TR Property Investment Trust plc

Report & Accounts for the
year ended 31 March 2013

TR Property Investment Trust plc

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Overview

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

The Trust now has a single **Ordinary share class** – 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.

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. The Sigma share class was created to focus on smaller property companies and therefore held a portfolio invested in the shares of smaller property companies on an international basis, it did not invest in property directly. In December 2012 the Sigma shares were redesignated as Ordinary shares and the two portfolios merged.

The Report and Accounts contain the group and company financial statements. As supplementary information a separate income statement and balance sheet is shown for the Ordinary share class. Information for the full year is given for the Ordinary share class and information is given for the Sigma share class for the period to the effective merger of the portfolios.

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 page sets out the objective and investment policies for the Ordinary share class and key financial and performance data. The Manager's Report 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 objective and investment policies and to review performance. Details of how the board operates and fulfils its responsibilities are set out in the Directors' Report on pages 36 to 50.

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 90 to 92. This information can also be found on the Trust's website *www.trproperty.com*.

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.

Benchmark

For the year to 31 March 2013 the benchmark was the FTSE EPRA/NAREIT Developed Europe Net Total Return Index in Sterling. This index, calculated by FTSE, is free-float based and currently has 85 constituent companies. The benchmark website *www.epra.com* contains further details about the index and performance. From 1 April 2013 the benchmark will be the FTSE EPRA/NAREIT Developed Europe Capped Net Total Return Index in Sterling. This benchmark has the same constituents as the previous benchmark, however, it limits exposure to any one company to 10% and reweights the other constituents pro-rata.

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. 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 Trust 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 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 Manager currently applies the following guidelines for asset allocation:

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

Gearing

The fund may utilise gearing with the purpose of enhancing shareholder returns. The maximum indebtedness currently permitted under the Company's bank facilities is 25% of the portfolio value. Accordingly, the current guideline is 10% Net Cash to 25% Net Debt (as a percentage of portfolio value).

Statement of Investment Objective and Policy *continued*

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

In the 10 year period to 31 March 2013, the share price has risen by 215% from 59.00p to 186.30p and the net asset value per share has risen by 195% from 73.00p to 215.25p. Over the same period the benchmark price only index has risen by 98%.

Income Growth

Over the past ten years the annual net dividend per share has grown by 3.4 times, equivalent to 13% pa compounded.

Dividend

An interim dividend of 2.65p (2012: 2.40p) per Ordinary share was paid on 8 January 2013 to shareholders on the register on 7 December 2012.

A final dividend of 4.35p (2012: 4.20p) per Ordinary share will be paid on 6 August 2013 to shareholders on the register on 28 June 2013. The shares will be quoted ex-dividend on 26 June 2013.

Ordinary shares

Financial Highlights

	Year ended 31 March 2013	Year ended 31 March 2012	% Change
Revenue			
Total Revenue (£'000)	**27,908**	26,339	+6.0
Net revenue profit after tax (£'000)	**18,497**	18,114	+2.1
Revenue earnings per share	**6.74p**	7.07p	-4.7
Net dividend per share[1]	**7.00p**	6.60p	+6.1

	At 31 March 2013	At 31 March 2012	% Change
Balance Sheet			
Net asset value per share	**215.25p**	183.62p	+17.2
Shareholders' funds (£'000)	**684,219**	470,472	+45.4
Shares in issue at the end of the period (m)	**317.9**	256.2	+24.1
Net debt[2]	**9.6%**	10.3%	

Performance

	Year ended 31 March 2013	Year ended 31 March 2012
Assets and Benchmark		
Benchmark performance (total return)	**+17.8%**	-8.9%
NAV total return	**+21.5%**	-8.5%
IPD Monthly index total return*	**+2.5%**	+6.6%
Total return from direct property	**+7.4%**	+12.0%

	Year ended 31 March 2013	Year ended 31 March 2012	% Change
Share Price			
Share price	**186.30p**	154.50p	+20.6
Share price total return	**+25.8%**	-9.5%	
Market capitalisation	**£592m**	£396m	+49.5

Ongoing Charges

	Year ended 31 March 2013	Year ended 31 March 2012
Ongoing Charges[3]		
Excluding Performance fee	**0.93%**	1.08%
Including Performance fee	**1.41%**	1.08%
Excluding Performance fee and Direct Property costs	**0.86%**	0.99%

*IPD monthly, one year cumulative

1. Net dividends per share are the dividends in respect of the financial year ended 31 March 2013. An interim dividend of 2.65p was paid in January 2013 and a final dividend of 4.35p will be paid in August 2013.
2. Net debt is the total value of loans (including notional exposure to CFDs) and debentures less cash as a proportion of Net Asset Value.
3. Ongoing charges calculated in accordance with the AIC methodology.

Historical Performance *for the years ended 31 March*

	2003	2004	2005[D] Restated	2006[D]	2007[D]	2008[D]	2009[D]	2010[D]	2011[D]	2012[D]	2013[D]
Gross revenue [A] (£'000)	16,676	16,247	–	–	–	–	–	–	–	–	–
Total income [B] (£'000)	–	–	19,741	23,143	26,226	32,160	32,073	27,782	29,520	30,973	32,988
Total assets less current liabilities (£'m)	344.3	440.9	544.7	813.6	1,017.0	725.3	418.6	616.6	688.8	606.3	701.9
Shareholders' funds (£'m)											
Total	304	401	505	771	973	707	400	598	670	588	684
Ordinary shares	304	401	505	771	973	568	324	476	531	470	684
Sigma shares [E]	–	–	–	–	–	139	76	123	140	118	–
Ordinary shares											
Net revenue (pence per share)											
Earnings	2.30	2.51	2.85	3.44	4.09	5.79	6.49	5.18	6.94	7.07	6.74
Dividends	2.05	2.50	2.85	3.40	4.10	5.60	5.75	5.75	6.00	6.60	7.00
NAV per share (pence)	73.00	113.10	145.70	224.10	290.80	219.60	126.10	185.20	207.10	183.60	215.25
Share price (pence)	59.00	95.00	128.50	209.50	256.50	188.25	106.00	159.40	177.10	154.50	186.30
Indices of growth											
Share price	100	161	218	355	435	319	180	270	300	262	316
Net Asset value	100	155	200	307	398	301	173	254	284	251	295
Dividend Net	100	122	139	166	195	273	280	280	393	322	341
RPI	100	103	106	108	114	118	117	123	129	134	138
Benchmark [C]	100	142	176	253	314	233	114	175	193	168	191

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

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

(C) Benchmark Price only Index: composite index comprising the S&P/Citigroup European Property index up to March 2007, the FTSE EPRA/NAREIT Developed Europe Index up to March 2012 and the FTSE EPRA/NAREIT Developed Europe Net Index thereafter. Source:Thames River Capital.

(D) Figures from 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 Sigma share class was launched in 2007 and Sigma shares redesignated as Ordinary shares on 17 December 2012.

Chairman's Statement

Peter Salsbury BSc **Chairman**

Introduction – Valedictory remarks

This report marks the end of my 9 years as Chairman of your Board of Directors. I succeeded Alastair Ross Goobey in 2004. He was an inspiration in this field. In Alastair's farewell statement, he was able to point to a strong ten year performance where the share price had risen from 40p in 1994 to 95p in 2004. The dividend had increased from 0.9p per share to 2.5p. Just as importantly, the fund managers had significantly outperformed their benchmark.

This 'historic' reference is to emphasise the long term nature of property investment. I believe this is just as important in equities as in physical property.

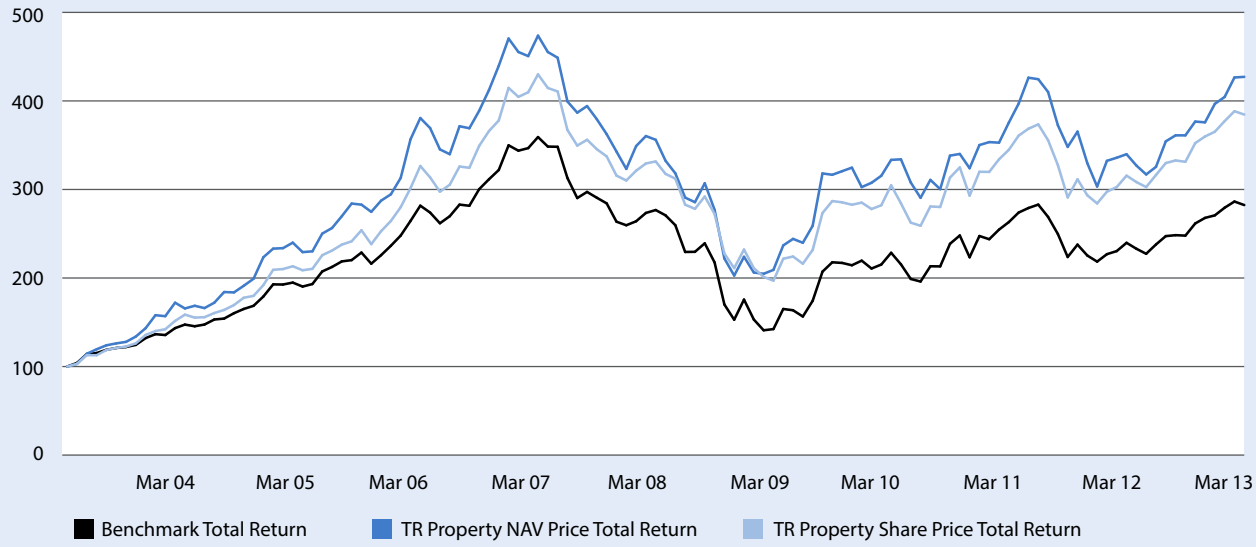
Between 2004 and 2013 the share price advanced from 95p to 186p. Dividends have grown from 2.5p to 7.0p. However within both periods there was significant volatility. In the first the share price dropped in three out of the ten years, in the second it fell four times. The latter years saw a bigger boom with our shares reaching over 230p each; an entry into and a retreat from the Sigma small company share class; and a massive crash in 2007.

In the past 20 years the dividend has been increased 19 times and held level only once – in 2010. The compound average dividend growth has been 13% per annum in the last 10 years, establishing a new level of income which has so far more than met inflation. Shareholders have rightly looked for income more keenly in recent years. The view that long term investors should enjoy a progressive income as well as outperformance on their asset value is a matter which the Board and our fund management team have at the top of their agenda.

These results have been achieved by fund management teams of outstanding quality. Chris Turner was not only

Chairman's Statement *continued*

Ordinary Share Class Performance: Total Return over 10 years



an exceptionally gifted manager but also recognised the imperative of developing a very strong successor. Marcus Phayre-Mudge has invested in greater international and analytical expertise than ever before. He has an inclusive style both with his team and with external stakeholders, paying great attention to shareholder communication – basically spreading the message that the Trust is one of the best ways to invest in property in a profitable and flexible way.

Last year

Turning to the specifics of the past year I am tempted to refer shareholders to my statement in last year's Annual Report – volatile equity markets and the impact of macro events. Markets have reacted bravely to the promises of unlimited support for the Eurozone laggards, probably encouraged more by what is improving in North America and continued growth in Asia.

Within this scenario, our property world is best described as steady with hot and cold spots. Your fund management team have taken account of the macro picture and then set about bottom up analysis of companies considering the quality of their assets and management to make investment decisions. Performance has been significantly positive, and well ahead of a demanding benchmark, to earn a performance fee for the first time in four years. It is worth noting that the team has consistently beaten the benchmark over that period but not by enough to meet the performance fee hurdle rate.

Benchmark

As at the end of March 2013, Unibail was the largest position in the benchmark index and had reached 16.8% of all constituents of the index. The Board felt that this level of concentration ran contrary to the stated investment policy of a diversified portfolio. The Board resolved to amend the benchmark index against which the manager is measured from the FTSE EPRA/NAREIT Developed Europe Net Total Return Index (in GBP) to the FTSE EPRA/NAREIT Developed Europe Capped Net Total Return Index (in GBP) with effect from 1 April 2013. The constituents of the benchmark index do not change, however individual stock positions are limited to 10%. Unibail is the only stock which had a weighting in the previous benchmark index larger than 10%.

Expense Allocation

The Board has reviewed the allocation of expenses between Revenue and Capital. Expenses are allocated between the revenue and capital accounts in line with the Board's long-term expectations of the source of returns. The Board examined the past, both long and shorter term, and it was clear that the capital account was more influential in generating returns in recent years. The Board do not expect this to change in the medium term. Also, having looked at allocations across the Investment Trust sector generally, the current higher allocation to revenue is greater than is the norm for Investment Trusts focused on a Total Return objective.

Chairman's Statement *continued*

For the year to March 2014, 75% of management fees will be allocated to the capital account (2013: 33.33%) and 25% will be allocated to the income account (2013: 66.67%). Likewise, 75% of the finance costs will be allocated to capital with 25% to revenue (2013: 50%/50%).

The revised allocation of expenses described above will have a positive impact on reported earnings going forward.

Sigma Conversion in December 2012

The Board took the decision to recommend the conversion of Sigma shares into Ordinary shares. This was approved by shareholders and implemented in December 2012. Consultation with investors had confirmed that the size of Sigma was no longer on their preferred risk profile. Ironically the overall company performance of Sigma's invested companies was better than the market. I would like to thank all shareholders who helped make this transaction happen. The benefits of a clear statement of purpose and structure have already been appreciated by investors.

NAV and Share Price Performance

The NAV total return for the year was 21.5% versus the benchmark total return of 17.8%, an outperformance of 3.7%. The share price total return was 25.8%.

More detail and commentary on performance is set out in the Manager's Report.

Revenue Results

The stated revenue earnings figure for the year of 6.74p is ahead of guidance set out in the interim report. However, because of the way this figure is calculated, using the weighted average number of shares in issue throughout the year, and due to the fact that earnings from the portfolio are skewed towards the beginning of the year, this figure is lower than the amount available for the dividend. A more detailed explanation is provided in the Manager's Report.

Dividend

The Board is proposing a final dividend of 4.35p which compares with the prior year final dividend of 4.20p. When taken with the interim dividend already paid of 2.65p, this is a full year dividend of 7.00p, an increase of 6.1% over the 6.60p paid last year.

Revenue Outlook

As set earlier the revised allocation of management fees and finance costs will provide a new base for earnings.

Uncertainties surrounding the timing of dividend receipts around the year end, currency fluctuations and the impact of the income mix on the tax charge remain.

Our Manager's current expectation is that earnings for the year ending March 2014 will be in the region of 7.50p per share, on the basis that the factors mentioned above do not fluctuate widely.

Net Debt and Gearing

Gearing remained modest throughout the year, fluctuating between 9% and 11%. The debt facilities previously allocated between the Ordinary and Sigma share classes are now all for the benefit of the Ordinary share class. The one year facility with RBS was renewed in January 2013 for a further year and the ING facility was renewed for a further two year term in early May 2013. The policy of retaining a mix of short and medium term debt remains in place. Investing through Contracts for Difference ("CFD's") also offers further opportunities for competitively priced gearing and will be brought into the mix when appropriate.

Currencies

Sterling strengthened against the Euro by around 7% from March 2012 to its peak in July, which was not what we wanted through the main part of our Euro dividend season. It then went on to weaken by almost 11% before settling close to the opening position at the end of March 2013.

Scandinavian currencies followed a similar pattern, although their weakness in early March this year coincided more helpfully with their local dividend season.

As in previous years the fund has not hedged the income account but has continued to hedge the capital currency exposure in line with the benchmark.

Discount and Share Repurchases

The share price discount to net asset value (capital only) started the period at 14.3% and fluctuated between 12.0% and 15.0% for most of the period. It widened on the back of arbitrage trades following the announcement

Chairman's Statement *continued*

of the corporate action at the end of September reaching a low of 16.4% at the end of November but ended the period at just under 12.0%. The Board continues to pay close attention to the discount to net asset value.

Following the remerger of the two share classes in December I am pleased to report an increase in the liquidity of the Ordinary shares.

A number of initiatives are being followed to improve shareholder communication and make the shares as accessible as possible to a wide range of investors.

We have increased the number of ways of investing in our shares. TR Property Investment Trust plc is now offered as part of the F&C savings plans, and our Registrars, Computershare, offer dealing options for certificated holders and a DRIP option for reinvestment of dividends for holders on the main register. Further details can be found on pages 88 to 92.

Outlook

At the beginning of this statement I emphasised the importance of taking a long term view of property investment in order to be successful. In the year under review the policy of overweight holdings in high quality assets, including introductions to new, well researched opportunities, has paid off well in both revenue and capital growth. Looking forward, these fundamentals will continue.

The Manager's Report gives a detailed view of prospects for earnings and areas of value adding opportunities. Here I would comment that the outlook is rather better than at this time last year. Naturally all the usual caveats apply, but as I write this market sentiment is broadly positive and there are more slightly better economic indicators than for many months (e.g.UK growth), whilst negatives are edging towards neutral (e.g. Eurozone laggards getting a grip).

As for TR Property, I do believe that there are opportunities looking forward to add further value. As already mentioned, communication of the benefits of our Trust has grown in importance. We are taking steps to improve the visibility of the Trust to potential investors and to help them appreciate that the Trust is a low cost and very liquid way of holding property in their portfolio.

Our aim is to narrow the discount between the share price and the Net Asset Value. This is a long term project but the changes being introduced through the Retail Distribution Review are a good platform to help us to level the playing field with open ended funds who have previously paid undisclosed commissions to "Independent" Financial Advisors which of course we do not.

Your Board is conscious that cost control is important to shareholders and we have worked with F&C to continue our downward pressure on costs and the Management Fee. This year's reduction will more than fund the investment in communications and we are pleased to have joined F&C's share plan, the largest in the sector. The coming year will see us take steps towards the implementation of the Alternative Investment Fund Managers Directive ("A.I.F.M.D."). This bureaucratic measure will add cost, consume time better spent on commercial matters and add no value to the real governance of your investments. As "we are all in this together" it will not detract in any way from the relative attraction of our Company to investors. In terms of global competitiveness it is another small indication that the EU has its head in the sand. Be assured that your Board is taking every possible measure to retain flexibility of operation as it is implemented and to minimise any impact on the fund management team.

Finally I would like to wish the Trust, its Managers and the Board every success for the future. The fund managers have modernised and expanded their capability in recent years and I am sure they will continue to be competitive on your behalf. At the same time the Board's composition has changed to reflect a new generation and professional focus. In particular I wish Caroline every success for the future as she takes over the Chair of a company which has given me enormous satisfaction to be part of for the past 16 years.

Peter Salsbury
Chairman
3 June 2013

Manager's Report

Market Background and Outlook

Marcus Phayre–Mudge MRICS
Fund Manager
3 June 2013

Introduction

Taking a glance at the returns from property equities (and this Trust) for the year under review and you would be forgiven for thinking that everything was ticking along nicely. It is, of course, pleasing to report that in certain parts of the market that is indeed the case and our broadly positive views 12 months ago have been rewarded. However, I also need to report that renewed investor appetite for equities across Continental Europe and the UK remains sentiment driven, rather than in response to underlying broad economic improvement. I am in danger of serial repetition when I remind investors of the huge structural reforms which we believe still need to be undertaken across the fractured single currency union.

However we remain confident that some progress has been made, particularly with regard to central bank responses, not only in Europe but across the world. Whilst global central bank monetary policy remains 'unconventional' through quantitative easing and other liquidity mechanisms, in Europe the ECB went a step further. Mario Draghi stating in July last year '...the ECB is ready to do whatever it takes to preserve the Euro, and believe me it will be enough' has been seen as pivotal in turning sentiment. His proposal of committing the ECB to unlimited intervention in the short dated paper of distressed member countries, conditional on those particular governments conforming to dictated fiscal / austerity programmes has been heralded a success not just because it was a groundbreaking statement of support but also because no Eurozone sovereign has taken up the offer. The longer term consequences of such offers of intervention are unknown, the short term impact was dramatic with peripheral Eurozone bond yields returning to levels last seen in late 2010. The subsequent fall in risk premia and market volatility duly benefited equity valuations. Our benchmark's volatility (measured as the 90 day historic, annualised) fell from 18.1% in March 2012 to 13% a year later.

