TR Property Investment Trust plc

Financial Report for the half year ended 30 September 2009

Overview

The objective of TR Property Investment Trust plc is to maximise shareholders' total returns by investment in the property sector.

The Trust Offers Investors Two Share Classes:

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

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

Introduction The Investment Trust has been in existence since 1905 and a dedicated property investor through the Ordinary share class, since 1982.

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

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

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

Independent Board The directors are all independent of the management company and meet regularly to consider investment strategy, to monitor adherence to the stated objective and investment policies (set out on the following pages) and to review performance.

Further Information General shareholder information and details of how to invest in TR Property Investment Trust plc, including investment through an ISA or share plan, can be found on page 35 and 36. This information can also be found on the Company's website www.trproperty.co.uk.

Statement of Investment Objective and Policy

Ordinary Shares

Objective

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

Benchmark

The Benchmark is the FTSE EPRA/NAREIT Europe Index in Sterling. This index, calculated by FTSE, is free-float based and currently has 80 constituent companies. The Benchmark website www.epra.com contains further details about the index and performance.

Investment Policies

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

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

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

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.

Asset Allocation Guidelines

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

UK listed equities	30 – 55%	Other listed equities	0 – 5%
European listed equities	30 – 55%	Listed bonds	0 – 5%
		Direct property – UK	10 – 30%

Gearing

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

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

Capital

Over ten years up to the end of September 2009, the share price has risen by 241% from 46.00p to 157.00p and the net asset value per share has risen by 214% from 57.05p to 178.94p. Over the same period the benchmark price only index has risen by 69%.

Income Growth

Over the past ten years the annual net dividend per share has grown by 4.4 times, equivalent to 15.9% pa compound.

Dividend

An interim dividend of 2.30p (2008: 2.30p) per Ordinary share has been declared payable on 12 January 2010 to shareholders on the register on 11 December 2009. The shares will be quoted ex-dividend on 9 December 2009.

Sigma Shares

Objective

The objective of the Sigma share class is to maximise shareholders' total returns by investing predominantly in the shares of property companies with a market capitalisation of less than £1 billion on an international basis.

Benchmark

The Benchmark up to 31 March 2009 was the FTSE EPRA/NAREIT Europe Index in Sterling. This Index, calculated by FTSE, is free-float based and currently has 80 constituent companies. From 1 April 2009 the Benchmark is the FTSE EPRA/NAREIT Small Cap Europe Index in Sterling. This Benchmark, also provided by FTSE is adjusted to exclude those stocks with a market capitalisation exceeding £1bn. The constituents are adjusted quarterly.

Investment Policies

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

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

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

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.

Asset Allocation Guidelines

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

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

Gearing

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

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

Capital

Since launch in July 2007, the share price has fallen by 31% from 106.25p to 73.45p and the net asset value per share has fallen by 24% from 122.85p to 93.84p. Over the same period the benchmark price only index has fallen by 35%.

Dividend

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

An interim dividend of 0.90p (2008: 0.90p) per Sigma share has been declared payable on 12 January 2010 to shareholders on the register on 11 December 2009. The shares will be quoted ex-dividend on 9 December 2009.

Financial Highlights and Performance

Ordinary Shares

	Half year ended 30 September 2009 (Unaudited)	Half year ended 30 September 2008 (Unaudited)	% Change
Revenue			
Revenue earnings per Ordinary share	**3.60p**	4.13p	-12.8
Net interim dividend per Ordinary share	**2.30p**	2.30p	–
	As at 30 September 2009 (Unaudited)	As at 31 March 2009 (Audited)	% Change
Balance Sheet			
Net asset value per share	**178.94p**	126.07p	+41.9
Share price	**157.00p**	106.00p	+48.1
Net (debt)/cash	**(2%)**	15%	–
Shareholders' funds (£'000)	**459,392**	323,666	+41.9
Shares in issue at end of period (m)	**256.7**	256.7	–
	Half year ended 30 September 2009	Year ended 31 March 2009	
Performance			
Benchmark performance (total return)	**53.0%**	-48.6%	
NAV total return	**45.3%**	-40.5%	
Share price total return	**52.3%**	-41.2%	

