directors

Resolutions 5 and 6 deal with the election of Simon Marrison and David Watson as directors. Under the Articles of Association, Simon Marrison and David Watson are required to submit themselves for election at the first AGM after their appointment; both hereby offer themselves for election.

Resolutions 7, 8, 9 and 10: Re-election of directors

These resolutions deal with the re-election of Hugh Seaborn, Paul Spencer, Caroline Burton and Peter Salsbury. In accordance with the UK Corporate Governance Code, all directors will retire on an annual basis and have confirmed that they will offer themselves for re-election.

Resolutions 11 and 12: Auditors

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

Resolution 13: Allotment of share capital

Our Board considers it appropriate that an authority be granted to allot shares in the capital of the Company up to a maximum nominal amount of £26,262,720 (representing approximately 33% of the Company's issued share capital as at 8 June 2012, being the latest practical date prior to publication). As at the date of this notice the Company does not hold any shares in treasury. The directors have no present intention of exercising this authority and would only expect to use the authority if shares could be issued at, or at a premium to, the NAV per share of the relevant share class. If the directors were to exercise this authority, they would intend to exercise not more than two-thirds (£17,508,480) of the maximum nominal amount in respect of Ordinary shares and not more than one-third (£8,754,240) of the maximum nominal amount in respect of Sigma shares.

Resolution 14: Disapplication of statutory pre-emption rights

This resolution would give the directors the authority to allot shares (or sell any shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

This authority would be limited to allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the board otherwise considers necessary, or otherwise up to an aggregate nominal amount of £3,979,200 (representing a maximum of 15,916,800 Ordinary shares or a maximum of 31,833,600 Sigma shares). This aggregate nominal amount represents approximately 5% of the total issued share capital of the Company as at 8 June 2012, the latest practicable date prior to publication of this Notice. In respect of this aggregate nominal amount, the directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling 3-year period where the Principles provide that usage in excess of 7.5% should not take place without prior consultation with shareholders. The directors would intend not to exercise more than two-thirds (£2,652,800) of the aggregate nominal amount in respect of Ordinary shares and not to exercise more than one-third (£1,326,400) of the aggregate nominal amount in respect of Sigma shares.

The authority will expire at the earlier of close of business on 24 October 2013 and the conclusion of the annual general meeting of the Company held in 2013.

Resolution 15: Authority to make Market Purchases of the Company's Ordinary and Sigma shares

At the AGM held on 26 July 2011, a special resolution was proposed and passed, giving the directors authority, until the conclusion of the AGM in 2012, to make market purchases of the Company's own issued Ordinary and Sigma shares up to a maximum of 14.99% of the issued share capital.

Your Board is proposing that they should be given renewed authority to purchase Ordinary and Sigma 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

Explanation of Notice of Annual General Meeting *continued*

the shares re-purchased in treasury. The shares so re-purchased will continue to be cancelled.

The Listing Rules of the UK Listing Authority limit the maximum price (exclusive of expenses) which may be paid for any such share. It shall not be more than the higher of:

(i) 105% of the average of the middle market quotations for an Ordinary share (if an Ordinary share is being purchased) or of a Sigma share (if a Sigma share is being purchased) as taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Company agrees to buy shares concerned: and

(ii) the higher of the price of the last independent trade and the highest current independent bid for an Ordinary share or Sigma share in the Company on the trading venue where the purchase is carried out.

The minimum price to be paid will be 25p per Ordinary share and 12.5p per Sigma share (being the nominal values). The Listing Rules also limit a listed company to purchases of shares representing up to 15% of its issued share capital in 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 and Sigma shares in issue at the date of the AGM; this is equivalent to 38,408,128 Ordinary shares of 25p each (nominal value £9,602,032) and 18,620,878 Sigma shares of 12.5p each (nominal value £2,327,610) at 8 June 2012, the date of the Notice of the AGM. The authority will last until the AGM of the Company to be held in 2013 or at any other general meeting.

Directors and Other Information

Directors
P L Salsbury (Chairman)
C M Burton
S Marrison
H Seaborn
P Spencer
R A Stone
D Watson

Registered Office
51 Berkeley Square
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Registered Number
Registered as an investment company in England and Wales No. 84492

Investment Manager
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51 Berkeley Square
London W1J 5BB
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Facsimile: 020 7360 1300

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M A Phayre-Mudge MRICS
Fund Manager: Sigma Share Class
J F K Wilkinson MRICS
Finance Manager and Investor Relations:
J L Elliott ACA
Assistant Fund Manager:
A Lhonneur
Direct Property Manager:
G P Gay MRICS

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55 Moorgate
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EC2R 6PA

aic
The Association of Investment Companies

General Shareholder Information

Release of Results
The half year results are announced in late November. The full year results are announced in late May.