The second half of the year particularly illustrates the market's bias of responding positively to macro forces rather than regional economic fundamentals. Our approach remains driven by a 'bottom up' investment philosophy and normally such euphoria in the face of weak fundamentals would make us duly nervous. However we believe there are grounds for optimism, particularly for listed real estate. My opening comments referred to certain parts of our investible universe as performing both well and as expected. This statement relates not just to those geographic submarkets where the economic and real estate fundamentals are enjoying positive growth, but also to those listed companies who may be exposed to temporarily 'ex-growth' conditions but are able to manufacture returns through the continuing reduction in their cost of debt and utilisation of their balance sheets.

In essence, the themes I drew on in last year's report still remain our central conviction. We maintain exposure to those markets where we see positive trends in real estate fundamentals. The dispersion of returns across sub-markets and sectors continues to be amplified through listed stocks providing us with plenty of opportunity to stock pick. However, whilst those remain consistent themes in our strategy they have been joined by a broader trend. The improvement in market sentiment coupled with the ability of many of our companies

Market Background and Outlook *continued*

to source both debt and equity has given us greater confidence that a broader range of businesses can extract acceptable returns from their chosen markets. European commercial property continues to offer investors a steady source of income, much of it index-linked and at greater spreads over corporate bonds than a year ago. I hope the report will illustrate where we have felt comfortable broadening our focus at the stock level. You will note that your fund's overall gearing has not increased and this is consistent with our overview that sound, broad economic growth across Europe remains elusive.

Property Markets

The ongoing theme of international capital flows focused on buying prime real estate in a small number of 'city states' remains as strong, if not stronger, than 12 months ago. The dominant characteristic is that this capital is almost entirely equity (rather than debt) and appears not to deviate from the well trodden path of acquiring only prime assets. London continues to dominate shopping lists with £11.6bn of investment in 2012, triple that of Paris. Over £8bn of that was classified as 'overseas buyers'. Importantly this Central London investment was over 38% of the £30.3bn of total UK transactions. IPD reported that initial yields in London's West End and Midtown tightened by 40bps in the year to December 2012. Likewise the Central London residential market also continues to attract foreign capital at an unprecedented rate. Knight Frank reported that 49% of all prime residential property was purchased by overseas buyers in 2012. Prices rose on average by over 8.7% in the year. Paris has also enjoyed strong investor interest, again for prime assets but here vibrant domestic buyers, particularly pension funds and insurance companies, battle with international buyers. Where investors can see rental growth or at least rental stability, the income margin over corporate (and most sovereign) bonds is enough of a purchase rationale. Unlike fixed income, prime property offers a long term history of real as opposed to nominal growth. This tale of competitive bidding against a backdrop of resolutely low bond yields resonates across all those other European cities exhibiting rental stability including Stockholm, Oslo, Lyon, Hamburg, Munich, Berlin, Geneva and Zurich. In contrast in Brussels, Amsterdam, Milan and Madrid, transactions have dwindled as buyers fear falling rents and sellers have no compunction to sell at lower prices. Once again banks are not pressurising over-indebted borrowers – a recurring feature of this era of huge central bank liquidity stimulus.

A consequence of this trend of cross border global money flows into prime capital and key cities has been that domestic institutions are widening their own scope for investment. In effect they are drifting up the yield curve looking for higher returns but consequently taking more risk. In property parlance they are seeking 'core plus' as opposed to 'core'. This is clearly an encouraging sign. We are aware of pension funds and other savings institutions who have maintained or increased their allocation to property (invariably focused on their individual domestic markets) attracted by the yield no longer offered by fixed income products. Even with tentative market evidence of a broadening of institutional demand, capital returns from UK property were still -3% in 2012 resulting in total return of 2.7%.

Offices

With real GDP growth across the Eurozone at -0.6% for 2012 and only just positive for the UK at 0.3% it is no surprise that the list of cities which had experienced net take up of office space and a decline in vacancy, noted in this report a year ago, has not expanded. London and Paris remain the dominant office exposure within the Pan European listed property company universe and therefore are worthy of a deeper examination. London continues to stand out with rental growth across all core submarkets – West End (+4.1%) and City (+2.8%) but interestingly also in the less central sub-markets of Clerkenwell, Islington, Kings Cross and the Southbank. Whilst headcount in financial services is dropping, London's broad employment base provides ample compensation outside of EC2 and Docklands. In the West End, 71% of all take up was from technology and media businesses and 86% were lettings below 50,000 sq ft. The Q1 2013 take up of 1.4m sq ft equalled the June 2000 quarterly figure (at the height of the tech bubble) but this is skewed by Google's pre-let at Kings Cross. The insurance sector has been buoyant with 50% pre-lettings at Land Securities' 20 Fenchurch Street (known as the Walkie-Talkie) a year ahead of completion.

Vacancy across the Greater Paris region remains constant at 7.1% and whilst the central arrondisements have

Market Background and Outlook *continued*

experienced a slight, reduction in vacancy, the suburban markets and Peri Defense (west of La Defense) have seen weakness and falling headline rents. The message remains clear – even in the core sub-markets tenants have the upper hand, landlords must work hard at lease expiry to incentivise tenants to remain in situ. Rent frees and other capital contributions are, if anything, increasing as owners endeavour to maintain headline rents (and investment value).

The Paris experience is reflected broadly across those European cities identified as stable mainly located in Scandinavia (Stockholm, Oslo, Stavanger and Gothenburg), Germany and Switzerland. The remaining key Northern European markets of Amsterdam and Brussels remain firmly in the doldrums. Dublin deserves a mention, benefiting from renewed direct foreign investment particularly from US technology related businesses and the flickerings of life in the CBD.

Retail

Retailing's internet revolution is nothing new. It has been underway since the web came into existence. What is disturbing for both landlords and retailers is the speed of changing attitudes and customer shopping habits. The accelerants are hi-speed connectivity into homes and even more importantly mobile enabled devices. The UK is at the forefront of this process. Last year we reported the 2011 figure of 17.6m 'smart phone' users, which was double 2009's number. The 2012 figure was 19.2m and the forecast for 2013 is 24m – 62% of the working population. The ability of shoppers to scan virtually any product barcode and identify the cheapest place to buy that item, on or offline, is a defining technological event as far as retailing is concerned. Clearly those with the greatest domestic internet penetration (UK and Scandanavia) are feeling it more keenly than Italy (Western Europe's lowest domestic internet user).

The retail property winners will be those locations which provide the widest range of retailers, entertainment (and food offer) and above all convenience. Tying together traditional retailing, 'click and collect', as well as returns bought online will be an increasing trend. The continued rise of the dominant regional and supra regional mall we believe is irreversible. Whilst smaller centres will not disappear, due to the density of population in Europe and the limitations on travel time, we believe that retail tenants affordability will diminish. Work by Property Research and others concluded that a national brand which required over 200 stores 10 years ago to reach 60% of the population will, in today's multichannel world need just 50 to 60. Smaller centres and high streets are bearing the brunt of this evolution. The winners will not always be the out of town centres, in fact we believe those with city centres which can achieve this level of quality and dominance will ultimately perform best, benefiting from population densities.

This evolution is reflected in investors' valuations with yields on the top centres remaining firm over the period whilst secondary and smaller centres have seen values continue to fall. Retail was the worst performing sector in the IPD UK Index in 2012, with capital growth of -4.2%.

Across Europe, this revolution in shopping trends is slower but nevertheless on its way. In the meantime the headwinds of negative real wage growth and rising unemployment in many parts of the Continent continue to dampen consumer confidence. This in turn has resulted in negative annualised non-food retail sales growth over the last three years everywhere except in Germany, Sweden and Norway.

Distribution and Industrial

We are seeing surprisingly robust occupier demand, particularly in logistics as corporates seek to drive cost savings throughout the supply chain. The winners have been modern facilities located in the industrial heartlands and logistics facilities on the main East-West routes. In the UK, West London industrials and the traditional logistics motorway corridors have seen rental growth particularly in the 'design and build' market.

The Low Countries have seen rents return to pre-crisis levels with the area benefiting from its coastal hubs and dense motorway network. Gent, Antwerp and Brussels all remain tight markets with rental growth. Germany remains a key hot spot with rents rising in all the five key markets of Hamburg, Berlin, Munich, Dusseldorf and Frankfurt. Elsewhere in the periphery the lack of demand and a slow soak up of existing space is encouraging. All these markets are expected to be above 2008 rental value levels by the end of the year. Even in Ireland, whilst Dublin industrial rents are 50% below 2008's levels they have now

Market Background and Outlook *continued*

stabilised for the best stock. However, Spain remains the weakest market by far with vacancy of over 10m sq ft in Madrid and 6.8m sq ft in Barcelona – record levels.

Looking further east, once again it is very local market focused. In Poland, Warsaw rents are falling due to further supply but rising in Poznan, the nascent second hub, where there is less than 0.5m sq ft available (equivalent to less than two years take up) and where Segro are focusing their Polish expansion. Further north, St Petersburg has seen prime logistic rents grow 13% in the year, however in Moscow 40% of the 8m sq ft under construction will be delivered speculatively in the next 12 months. There are clearly opportunities for growth across Europe but it pays to be very focused on particular sub-markets.

Debt and Credit Markets

New banking regulation from the European Banking Authority requires European banks to maintain a Core Tier ratio of 9%. We anticipated that this would result in an acceleration in banks seeking repayment of loans coupled with reducing new exposure to real estate lending. The concern was that this deleveraging strategy by the banks would result in a widening in the 'net debt funding gap', which seeks to measure the capital shortfall required by the property sector when lenders fail to renew loans and seek repayment.

It is very encouraging to report that in their most recent analysis (end of 2012) DTZ concluded that a dramatic 45% increase in new non-bank lending and a growing diversity of funding sources will result in the funding gap actually narrowing over 2013. Also the expectation is for the gap to all but disappear by the end of 2015. This academic analysis resonates with what we are experiencing on the ground. European listed property companies, of all sizes and from all sectors have raised debt capital from a wide range of sources over the last year. In the year to March 2013, €10.6bn was raised in the public market. This ranged from Unibail's €750m 2018 convertible with a coupon of just 0.75% through to a raft of small UK companies utilising the London Stock Exchange's retail bond platform (selling debt to small private investors). For example Primary Health Properties, Unite, CLS, Workspace and St Modwen all raised unsecured debt through this source at coupons of between 5% and 6.25%.

Insurance companies have also emerged as a growing source of debt capital. Basel 3 requirements which are due to be introduced from 2013 encourage insurance companies to lend to property companies rather than to own bricks and mortar themselves. Unite, Big Yellow and Safestore have all entered into long dated lending agreements (effectively mortgages) with the likes of Aviva and L&G. We have also seen the emergence of large dedicated real estate debt and opportunity funds who have continued to soak up performing and increasingly non-performing loan portfolios from banks.

Looking forward this diversity in lending sources is a welcome shift across Europe. In the US, non-bank lending represents 40% of property debt markets and we think this has been a factor in the speed of recovery in US commercial property values. Post the recent crisis and in this era of ultra loose monetary stimulus, the slow pace of bank deleveraging has certainly hampered the pace of corrective valuations. Markets need to find realistic prices in order to adjust ownership to new long term holders. We continue to avoid subsectors of the market where we see legacy lenders likely to take time to deleverage further.

Property Shares

Pan European property shares clearly outstripped the performance of underlying physical property across Europe and the UK. Indeed they also outperformed the broader European equity market. Clearly all 'risk assets' benefited from Mr Draghi's comments in July 2012 and then from the announcement of potential and sustainable ECB intervention through the offer of unlimited sovereign bond buying which followed in September. The continuing importance of the macro background cannot be underestimated but with so many continuous months of positive performance (June 2012 through to February this year) it is easy to forget that property shares fell over 7.6% between mid March and end of May 2012 with political risk around the French and Greek elections as well as the collapse of the Dutch government dominating investor sentiment. Nevertheless, there appears to be a determination from the ECB and its new chairman which has been welcomed by the markets. The consensual view that the interest rate curves (across Europe) are destined to remain flatter for longer than expected 12 months ago, focused investors minds on one particular issue – yield.

Market Background and Outlook *continued*

The outperformance of property shares was, certainly in part, driven by its offer of income. Investors sought out those businesses where earnings (and dividend income) are expected to be at the very least sustainable and if possible growing. Quite correctly investors favoured those businesses growing their 'top line' (organically or through acquisitions) and / or their 'bottom line' through further falls in their marginal cost of debt. The former had exposure to submarkets with real rental growth prospects, such as London, Paris, Oslo and Stockholm and Europe's economic powerhouse – Germany. An equal weighted basket of the five UK stocks with an almost total London focus (Great Portland Estates, Derwent London, Shaftesbury, Capital & Counties and Workspace) returned 36.3% in the year whilst the German stocks returned 20.5%.

Within Germany the winners were the residential owners which promise steady earnings growth, opportunity for accretive acquisitions and who were standing at significant discounts to asset value and rebuild costs. That equally weighted basket of five stocks (excluding LEG which only floated at the end of January 2013) returned 39%. For those businesses with less prospect of near term rental growth there was still the opportunity to generate returns through improvements to their balance sheets and cost of borrowing. As explained earlier banks and borrowers remain keen to lend to well capitalised property companies.

The real laggards in the year were those both exposed to weakening property fundamentals and sub optimal balance sheets. Investors remain wary of too much leverage in an environment of weak to negative economic growth. Whilst debt capital raisings were at record low coupons for companies such as Unibail (€700m convertible at 0.75% and €2.4bn of 7 -10 year bonds at an average of 2.5%), deeply discounted equity raisings (Citycon's €200m at 30% discount to share price) were also a feature. Those exposed to Brussels offices and secondary assets across the Low Countries were particularly poor performers as rental levels continue to decline, almost unrestrained.

At the half year we reported that the volatility in property equity pricing had declined markedly and this continues to be the case with the 90 day, annualised falling to 9.6% at March 2013 versus 13.1% at the interim stage and 18.5% a year ago. Even with these figures trending down there remains plenty of dispersion of return in our universe. To illustrate the point, there are just two Austrian listed property companies in our index. Both have been poor performers over 3, 5 and 10 years however one is beginning to get its corporate structure, portfolio and balance sheet in order underpinned with a change of management. The other continues to flounder. Respective returns for the last 12 months were +19.7% and -5.9%. Comprehensive strategic redirection coupled with execution have also been rewarded by investors. Wereldhave announced a retrenchment to core European retail and sold its US and UK assets at the end of 2012. Whilst its total return for the period under review was a poor -1.5%, in the first quarter of 2013 the stock rose +12.3%, a huge outperformance of broader property share prices in response to the successful execution of its new strategy.

With underlying rental growth in traditional sectors of offices, retail and industrial confined to limited hotspots, there was prominent outperformance from the 'alternative' submarkets such as student housing (Unite +64.2%), residential land assembly (St Modwen +41.6%) and self storage. In this latter category, Big Yellow returned +28.7% whilst Safestore just +5.7%. Investors again shying away from the business with the far greater debt burden even though returns at the asset level have been remarkably similar.

Outlook

We expect underlying economic growth to remain muted at best across much of Europe over the next year. However, there will be earnings growth in a substantial number of our property companies through a mixture of index-linked rents, development profits and further falls in the marginal cost of debt through refinancings and access to new sources of debt capital.

Furthermore, the severe lack of new development across virtually all markets (French shopping centres the surprising exception) is a very significant underpinning for property markets. If (or when) tenant demand recovers we will quickly experience a shortage of high

Market Background and Outlook *continued*

grade commercial space in a large number of markets. A typical development cycle has an element of speculative construction as developers seek to take advantage of depressed land prices and construction costs and time the completion of buildings into a rising economic cycle. Historically this has been funded almost entirely from the banks. Since 2008 finance for this type of development has almost entirely dried up. Lending is focused at the balance sheet level and development without significant preletting is at historically low levels. However, we are beginning to see tentative signs of renewed bank lending, and whilst the loan to value ratios remain conservative when compared to pre-crisis levels, it is an important step towards a broader asset value recovery.

Once again, we reiterate that real estate investment is not a passive activity and again it has been the best managerial teams who have displayed their capabilities in making the most effective use of their limited capital resources. Equally so, in these difficult times, the weaker businesses have failed to deliver and the dispersion of returns across markets and companies is set to continue. The only cautionary note we sound is that we are aware of the likelihood of further dividend cuts from some weaker performers but that is within an overall picture of modest earnings growth. The ultra loose monetary policy across the globe continues to drive demand for income and we see this as a strong underpinning for real estate and real assets which offer income.

Manager's Report

Marcus Phayre–Mudge MRICS **Fund Manager**

Performance

The Ordinary share class total return of +21.5% was ahead of the benchmark total return of +17.8%. Pan European property shares fully participated in the broad risk asset rally from June last year which followed the confirmation of further ultra loose monetary policy coupled with implicit and explicit central bank support. Over and above these European focused measures, the US has buoyed investor confidence with steadily improving news flow particularly around the housing market which is such an integral part of the domestic growth story. Whilst the quarterly returns from our universe over the last nine months of the financial year were +4.2%, +9.2% and +4.2%, it is appropriate to remind investors that the first quarter (to June) saw a negative return. Indeed our index fell -5% between mid March and mid June as investors once again fretted about the difficulties of achieving real political and institutional resolution to the Eurozone's multiple banking and fiscal structural issues. Clearly the ECB's intervention is welcomed and bringing peripheral Eurozone country bond yields back to 'normal' levels is a vital step. Property is often described as an income stream with an equity kicker (through its link to economic activity via rental growth and indexation) and therefore falling bond yields and reducing volatility have helped the sector's performance.

The relative outperformance against the benchmark index has been driven by our focus on quality, not just at the property asset level but also balance sheets and

Manager's Report *continued*

management expertise. Even though collectively Europe is by far the slowest growing global region there are 'hot spots' of rental growth at the regional and city level which we have sought exposure to. These sub-markets are also benefiting from the continuing lack of finance for speculative property development. There has rarely been so little new commercial property construction and where it is happening it is invariably significantly pre-let. The result is that where there is employment growth and renewed economic activity this is feeding into rents faster than was envisaged a year ago.

Our focus on identifying and investing in those businesses with strong balance sheets has also paid off. Most of our companies have reported a satisfactory continuation of their traditional banking relationships but these well financed property companies have also been able to reduce their marginal cost of debt through the bond markets and other sources of debt capital described earlier.

In a year of such outsized returns the obvious missed opportunity was not to have added significantly to the gearing in your fund. Long term investors will know that over many years we have tended to use only limited on balance sheet gearing to augment returns whilst preferring to stock pick those companies we expect to perform best in particular economic conditions. The exception has been in periods of rapid fundamental economic growth but as you will read throughout this report that underpinning has yet to reappear for the majority of our markets.

Distribution of Assets

UK equities exposure rose in the period from 34.6% to 37.7% and Continental European equity exposure was 55.1%. The physical property exposure reduced from 10.3% to 7.2%. The reduction in physical property exposure was a function not of sales (there were none) but a combination of two factors, lower absolute performance than equities and the merger of the two share classes. Sigma had no direct property assets.