Sigma Shares

	Half year ended 30 September 2009 (Unaudited)	Half year ended 30 September 2008 (Unaudited)	% Change
Revenue			
Revenue earnings per Sigma share	**1.76p**	2.05p	-14.1
Net interim dividend per Sigma share	**0.90p**	0.90p	–
	As at 30 September 2009 (Unaudited)	As at 31 March 2009 (Audited)	% Change
Balance Sheet			
Net asset value per share	**93.84p**	61.34p	+53.0
Share price	**73.45p**	39.00p	+88.3
Net cash	**3%**	17%	–
Shareholders' funds (£'000)	**117,221**	76,623	+53.0
Shares in issue at end of period (m)	**124.9**	124.9	–
	Half year ended 30 September 2009	Year ended 31 March 2009	
Performance			
Benchmark performance (total return)	**57.5%**	-48.6%	
NAV total return	**55.3%**	-42.3%	
Share price total return	**92.2%**	-56.2%	

Chairman's Statement

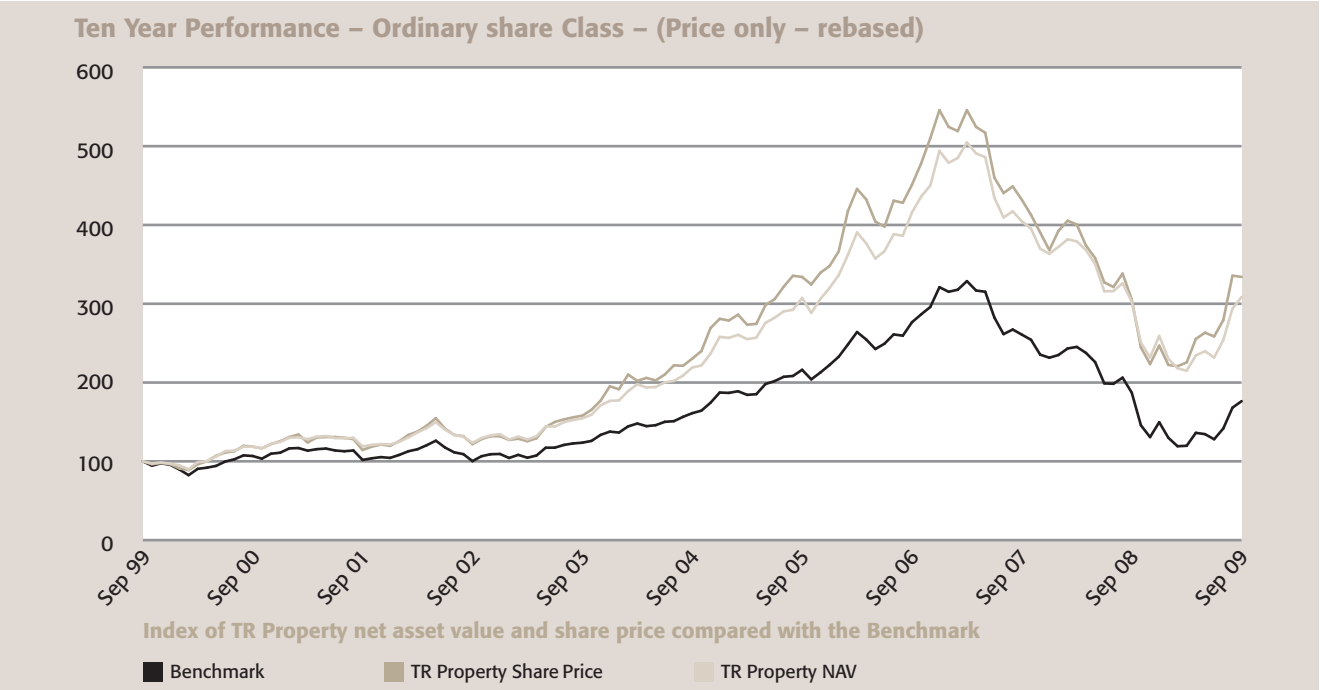
Peter Salsbury BSc **Chairman**
24 November 2009