Annual General Meeting
The AGM is held in London in July.

Dividend Payment Dates
Dividends are usually paid on the Ordinary and Sigma shares as follows:

Interim	:	January
Final	:	August

Dividend Payments
Dividends can be paid to Ordinary and Sigma 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 96 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.

Share Price Listings
The market prices of the Company's Ordinary and Sigma shares are 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

	Ordinary Shares	Sigma Shares
ISIN	GB0009064097	GB00B1YW2J11
SEDOL	0906409	B1YW2J1
Bloomberg	TRY.LN	TRYS.LN
Reuters	TRY.L	TRYx.L
Datastream	TRY	TRYS

Benchmark
Details of the benchmarks for each share class are given in the Statement of Investment Objective and Policy on pages 2 and 3 of this Report and Accounts. The benchmark indices are published daily and can be found on Bloomberg.

Ordinary share class
FTSE EPRA/NAREIT Developed Europe Net Total Return Index in Sterling
Bloomberg: NPPRA Index

Sigma share class
FTSE EPRA/NAREIT Developed Europe Small Cap Net Total Return Index in Sterling
Bloomberg: TGPTHR02 Index

Internet
Details of the market price and Net Asset Value of the Ordinary and Sigma 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.

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.

CGT Base Cost
Taxation of capital gains for shareholders who converted Ordinary shares to Sigma shares

Upon a disposal of all or part of a shareholder's holding of Ordinary shares or (as the case may be) Sigma shares, the shareholder's original capital gains tax base cost in his existing holding of Ordinary shares will have to be apportioned between that shareholder's Ordinary shares and Sigma shares.

We have now agreed with HM Revenue & Customs ("HMRC") to base this apportionment of the original capital gains tax base cost on the proportion of existing Ordinary shares that were converted by a shareholder into Sigma shares on 25 July 2007.

Therefore, if an Ordinary shareholder converted 20% of their existing Ordinary shares into Sigma shares on 25 July 2007, the

General Shareholder Information *continued*

capital gains tax base cost of the new Sigma shares acquired would be equal to 20% of the original capital gains tax base cost of the Ordinary shares that they held pre-conversion. The base cost of their remaining holding of Ordinary shares would then be 80% of the original capital gains tax base cost of their Ordinary shares held pre-conversion.

If in doubt as to the consequences of this agreement with HMRC, shareholders should consult with their own professional advisors.

Investing in TR Property Investment Trust plc

Market Purchases

The shares of TR Property Investment Trust plc are listed and traded on the London Stock Exchange. Investors may purchase shares through their stockbroker, bank or other financial intermediary.

Saving Scheme and ISA

A number of banks and wealth management organisations provide Savings Schemes and ISAs through which UK clients can invest in TR Property Investment Trust.

One such provider is Alliance Trust Savings. Alliance Trust provide and administer a range of self-select investment plans, including tax-advantaged ISAs and SIPPs (Self-Invested Pension Plans) and also Investment Plans and First Steps, an Investment Plan for Children. For more information Alliance Trust can be contacted on 01382 573 737, or visit **www.alliancetrust.co.uk**

Investors in TR Property through the ATS Investment Plan and ISA receive all shareholder communications. A voting instruction form is provided to facilitate voting at general meetings of the Company.

Please remember that the value of your investments and any income from them may go down as well as up. Past performance is not a guide to future performance. You may not get back the amount that you invest. If you are in any doubt as to the suitability of a plan or any investment available within a plan, please take professional advice.

Saving Schemes and ISAs transferred from BNP Paribas

During the year BNP Paribas informed us that they were closing down the part of their business which operated Savings Schemes and ISAs. Investors were given the choice of transferring their schemes to Alliance Trust Savings ("ATS") or a provider of their own choice or to close their accounts and sell the holdings.

For investors who elected to transfer their plans to ATS, any questions regarding their account should be directed to ATS on 01382 573 737.

For investors who did not respond to the letters from BNP Paribas, their accounts have automatically been transferred to ATS, please contact ATS on the above number with any questions.

Investors who opted to sell their shares or move to another account provider may contact BNP with any questions by post at the following address:

BNP Paribas Securities Services,
Block C,
Western House,
Lynch Wood Business Park,
Peterborough PE2 6BP

TR Property Investment Trust plc is managed by Thames River

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