Investment Activity

Over the period, turnover (purchases and sales divided by two) totalled 30% of the average total assets over the year, slightly ahead of the 29% recorded in the previous

See-Through Portfolio by Market

		Ordinary Share Class Portfolio	Benchmark 31 March 2013
UK	City Offices	2.1%	2.1%
	West End Offices	4.7%	3.9%
	West End Retail	2.7%	2.3%
	Docklands	0.3%	0.0%
	GLC/SE Offices	3.8%	1.9%
	Provincial Offices	0.5%	0.5%
	In town Retail	5.5%	4.5%
	Supermarkets	0.8%	1.0%
	Retail Warehouses	3.3%	3.5%
	Out of town Retail	1.1%	2.7%
	SE Industrials	1.8%	1.4%
	Self Storage	1.4%	0.8%
	Leisure	0.6%	0.7%
	Residential	3.8%	2.8%
	Other Industrials	1.1%	0.7%
	Other	1.9%	1.2%
Total UK		35.4%	30.0%
Austria	Retail	0.5%	0.7%
	Offices	1.9%	1.9%
	Residential	0.1%	0.6%
Belgium	Retail	0.4%	0.5%
	Offices	0.9%	2.0%
	Residential	0.0%	0.6%
	Logistics	0.1%	0.4%
Central Europe	Retail	1.4%	1.2%
	Offices	0.2%	0.2%
	Industrial	0.1%	0.2%
	Other	0.2%	0.1%
Denmark		0.1%	0.1%
Finland	Retail	0.5%	1.0%
	Offices	0.9%	1.2%
	Other	0.3%	0.2%
France	Retail	9.0%	8.6%
	Offices	6.4%	6.4%
	Residential	1.1%	1.0%
	Logistics	1.3%	0.9%
	Other	1.8%	1.5%
Germany	Retail	2.2%	1.4%
	Offices	3.1%	3.1%
	Residential	6.9%	8.3%
	Logistics	0.7%	0.5%
	Other	0.0%	0.1%
Greece		0.0%	0.1%
Italy	Retail	2.9%	1.7%
	Offices	1.3%	1.4%
Netherlands	Retail	1.9%	2.3%
	Offices	0.2%	0.3%
	Industrial	0.1%	0.3%
Norway	Retail	0.2%	0.2%
	Offices	1.7%	0.9%
Portugal		0.1%	0.1%
Russia		0.1%	0.1%
Spain	Retail	1.5%	1.7%
Sweden	Retail	1.8%	2.2%
	Offices	6.1%	5.4%
	Logistics	1.7%	1.6%
	Residential	0.5%	0.9%
	Other	0.4%	0.4%
Switzerland	Retail	0.9%	1.8%
	Offices	2.0%	3.4%
	Residential	0.2%	0.5%
	Other	0.5%	1.2%
USA		0.1%	0.2%
Other overseas		0.3%	0.6%
Total non-UK		64.6%	70.0%
Total		100.0%	100.0%

Manager's Report *continued*

year. Volumes were ahead of the average in May, as we reduced overall equity exposure in a period of rising peripheral bond yields and again in July, August and September as we reinvested into improving sentiment. The only significant IPO in the period was that of LEG, a German housing investment business with a market cap of €1.5bn at the end of January which we invested in. Together with the merger of London & Stamford and Metric Property in early February these two events saw volumes increase again towards the year end.

As mentioned earlier we remained focused on quality businesses and rental 'hotspots'. Our overweight to Greater London was our largest single sub-regional contributor to performance. Great Portland Estates rose +40.1% and Derwent London +25.3%. Not only do these businesses offer exposure to our most preferred submarkets but they are manufacturers of return through asset repositioning as opposed to static ownership of assets. Workspace (+49.7%) and CLS (+42.7%) were our top performing London-centric smaller companies. CLS is not in our benchmark as it is over 75% controlled by one family, we are happy to be one of a handful of institutional investors who have built up long term positions alongside them. It is a classic investment trust stock, whilst it has little free float and therefore proves difficult to hold for open-ended funds it has shown returns of 143% over 5 years and 286% over 10 years far outstripping the benchmark return. With little rental growth in traditional UK commercial property, outside of a handful of submarkets, we chose to increase our exposure to those stocks focused on 'alternative' asset classes particularly student housing, self storage and residential land. It is interesting to note that the best performers in these areas had either a declared strategy of focusing on London or were already there. Unite's (+64.2%) development programme is London-centric and it will have over 50% of its assets in the capital by 2016. Big Yellow (+28.7%) has 74% of its self storage revenue derived from stores inside the M25 whilst St Modwen (+41.6%), our preferred land play, announced it had won control of the redevelopment of New Covent Garden Market in Vauxhall, a 10 year residential project. An error was to underestimate the apparent insatiable desire by overseas investors and occupiers, particularly Asian, for London residential new build. We sold our holding in Capital & Counties, partial owner of the Earls Court redevelopment site following receipt of planning permission, feeling that it was better to 'travel than to arrive'. The scheme covers 70 acres and the development programme is expected to run from 2015 to beyond 2025. On occasion our detailed 'bottom up' value driven analysis can fail to fully capture broader (and ongoing) investor exuberance.

The majority of our UK larger company exposure is through positions in British Land, Land Securities and Hammerson. The best performer and our largest relative position was Hammerson which sold its City of London office portfolio to Brookfield (a US REIT) in the summer. Its strong share price performance (+20.2%) reflected not only investors satisfaction with this renewed retail focus but also the impending repositioning of its French portfolio which includes the development of Marseilles' new city centre shopping centre, Terrasse du Port.

Germany continues to be a growing area of focus with the country weight increasing from 9.7% to 12.9% of net assets over the year. Europe's economic powerhouse offers real estate investors a backdrop of falling unemployment and real wage growth hence our preferred residential and retail subsector exposure. Again we sought out quality companies with appropriate debt structures and whilst our preferred stocks GSW (+25.7%) and TAG (+30.1%) exceeded the wider benchmark return it was the super leveraged businesses Gagfah (+50.9%) and Patrizia (+59.8%) which had the stunning performance. Investors clearly became comfortable with the much higher risk inherent in those business models. With less than 1% of the German housing market owned by listed property companies, international investors keen to get access to this sub market drove equity prices consistently higher in 2012. The IPO of LEG in late January 2013 led to some investor indigestion in the sector and share prices have cooled since then with LEG failing to return to within 5% of its IPO price. Fundamentals remain positive and we continue to anticipate modest but robust earnings growth.

Unibail was once again the best performing French stock over the year, returning 26.5%. It also holds that title amongst the 10 French companies in our benchmark over 3, 5, 10 and 20 year periods. It is the Trust's largest holding and has been an overweight position throughout

Manager's Report *continued*

the year. The reduction in the size of the position at the year end reflected the Board's decision to move to the capped version of the benchmark, as highlighted in the Chairman's Statement. Even after this adjustment it remains an overweight and the largest position in the portfolio.

Sweden's stable economy and resilient housing market has provided an attractive economic backdrop. Once again we focused on well run businesses with portfolios focused on the key cities of Stockholm, Gothenburg and Malmo. Our positioning remains very company specific as individual stock performance varied hugely over the period. For example, Kungsleden is a highly indebted business which is under investigation by the Swedish tax authorities for utilising complex offshore structures for transactions in order to avoid tax. The stock almost halved in value between February and November 2012 but a change in management and a positive result for a competitor who utilised similar structures has aided the rehabilitation of the stock which has climbed 40% since late November.

Norway offers an even stronger economic backdrop and the underlying property fundamentals are also healthy in both Oslo and Stavanger however our only exposure, Norwegian Property, which has office portfolios in both cities has not delivered the promised performance. Suffering from a history of over leverage it even raised 10% new equity at a deep discount to support its capital expenditure programme. Management credibility has deteriorated and we reduced our modest position during the year.

Switzerland was our largest country underweight in the period. Swiss property stocks have been accorded a 'safe haven' status by investors and its property shares have consistently underperformed their broader European competitors when markets are rising. As importantly, our bottom up stock analysis reveals low returns on capital employed even with the lowest cost of domestic debt in the pan European property sector. Residential values continue to climb but the listed stocks collectively have little exposure to that sector.

Ordinary Share Class

	31 March 2012	Sigma conversion 12 December 2012	Purchases	Sales	Appreciation / (Depreciation)	**31 March 2013**	%
Austria	1,488	4,750	1,508	(2,363)	646	**6,029**	0.8
Belgium	4,144	3,556	1,215	(1,647)	287	**7,555**	1.0
Finland	–	3,008	4,459	(969)	1,229	**7,727**	1.0
France	131,950	15,406	19,755	(23,580)	23,938	**167,469**	22.7
Germany	37,750	27,695	26,691	(27,348)	14,515	**79,303**	10.6
Italy	9,061	4,009	1,183	(7,570)	541	**7,224**	1.0
Netherlands	42,739	8,433	12,515	(19,031)	(5,698)	**38,958**	5.3
Norway	4,775	3,063	301	–	423	**8,562**	1.2
Sweden	32,041	12,554	7,785	(5,348)	9,317	**56,349**	7.6
Switzerland	22,620	1,020	9,427	(1,489)	2,279	**33,857**	4.6
Continental Europe	286,568	83,494	84,839	(89,345)	47,477	**413,033**	55.8
UK	175,806	31,637	49,325	(36,387)	50,158	**270,539**	36.7
Fixed Interest	–	765	3,085	(3,155)	247	**942**	0.1
Direct Property*	53,867	–	617	(364)	852	**54,972**	7.4
	516,241	115,896	137,866	(129,251)	98,734	**739,486**	100.0

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

Manager's Report *continued*

Gearing, Debt and Debentures

The overall net debt position in the fund was substantially unchanged. 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 fund. The 'see-through' gearing was 50.1% whilst the benchmark figure was 48.0%. Whilst the fund has on balance sheet debt, the unleveraged physical property assets which comprise 7.4% of assets offsets a substantial part of this.

Revenue

As mentioned in the Chairman's statement, the revenue earnings of 6.74p are not a fair representation of the earnings for the year. Earnings are calculated based on the weighted average number of shares in issue throughout the year. The Sigma shares converted to Ordinary shares were therefore brought into account from 12 December. The earnings profile of the portfolio is not even throughout the year, earnings are skewed towards the first half, the Sigma shares had accrued earnings as part of the conversion, however these accrued earnings cannot be recognised as part of the overall earnings for the Ordinary share class. Therefore the "new" Ordinary shares only have the earnings attached since the conversion date, thus lowering the overall stated earnings.

Therefore, although the proposed overall dividend of 7.00p per share compared with stated earnings of 6.74p per share may appear to be an over-distribution, shareholders should be reassured that this is not the case. In the Group revenue column of the Group Statement of Comprehensive Income on page 53, the earnings are shown on an overall basis. Total revenue earnings are £22.4m. The total anticipated dividend payment based on the number of shares in issue at the year end, together with the two interim payments of the Sigma and Ordinary share classes already made amount to £21.9m, an overall payout ratio of 97.8%.

The Ordinary share class tax charge at 11.2% is higher than in the previous year (10.1%), due to the withholding tax on a higher level of overseas income. The tax rate will continue to vary depending upon the mix of the source of revenue.

As highlighted in the Chairman's Statement, a review of the cost allocations between the revenue and capital accounts has led to a change. In line with the Board's longer term expectations of the relative returns from the revenue and capital accounts, the proportion of management fees allocated to the capital account has increased. Going forward, management fees and finance costs will be allocated 75% to the capital account and 25% to the revenue account (current allocations are management fees one third to the capital account and two thirds to the revenue account with finance costs allocated half to each account). Although this results in a lower cost charge to the revenue account, there is a partial offset due to the tax charge on the increased level of net revenue. Although the actual tax paid will not increase, there is a cross charge of tax between the two accounts where costs borne by the capital account are used to offset income expenses. The overall impact on the revenue account is positive, and the indicated earnings should be taken as a new base for the continuation of a progressive dividend policy.

As mentioned in previous reports, withholding tax reclaims have been submitted as challenges are made in the European Courts. Progress is slow and no refunds have been received to date. Revised tax returns have also been submitted on the basis that current UK tax treatment of foreign dividends may be applicable to earlier periods. Although as yet no firm progress has been made, we have reserved our position on this by submitting a claim to the High Court. There is no certainty as to the outcome so, as in prior years, no benefit has been recognised in the financial statements.

Revenue Outlook

Although we are confident of strong underlying earnings from the companies in which we invest, the timing and the methods by which the companies make their distributions and the way in which these distributions are taxed, and currency movements, all have a bearing on our overall result.

On a conservative basis, not accounting for wide fluctuations from the current position in the factors mentioned above, and taking account of the revised

Manager's Report *continued*

expense allocations, we anticipate earnings in the region of 7.50p for the year to March 2014.

Direct Physical Property

The physical property portfolio produced a positive total return of 7.4% for the 12 months comprising a capital return of 1.8% and an income return of 5.6%. This compares to a total return of the IPD Monthly Index of 2.5% made up of a capital return of -4.0% and an income return of 6.8%. The relative outperformance was driven by asset management at Wandsworth and residential lease extensions at the Colonnades, Bayswater.

Teva continue to expand into Field House, Harlow following completion of our rolling refurbishment of the air-conditioning. They now occupy 82% of the building and have an obligation to take the remaining space in due course. The building remains fully let. At the Colonnades we have let the remaining small retail unit on a short lease ahead of our potential large scale refurbishment in 2016. Above the commercial element of the Colonnades there are 242 flats all on long leases with between 40 and 60 years to expiry. Over the past 7 years we have extended 77 leases (32%) of which 10 were completed in the last 12 months. Total premiums received since 2005 have been £4.3m. At the year end we had terms agreed on a further 17 leases which if they proceed to completion will add a further £1.4m to receipts.

In December we agreed with NACRO, who occupy two suites at Park Place, Vauxhall, that they will remain in their large unit and surrender their small suite, having previously planned to vacate the building completely. We have refurbished the small suite to a high standard and are marketing the space to occupiers. ETV Media, who occupied 7,500 sq ft at Park Place, have been placed into administration. The space has been fully refurbished and we are seeking rents 25% ahead of the previous passing rent.

The top performing asset in the year was our industrial estate in Wandsworth. We extended four leases with Absolute Taste securing them until September 2016. All the leases deliberately expire in or before September 2016 as we are appraising the medium term redevelopment of the site. There is a small retail unit at the front of the estate and we concluded a partial surrender of the existing lease with a simultaneous grant of a new lease to Costa Coffee on a 10 year term.

Chairman's retirement

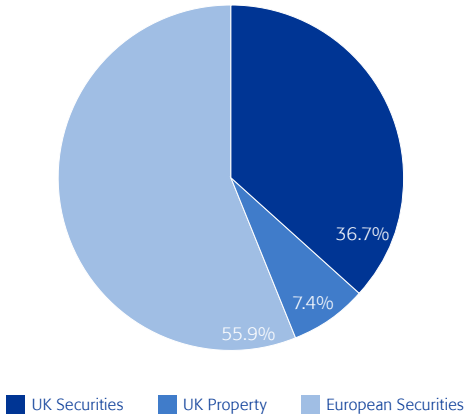
On behalf of the whole management team I would like to sincerely thank Peter for the huge contribution and support he has given over a great many years. Taking over the Chair in 2004, he has steered the Trust through the subsequent market turbulence and wild swings in sentiment towards the asset class and he leaves us in an improving environment. He supported the launch of Sigma back in 2007 but also understood the changing market dynamics and championed the successful remerger of the two share classes in December 2012. His open management style ensured a consistency of approach much appreciated by all at Thames River Capital.

I joined the management team of TR Property in 1997, the same year as Peter became a non executive director and on a more personal note, I would like to extend my sincere gratitude for all the guidance I have had throughout my career as a fund manager. He has been instrumental in the evolution of the Trust's management team and an excellent guardian of shareholders' interests.

Caroline has been an invaluable non-executive since 2002 and I look forward to continuing to work with her as Chairman from July.

Ordinary Shares – Portfolio

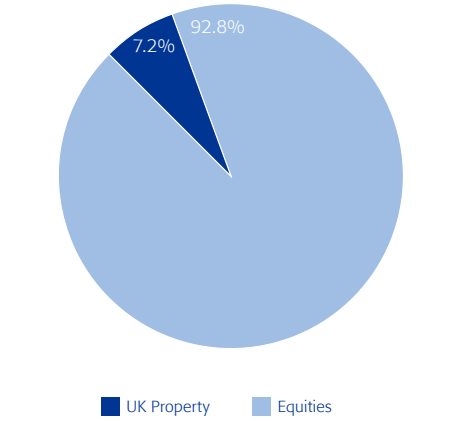
Distribution of Investments
as at 31 March



Distribution of Investments
as at 31 March

	2013 £'000	2013 %	2012 £'000	2012 %
UK Securities – quoted	**270,539**	**36.7**	175,806	34.0
UK Investment Properties	**54,972**	**7.4**	53,867	10.4
UK Total	**325,511**	**44.1**	229,673	44.4
European Securities				
– quoted	**413,033**	**55.8**	286,568	55.5
– fixed interest	**942**	**0.1**	–	–
Investments held at fair value	**739,486**	**100.0**	516,241	99.9
– CFD debtor[1]	**274**	**–**	260	0.1
Total investments	**739,760**	**100.0**	516,501	100.0

Investment Exposure
as at 31 March



Investment Exposure
as at 31 March

	2013 £'000	2013 %	2012 £'000	2012 %
UK Securities				
– quoted	**270,539**	**35.5**	175,806	33.8
– CFD exposure	**16,471**	**2.2**	3,972	0.8
UK Investment Properties	**54,972**	**7.2**	53,867	10.3
UK Total	**341,982**	**44.9**	233,645	44.9
European Securities				
– quoted	**413,033**	**54.2**	286,568	55.1
– fixed interest	**942**	**0.1**	–	–
– CFD exposure[2]	**5,908**	**0.8**	–	–
Total investment exposure[3]	**761,865**	**100.0**	520,213	100.0

Portfolio Summary
as at 31 March

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Total investments	**£740m**	£516m	£571m	£513m	£278m
Net assets	**£684m**	£470m	£531m	£476m	£324m
UK quoted property shares	**37%**	34%	34%	33%	32%
Overseas quoted property shares	**56%**	56%	58%	56%	51%
Overseas fixed interest	**0%**	0%	0%	1%	0%
Direct property (externally valued)	**7%**	10%	8%	10%	17%

1 Net unrealised gain on CFD contract held as balance sheet debtor.
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 2013

	Market value £'000	Market value %
Austria		
CA Immobilien	5,380	0.7
Conwert Immobilien	649	0.1
	6,029	**0.8**
Belgium		
Befimmo	5,127	0.7
Cofinimmo	1,762	0.2
Wereldhave	399	0.1
Warehousing and Distribution de Pauw	267	–
	7,555	**1.0**
Finland		
Sponda	7,727	1.0
	7,727	**1.0**
France		
Unibail-Rodamco	83,988	11.4
Klépierre	19,935	2.7
Gecina	9,443	1.3
Icade	8,968	1.2
Terreis	8,655	1.2
Silic	8,043	1.1
Tour Eiffel	5,411	0.7
Mercialys	5,213	0.7
Foncière des Régions	4,871	0.7
CFI	3,972	0.5
Argan	3,748	0.5
Fonciere des Murs	3,077	0.4
ANF Immobilier	2,145	0.3
	167,469	**22.7**
Germany		
GSW	16,261	2.2
Deutsche Euroshop	15,505	2.1
LEG	14,289	1.9
Deutsche Wohnen	13,505	1.8
Alstria Office	8,079	1.1
TAG	5,127	0.7
DIC Asset	2,793	0.4
VIB Vermoegen	1,640	0.2
Patrizia	1,053	0.1
Prime Office	735	0.1
Hahn	316	–
	79,303	**10.6**
Italy		
Beni Stabili	3,792	0.5
Immobiliare Grande Distribuzione	3,432	0.5
	7,224	**1.0**
Netherlands		
Corio	18,417	2.5
Eurocommercial Properties	10,586	1.4
Vastned Retail	6,576	0.9
Wereldhave	2,626	0.4
Nieuwe Steen Investments	753	0.1
	38,958	**5.3**