Introduction

The six months to the end of September 2009 have seen an extraordinary improvement in global equity sentiment and a remarkable increase in the appetite for risk amongst investors. Share prices have responded with very substantial gains not least in the property share sector. What started as a relief rally in March and April, developed over the late summer into a full scale rush for income once it became clear that cash would be earning virtually no return for an extended period. In the physical property market, values continued to decline over the summer due to rental weakness, but distressed selling slowed markedly and by August it was apparent that pent up investment demand was strengthening rapidly. This led to another leap in property share prices which has pushed some stocks onto premiums to NAV in the anticipation of value growth to come in the next six months.

Against this background, both of the Trust's share classes have seen significant increases in their share prices and net asset values. Both started the period with net cash holdings and, taking a circumspect view of the rally, reinvestment of this cash was spread over the six months. The result has been relative underperformance of the benchmark indices in the period. However, this result needs to be seen in the context of both the strong outperformance in the year to March 2009 and the Board's view that a high risk investment strategy, was not, and is not in the best long term interest of shareholders at the present time. I said in my annual report that revenue earnings in the current year would decline from last year's record level, and this is the case. As forecast, the Board is maintaining the dividend at last year's level.

Chairman's Statement *continued*



NAV and Share Price Performance

The details of the absolute and relative returns are set out at the start of each share class report and commented on by the Fund managers. In summary the Ordinary share class NAV total return of 45.3% was 7.7% behind its benchmark total return of 53.0%, while the Sigma share class NAV total return of 55.3% was 2.2% behind its benchmark return of 57.5%.

This is the first period that Sigma's performance is measured against its new "small caps" benchmark which has risen more sharply than the benchmark for the Ordinary share class previously used by Sigma.

Revenue Results

As anticipated, net revenue per share declined for both share classes due to a combination of lower dividend income and lower interest from cash on deposit. These reductions were somewhat offset by lower management fees, lower borrowing costs, a further repayment of VAT overpaid in prior years, and some £0.8m of underwriting fees spread across both share classes.

Compared with the same period last year, the Ordinary share class' post tax revenue fell 13.2% to £9.24m and net revenue per share declined by 12.8% to 3.60p. The Sigma share class' post tax revenue declined 15.9% to £2.2m and the net revenue per share fell 14.1% to 1.76p.

Dividends

As announced in my statement in the last Annual Report, the Board has agreed that, subject to unforeseen circumstances, it will use some of the Trust's substantial revenue reserves to recommend to shareholders that the dividends in the year to end March 2010 will not be less than the dividends paid for the year to end March 2009.

Ordinary Shares

The Board is maintaining the interim dividend at 2.30p per share.

Sigma Shares

The Board is maintaining the interim dividend at 0.90p per share.

Revenue Outlook

Ordinary Shares

In the annual report our managers advised the Board that, subject to unforeseen circumstances, they expected that revenue per share for the Ordinary share class will be in the order of 4.7p per share – a decline of around 28% relative to revenue in the year to March 2009. Since May the share class has received unanticipated income from underwriting and VAT repayments, but a timing change in the dividend payments from its largest asset, Unibail, means that the current revenue forecast remains at 4.7p.