	Market value £'000	Market value %
Norway		
Norwegian Property	8,562	1.2
	8,562	**1.2**
Sweden		
Wihlborgs	14,444	2.0
Castellum	11,932	1.6
Hufvudstaden	10,638	1.4
Fabege	7,624	1.0
Wallenstam	6,864	0.9
Klovern	2,595	0.4
Kungsleden	2,252	0.3
	56,349	**7.6**
Switzerland		
PSP Swiss Property	18,804	2.5
Swiss Prime Site	12,435	1.7
Mobimo	2,115	0.3
Allreal	503	0.1
	33,857	**4.6**
United Kingdom		
Land Securities	50,309	6.8
Hammerson	34,892	4.7
British Land	32,609	4.4
Great Portland Estates	28,143	3.8
Derwent London	19,684	2.7
St Modwen	17,379	2.4
Shaftesbury	9,632	1.3
Max Property	9,323	1.3
SEGRO	9,227	1.3
Workspace Group	8,176	1.1
Unite Group	7,754	1.1
Quintain Estates & Developments	6,782	0.9
CLS Holdings	6,661	0.9
Safestore Holdings	4,907	0.7
Hansteen Holdings	4,685	0.6
Big Yellow Group	4,612	0.6
Helical Bar	4,106	0.6
Grainger	3,972	0.5
Capital & Regional	2,564	0.4
Local Shopping REIT	2,458	0.3
Conygar Investment	1,612	0.2
Londonmetric Property	495	0.1
Rugby Estates	223	–
Pactolus Hungarian	184	–
Nanette Real Estate	150	–
	270,539	**36.7**
Direct Property	**54,972**	**7.4**
Fixed Interest		
TAG Immobilien 6.5% 10/12/15 (Germany)	815	0.1
Citycon 4.5% 02/08/13 (Finland)	127	–
	942	**0.1**
CFD Positions (included in current assets)	**274**	**–**
Total Investment Positions	**739,760**	**100.0**

Twenty Largest Equity Investments – Ordinary Share Class Portfolio

	Shareholding Value % of investment portfolio† % of equity owned Share price at 31 March 2013 (2012)	**Comment** Note: Market caps, yields and share price returns all at end March 2013.
1 Unibail-Rodamco (France)	£83.99m (£69.41m) 11.35% (13.4%) 0.6% (0.6%) €181.65 (€149.95)	Europe's largest quoted property company by both market cap and gross assets, following the June 2007 merger with Rodamco. Its €29bn portfolio is located in France (60%), Central Europe (10%), Scandinavia (9%), Spain (9%), Austria (7%) and the Netherlands (6%). The asset focus rests on very large dominant shopping centres in the main European cities which generate higher sales density/footfall and lower structural vacancy. The group also runs exhibition/convention centres (7%) and pursues an opportunistic strategy (buy/build and sell) on offices (12%) mostly located in Paris CBD and La Défense. The chief executive succession has been well received by market participants together with the 8% annual growth in EPS targeted by the management over the next 5 years. The current loan to value is 37%. The five year total shareholder return has been 65.0%.
2 Land Securities (UK)	£50.31m (£43.97m) 6.8% (8.5%) 0.9% (0.8%) 829.0p (723.0p)	The UK's largest real estate investment trust (REIT) by market cap and portfolio value, with a portfolio of £10.5bn including share of joint ventures and developments. The company is exposed to Central London Offices and Retail (53%), Shopping Centres (23%), Retail Warehouses & Supermarkets (12%) and other investments (predominantly Accor hotels and leisure-focused assets) (12%). Since his appointment as group CEO in March 2012, Rob Noel has guided the group's exit from mature ex-growth regional retail assets and reinvestment into London and leisure-focused assets. The group's investment in selective development opportunities has continued with its London tower development (20 Fenchurch Street) now 52% pre-let or in solicitors hands, and successful completion and opening of Trinity Leeds, the only major shopping centre to be completed in 2013. The redevelopment of the group's Victoria portfolio remains an attractive future opportunity. Last reported loan to value was a low 37% and the group remains committed to a strict capital allocation process. The five year total shareholder return has been -21.9%.
3 Hammerson (UK)	£34.89m (£25.89m) 4.7% (5.0%) 1.1% (0.9%) 492.0p (416.0p)	This UK-based REIT is active in both the UK and France as an investor and developer. Following the strategic decision in February 2012 to focus 100% on retail operations the group has made good progress with a sale of the entire City office portfolio agreed. The remaining £5.2bn retail portfolio is split: 49% UK Shopping Centres, 28% UK Retail Parks and 23% French Shopping Centres. Since becoming a REIT the group has increasingly focused on income and this was reinforced in the latest full-year results. Through development completions, acquisitions, strong performance from the Value Retail investment and operational delivery the group has set out a target for 24% increase in net rental income by full-year 2015 (7.4% CAGR). Furthermore, the group remains committed to ongoing cost and finance expense control which will drive additional income growth. Despite the tough economic environment and threat from the internet the portfolio continues to be managed well with strong lettings and low vacancy, and the group is at the forefront of multi-channel and click-and-collect initiatives. While the development pipeline is currently focused on the large (c. 600,000 sqft) Les Terrasses du Port Shopping Centre in Marseille (completing in April 2014) , the group is exposed to many future projects (Croydon, Brent Cross, Victoria Quarter (Leeds), and many more). The balance sheet remains strong with an LTV of only 36%. The five year total shareholder return has been -20.0%.
4 British Land (UK)	£32.61m (£22.78m) 4.4% (4.4%) 0.7% (0.5%) 544.0p (480.0p)	With a £10.5bn portfolio (including developments) covering Central London Offices (30%), Retail (53%) Supermarkets (14%) and European Retail (2%), British Land is the UK's second largest REIT. The portfolio is generally of a high-quality with an above-average lease profile (Weighted Average Lease Length to first break of 11.1years). The group is currently working on over 4.2m sqft of developments which are c. 65% pre-let. While recent acquisitions appear to lack strategic cohesion they offer an above average income return and management has been successful in recycling capital. The recent share placing, concurrent sale of Ropemaker Place, a mature London office asset, and recent acquisitions gives management c. £750m of unlevered investment capacity. We are supportive of such action, provided management invests the proceeds in accretive acquisitions and development opportunities ahead of its cost of capital. Although the last reported loan to value ratio was reduced to 41%, management indicated a desire to re-gear to c. 45% through the aforementioned investment. The five year total shareholder return has been -3.7%.
5 Great Portland Estates (UK)	£28.14m (£10.66m) 3.8% (2.1%) 1.7% (0.9%) 496.0p (360.0p)	This Central London office investor and developer manages £2.0bn 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 an un-geared LFL portfolio growth of 7%. The group undertook a placing in November 2012 and raised £140m of unlevered investment capacity. Post which the group has been active, securing acquisitions in the West End, Southwark and city borders totaling £112m. These acquisitions provide future development opportunities and near-term income. Great Portland is a total return investment with the majority of returns generated from management's ability to manufacture product in its key markets to drive rental growth and capital appreciation. In total, the group has 2.5m sqft of short and medium term developments compared to a current portfolio of 3.4m sqft. Alongside management's commitment to capital recycling, the strong balance sheet (35% LTV) provides capacity to deliver these developments and future acquisitions. The five year total shareholder return has been 44.7%.

† 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 2013 (2012)	**Comment** Note: Market caps, yields and share price returns all at end March 2013.
6 Klépierre (France)	£19.94m (£14.19m) 2.7% (2.7%) 0.4% (0.3%) €30.52 (€25.94)	Klepierre, a subsidiary of BNP Paribas, owns a pan European shopping centre portfolio valued at €16.4bn located in France (43%), Scandinavia (25%), Italy (11%), Iberia (8%) and Central Europe (7%). Over the course of 2012 the portfolio posted a 2.3% LFL rental growth thanks to 96.5% occupancy, flat tenant sales and positive uplift on re-lettings and renewals. Klepierre has an attractive €2.2bn development pipeline (of which €0.2bn committed). Simon Property Group, the largest global shopping centre REIT acquired a 29% stake in March 2011 at a 20% premium to last price and 10% discount to NAV. David Simon has become the board chairman and Klepierre has since benefited from Simon's financial and operational experience. The five year total shareholder return has been 5.5%
7 Derwent London (UK)	£19.68m (£15.91m) 2.7% (3.1%) 0.9% (0.9%) 2,152.0p (1,745.0p)	Derwent London is a specialist London REIT (97% of portfolio) operating a £2.9bn portfolio with a specific focus on Offices in the West End and areas bordering the City of London. Management has commented that demand for its unique space has never been stronger and this is a ripe time to be delivering modern space into a supply constrained market. The group exploits the supply/demand imbalance in London through refurbishments rather than new developments, with 2.4m sqft of total space (1.0m of net new space) planned for delivery pre-2016. Operational performance in the last year has been strong with a number of pre-lets signed at developments and like-for-like rental growth of 5.5% driving an increase in capital values of 7.0%. The group is a total return business offering consistent returns in excess of its cost of capital. 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 31%. The five year total shareholder return has been 56.8%.
8 PSP Swiss Property (Switzerland)	£18.80m (£14.38m) 2.5% (2.8%) 0.7% (0.6%) CHF 86.50 (CHF 80.10)	Based in Zurich, PSP is a real estate investment company owning a portfolio valued at over CHF 6.3bn at the end of 2012. 63% of assets by value are located in Zurich, with the remaining properties split mainly between Geneva (13%), Basel (6%), Lausanne (5%) and Bern (3%). Two thirds of rent comes from offices with the remainder coming from retail and parking operations. PSP has a solid balance sheet with a 28.4% LTV, 2.13% average cost of debt and 5.9x interest cover ratio. The five year total shareholder return has been 57.2%.
9 Corio (Netherlands)	£18.42m (£22.18m) 2.5% (4.3%) 0.6% (0.7%) €36.34 (€39.54)	Corio is the 11th largest Pan-European property company (weighted by market cap within the EPRA benchmark) with a €7bn portfolio concentrated on the retail sector (97%). The portfolio split is Netherlands (28%), France (5%), Italy (18%), Iberia (10%) Germany (10%) and Turkey (8%). The company announced in December 2012 its intention to sell its non-core "Traditional Retail Centre" portfolio of € 1.4bn in the coming 3 to 4 years. In addition its €1.8m development pipeline (49% committed) with a 7.4% yield on cost which should drive earnings and NAV growth. Leverage is at 41%. The five year total shareholder return has been -10.2%.
10 St Modwen Properties (UK)	£17.38m (£5.67m) 2.4% (1.1%) 3.1% (1.5%) 258.0p (185.0p)	St Modwen is predominantly a land remediation business. The group purchases brown field land which it progresses through the planning process to create oven-ready land for future development. The majority of this land is for residential uses which it primarily sells to House Builders, although it has recently started building homes in-house on a small scale to benefit from development profit. The group also remediates land for in-house commercial development although this has taken a backseat in the current economic environment. To support the cost of its development activities the group owns a variety of secondary offices, retail and industrial assets. The group will continue to benefit from a housing market supported by government initiatives and from exposure to three key development opportunities – New Covent Garden Market, Swansea University's Second Campus and Longbridge. The balance sheet remains strong (LTV 35%) and the recent placing provides financial flexibility to support the aforementioned development opportunities. The five year total shareholder return has been -35.0%.

† 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 2013 (2012)	**Comment** Note: Market caps, yields and share price returns all at end March 2013.
11 GSW Immobilien (Germany)	£16.26m (£13.68m) 2.2% (2.6%) 1.2% (1.5%) €30.74 (€25.66)	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 around 58,700 residential units, valued at around € 3.35 bn. The Berlin residential rental market is attractive thanks to a low ownership ratio, strong household formation growth and limited new supply, leading to rental growth and rising capital values. 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%) and the granularity of rental income and debt (349 loans with an average maturity of 10.2 years at an interest rate of 3.6%). The total shareholder return since its IPO in April 2011 has been 52.1%.
12 Deutsche Euroshop (Germany)	£15.51m (£8.24m) 2.1% (1.6%) 1.1% (0.7%) €31.50 (€26.37)	Deutsche EuroShop owns a €3.1bn portfolio of prime shopping centres. Its portfolio includes sixteen centres in Germany, two in Poland and one each in Austria and Hungary. Deutsche Euroshop's centre management, development and acquisition sourcing is undertaken by third party ECE, the largest developer/manager of shopping centres in Germany. The portfolio is characterized by well positioned prime assets, that have long CPI linked leases (~10 years), low vacancy (1%) and a strong tenant mix. The company has a solid balance sheet with a 44% LTV and a 6.3yr debt maturity. The five year total shareholder return has been 54.9%.
13 Wihlborgs Fastigheter (Sweden)	£14.44m (£5.78m) 2.0% (1.1%) 1.7% (0.9%) SEK 106.75 (SEK 93.25)	Wihlborg is a commercial property company focused in the Oresund region of Sweden (Malmö, Lund, Helsingborg) and Copenhagen. The company has 252 properties with a value of SEK 20.3 bn, consisting of 27% warehouses/logistics and 73% office/retail. Wihlborg's continues to deliver some of strongest total returns in the sector due to its focus, well run portfolio and significant development capabilities. The five year shareholder total return has been 98.4%.
14 LEG (Germany)	£14.29m (n/a) 1.9% (n/a) 0.8% (n/a) €41.68 (n/a)	LEG is a German residential company focused on the economically strong region of North Rhine-Westphalia. The company is one of the largest real estate companies in Germany with just under 91,000 units and a value of €5.0bn. LEG is particularly characterized by its strong balance sheet with an LTV of just under 48%, an average debt maturtity of 12yrs and an average cost of debt of 3.3%. The company has a well maintained portfolio with 97% occupancy and a strong platform from which to grow from this point. The total shareholder return since listing in February 2013 has been -5.0%.
15 Deutsche Wohnen (Germany)	£13.51m (£4.77m) 1.8% (0.9 %) 0.7% (0.5%) €14.12 (€11.05)	Deutsche Wohnen is a German residential company. Its core regions are located in Greater Berlin, Rhine-Main and the Rhineland as well as in medium-sized German cities like Hanover/ Brunswick/Magdeburg. The company has just over 82,000 units with a value of €4.9bn. The company has been particularly aggressive in acquiring, having bought almost 42,000 units in the past 12 months. The company is characterized by a high quality portfolio with strong growth dynamics due to its exposure to Berlin. The five year total shareholder return has been 47.2%.
16 Swiss Prime Site (Switzerland)	£12.43m (£8.24m) 1.7% (1.6%) 0.4% (0.3%) CHF 76.80 (CHF 74.90)	Following the merger with Jelmoli, Swiss Prime Site has become the largest Swiss investment property company both by market cap and portfolio size (CHF 8.6bn). The group has recently gone through the important process of internalizing management, having previously been externally managed by Credit Suisse. It is predominantly invested in offices (40%) and retail (35%) assets in Zurich (38%) and Geneva (23%). The five year total shareholder return has been 50.1%.
17 Castellum (Sweden)	£11.93m (£10.46m) 1.6% (2.0%) 0.7% (0.8%) SEK 92.70 (SEK 82.95)	Based in Gothenburg, Castellum is one of the largest real estate companies in Sweden. It owns a SEK 36.7bn 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 64% offices/retail, 31% logistics/industrial and 4% 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 54%, no refinancing issues and development forming only 4% of the balance sheet. The five year shareholder total return has been 62.3%.

† 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 2013 (2012)	**Comment** Note: Market caps, yields and share price returns all at end March 2013.
18 Hufvudstaden (Sweden)	£10.64m (£7.44m) 1.4% (1.4%) 0.6% (0.1%) SEK 81.40 (SEK 69.95)	Hufvudstaden owns an exceptionally prime office and retail portfolio (SEK 23.1bn) in central Stockholm (83%) and Gothenburg (17%) and owns some of Sweden's most iconic buildings, with 30 assets in total. Office tenants' account for 50% of the rental value, retail chains account for 40% and parking and other operations make up the remainder. The company has a very strong balance sheet with an LTV of only 18%, an ICR of 7x and 100% fixed debt at a cost of 2.1%. The five year total shareholder return has been 56.0%.
19 Eurocommercial Properties (Netherlands)	£10.59m (£6.69m) 1.4% (1.3%) 1.1% (0.7%) €28.48 (€28.36)	Based in London and listed in Amsterdam with Dutch REIT status, Eurocommercial is a specialist shopping centre investor operating in Northern Italy (38%), France (38%) and Sweden (24%). The company is conservatively managed with a strong focus on active asset management leading to 3% like-for-like rental growth in 2012. The company has a stable balance sheet with a 43% LTV and a cost of debt of 4%. The five year total shareholder return has been 11.4%.
20 Shaftesbury (UK)	£9.63m (£5.8m) 1.3% (1.1%) 0.7% (0.5%) 582.0p (493.0p)	Shaftesbury is a West End focused REIT with a £1.9bn portfolio offering exposure to retail (39%), restaurants (33%), offices (17%) and residential (11%) assets. The group primarily invests in 6 core villages which offer investors a unique portfolio of assets that is practically impossible to replicate. Management is very highly regarded and the group consistently delivers returns in excess of its low cost of capital. Although development exposure is limited relative to the other West End REITs, this is largely a function of focus and it has been increasing in recent periods. The group has consistently maintained a conservative balance sheet and current LTV is a very low 30%. The five year total shareholder return has been 47.8%.

† Investment portfolio excluding cash on deposit

Ordinary Portfolio Investment Properties as at 31 March 2013

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**

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 let to Teva on a variety of leases expiring in January 2023.

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.

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.

Park Place 10-12 Lawn Lane London SW8	**Offices**	**Freehold**	**25,600**	**Nacro Police Federation 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, is 70% let and the vacant space has been comprehensively refurbished.