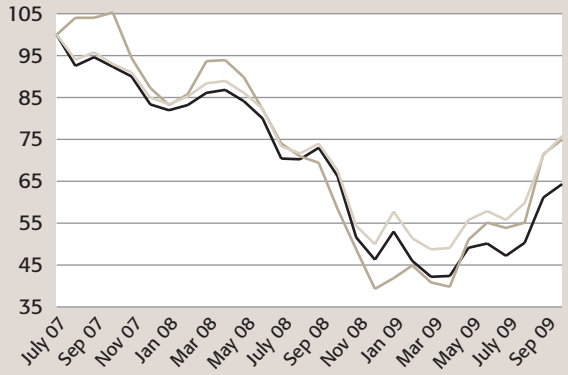
Sigma Shares

In the annual report our managers advised the Board that they expected that revenue per share for the Sigma share class for the year to March 2010 will be in the order of

Chairman's Statement *continued*

1.80p per share. At the start of the year, Sigma had £13m of net cash yielding very little. Over the period the majority of this cash was invested (and the remainder shortly after the half year). On the whole this investment has been into equities yielding more than cash. This, coupled with the unanticipated income from underwriting and VAT repayments, has resulted in our Manager increasing the forecast from 1.8p per share to 2.0p.

Performance since Inception – Sigma share Class – (Price only – rebased)



Net Debt, Gearing and Currencies

At the start of the half year the Ordinary share class had gross cash of £61.8m. Adjusting for the debenture debt of £12.2m, net cash was £49.6m which was equivalent to 14.6% of gross assets. At the end of September gross cash was down to £4.5m and, after deducting the debenture debt, the share class had net borrowings of £7.7m equivalent to 1.6% of gross assets.

A similar course was followed by the Sigma share class which had £12.9m of net cash at the start of the half year, equivalent to 16.2% of gross assets. At the end of September, Sigma had net cash of £4.0m equivalent to 3.3% of gross assets.

Since the end of September, the Trust has received Credit Committee approval for its one year £50m variable rate multi-currency borrowing facility with the Royal Bank of Scotland. The costs of this loan, in terms of spread, security and non-utilisation fees, are now much greater than in previous years, and your Board is keen to explore ways of providing the Trust with flexible and realistic access to modest levels of debt in a manner which recognises the excellent covenants that we offer.

As in previous years the portfolios' exposure to foreign currencies was not hedged at either the asset or income level. Sterling strengthened rapidly against the Euro until mid-June and weakened equally quickly to leave the exchange rate virtually unchanged over the period.

Discount and Share Repurchases

The Ordinary share discount to capital only net asset value averaged 9.3% over the half year with a range of 3.9% to 14.6%. The Sigma share discount to capital only net asset value averaged 23.1% over the half year with a range of 13.8% to 36.2%. From August to the end of the reporting period the discount on the Sigma shares has remained tighter than 20%.

No shares were repurchased in either share class in the period.

Outlook

Across both UK and Europe property share prices have recovered from their spring 2009 lows in spectacular fashion, and are now anticipating increases in underlying property values. The first glimpse of such value growth is now apparent in the UK, where, despite continued weak tenant demand, investors are returning to the asset class attracted by income yields no longer available in most other asset classes. Your Manager expects Continental property pricing to follow a similar, if slightly delayed, path.

The combination of massive government borrowing and low interest rates has removed fears of a further implosion of asset pricing. There is, at least in the short term, a danger of a further pricing bubble as cash rich investors seek yields from other assets, including property.

Eventually these economic life support systems will have to be switched off. We are moving into un-trodden ground and at some stage, particularly in the UK, we face the threat of higher taxation, reduced government spending, a return to normalised interest rates and the possibility of higher inflation. Such moves will alter the investment landscape. This may well precede the capability of banks to lend in a normal professional way to the property sector. The Trust is now very lightly geared but our asset selection is still below average risk and above average liquidity. Given the outlook for the UK economy in 2010 relative to France, Germany and Scandinavia, both share class managers have chosen to place the bias of their equity assets in these latter countries.

Peter Salsbury
Chairman

Directors' Responsibility Statement

The Directors acknowledge responsibility for the interim results and approve this Half-Yearly Financial Report.

The Directors of TR Property Investment Trust plc confirm that to the best of their knowledge:

(a) the Half-Yearly Financial Statements have been prepared in accordance with IAS34 as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit for the period of the Company as required by the Disclosure and Transparency Rules ('DTR') 4.2.4R;

(b) the Chairman's Statement together with the following Managers' Reports includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the report includes a fair review of the information required by DTR 4.2.8R.

By order of the Board

Peter Salsbury
Chairman

24 November 2009

The Board members are listed on page 34.

Managers' Statement

Ordinary Share Class & Sigma Share Class

Market Background and Outlook

Chris Turner MRICS
Fund Manager –
Ordinary share class

Marcus Phayre-Mudge MRICS
Fund Manager –
Sigma share class

As the Chairman has noted, this has been an extraordinary six months for stock markets generally and for UK and European property shares in particular. The main EPRA Index rose 47% in Sterling terms over the period – its highest ever six monthly gain and outperforming both the DJ Stoxx 600 and the UK All Share indices which rose 37.4% and 32.5% respectively. The performance was far from uniform in either timing or motivation. In April the sector rose 13% continuing a relief rally that had seen prices already rise 19% between the 10th and 31st of March. In May and June this relief rally petered and prices dropped by 6%. Arguments raged over the alphabetic shape of the recovery and whether inflation or deflation was round the corner. With hindsight two things became clearer over the midsummer period. The first was that central banks would try to keep interest rates at very low levels for an extended period well into 2010. The second was that business and consumer sentiment was improving across the globe – in defiance of a multitude of dire economics. A new rally based on hope and the search for income got under way and over July and August the Sector rose a stunning 31% led by the share prices of companies with the greatest levels of leverage, many of which more than doubled in price over the period.

Demand for property shares, from both generalist investors returning to the Sector and from private investors hunting relatively stable income, not only created a substantial and very rapid bull market, but allowed the industry to raise significant fresh capital. Over the six months, if the rights issues in progress at the start of April are included, the total is over £8 billion. Over 70% of this capital has gone into refinancing the UK companies.

Property Investment Markets

This dash for higher, and therefore riskier, income has had a dramatic impact on the pricing of all high yielding assets over the half year. Corporate bonds and equities led the way, but since the late summer physical property has come to the party. The obvious weakness of the rental demand and the shortage of credit have clearly been delaying factors, but there is now, in the UK, a considerable quantity of cash lined up and actively seeking investments, and, very importantly, a dearth of decent quality property for sale. Distressed selling from property companies and institutions has almost totally dried up – indeed many have turned buyers again. Very importantly the banks, as discussed in the next paragraph, are showing no present urgency in sorting out their loan books. There is virtually a frenzy in the market, as there has been in some areas for housing. Yields for the most desirable properties, which still means buildings let on long leases at sensible rents to household names, have jumped downward by as much as 200 basis points since April to below, sometimes well below, 6%. Buyers have reacted by moving up the risk curve to accept shorter leases and less secure tenants so that good secondary investments, which were totally unwanted in the Spring are now being hunted down and selling for above asking prices.

Buyers and potential buyers in the UK property investment industry are split into two distinct camps; those who believe that today's prices represent good value relative to returns from other high yielding asset classes, and those who consider the current market to be just a mini-bubble inflated by artificially low interest rates and by the lack of freely available property stock. This latter camp generally believe that an anaemic economic recovery will mean that rental values continue to decline

Market Background and Outlook *continued*

through 2010, eating into the long term income returns from real estate, and that the best policy is to wait until the banks and their clients are forced to de-gear and expose a lot more stock onto the market. Forward pricing in the IPD Index derivative market is siding with the cautious and indicating only 1% to 2% capital value growth for the average UK commercial property in 2010.

On the Continent property values have generally been marked down by 10 to 15% less than in the UK, and therefore there is less evidence of a sudden rush to buy. Nevertheless the investment volumes have increased in most locations. As in the UK good quality property appears to be in rising demand, though, again, there is little available on the markets.