Spread of Direct Portfolio by Capital Value (%)
as at 31 March 2013

	Office	Retail	Industrial	Residential and Ground Rents	Other	Total
West End of London	8.6%	20.3%		12.1%	5.1%	46.1%
Inner London*	13.7%	1.9%	17.2%			32.8%
Around M25	14.8%					14.8%
Other South East	6.3%					6.3%
Total	**43.4%**	**22.2%**	**17.2%**	**12.1%**	**5.1%**	**100.0%**

*Inner London defined as inside the North and South circular

Lease Lengths within the Direct Property Portfolio
as at 31 March 2013

	Gross rental income
less than 1 year (including voids)	8.8%
1 to 3 years	35.1%
4 to 5 years	32.3%
6 to 10 years	19.6%
11 to 15 years	–
Over 15 years	4.2%
	100.0%

Ordinary Share Class Statement of Comprehensive Income (unaudited)

for the year ended 31 March 2013

	Year ended 31 March 2013			Year ended 31 March 2012		
	Revenue Return £'000	**Capital Return £'000**	**Total £'000**	Revenue Return £'000	Capital Return £'000	Total £'000
Investment income						
Investment income	**22,267**	**–**	**22,267**	21,749	–	21,749
Other operating income	**172**	**–**	**172**	32	–	32
Gross rental income	**3,505**	**–**	**3,505**	3,257	–	3,257
Service charge income	**1,759**	**–**	**1,759**	1,249	–	1,249
Gains/(losses) on investments held at fair value	**–**	**88,265**	**88,265**	–	(61,383)	(61,383)
Net movement on foreign exchange	**–**	**368**	**368**	–	(22)	(22)
Net returns on contracts for difference	**205**	**1,805**	**2,010**	52	202	254
Total income/(loss)	**27,908**	**90,438**	**118,346**	26,339	(61,203)	(34,864)
Expenses						
Management and performance fees	**(2,653)**	**(4,449)**	**(7,102)**	(2,493)	(1,246)	(3,739)
Repayment of prior years' VAT	**–**	**–**	**–**	117	58	175
Direct property expenses, rent payable and service charge costs	**(2,191)**	**–**	**(2,191)**	(1,795)	–	(1,795)
Other administrative expenses	**(906)**	**13**	**(893)**	(720)	–	(720)
Total operating expenses	**(5,750)**	**(4,436)**	**(10,186)**	(4,891)	(1,188)	(6,079)
Operating profit/(loss)	**22,158**	**86,002**	**108,160**	21,448	(62,391)	(40,943)
Finance costs	**(1,334)**	**(1,334)**	**(2,668)**	(1,293)	(1,293)	(2,586)
Profit/(loss) from operations before tax	**20,824**	**84,668**	**105,492**	20,155	(63,684)	(43,529)
Taxation	**(2,327)**	**625**	**(1,702)**	(2,041)	1,070	(971)
Total comprehensive income	**18,497**	**85,293**	**103,790**	18,114	(62,614)	(44,500)
Earnings/(loss) per Ordinary share	**6.74p**	**31.10p**	**37.84p**	7.07p	(24.44)p	(17.37)p

Ordinary Share Class Balance Sheet (unaudited)

as at 31 March 2013

	2013 £'000	2012 £'000
Non current assets		
Investments held at fair value	**739,486**	516,241
	739,486	516,241
Current assets		
Debtors	**6,673**	6,414
Cash and cash equivalents	**13,666**	2,944
	20,339	9,358
Current liabilities	**(57,883)**	(39,937)
Net current liabilities	**(37,544)**	(30,579)
Total assets less current liabilities	**701,942**	485,662
Non-current liabilities	**(17,723)**	(15,190)
Net assets	**684,219**	470,472
Net asset value per Ordinary share	**215.25p**	183.62p

Sigma Shares

Sigma Shares conversion

Sigma Shares were converted to Ordinary share on 17 December 2012. In November 2012, the company published a Shareholder Circular setting out a proposal to convert the Sigma shares into Ordinary shares and combine the underlying portfolios. The Board was aware of investor's increased focus on liquidity and the trend for wealth managers to invest their clients' monies in companies with larger market capitalisations. The advice the Board had received was that for many wealth management groups, companies with a market capitalisation of less than £100 million would not be considered for investment. This view was endorsed by the AICs subsequent publication on liquidity in the Investment Company sector.

The resolution to convert the Sigma shares to Ordinary shares was carried overwhelmingly at the EGM of the company held on 14 December 2012. Shares were converted based on the Net Asset Values of the respective share classes as at the close of business on 12 December and the new Ordinary shares were admitted to the Official list for trading at 8.00am on 17 December.

Based on the NAV of the Sigma and Ordinary share classes (on an AIC basis with debt marked to market) on the Calculation Date of 12th December 2012, and taking into account the conversion charge of two per cent to the NAV of the Sigma Pool as at the date of conversion and the deduction of 0.48% of costs relating to the conversion, the Conversion NAV per Ordinary share was 201.48 pence per share and the Conversion NAV per Sigma share was 100.19 pence. Accordingly, every Sigma Share was converted into 0.4973 Ordinary shares. Fractions of Ordinary shares were not issued; fractional entitlements were rounded down to the nearest number of Ordinary shares.

Sigma shareholders received their new certificates on 17 December 2012. For the avoidance of doubt, new share certificates were not issued to existing Ordinary shareholders.

Performance

Sigma share class performance for the period from 31 March 2012 to conversion and from inception to conversion:

	31 March 2012 to 12 Dec 2012*	Inception to 12 Dec 2012*
Benchmark performance (total return)	**+3.5%**	-16.4%
NAV total return	**+5.7%**	-10.2%
Share price total return	**+13.9%**	-13.3%

* 12 December 2012 was the calculation date for the conversion Net Asset Value.

Directors

Peter Salsbury

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 Group and Molten Technology. 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.

Simon Marrison

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

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 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.

Suzie Procter

Suzie Procter joined the Board of TRPIT on 1 March 2013. She is presently Executive Head of Institutional Client Service at Cantillon Capital Management. She has been Director of Fixed Income Business at Pictet International Management, Head of Institutional Sales at Invesco and Managing Director, Head of Consultant Relations and Client Director at Lazard Asset Management. She brings successful asset management experience and expertise in strategic business development and distribution.

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 Owners Association.

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 plc, Kames Capital plc and Hermes Fund Managers Limited, where he is Chairman of the Audit Committee. He became Chairman of the Audit Committee on 1 January 2013.

Managers

Marcus Phayre-Mudge

Marcus Phayre-Mudge, Fund Manager Ordinary Share Class from 1 April 2011 and Fund Manager Sigma Share Class from September to December 2012. 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.

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.

Alban Lhonneur

Alban Lhonneur, Assistant Fund Manager, joined Thames River Capital in August 2008. He was previously at Citigroup Global Markets as an Equity Research analyst focusing on Continental European Real Estate. Prior to that he was at Societe Generale Securities, where he focused on transport equity research. He has a BSc in Business and Management from the ESC Toulouse including one year at the Brunel University, London. He also attended CERAM Nice High Business School. In 2005 he obtained a post-graduate Specialised Master in Finance in 2005 from ESCP-EAP.

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 Conduct 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 (MEC) comprising the Chairman and all directors of the Trust. The MEC met in March and considered an external survey of the non-executive pay of investment trusts alongside the internal factors. Non-executive fees of listed companies continue to rise; and whilst the consolidation of the Sigma share class will save some time, the regulatory burden continues ever upwards. Hence, at the MEC meeting in March it was agreed that there would be no change to directors' remuneration for 2013/14.

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.

Amount of each director's emoluments (audited)

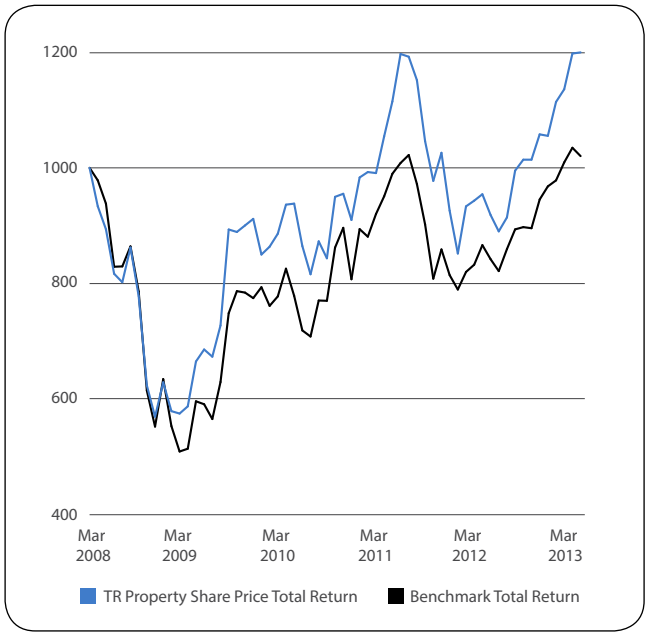
The fees payable in respect of each of the directors who served during the financial year were as follows:

	31 March 2013 £	31 March 2012 £
C M Burton	**33,438**	30,000
S Marrison (appointed on 28 September 2011)	**30,000**	15,245
S Procter (appointed on 1 March 2013)	**2,500**	–
P L Salsbury	**70,000**	70,000
H Seaborn	**30,000**	30,000
P Spencer (retired on 31 December 2012)	**26,250**	35,000
R A Stone (retired on 24 July 2012)	**11,033**	35,000
D Watson (appointed on 1 April 2012)	**31,250**	–
Total	**234,471**	215,245

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



Performance Graph – Share Price Total Return for Sigma Share Class

For the year ended 31 March 2013, directors' fees were paid at the annual rates of Chairman: £70,000 (2012: £70,000), Audit Committee Chairman and Senior Independent Director: £35,000 (2012: £35,000) and all other directors: £30,000 (2012: £30,000). The actual amounts paid to the directors during the financial year under review are as shown in the table on the previous page.

By order of the Board
For and on behalf of

Capita Company Secretarial Services
Secretary
3 June 2013

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 2013. The Group comprises of 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. HM Revenue & Customs' ("HMRC") approval of the Company's status as an investment trust has been received in respect of the year ended 31 March 2012. Following changes to the Section 1158 rules with effect from 1 January 2012, the Company no longer has to seek approval as an investment trust under section 1158 of the Corporation Tax Act each year, but had to make a one-off application for approval as an investment trust. The company has received confirmation from HMRC that it has been accepted as an approved investment trust with effect from 1 April 2012, provided it continues to meet the eligibility conditions for section 1158 and of the ongoing requirements for approved companies in the Investment Trust (Approved Company)(Tax) Regulations 2011.

Share capital

At 31 March 2013, the Company has a single share class: Ordinary shares with a nominal value of 25 pence each.

Business Review

The following review is designed to provide information primarily about the Group's business and results for the year ended 31 March 2013 and covers:

- Ordinary Share Class
  - 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
- Sigma Share Class
  - Conversion
  - Revenue and dividends
  - Performance Measurement (KPI)
  - Share Buy-back Activity
  - Management Arrangements and Fees
- Basis of Accounting and IFRS
- Environmental Policy

Full details of the portfolio, the results for the financial year to 31 March 2013 and the Manager's views on the outlook for the coming financial year are covered in the Manager's Report on pages 10 to 21.

Ordinary Share Class

Objective and Strategy

The objective 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 2013, the portfolio's exposure to directly owned UK real estate amounted to 7.4% with the remaining 92.6% in Pan-European listed property securities.

The 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.

TR Property Investment Trust is dedicated to investing in real estate and real estate securities and will continue to adhere to this strategy.

Revenue and Dividends

	2013	2012	Change
Revenue earnings per share	**6.74p**	7.07p	-4.7%
Dividends per share	**7.00p**	6.60p	+6.1%

Total returns per Ordinary share, which include capital gains and losses on investments and income, amounted to an uplift of 37.84p per share.

Report of the Directors *continued*

The capital gain of 31.10p 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 declined by 4.7% from the previous year, however, as set out in the Manager's Report on page 20, and described below, this is not a fair reflection of the earnings for the year.

The directors recommend the payment of a final dividend of 4.35p per Ordinary share. Subject to approval at the AGM, the dividend will be paid on 6 August 2013 to shareholders on the register on 28 June 2013. The Ordinary shares will be quoted ex-dividend from 26 June 2013. The total dividend in respect of the year is, therefore, 7.00p per Ordinary share, an increase of 6.1% over the prior year.

With earnings of 6.74p, the dividend for the year of 7.00p appears not to be fully covered. This is a result of the calculation of earnings based on the weighted average number of shares in issue which takes into account the redesignation of Sigma shares as Ordinary shares in December 2012. At the date of conversion, the Sigma shares brought forward earnings in respect of the period to 12 December 2012, however, these earnings are not taken into account in the calculation of earnings for the Ordinary share class. The Group Consolidated Statement of Comprehensive Income shows total revenue earnings of £22.4m. The interim dividends already paid (Ordinary and Sigma share classes) together with the proposed final dividend (based on the number of shares in issue at 31 March 2013 amount to £21.9m, demonstrating that the proposed dividend is fully covered by earnings in the year.

In arriving at their dividend proposal the directors also reviewed the income forecasts for the year to March 2014.

Capital Return

	2013	2012	Change
NAV per share	**215.25p**	183.62p	+17.2%
Share price	**186.30p**	154.50p	+20.6%

Shareholders funds increased by 45.4%, this includes the converted Sigma shares at the year end. The NAV per share increased by 17.2%. Details of the investments are shown within the Manager's Report on pages 22 to 28.

Property Valuation

Valuations of all the Group's properties as at 31 March 2013 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 the NAV total return measured against the benchmark index to be the key performance indicator.

For the year to 31 March 2013 the Benchmark Index was the FTSE EPRA/NAREIT Developed Europe Net Total Return Index in Sterling. This index, calculated by FTSE, is free float based and currently has 85 constituent companies.

On a total return basis the share class NAV returned 21.5% against the benchmark index total return of 17.8%.

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 Manager's Report on pages 6 to 15.

From 1 April 2013 the benchmark for the share class will be the FTSE EPRA/NAREIT Developed Europe Capped Index Net Total Return in Sterling. This benchmark has the same constituents as the previous benchmark, however, it limits exposure to any one company to 10% and reweights the other constituents pro-rata. At 31 March 2013 the exposure of the FTSE EPRA/NAREIT Developed Europe Net Total Return Index in Sterling to Unibail Rodamco was 16.8%. The capped index is considered to be a more appropriate benchmark for an investment trust which aims to give its shareholders exposure to a diversified range of investments.

Share Buy-back Activity

The Board has not set a specific discount at which shares will be repurchased. However, there has been

Report of the Directors *continued*

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 2013, the Company did not repurchase any Ordinary shares of 25p each. Since 1 April 2013 to the date of this report the Company has repurchased 275,000 Ordinary shares of 25p each.

Financial Instruments and the Management of Risk

As with all investment companies, the portfolio is exposed to market price risk, foreign currency risk and interest rate risk. The Company's policies for managing these risks are outlined in note 11 to the financial statements. Further information on the management of risk and internal controls is contained in the Corporate Governance Report on pages 44 to 50.

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 agreement ("IMA") provide for termination of the agreement by either party without compensation on the provision of not less than 12 months' written notice.

- Management Fees
  The fee for the Ordinary share class for the period under review was a fixed fee of £2,958,129 (£2,754,325 plus £203,804 on assets transferred to the Ordinary share class following the Sigma share class conversion) 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 2014 the fixed fee element will be £3,325,000 with an ad valorem fee of 0.20% pa based on the net asset value (determined in accordance with the AIC method of valuation) on the last day of March, June, September and December, payable quarterly in advance. This fee reflects the conversion of the Sigma shares into Ordinary shares and is a reduction of £105,000 on the total fixed fees applied to the two portfolios in the previous year. The fee arrangements will be reviewed once again at the end of the financial year.

  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:

  A performance fee is payable if the total return of adjusted net assets attributable to Ordinary shares, as defined in the IMA with Thames River, at 31 March each year outperforms the total return of the Company's benchmark plus 1% (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 shares 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 shares. However, if the adjusted net assets

Report of the Directors *continued*

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 shares.

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.

If any fee exceeds the cap, such excess performance (expressed as a percentage) will be carried forward and applied to offset any percentage underperformance in future periods.

In the event that the benchmark is exceeded but the hurdle is not, that outperformance of the benchmark can be used 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. At 31 March 2013 there is a carry forward of outperformance of 1.8% (2012: 1.8%) in the Ordinary share class.

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.

Performance fees earned in the year ended 31 March 2013 were £3,122,000 (2012: nil).

In addition total fees paid to the Manager in any one year (Management and Performance Fees) may not exceed 4.99% of Group Equity Shareholders' Funds.

Total fees payable (management and performance fees) for the year to 31 March 2013 amount to 1.1% of closing NAV.

Sigma Share Class

Conversion

The Sigma shares were converted to Ordinary shares following an Extraordinary General Meeting of the Company on 14 December 2012.

Details of the conversion are given for information purposes on page 31 of this Annual Report.

Revenue and Dividends

Revenue earnings for the Sigma share class up to the date of conversion were 3.11p per share. An interim dividend of 1.05p (2012:0.95p) per share was paid on 8 January 2012 to shareholders on the register on 7 December 2012. The retained earnings were taken into account in the conversion NAV calculation.

Performance measurement

The directors consider the NAV total return measured against the benchmark index to be the key performance indicator.

For the period to 12 December 2012 the Benchmark Index was the FTSE EPRA/NAREIT Small Cap Developed Europe Net Total Return Index in Sterling. This index, calculated by FTSE, id the FTSE EPRA/NAREIT Developed Europe Net Total Return Index in Sterling, adjusted to exclude large cap stocks.

On a total return basis the share class NAV returned 5.7% against a benchmark index total return of 3.5%.

Share Buy-back Activity

Between 1 April 2012 and 12 December 2012 the Company repurchased 500,000 Sigma shares.

Management Arrangements and Fees

The service providers for the period from 1 April 2012 to the date of conversion were as for the Ordinary share class.

The management fee for the Sigma share class for the period 1 April 2012 to 12 December 2012 was a fixed fee of £471,871 (£675,695 charged on a pro rata basis up to the date of the conversion of the share class into Ordinary shares) plus an ad valorem fee of 0.3% 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 up to the date of conversion.

Report of the Directors *continued*

There was no performance fee payable in respect of the Sigma Share Class during the period 1 April to 12 December 2012.

Basis of accounting and IFRS

The financial statements for the year ended 31 March 2013 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 accounting policies are set out in note 1 to the Financial Statements on pages 57 and 62. Additional details on cost allocations are set out below.

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 has charged 50% of finance costs to capital in the year to 31 March 2013. One-third of the management fee is deemed to relate to the administration of the Company and has been charged to revenue. The remainder has been split on the same basis as finance costs and 50% charged to capital. The overall result is that two-thirds of the management fee has been charged to revenue and one-third to capital.

During the current year the Board undertook a review of this policy. As part of the review the split of historic returns generated by capital and income return was considered. Over the medium term a substantial part of the total return has been generated by capital movements, a trend the Board expects to continue. As a result, the allocation from 1 April 2013 onward has been revised to 25% of finance costs and management fees to be charged to income and 75% to capital.

All performance fees are charged 100% to capital.

Allocation of Costs Between Share Classes

For the period between 1 April 2012 and 12 December 2012, each share class had its own management fee structure and was charged directly for management fees which were allocated between capital and revenue accounts in accordance with the basis of allocation described above.

Administration costs incurred specifically by a single share class were charged to that share class. The remaining corporate expenses were allocated to the share class in the proportion to their relative Net Asset Values at the end of the previous accounting period.

From 12 December 2012, following the merger of the two portfolios and conversion of Sigma shares as Ordinary shares, all expenses were charged to the Ordinary share class.

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 its 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 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 are concerned, the Company conducts environmental audits prior to purchase to identify possible contamination or materials

Report of the Directors *continued*

considered environmentally harmful. The Company will take remedial action or enforce tenant obligations to do so wherever appropriate. The Company's advisers assess the environmental impact of its 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, 23 July 2013 at 12 noon. The Notice of Meeting is set out on pages 81 to 84, and an explanation of the business to be conducted is given on pages 85 and 86.

Resolution 11 – Authority of directors to allot shares

A general authority to allot new shares was given to the directors at the Trust's AGM in 2012. The directors are proposing to renew the general authority to allot shares at the 2013 AGM. The authority to allot will be on broadly the same terms as the resolution passed at the 2012 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. This resolution will be proposed as an ordinary resolution, which requires a simple majority of those present and voting to be passed.

Resolutions 12 and 13, as outlined below, will be proposed as a special resolutions which require a majority of at least 75% of those present and voting to be passed.

Resolution 12 – Disapplication of statutory pre-emption rights

This resolution will empower the directors to allot limited numbers of 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 13 – 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 Conduct 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 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 shares for cancellation. The Board is therefore seeking to renew its power to make market purchases of Ordinary shares. Accordingly, a special resolution to authorise the Company to make market purchases of up to 14.99% of the Company's issued Ordinary 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 47,608,386 Ordinary shares of 25p each. 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 23 July 2013.

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 (being the nominal value) 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 beneficial holdings of 177,034 Ordinary shares.

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 table above.

	31 March 2013 Ordinary shares of 25p	31 March 2012 Ordinary shares of 25p	31 March 2012 Sigma shares of 12.5p
C M Burton	**21,982**	18,700	6,600
S Marrison	**25,000**	–	–
S E Procter	**–**	–	–
P L Salsbury	**89,690**	32,500	115,000
H Seaborn	**31,658**	15,486	38,574
D Watson	**8,704**	8,363	–

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 2013 (2012: nil).

Donations

The Company made no political or charitable donations during the year (2012: nil).