Rental Values

Rental values have continued to decline across the UK and Europe though the pace is varying by property type and location. As we commented in May the widespread use of rent free periods and other incentives may be masking the true position. The IPD index in the UK suggests that rental values fell 3.4% over the half year to end September but this decline is based on headline rents not effective rents. The worst declines have come in capital city office markets – London, Paris and Madrid etc where falls of 30% or more are now documented. Encouragingly such falls have now started to stimulate demand, at least at the gross level, as occupiers take advantage of bargain rents to reorganise and improve their workspace. With no new developments started for some two years, a shortage of brand new space may be seen in 2010. Suburban and regional office markets have been very mixed and statistically have suffered less than city centres, but the truth is often that demand is so patchy that lowering asking rent will not yet hasten a letting. Industrial and storage space is also a very weak market particularly in the UK where the nationwide vacancy rate is now above 15%. The retail picture is very mixed. Demand has held up very well in Central London where tourism has given turnover a strong boost. On the Continent retail rental values appear to have been resilient, with the notable exception of Spain.

Debt and Credit Markets

We wrote in May that the level of debt outstanding against UK commercial property appeared to have changed very little since November 2008. The same comment applies today. Maturing loans are being rolled despite patent breaches. Very few distressed assets have come to market. This laissez faire policy is almost certainly born of necessity. Unprepared for the mess that has befallen their loan books, many banks are only now bringing skilled staff together to deal with their problems. Massive and immediate writedowns have been out of the question given the ongoing negotiations with the Government and other shareholders. Meanwhile the nascent recovery in property values, caused in part by the absence of distressed selling, is working to the banks' advantage.

The property investment market has no feel for how long this collective impasse will last. Estimates range from six months to five years. Lloyds and RBS appear to have the biggest problems amongst the UK lenders, but the involvement of overseas banks, particularly from Eire, complicates the picture. It is not clear if proposed changes to the banks' accounting procedures for writedowns will delay or accelerate the speed at which foreclosures occur. Meanwhile there is a substantial queue of public property companies and large private investors lined up to "assist" the banks with workouts. The banks' current desire to play for time seems likely to leave many of these helpers disappointed.

Fresh bank lending conditions to the commercial property market have improved a little, with an increase in the number of banks willing to consider loans but the number remains small and terms are very tight with margins and fees very high by pre 2007 standards. It looks likely that a return to normality in the property credit conditions will also be a very slow process.

Property Shares

Between April and September, Pan European property share prices rose by an average of 47%. The diversity of performance was again very wide – broadly the faster they fell in 2008, the faster they rose. The exceptions, chiefly Land Securities and British Land, were those that de-geared with rights issues in the early spring, so, unwittingly, removing much of their potential upside. Every share in the EPRA benchmark produced a positive total return and there were no bankruptcies. Amongst the benchmark constituents spectacular gains were seen in prices of the shares of companies considered closest to receivership. Quintain shares easily topped the gainers rising 24 fold. Gains of over 200% came from Unite and Brixton in the UK and Prologis in the Netherlands. Ten further stocks rose by over 100%.

Big companies underperformed. The ten largest companies in the benchmark at the end of March made up 60% of the benchmark by weight. Of these ten, only

Market Background and Outlook *continued*

Klépierre rose by over 100%, Corio and Hammerson rose over 50%, and all the remainder underperformed with Liberty International, PSP Swiss and Wereldhave all rising by under 30% and Unibail, itself 20% of the benchmark, rising only 33%.

This leap in share prices has not been accompanied by a surge in net asset values, earnings or dividends. The rerating of the sector has merely brought share prices closer in touch with asset values in response to the belief that capital values have stabilised and will start to grow modestly (in the UK) and are about to stabilise (on the Continent). In the UK most share prices have now moved to the last stated NAV or to a premium to that number. On the Continent discounts have narrowed sharply but are still generally available.

Corporate activity has been muted. In the only deal worth over £100m Segro acquired Brixton through an all share offer and then had a second rights issue to repay some of Brixton's debt.