Share Capital Changes

On 14 December 2012 there were 256,225,000 Ordinary shares and 123,972,000 Sigma shares in issue. Following the re-designation of Sigma shares into Ordinary shares the number of Ordinary shares in issue was 317,875,980 and there were no Sigma shares in issue. For further details regarding the share conversion see page 31.

At 1 April 2013 the Company had 317,875,980 Ordinary shares in issue.

Since 1 April 2013 to the date of this report, the Company has made market purchases for cancellation of 275,000 Ordinary shares.

At the AGM in 2012 the directors were given power to buy back 38,408,128 Ordinary shares. Since this AGM the directors have bought back 275,000 Ordinary shares under this authority. The outstanding authority is therefore 38,133,128 shares. This authority will expire at the 2013 AGM. Also at the AGM in 2012, the directors were given power to buy back 18,695,828 Sigma shares of 12.5 pence each. Since this AGM, until the date of conversion, the directors bought back 500,000 Sigma shares under this authority. The Company will seek to renew the power to make market purchases of Ordinary 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 has one vote.

Restrictions on voting

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).

Report of the Directors *continued*

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.

The Board may 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

Shareholder	% of Ordinary share voting rights*
Legal & General Investment Management Ltd. (UK)	**3.24**

Declarations of interests in voting rights of the Company, at 31 March 2013, are set out above.

In addition, at 31 March 2013 the following shareholders held over 3% of the voting rights on a non-discretionary basis:

Shareholder	% of Ordinary share voting rights*
Alliance Trust PLC	**6.69**
Brewin Dolphin Limited	**6.67**
Investec Wealth & Investment Limited	**6.37**
HSBC Global Asset Management (UK) Limited	**4.61**
Quilter	**3.97**
Rathbone Investment Management Ltd	**3.82**
Barclays Wealth	**3.12**

*See page 42 for further information on the voting rights of Ordinary shares.

Since 31 March 2013 to the date of this report, the Company has not been informed of any notifiable changes with respect to the Ordinary shares.

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. Ordinary 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 88 to 89.

Report of the Directors *continued*

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, 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 Report

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

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*.

Application of the AIC Code's Principles

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 Main Principles and relevant provisions of the Code, insofar as they apply to the Company's business, and with the provisions of the AIC Code.

Compliance Statement

The directors acknowledge that the Company did not comply with the following provisions of the UK Corporate Governance Code in the year ended 31 March 2013.

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.

Composition and Independence of the Board

The Board currently consists of six 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.

There are no contracts or arrangements with third parties which effect, alter or terminate upon a change of control of the Company.

Directors

The Chairman is Mr Salsbury and the Senior Independent Director is Ms Burton. The directors' biographies, on page 32, demonstrate the breadth of investment, commercial and professional experience relevant to their positions as directors of the Company.

Report of the Directors *continued*

Directors' retirement by rotation and re-election is subject to the Articles of Association. In accordance with the UK Corporate Governance Code, all directors will be subject to annual re-election.

Mr Salsbury, who has served on the Board since 1997, will not be seeking re-election and he will retire from the Board of directors following the AGM on 23 July 2013. Following Mr Salsbury's retirement from the Board, Ms Burton will become the Chairman of the Trust.

The Board has considered the continued appointment of Ms Burton who has served on the Board for eleven years. She has no other links to the Manager. The Board subscribes to the AIC Code view that length of tenure does not necessarily impinge independence, rather the director's 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, longserving directors are less likely to take a short-term view.

The Board has concluded that Ms Burton continues to make valuable contributions and that she remains independent in character and judgement, and is therefore the most suitable candidate to lead the Trust after Mr Salsbury's retirement. She will continue to serve as a member of the Audit Committee.

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

Following Ms Burton's transition to Chairman, Mr Seaborn will become the Senior Independent Director.

Ms Procter was appointed to the Board with effect from 1 March 2013. Ms Procter brings successful asset management experience and expertise in strategic business development and distribution. She is currently Executive Head of Institutional Client Service at Cantillon Capital Management. In accordance with the Articles of Association, a resolution to elect Ms Procter 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 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. Since 1 January 2013, the Committee Chairman has been Mr Watson, following Mr Spencer's retirement on 31 December 2012. 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 provided to the Company, and, together with the Investment Manager, reviews the Company's compliance with financial reporting and regulatory requirements.

Report of the Directors *continued*

Representatives of the Manager's internal audit and compliance departments may attend these committee meetings at the Audit Chairman's request.

Non-audit fees of £20,000 were paid to Ernst & Young LLP in respect of the financial year for the interim review, Trustee letters and assurance work on the Sigma conversion. 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 all directors of the Company and is chaired by Mr Salsbury. The MEC meets at least on an annual basis, towards the end of the financial year. The MEC met in March 2013.

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 2013, the MEC confirmed that Thames River, should be retained as the Investment Manager for the financial year ending 31 March 2014. 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 34 and 35.

The Company's Articles of Association limit the total aggregate fees payable to the Board 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.

Letters of Appointment

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

This year's Board evaluation process reflected the implications of significant re-structuring of both the company and the Board which was in progress during the second half of the year. It was therefore a forward looking process as well as an evaluation of past performance.

Report of the Directors *continued*

The performance of the Board, Audit Committee, and the Chairman were considered separately. Questionnaires were completed by each Member of the Board, and the Chairman interviewed Board 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 Peter Salsbury 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. In accordance with the provisions of the Code, it is the intention of the Board to engage an external facilitator to assist with the performance evaluation every three years.

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 to suit their needs. 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:

	Board	Audit	MEC
No. of meetings in the year			
Peter Salsbury	6	2	1
Caroline Burton	6	2	1
Simon Marrison	6	2	1
Suzie Procter*	1/1	0/0	1
Hugh Seaborn	6	2	1
Paul Spencer**	4/4	2/2	0/0
Richard Stone***	2/2	1/1	0/0
David Watson	6	2	1

*Suzie Procter was appointed to the Board on 1 March 2013.

**Paul Spencer retired from the Board on 31 December 2012.

*** Richard Stone retired from the Board on 24 July 2012.

In addition to formal Board and Committee meetings, directors also attend a number of informal meetings to represent the interests of the Company. Additionally, the Board met twice during the year to discuss the Sigma share class conversion.

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

Report of the Directors *continued*

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 Manager.

The Board has responsibility for the approval of investments in unquoted investments and any investments in in-house funds managed or advised by the 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 36 to 40.

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 potential 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 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 key risks are explained in more detail under the Outlook section of the Chairman's Statement and the Manager's Report.

The effectiveness of each third party provider's 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.

Report of the Directors *continued*

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 shares which is published on 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 Manager following the business of the meeting. Shareholders have the opportunity to address questions to the Chairman and the Chairman of the Audit Committe 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 87.

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 40.

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

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 32. 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.

Report of the Directors *continued*

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 32 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; and
- the accounting records have been properly maintained.

By order of the Board

For and on behalf of

Capita Company Secretarial Services
Secretary
3 June 2013

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

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

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

In preparing the Group and Company 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 and Company's financial position and financial performance;
- state that the Group and Company 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 and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Group and Company 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Peter Salsbury
Chairman
3 June 2013

The Board members are listed on page 32.

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 2013 which comprise the Group Statement of Comprehensive Income, the Group and Company Statement 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 51, 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 & 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 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the Company financial statements have been properly prepared in accordance with IFRSs 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 51, 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
4 June 2013

Group Consolidated Statement of Comprehensive Income

for the year ended 31 March 2013

	Notes	Year ended 31 March 2013 Revenue Return £'000	Capital Return £'000	Total £'000	Year ended 31 March 2012 Revenue Return £'000	Capital Return £'000	Total £'000
Investment Income							
Investment income	2	**27,332**	**–**	**27,332**	26,364	–	26,364
Other operating income	4	**186**	**–**	**186**	51	–	51
Gross rental income	3	**3,505**	**–**	**3,505**	3,257	–	3,257
Service charge income	3	**1,759**	**–**	**1,759**	1,249	–	1,249
Gains/(losses) on investments held at fair value	10b	**–**	**98,734**	**98,734**	–	(83,856)	(83,856)
Net movement on foreign exchange	10b	**–**	**372**	**372**	–	827	827
Net returns on contracts for difference		**206**	**1,851**	**2,057**	52	230	282
Total Income/(loss)		**32,988**	**100,957**	**133,945**	30,973	(82,799)	(51,826)
Expenses							
Management and performance fees	5	**(3,127)**	**(4,686)**	**(7,813)**	(3,197)	(1,598)	(4,795)
Repayment of prior years' VAT	5	**–**	**–**	**–**	144	72	216
Direct property expenses, rent payable and service charge costs	3	**(2,191)**	**–**	**(2,191)**	(1,795)	–	(1,795)
Other administrative expenses	6	**(1,094)**	**(513)**	**(1,607)**	(875)	–	(875)
Total operating expenses		**(6,412)**	**(5,199)**	**(11,611)**	(5,723)	(1,526)	(7,249)
Operating profit/(loss)		**26,576**	**95,758**	**122,334**	25,250	(84,325)	(59,075)
Finance costs	7	**(1,517)**	**(1,517)**	**(3,034)**	(1,592)	(1,592)	(3,184)
Profit/(loss) from operations before tax		**25,059**	**94,241**	**119,300**	23,658	(85,917)	(62,259)
Taxation	8	**(2,707)**	**625**	**(2,082)**	(2,302)	1,070	(1,232)
Total comprehensive income/(loss)		**22,352**	**94,866**	**117,218**	21,356	(84,847)	(63,491)
Earnings/(loss) per Ordinary share	9a	**6.74p**	**31.10p**	**37.84p**	7.07p	(24.44)p	(17.37)p
Earnings/(loss) per Sigma share	9b	**3.11p**	**7.72p**	**10.83p**	2.60p	(17.83)p	(15.23)p

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 from pages 57 to 80 form part of these accounts.

Group and Company Statement of Changes in Equity

For the year ended 31 March 2013	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 2012	**64,056**	**15,559**	**43,162**	**43,694**	**333,613**	**88,161**	**588,245**
Net profit for the period	**–**	**–**	**–**	**–**	**103,790**	**13,428**	**117,218**
Shares repurchased	**(83)**	**(63)**	**–**	**146**	**–**	**(341)**	**(341)**
Dividends paid	**–**	**–**	**–**	**–**	**(17,551)**	**(3,352)**	**(20,903)**
Redesignation of Sigma shares (A)	**15,496**	**(15,496)**	**–**	**–**	**97,896**	**(97,896)**	**–**
At 31 March 2013	**79,469**	**–**	**43,162**	**43,840**	**517,748**	**–**	**684,219**

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 profit 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

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

(A) On 14 December 2012 the shareholders of both share classes voted to redesignate Sigma shares into Ordinary shares. Further details are given in note 15.

The notes from pages 57 to 80 form part of these accounts.

Group and Company Balance Sheets

as at 31 March 2013

	Notes	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Non-current assets					
Investments held at fair value	10	**739,486**	**716,986**	639,742	617,992
Investments in subsidiaries	10	**–**	**49,916**	–	48,202
		739,486	**766,902**	639,742	666,194
Current assets					
Debtors	12	**6,673**	**6,618**	7,158	7,076
Cash and cash equivalents		**13,666**	**13,024**	4,389	4,128
		20,339	**19,642**	11,547	11,204
Current liabilities	14	**(57,883)**	**(102,544)**	(45,005)	(89,018)
Net current liabilities		**(37,544)**	**(82,902)**	(33,458)	(77,814)
Total assets less current liabilities		**701,942**	**684,000**	606,284	588,380
Deferred taxation asset	12	**–**	**219**	–	–
Non-current liabilities	14	**(17,723)**	**–**	(18,039)	(135)
Net assets		**684,219**	**684,219**	588,245	588,245
Capital and reserves					
Called up share capital	15	**79,469**	**79,469**	79,615	79,615
Share premium account	16	**43,162**	**43,162**	43,162	43,162
Capital redemption reserve	16	**43,840**	**43,840**	43,694	43,694
Retained earnings	17	**517,748**	**517,748**	421,774	421,774
Equity shareholders' funds		**684,219**	**684,219**	588,245	588,245
Net Asset Value per:					
Ordinary share	20	**215.25p**	**215.25p**	183.62p	183.62p
Sigma share	20	**–**	**–**	94.62p	94.62p

These accounts were approved by the directors of TR Property Investment Trust plc (Company No: 84492) and authorised for issue on 3 June 2013.

P Salsbury
Director

The notes from pages 57 to 80 form part of these accounts.

Group and Company Cash Flow Statements

as at 31 March 2013

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Reconciliation of operating revenue to net cash inflow from operating activities				
Profit/(loss) from operations before tax	**119,300**	**119,262**	(62,259)	(61,901)
Financing activities	**3,034**	**3,116**	3,184	3,628
(Gains)/losses on investments and derivatives held at fair value through profit or loss	**(100,585)**	**(101,260)**	83,856	82,504
Foreign exchange movements	**(372)**	**(372)**	(827)	(827)
(Increase)/decrease in accrued income	**(715)**	**(752)**	453	431
Net sales/(purchases) of investments	**2,995**	**2,706**	(2,106)	(3,173)
Decrease in sales settlement debtor	**1,146**	**1,146**	1,905	1,905
Increase/(decrease) in purchase settlement creditor	**8,134**	**8,134**	(4,142)	(4,142)
Decrease/(increase) in other debtors	**280**	**290**	(426)	(577)
Increase/(decrease) in other creditors	**2,542**	**3,190**	(66)	2,219
Scrip dividends included in investment income	**(2,140)**	**(2,140)**	–	–
Net cash inflow from operating activities before interest and taxation	**33,619**	**33,320**	19,572	20,067
Interest paid	**(3,034)**	**(3,116)**	(3,184)	(3,628)
Taxation paid	**(2,352)**	**(2,352)**	(1,679)	(1,679)
Net cash inflow from operating activities	**28,233**	**27,852**	14,709	14,760
Financing activities				
Equity dividends paid	**(20,903)**	**(20,903)**	(18,374)	(18,374)
Repurchase of shares	**(341)**	**(341)**	(333)	(333)
Drawdown of loans	**1,916**	**1,916**	3,372	3,372
Net cash used in financing activities	**(19,328)**	**(19,328)**	(15,335)	(15,335)
Increase/(decrease) in cash	**8,905**	**8,524**	(626)	(575)
Cash and cash equivalents at start of year	**4,389**	**4,128**	4,188	3,876
Foreign exchange movements	**372**	**372**	827	827
Cash and cash equivalents at end of year	**13,666**	**13,024**	4,389	4,128

The notes from pages 57 to 80 form part of these accounts.

Notes to the Financial Statements

as at 31 March 2013

1 Accounting policies

The financial statements for the year ended 31 March 2013 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 2013. 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. For the year ended 31 March 2013, 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. The overall result is that two thirds of management fees are charged to revenue and one third to capital. The allocation between the revenue and capital accounts reflects the Board's expectations of long term investment returns. During the financial year the Board reviewed the history of the returns generated through the income and capital accounts and considered the expectation for the future. As a result from 1st April 2013, 25% of all annual management fees will be charged to income return and 75% to capital return.
- All performance fees are charged to capital return.

Between 1 April 2012 and 12 December 2012 expenses were allocated between the share classes as follows:

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

From 13 December 2012 all expenses were allocated to the Ordinary share class.

Notes to the Financial Statements *continued*

1 Accounting policies continued

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. For the year to 31 March 2013, 50% of the finance costs are charged to capital return. As a result of the review carried out by the Board described in note c above, from 1 April 2013 75% of the finance costs will be charged to capital return.

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

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 were 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 have been transferred from one share class to another to the extent that there have been insufficient current year losses available to the share class claiming the losses to cover the taxable income arising. Following the redesignation of the Sigma shares into Ordinary shares in December 2012 all losses will be carried forward for the benefit of the Ordinary share class.

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 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 2013.

Notes to the Financial Statements *continued*

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."

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 2013, 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.

Notes to the Financial Statements *continued*

1 Accounting policies continued

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

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 (for the year to 31 March 2013 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 IAS, IFRS and IFRIC interpretations as of 1 April 2012:

- IAS 12 Income Taxes: Recovery of Underlying Assets, effective 1 January 2012;
- IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements, effective 1 July 2011;

The adoption of the standard or interpretations is deemed not to have an impact on the consolidated financial statements or the performance of the Group.

Early adoption of standards and interpretations

The standards issued before the reporting date that become effective after 31 March 2013 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.

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 other comprehensive income (OCI). Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movements on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

Notes to the Financial Statements *continued*

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (for example collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective fo annual periods beginning on or after 1 January 2013.

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. The standard was initially effective for annual periods beginning on or after 1 January 2013, but "Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures", issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on the classification and measurement of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
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. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments in the Group. This standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 12 Disclosure of Interests in Other Entities
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 but have no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected, although additional disclosures will be required. This standard becomes effective for annual periods beginning on or after January 2013.

Notes to the Financial Statements *continued*

1 Accounting Policies continued

Annual improvements

These improvements will not have an impact on the Group, but include:

IFRS 1 First time Adoption of International Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it has never stopped applying IFRS.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information. Generally, the minimum required comparative information is the previous period.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

The improvements are effective for annual periods beginning on or after 1 January 2013.

2 Investment income

	2013 £'000	2012 £'000
Dividends from UK listed investments	**1,998**	1,900
Dividends from overseas listed investments	**17,754**	18,416
Scrip dividends from overseas listed investments	**2,140**	–
Interest from listed investments	**67**	55
Property income distributions	**5,373**	5,993
	27,332	26,364

Notes to the Financial Statements *continued*

3 Net rental income

	2013 £'000	2012 £'000
Gross rental income	**3,505**	3,257
Service charge income	**1,759**	1,249
Direct property expenses, rent payable and service charge costs	**(2,191)**	(1,795)
	3,073	2,711

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 under non-cancellable operating leases as at 31 March are as follows:

	2013 £'000	2012 £'000
Within 1 year	**3,000**	3,100
After 1 year but not more than 5 years	**6,600**	7,700
More than 5 years	**2,600**	2,300
	12,200	13,100

4 Other operating income

	2013 £'000	2012 £'000
Interest receivable	**12**	27
Stock lending income	**174**	–
Underwriting commission	**–**	24
	186	51

Stock lending is the temporary transfer of securities by a lender to a borrower, with an agreement by the borrower to return equivalent securities to the lender at an agreed date. Fee income is received for making the investments available to the borrower. The principal risks and rewards, namely the market movements in share prices and associated dividend income are retained by the lender. During the period in which the securities are on loan the lender is restricted from trading in the securities on loan. In all cases the securities lent continue to be recognised on the balance sheet.

All securities lent under these arrangements were fully secured against collateral. At 31 March 2013, no securities were on loan. The maximum aggregate value of securities on loan during the year was £21,361,000.

Notes to the Financial Statements *continued*

5 Management and performance fees

	2013 Revenue Return £'000	2013 Capital Return £'000	2013 Total £'000	2012 Revenue Return £'000	2012 Capital Return £'000	2012 Total £'000
Management fee	**3,127**	**1,564**	**4,691**	3,197	1,598	4,795
Repayment of prior years' VAT (Note 13)	**–**	**–**	**–**	(144)	(72)	(216)
Performance fee	**–**	**3,122**	**3,122**	–	–	–
	3,127	**4,686**	**7,813**	3,053	1,526	4,579

A summary of the terms of the management agreement is given in the Report of the Directors on pages 38 to 40.

6 Other administrative expenses

	2013 Revenue Expenses £'000	2013 Capital Expenses £'000	2013 Total £'000	2012 Total £'000
Directors' fees (Directors' Remuneration Report on pages 34 and 35)	**234**	**–**	**234**	215
Fees payable to the company's auditor:				
– for audit of the company's annual accounts	**67**	**–**	**67**	73
– for audit of the company's subsidiaries	**15**	**–**	**15**	15
– for other assurance services	**5**	**15**	**20**	16
Legal fees	**84**	**–**	**84**	10
Taxation fees	**88**	**–**	**88**	82
Other expenses	**458**	**–**	**458**	334
Irrecoverable VAT	**143**	**99**	**242**	130
Issue expenses on the Sigma share conversion	**–**	**481**	**481**	–
Write back of unutilised issue costs of Sigma shares	**–**	**(82)**	**(82)**	–
	1,094	**513**	**1,607**	875

Capital expenses include fees to the auditors of £15,000 for assurance work on the conversion NAV and conversion ratio calculation in respect of the Sigma shares to ordinary shares conversion.

7 Finance costs

	2013 £'000	2012 £'000
Bank loans and overdrafts repayable within 1 year	**1,261**	1,413
Debentures repayable between 1 and 5 years	**1,773**	1,771
	3,034	3,184
Amount allocated to capital return	**(1,517)**	(1,592)
	1,517	1,592

Notes to the Financial Statements *continued*

8 Taxation

a) Analysis of charge in the year

	2013 Revenue Return £'000	2013 Capital Return £'000	2013 Total £'000	2012 Revenue Return £'000	2012 Capital Return £'000	2012 Total £'000
UK corporation tax at 24% (2012: 26%)	**675**	**(675)**	**–**	756	(732)	24
Overseas taxation	**2,061**	**100**	**2,161**	1,555	–	1,555
	2,736	**(575)**	**2,161**	2,311	(732)	1,579
(Over)/under provision in respect of prior years	**(25)**	**262**	**237**	4	–	4
Current tax charge for the year	**2,711**	**(313)**	**2,398**	2,315	(732)	1,583
Deferred taxation	**(4)**	**(312)**	**(316)**	(13)	(338)	(351)
	2,707	**(625)**	**2,082**	2,302	(1,070)	1,232

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 24% (2012: 26%). The difference is explained below:

	2013 Revenue Return £'000	2013 Capital Return £'000	2013 Total £'000	2012 Revenue Return £'000	2012 Capital Return £'000	2012 Total £'000
Net profit on ordinary activities before taxation	**25,059**	**94,241**	**119,300**	23,658	(85,917)	(62,259)
Corporation tax charge at 24% (2012: 26%)	**6,014**	**22,618**	**28,632**	6,151	(22,338)	(16,187)
Effects of:						
Non taxable (gains)/losses on investments	**–**	**(23,696)**	**(23,696)**	–	21,465	21,465
Currency movements not taxable	**–**	**(89)**	**(89)**	–	(215)	(215)
Tax relief on expenses charge to capital	**–**	**302**	**302**	–	78	78
Non-taxable income	**–**	**(443)**	**(443)**	–	(60)	(60)
Non-taxable UK dividends	**(480)**	**–**	**(480)**	(494)	–	(494)
Non-taxable overseas dividends	**(4,775)**	**–**	**(4,775)**	(4,782)	–	(4,782)
Overseas withholding taxes	**2,061**	**100**	**2,161**	1,555	–	1,555
(Over)/underprovision in respect of prior years	**(25)**	**262**	**237**	–	–	–
Losses utilised not charged for	**(101)**	**–**	**(101)**	(123)	–	(123)
Disallowable expenses	**23**	**–**	**23**	6	–	6
Deferred tax not provided	**(6)**	**283**	**277**	–	–	–
Rate change on deferred tax	**(4)**	**38**	**34**	(11)	–	(11)
	2,707	**(625)**	**2,082**	2,302	(1,070)	1,232

The Group has not recognised deferred tax assets of £830,000 (2012: £371,000) arising as a result of losses carried forward. It is considered too uncertain that the Group will generate taxable profits in the relevant 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.

Due to the Company's status as an Investment Trust, and the intention to continue meeting the conditions required to obtain approval for the foreseeable future, the Company has not provided deferred tax on any capital gains 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.

Notes to the Financial Statements *continued*

8 Taxation continued

c) Provision for deferred taxation

The amounts for deferred taxation provided at 23% (2012: 24%) comprise:

Group	2013 Revenue Return £'000	2013 Capital Return £'000	2013 Total £'000	2012 Revenue Return £'000	2012 Capital Return £'000	2012 Total £'000
Capital gains	**–**	**2,942**	**2,942**	–	2,904	2,904
Accelerated Capital Allowances	**131**	**–**	**131**	135	–	135
Unutilised losses carried forward	**–**	**(350)**	**(350)**	–	–	–
Shown as:						
Deferred tax liability	**131**	**2,592**	**2,723**	135	2,904	3,039

Company	2013 Revenue Return £'000	2013 Capital Return £'000	2013 Total £'000	2012 Revenue Return £'000	2012 Capital Return £'000	2012 Total £'000
Accelerated capital allowances	**131**	**–**	**131**	135	–	135
Unutilised losses carried forward	**–**	**(350)**	**(350)**	–	–	–
Shown as:						
Deferred tax liability/(asset)	**131**	**(350)**	**(219)**	135	–	135

The movement in provision in the year is as follows:

Group	2013 Revenue Return £'000	2013 Capital Return £'000	2013 Total £'000	2012 Revenue Return £'000	2012 Capital Return £'000	2012 Total £'000
Provision at the start of the year	**135**	**2,904**	**3,039**	148	3,242	3,390
Accelerated capital allowances	**(4)**	**–**	**(4)**	(13)	–	(13)
Unutilised losses carried forward	**–**	**(350)**	**(350)**	–	–	–
Capital Gains	**–**	**38**	**38**	–	(338)	(338)
Provision at the end of the year	**131**	**2,592**	**2,723**	135	2,904	3,039

Company	2013 Revenue Return £'000	2013 Capital Return £'000	2013 Total £'000	2012 Revenue Return £'000	2012 Capital Return £'000	2012 Total £'000
Provision at the start of the year	**135**	**–**	**135**	148	–	148
Accelerated capital allowances	**(4)**	**–**	**(4)**	(13)	–	(13)
Unutilised losses carried forward	**–**	**(350)**	**(350)**	–	–	–
Provision at the end of the year	**131**	**(350)**	**(219)**	135	–	135

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 2013 £'000	Year ended 31 March 2012 £'000
Net revenue profit	**18,497**	18,114
Net capital profit/(loss)	**85,293**	(62,614)
Net total profit/(loss)	**103,790**	(44,500)
Weighted average number of shares in issue during the year	**274,298,027**	256,225,000

	pence	pence
Revenue earnings per share	**6.74**	7.07
Capital earnings/(loss) per share	**31.10**	(24.44)
Earnings/(loss) per Ordinary share	**37.84**	(17.37)

b) Earnings/(loss) per Sigma share

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

	Period ended 12 December 2012 £'000	Year ended 31 March 2012 £'000
Net revenue profit	**3,855**	3,242
Net capital profit/(loss)	**9,573**	(22,233)
Net total profit/(loss)	**13,428**	(18,991)
Weighted average number of shares in issue during the period	**123,972,000**	124,697,820

	pence	pence
Revenue earnings per share	**3.11**	2.60
Capital earnings/(loss) per share	**7.72**	(17.83)
Earnings/(loss) per Sigma share	**10.83**	(15.23)

c) Reconciliation of Group and Share Class Earnings

	2013 Revenue Return £'000	2013 Capital Return £'000	2013 Total £'000
Net profit per Group Statement of Comprehensive Income	**22,352**	**94,866**	**117,218**
Net profit per Ordinary share class Statement of Comprehensive Income	**18,497**	**85,293**	**103,790**
Net profit per Sigma share class Statement of Comprehensive Income	**3,855**	**9,573**	**13,428**
	22,352	**94,866**	**117,218**
Weighted average number of Ordinary shares in issue during the year	**274,298,027**	**274,298,027**	**274,298,027**
Weighted average number of Sigma shares in issue during the year	**123,972,000**	**123,972,000**	**123,972,000**
Net earnings per Ordinary share	**6.74p**	**31.10p**	**37.84p**
Net earnings per Sigma share	**3.11p**	**7.72p**	**10.83p**

Notes to the Financial Statements *continued*

10 Investments held at fair value

a) Analysis of investments

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Listed in the United Kingdom	**270,539**	**270,539**	217,459	217,459
Listed Overseas	**413,975**	**413,975**	368,416	368,416
Investment Properties	**54,972**	**32,472**	53,867	32,117
Investments held at fair value	**739,486**	**716,986**	639,742	617,992
Investments in subsidiaries at fair value	**–**	**49,916**	–	48,202
	739,486	**766,902**	639,742	666,194

b) Gains on investments held at fair value

	31 March 2013 £'000	31 March 2012 £'000
Gains on sale of investments	**15,509**	20,681
Movement in investment holding gains	**83,225**	(104,537)
Gains/(losses) on investments held at fair value	**98,734**	(83,856)
Net movement on foreign exchange	**372**	827
	99,106	(83,029)

c) Business segment reporting

	Valuation 31 March 2012 £'000	Net additions/ (disposals) £'000	Net appreciation/ (depreciation) £'000	Valuation 31 March 2013 £'000	Gross revenue 31 March 2013 £'000
Listed investments	585,875	757	97,882	**684,514**	**27,332**
Direct property *	53,867	253	852	**54,972**	**3,505**
	639,742	1,010	98,734	**739,486**	**30,837**
Contracts for difference	288	(1,865)	1,851	**274**	**206**
	640,030	(855)	100,585	**739,760**	**31,043**

d) Geographical segment reporting

	Valuation 31 March 2012 £'000	Net additions/ (disposals) £'000	Net appreciation/ (depreciation) £'000	Valuation 31 March 2013 £'000	Gross revenue 31 March 2013 £'000
UK listed equities and convertibles	217,459	2,922	50,158	**270,539**	**7,371**
UK direct property*	53,867	253	852	**54,972**	**3,505**
Continental European listed equities	367,651	(2,095)	47,477	**413,033**	**19,894**
Fixed interest	765	(70)	247	**942**	**67**
	639,742	1,010	98,734	**739,486**	**30,837**
Contracts for difference	288	(1,865)	1,851	**274**	**206**
	640,030	(855)	100,585	**739,760**	**31,043**

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

Included in the above figures are purchase costs of £290,000 (2012: £493,000) and sales costs of £126,000 (2012: £230,000). These comprise mainly stamp duty and commission.

Notes to the Financial Statements *continued*

e) Substantial share interests

The Group held interests in 3% or more of any class of capital in 7 companies we invest in. None of these investments is considered significant in the context of these financial statements. See note 22 on page 80 for further details of subsidiary investments.

f) Fair value 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).

Fair value hierarchy disclosures

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

Financial assets at fair value through profit or loss

At 31 March 2013	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Equity investments	**683,422**	**–**	**150**	**683,572**
Fixed interest investments	**942**	**–**	**–**	**942**
Contracts for difference	**–**	**274**	**–**	**274**
	684,364	**274**	**150**	**684,788**

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

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 instruments for the long term in the pursuit of the Investment Objective set out on page 2. 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 Manager's policies and processes for managing these risks are summarised on pages 70 to 76 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 a diversified portfolio 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.
The Group's exposure to changes in market prices on its quoted equity investments and investment property portfolio, was as follows:

	2013 £'000	2012 £'000
Investments held at fair value	**739,486**	639,742

Concentration of exposure to price risks

As set out in the Investment Policies on page 2, 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. The level of change is consistent with the illustration shown in the previous year. The sensitivity is based on the Group's equity, CFD and direct property exposure at each balance sheet date, with all other variables held constant.

	2013 Increase in fair value £'000	**2013 Decrease in fair value £'000**	2012 Increase in fair value £'000	2012 Decrease in fair value £'000
Statement of Comprehensive Income – profit after tax				
Revenue return	**(132)**	**132**	(127)	127
Capital return	**110,908**	**(110,908)**	95,952	(95,952)
Change to the profit after tax for the year/shareholders' funds	**110,776**	**(110,776)**	95,825	(95,825)
Change to total earnings/(loss) per Ordinary share	**40.39p**	**(40.39)p**	30.19p	(30.19)p

Notes to the Financial Statements *continued*

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.

Foreign currency exposure

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

Currency	2013	2012
Sterling	**37.2%**	33.5%
Euro	**47.4%**	48.4%
Swedish Krona	**6.9%**	9.3%
Other	**8.5%**	8.8%

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

2013	Sterling £'000	Euro £'000	Swedish Krona £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	**4,430**	**1,063**	**1,180**	**–**
Cash at bank and on deposit	**8,584**	**5,059**	**14**	**9**
Bank loans and overdrafts	**(42,000)**	**–**	**–**	**–**
Payables (due to brokers, accruals and other creditors)	**(9,543)**	**(4,589)**	**(679)**	**(1,053)**
FX forwards	**(23,161)**	**12,336**	**(7,955)**	**18,761**
CFD positions (Gross exposure)	**16,471**	**5,908**	**–**	**–**
Total foreign currency exposure on net monetary items	**(45,219)**	**19,777**	**(7,440)**	**17,717**
Investments held at fair value	**325,511**	**315,207**	**56,349**	**42,419**
Non-current liabilities	**(17,723)**	**–**	**–**	**–**
Total currency exposure	**262,569**	**334,984**	**48,909**	**60,136**

Notes to the Financial Statements *continued*

11.2 *Currency Risk continued*

Foreign currency exposure continued

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)	–	–
FX forwards	(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 currency exposure	198,823	286,794	54,985	52,340

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% (2012: 15%)
Sterling/Swedish Krona +/– 15% (2012: 15%)
Sterling/Other +/– 15% (2012: 15%)

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

	Year ended March 2013			Year ended March 2012		
	Euro £'000	**Swedish Krona £'000**	**Other £'000**	Euro £'000	Swedish Krona £'000	Other £'000
Statement of Comprehensive Income – profit after tax						
Revenue return	**(1,901)**	**(279)**	**(138)**	(1,793)	(360)	(85)
Capital return	**(41,100)**	**(7,345)**	**(5,529)**	(38,167)	(5,831)	(4,054)
Change to the profit after tax for the year/shareholders' funds	**(43,001)**	**(7,624)**	**(5,667)**	(39,960)	(6,191)	(4,139)

	2013	2012
Change to total earnings/(loss) per Ordinary share	**(20.52)p**	(15.27)p

Notes to the Financial Statements *continued*

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

	Year ended March 2013			Year ended March 2012		
	Euro £'000	**Swedish Krona £'000**	**Other £'000**	Euro £'000	Swedish Krona £'000	Other £'000
Statement of Comprehensive Income – profit after tax						
Revenue return	**2,571**	**377**	**186**	2,426	487	115
Capital return	**55,615**	**9,937**	**7,480**	51,543	7,890	5,483
Change to the profit after tax for the year/shareholders' funds	**58,186**	**10,314**	**7,666**	53,969	8,377	5,598

	2013	2012
Change to total earnings/(loss) per Ordinary share	**27.77p**	20.65p

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 unsecured, multi-currency revolving loan facilities which carry variable rates of interest based on the currencies drawn, plus a margin. These facilities total £80,000,000 (2012: £80,000,000).

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 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 £13,666,000 (2012: £4,389,000).

The Group's exposure to fixed interest rates on assets is £942,000 (2012: £765,000).

Notes to the Financial Statements *continued*

11.3 Interest Rate Risk continued

Interest rate exposure continued

The Group's exposure to fixed interest rates on liabilities is £15,000,000 (2012: £15,000,000).

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 (2012: same)
- Interest paid on borrowings under the multi-currency loan facilities, 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 11.82% (2012: 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.

The exposure at 31 March of financial assets and financial liabilities to interest rate risk is shown by reference to:

Interest rate sensitivity

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

	2013 2% Increase £'000	**2013 2% Decrease £'000**	2012 2% Increase £'000	2012 2% Decrease £'000
Change to shareholders' funds	**(431)**	**431**	(528)	528
Change to total earnings/(loss) per Ordinary share	**(0.14)p**	**0.14p**	(0.19)p	0.19p

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.

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 2013, 7% of the Group's investment portfolio was held in direct property investments.

At March 2013, 93% of the Group's investment portfolio is held in listed securities which are predominantly readily realisable.

The debenture loan of £15m is repayable in 2016. Bank loan facilities are short term revolving loans which it is intended are renewed or replaced but renewal cannot be certain.

The table overleaf shows the timing of cash outflows to settle the Group's current drawn debt facilities together with anticipated interest costs.

Notes to the Financial Statements *continued*

Debt and Financing maturity profile:

At 31 March 2013	Within 1 year £'000	Within 1-2 year £'000	Within 2-3 year £'000	Within 3-4 year £'000	Within 4-5 year £'000	More than 5 years £'000	Total £'000
Bank loans*	**42,000**	**–**	**–**	**–**	**–**	**–**	**42,000**
Debenture loan	**–**	**–**	**15,000**	**–**	**–**	**–**	**15,000**
Projected interest cash flows on bank and debenture loans	**2,556**	**1,773**	**1,773**	**–**	**–**	**–**	**6,102**
Cashflow on forward currency contracts	**19**	**–**	**–**	**–**	**–**	**–**	**19**
	44,575	**1,773**	**16,773**	**–**	**–**	**–**	**63,121**

At 31 March 2012	Within 1 year £'000	Within 1-2 year £'000	Within 2-3 year £'000	Within 3-4 year £'000	Within 4-5 year £'000	More than 5 years £'000	Total £'000
Bank loans	40,084	4,584	–	–	–	–	44,668
Debenture loan	–	–	–	15,000	–	–	15,000
Projected interest cash flows on bank and debenture loans	2,567	1,904	1,772	1,772	–	–	8,015
Cashflow on forward currency contracts	68	–	–	–	–	–	68
	42,719	6,488	1,772	16,772	–	–	67,751

* A £30m two year facility which expired in May 2013 has been renewed until May 2015. £5m was drawn on this facility at the balance sheet date.

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 page 2. All unquoted investments and direct property investments with a value over £1 million must be approved by the Board for purchase.

The Company maintains regular contact with the banks providing revolving facilities and renewal discussions commence well ahead of facility renewal dates. In addition the Company is exploring new opportunities for the provision of debt on an ongoing basis.

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. At the period end the largest counterparty risk, which the Group was exposed to was within Securities and properties sold for future settlement, where the largest single brokers balance was £352,000.

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.

Notes to the Financial Statements *continued*

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 value 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 £150,000.
The amounts of change in fair value for such investments recognised in the profit or loss for the year was a profit of £100,585,000 (2012: loss of £83,626,000).

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 2013 consisted of called up share capital, share premium, capital redemption and revenue reserves totalling £684,219,000 (2012: £588,245,000). The Group does not regard the debenture and loans as permanent capital.

12 Debtors

	Group 2013 £'000	**Company 2013 £'000**	Group 2012 £'000	Company 2012 £'000
Amounts falling due within one year:				
Securities and properties sold for future settlement	**1,315**	**1,315**	2,461	2,461
Tax recoverable	**828**	**828**	588	588
Prepayments and accrued income*	**4,104**	**4,057**	3,389	3,305
Amounts receivable in respect of contracts for difference	**274**	**274**	288	288
Other debtors	**152**	**144**	432	434
	6,673	**6,618**	7,158	7,076
Deferred taxation asset†	**–**	**219**	–	–

* Includes amounts in respect of rent free periods
† The deferred taxation asset is expected to be realised after more than one year

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 2001 to June 2007.

18.99% of the refunds were allocated to the Sigma share class and 81.01% 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.

Notes to the Financial Statements *continued*

No refunds were received in the financial year to 31 March 2013. The allocation of the total refunds received in the financial year ended 31 March 2012 between the two share classes across the income and capital accounts is summarised below.

	Year ended 31 March 2013			Year ended 31 March 2012		
Ordinary share class:	**Revenue Return £'000**	**Capital Return £'000**	**Total £'000**	Revenue Return £'000	Capital Return £'000	Total £'000
VAT refund received	**–**	**–**	**–**	117	58	175

	Year ended 31 March 2013			Year ended 31 March 2012		
Sigma share class:	**Revenue Return £'000**	**Capital Return £'000**	**Total £'000**	Revenue Return £'000	Capital Return £'000	Total £'000
VAT refund received	**–**	**–**	**–**	27	14	41

14 Current and non-current liabilities

	Group 2013 £'000	**Company 2013 £'000**	Group 2012 £'000	Company 2012 £'000
Amounts falling due within one year:				
Bank loans and overdrafts	**42,000**	**42,000**	40,084	40,084
Securities and properties purchased for future settlement	**9,863**	**9,863**	1,729	1,729
Amounts due to subsidiaries	**–**	**44,949**	–	44,315
Tax payable	**1,654**	**1,654**	1,368	1,368
Accruals and deferred income	**3,806**	**3,665**	964	796
Other creditors	**560**	**413**	860	726
	57,883	**102,544**	45,005	89,018
Non-current liabilities				
Debenture loan	**15,000**	**–**	15,000	–
Deferred taxation	**2,723**	**–**	3,039	135
	17,723	**–**	18,039	135

The total amount of secured creditors is £15,000,000 (2012: £15,000,000).

Debenture loan

£15,000,000 (2012: £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 2013 was £18,762,000 (2012: £19,584,000).

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 (2012: £80,000,000). At 31 March 2013 £42,000,000 was drawn on these facilities (2012: £40,084,000).

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 the issue of the Ordinary equity share capital comprising Ordinary shares of 25p.

	Issued, allotted and fully paid	
	Number	£'000
Ordinary shares of 25p		
At 1 April 2012	256,225,000	64,056
Redesignation of Sigma shares	61,650,980	15,413
At 31 March 2013	317,875,980	79,469

b) Sigma share capital

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

	Issued, allotted and fully paid	
	Number	£'000
Sigma shares of 12.5p		
At 1 April 2012	124,472,000	15,559
Shares repurchased	(500,000)	(63)
Redesignated to Ordinary shares	(123,972,000)	(15,496)
At 31 March 2013	–	–

During the year, the Company made market purchases for cancellation of 500,000 Sigma shares of 12.5p each, representing 0.40% of the number of shares in issue at 31 March 2012. The aggregate consideration paid by the Company for the shares was £341,000. Shares are repurchased to enhance shareholder value.

On 14 December 2012 the shareholders of both classes voted in favour of resolutions to redesignate Sigma shares into Ordinary shares. As a result of this 61,650,980 new Ordinary shares were admitted to the listing on the Official List and to trading on the London Stock Exchange's main market from 8.00am on 17 December 2012. Further details are given on page 31.

Since 31 March 2013, 275,000 Ordinary shares have been purchased and cancelled for an aggregate consideration of £524,000.

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.

Capital redemption reserve

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

Notes to the Financial Statements *continued*

17 Retained earnings

	Group 2013 £'000	Company 2013 £'000	Group 2012 £'000	Company 2012 £'000
Investment holding gains	**170,873**	**183,220**	85,992	97,664
Realised capital reserves	**305,466**	**300,494**	295,823	290,793
	476,339	**483,714**	381,815	388,457
Revenue reserve	**41,409**	**34,034**	39,959	33,317
	517,748	**517,748**	421,774	421,774

Group investment holding gains at 31 March 2013 include a £1,346,000 loss (2012: same) relating to unlisted investments and gains of £14,783,000 (2012: £13,389,000) relating to investment properties.

Company investment holding gains at 31 March 2013 include gains of £25,784,000 (2012: £23,715,000) relating to unlisted subsidiary investments and a £5,955,000 revaluation loss (2012: £6,309,000) relating to investment properties.

18 Dividends

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Amounts recognised as distributions to equity holders in the year:		
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
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
Interim dividend for the year ended 31 March 2013 of 2.65p (2012: 2.40p) per Ordinary share	**6,790**	6,150
Interim dividend for the year ended 31 March 2013 of 1.05p (2012: 0.95p) per Sigma share	**1,302**	1,185
	20,903	18,374
Amounts not recognised as distributions to equity holders in the year:		
Proposed final dividend for the year ended 31 March 2013 of 4.35p per Ordinary share (2012: 4.20p)	**13,816**	10,761
per Sigma share (2012: 1.65p)	**–**	2,050

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 2013 £'000	Year ended 31 March 2012 £'000
Interim dividend for the year ended 31 March 2013 of 2.65p (2012: 2.40p) per Ordinary share	**6,790**	6,150
Interim dividend for the year ended 31 March 2013 of 1.05p (2012: 0.95p) per Sigma share	**1,302**	1,185
Proposed final dividend for the year ended 31 March 2013 of 4.35p per Ordinary share (2012: 4.20p)	**13,816**	10,761
per Sigma share (2012: 1.65p)	**–**	2,050
	21,908	20,146

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 £21,622,000 (2012: £20,530,000).

20 Net asset value per Ordinary share

Net asset value per Ordinary share is based on the net assets attributable to Ordinary shares of £684,219,000 (2012: £470,472,000) and on 317,875,980 (2012: 256,225,000) Ordinary shares in issue at the year end. The net assets and the number of shares for the current year include the assets transferred and the shares issued on the conversion of the Sigma shares to Ordinary shares, per note 15.

At 31 March 2012 the net assets attributable to Sigma shares were £117,773,000 and the number of shares in issue was 124,472,000.

21 Commitments and contingent liabilities

At 31 March 2013 and 31 March 2012 the Group had no capital commitments or contingent liabilities.

The Company has guaranteed a £15,000,000 (2012: £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 fully 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 34 and 35.

Directors' transactions

Dividends totalling £10,000 (£6,000 Ordinary share class and £4,000 Sigma share class) were paid in the year in respect of shares held by the Company's directors.

Investment Manager's fees

During the year ended 31 March 2013 Thames River Capital charged management fees totalling £4,691,000 (2012: £4,795,000) to the Group in the normal course of business. The balance of management fees outstanding at 31 March 2013 was £93,000 (2012: £136,000). In addition a performance fee of £3,122,000 was outstanding at 31 March 2013 (2012: nil).

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 23 July 2013 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 11 will be proposed as Ordinary Resolutions and Resolutions 12 and 13 shall be proposed as Special Resolutions.

1 To receive the Report of the Directors and the Audited Accounts for the year ended 31 March 2013.

2 To approve the Directors' Remuneration Report for the year ended 31 March 2013.

3 To declare a final dividend of 4.35 pence per Ordinary share.

4 To re-elect Simon Marrison as a director.

5 To re-elect David Watson as a director.

6 To re-elect Hugh Seaborn as a director.

7 To re-elect Caroline Burton as a director.

8 To elect Suzie Procter as a director.

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

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

11 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 £26,202,080 (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 23 October 2014), 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.

12 THAT

(a) (subject to the passing of Resolution 11 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 11 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 11 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 £3,970,012 (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 11 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*

13. 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 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 47,608,386 Ordinary shares of 25 pence each at X June 2013, the date of this Notice of Annual General Meeting);

(b) 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 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 in the Company on the trading venue where the purchase is carried out at the relevant time.

(c) 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;

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2014, save that the Company shall be entitled to enter into a contract to purchase Ordinary shares which will, or may, be completed or executed wholly or partly after the power expires and the Company may purchase Ordinary shares pursuant to such contract as if the power conferred hereby had not expired.

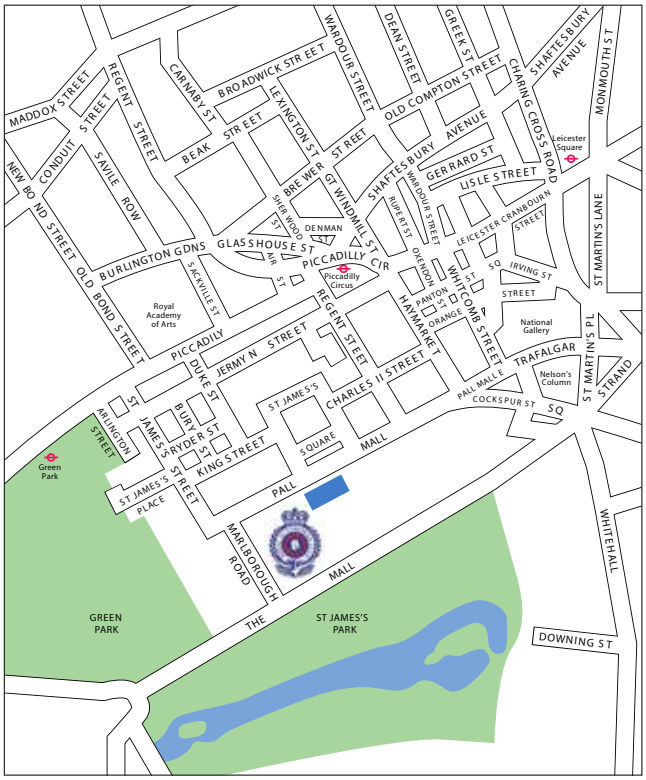
Registered Office:
Registered in England No: 84492
11–12 Hanover Street
London
W1S 1QY

By Order of the Board

For and on behalf of
Capita Company Secretarial Services
Secretary
3 June 2013

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 21 July 2013 (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.

Notice of Annual General Meeting *continued*

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 23 July 2013 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and 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 constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. A request made pursuant to 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 32 of the Annual Report & Accounts.

12 As at 3 June 2013 (being the latest practicable day prior to publication of the notice of the meeting), the issued share capital of the Company is 317,600,980 Ordinary shares of 25p each. Therefore, the total number of voting rights in the Company at 3 June 2013 is 317,600,980.

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.

14 You may not use any electronic address provided either in this Notice or any related documents to communicate for any purposes other than those expressly stated.

Explanation of Notice of Annual General Meeting

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

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

Resolutions 4, 5, 6 and 7: Re-election of directors

These resolutions deal with the re-election of Simon Marrison, David Watson, Hugh Seaborn and Caroline Burton. 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.

A formal performance evaluation has been completed and your Board has determined that each of the directors continues to be effective and demonstrates their commitment to their role.

Resolution 8: Election of director

Resolution 8 deals with the election of Suzie Procter as director. Under the Articles of Association, Suzie Procter is required to submit herself for election at the first AGM after her appointment; she hereby offers herself for election

Resolutions 9 and 10: Auditors

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

Resolution 11: 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 £26,202,080 (representing approximately 33% of the Company's issued share capital as at 3 June 2013, 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.

Resolution 12: 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 £3,970,012. This aggregate nominal amount represents approximately 5% of the total issued share capital of the Company as at 3 June 2013, 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 authority will expire at the earlier of close of business on 23 October 2014 and the conclusion of the annual general meeting of the Company held in 2014.

Resolution 13: Authority to make Market Purchases of the Company's Ordinary shares

At the AGM held on 24 July 2012, a special resolution was proposed and passed, giving the directors authority, until the conclusion of the AGM in 2013, to make market purchases of the Company's own issued 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 shares in the market. Your Board believes that to make such purchases in the market at appropriate times and prices is a suitable method of enhancing shareholder value. The Company would, within guidelines set from time to time by the Board, make either a single purchase or a series of purchases, when market conditions are suitable, with the aim of maximising the benefits to shareholders.

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

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

Explanation of Notice of Annual General Meeting *continued*

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 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 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 (being the nominal value). 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 shares in issue at the date of the AGM; this is equivalent to 47,608,386 Ordinary shares of 25p each (nominal value £11,902,096.50) at 3 June 2013, the date of the Notice of the AGM. The authority will last until the AGM of the Company to be held in 2014 or at any other general meeting.

Directors and Other Information

Directors
P L Salsbury (Chairman)
C M Burton
S Marrison
H Seaborn
S Procter
D Watson

Registered Office
3rd Floor
11–12 Hanover Street
London
W1S 1QY

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

Investment Manager
Thames River Capital LLP, authorised and regulated by the Financial Conduct Authority
3rd Floor
11–12 Hanover Street
London
W1S 1QY
Telephone: 020 7011 4100

Fund Manager:
M A Phayre-Mudge MRICS

Finance Manager and Investor Relations:
J L Elliott ACA

Assistant Fund Manager:
A Lhonneur

Direct Property Manager:
G P Gay MRICS

Secretary
Capita Company Secretarial Services
Ibex House
42-47 Minories
London
EC3N 1DX

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZY
Telephone: 0870 707 1363

Registered Auditor
Ernst & Young LLP
1 More London Place
London
SE1 2AF

Stockbrokers
Cenkos Securities plc
6, 7, 8 Tokenhouse Yard
London
EC2R 7AS

Oriel Securities Ltd
150 Cheapside
London
EC2V 6ET

Solicitors
Slaughter and May
One Bunhill Row
London
EC1Y 8YY

Fund Administrator
BNP Paribas Securities Services
55 Moorgate
London
EC2R 6PA

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 shares as follows:

Interim: January
Final: August

Dividend Payments
Dividends can be paid to 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.

Dividend Re-investment Plan ("DRIP")
TR Property Investment Trust plc now offers shareholders the opportunity to purchase further shares in the company through the DRIP. DRIP forms may be obtained from Computershare Investor Services PLC through their secure website *www.investorcentre.co.uk*, or by phoning 0870 707 1694. Charges do apply; dealing commission of 0.5% (subject to a minimum of £1.00). Government stamp duty of 0.5% also applies.

Share Price Listings
The market prices of the Company's 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
ISIN GB0009064097
SEDOL 0906409
Bloomberg TRY.LN
Reuters TRY.L
Datastream TRY

Benchmark
Details of the benchmark is given in the Statement of Investment Objective and Policy on page 2 of this Report and Accounts. The benchmark index is published daily and can be found on Bloomberg;

FTSE EPRA/NAREIT Developed Europe Capped Net Total Return Index in Sterling
Bloomberg: TR0RAG Index

Internet
Details of the market price and Net Asset Value of the Ordinary shares can be found on the Company's website at *www.trproperty.com*.

Shareholders who hold their shares in certificated form can check their holdings with the Registrar, Computershare Investor Services PLC, via *www.investorcentre.co.uk*. Shareholders can also sign up to the DRIP through the investor centre. 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.

General Shareholder Information *continued*

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 formerly held Sigma shares

Upon a disposal of all or part of a shareholder's holding of Ordinary shares, the impact on the shareholder's capital gains tax base cost of the conversion to Sigma shares in 2007 and the redesignation to Ordinary shares in 2012 should be considered.

In respect of the conversion to Sigma in 2007, agreement was reached with HM Revenue & Customs ("HMRC") to base the apportionment of the capital gains tax base cost on the proportion of 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 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.

As part of the re-designation of the Sigma shares into Ordinary shares in December 2012, a further agreement was reached with HMRC that a shreholders capital gains tax base cost in their new Ordinary shares should be equivalent to their capital gains base cost in the pre-existing Sigma shares (i.e. their capital gains base cost under the existing agreement if applicable).

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.

Holding shares in Certificated Form

Investors may hold their investment in certificated form. Our registrars, Computershare operate a dealing service which enables investors to buy and sell shares quickly and easily online without a broker or the need to open a trading account. Alternatively the Investor Centre allows investors to manage portfolios quickly and securely, update details and view balances without annual charges. Further details are available by contacting Computershare on 0870 702 0000 or visit *www.computershare.com*

TR Property Investment Trust plc now offers shareholders the opportunity to purchase further shares in the company through the Dividend Re-investment Plan ("DRIP") through the registrar, Computershare. Shareholders can obtain further information on the DRIP through their secure website *www.investorcentre.co.uk*, or by phoning 0870 707 1694. Charges do apply. Please note that to gain access to your details or register for the DRIP on the Computershare site you will need the holder reference number stated on the top left hand corner of your share certificate

Saving Schemes, ISAs and other plans

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

ISA and savings scheme providers do charge dealing and other fees for operating the accounts, and investors should read the Terms and Conditions provided by these companies and ensure that the charges best suit their planned investment profile. Most schemes carry annual charges but these vary between provider and product. Where dealing charges apply, in some cases these are applied as a percentage of funds invested and others as a flat charge. The optimum way to hold the shares will be different for each investor depending upon the frequency and size of investments to be made.

Details are given below of two providers offering shares in TR Property Investment Trust, but there are many other options.

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.

F&C Asset Management Limited ("F&C")

F&C offer a number of Private Investor Plans, Investment Trust and Junior ISAs and Children's Investment Plans. Investments can be made as lump sums or through regular savings. For more information see inside the back cover. F&C can be contacted on 0800 136 420, or visit *www.fandc.com*

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

In 2012 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.

Investing in TR Property Investment Trust plc *continued*

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

How to Invest

One way to invest in TR Property Investment Trust plc is through one of the savings plans run by F&C Management Limited ('F&C').

F&C Private Investor Plan (PIP)

A flexible way to invest with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at any time from £250.

F&C Investment Trust ISA.

Use your ISA allowance to make an annual tax-efficient investment of up to £11,520 for the 2013/14 tax year with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum topups at any time from £250 and transfer any existing ISAs to us whilst maintaining all the tax benefits.

F&C Child Trust Fund (CTF)

CTFs are closed to new investors; however, if your child has a CTF with another provider, it is easy to transfer it to F&C. Additional contributions can be made from as little as £25 per month or £100 lump sum – up to a maximum of £3,720 for the 2013/14 tax year.

F&C Children's Investment Plan (CIP)

A flexible way to save for a child. With no maximum contributions, the plan can easily be written under trust to help reduce inheritance tax liability or kept in your name if you may need access to the funds before the child is 18. Investments can be made from a £250 lump sum or £25 a month. You can also make additional lump sum top-ups at any time from £100.

F&C Junior ISA (JISA)

This is a tax-efficient savings plan for children who did not qualify for a CTF. It allows you to invest up to £3,720 for the 2013/14 tax year with all the tax benefits of the CTF. You can invest from £30 a month, or £500 lump sum, or a combination of both.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and you may not receive back the full amount originally invested. Tax rates and reliefs depend on the circumstances of the individual. The CTF and JISA accounts are opened in the child's name. Money cannot be withdrawn until the child turns 18.

Annual management charges and certain transaction costs apply according to the type of plan.

Annual account charge

PIP: £40+VAT
ISA: £60+VAT
CIP/CTF: £25+VAT
JISA: £25+VAT
You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits)

Dealing charge per holding

PIP/CIP/JISA: postal instructions £12, online instruction £8
ISA: 0.2%

The dealing charge applies when shares are bought or sold but the fixed rate charge does not apply to the reinvestment of dividends or the investment of regular monthly savings.

There is no dealing charge on a CTF but a switching charge of £25 applies if more than 2 switches are carried out in one year.

Government stamp duty of 0.5% also applies on purchases (where applicable).

There may be additional charges made if you transfer a plan to another provider or transfer the shares from your plan. For full details of charges, please read the Key Features and Terms and Conditions of the plan before investing.

How to Invest

You can invest in all our savings plans online.

New Customers

Contact our Investor Services Team
Call: **0800 136 420** (8:30am – 5:30pm, weekdays, calls may be recorded)
Email: **info@fandc.com**
Investing online: **www.fandc.com**

Existing Plan Holders

Contact our Investor Services Team
Call: **0845 600 3030** (*9:00am – 5:00pm, weekdays, calls may be recorded)
Email: **investor.enquiries@fandc.com**
By post: F&C Plan Administration Centre
PO Box 11114
Chelmsford
CM99 2DG

If you have trouble reading small print, please let us know. We can provide literature in alternative formats, for example large print or on audiotape. Please call 0845 600 3030*.

The above has been approved by F&C Management Limited which is a member of the F&C Asset Management Group and is authorised and regulated in the UK by the Financial Conduct Authority.

TR Property Investment Trust plc is managed by

Thames River

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