Dividend passes or re-positionings (a smarter word for "cuts") have continued to be seen particularly when accompanied by a rights issue. Revenue earnings are under pressure, more so in the UK than in the rest of Europe. Rental income growth is non-existent everywhere, save from letting void space, but most Continental companies have exposure to some variable rate short term debt and are benefitting from lower interest costs, while the vast majority of UK property company debt is fixed directly or via swaps.

As noted in the Introduction, rights issues and other capital raisings have been commonplace, and there are now very few highly leveraged quoted companies who have not tapped the market for fresh capital. Underwriting fees have been generous and the exercise, particularly for those who raised capital before midsummer, has been hugely dilutive to those shareholders who could not participate. Since July a number of issues, including three new issues, have been made to fund the acquisition of distressed property. It is clear now that this capital may not be easy to spend sensibly in the short term.

Volatility in share price movements has moderated but remains high by historic standards and appears to be running in line with the banking sector, not altogether surprising given the influence that banks and interest rate movements may have on the asset class over the next three years. Liquidity has improved and is reasonable in the largest forty stocks, but out in the bye-ways it is still difficult to trade reliably.

Outlook

So many external factors are unclear. The anticipation that extremely low interest rates will be with us for an extended period have created a very powerful surge in the demand for income and thus brought about asset reflation. Econometric models suggest that asset and property prices are likely to continue to rise while interest rates remain at virtually zero, but will suffer once rates move to higher ground. Equity and bond investors are preoccupied with spotting the portents for when such a moment may occur to the extent that more good economic news becomes seen as bad for markets because it brings closer the moment when fiscal policy is tightened.

Governments and Central Banks would seem to have a very narrow line down which to progress. So far their policies appear to have worked far better than markets expected. If they start raising rates too early they risk pushing their economies back into recession and stimulating a second wave of declines in asset prices, which in turn will stall the recovery of the financial sector. Leave it too late and inflation may be back on the agenda, although the slack in the economy and the weakness in bank lending would appear to make an early return of serious inflation unlikely.

Germany and France saw GDP growth in the third quarter and the UK should see a return to growth in the fourth quarter. The pace of economic recovery in 2010 across Europe is likely to be modest and a sustained fall in unemployment seems unlikely to occur in the next twelve months. Against this background, commercial property companies face some difficult decisions on strategy. Survival for almost all is assured but the path to higher revenue earnings and dividend growth is unclear. With fresh credit in short supply, most are currently concentrating on reducing their vacancy rates, dusting down but not starting development projects, and hoping to find bargains in the investment market in 2010. Short term this attitude is logical but in the medium and longer term the industry needs some fresh thinking.

Ordinary Shares

Financial Highlights

	Half year ended 30 September 2009 (Unaudited)	Half year ended 30 September 2008 (Unaudited)	% Change
Revenue			
Total revenue income (£'000)	**14,232**	16,510	-13.8
Income from operations before tax (£'000)	**12,161**	13,696	-11.2
Revenue earnings per share	**3.60p**	4.13p	-12.8
Net interim dividend per share	**2.30p**	2.30p	–
Return/(loss) per ordinary share#	**56.32p**	(40.27)p	–

#Under IFRS, capital returns are included in "earnings"

	As at 30 September 2009 (Unaudited)	As at 31 March 2009 (Audited)	% Change
Balance Sheet			
Investments held at fair value (£'000)	**470,642**	278,150	+69.2
Shareholders' funds (£'000)	**459,392**	323,666	+41.9
Shares in issue at end of period (m)	**256.7**	256.7	–
Net (debt)/cash	**(2%)**	15%	–
Net asset value per share	**178.94p**	126.07p	+41.9

Performance

	Half year ended 30 September 2009	Year ended 31 March 2009
Assets and Benchmark		
Benchmark performance (price only)	**47.3%**	-51.2%
NAV change	**41.9%**	-42.6%
Benchmark performance (total return)	**53.0%**	-48.6%
NAV total return	**45.3%**	-40.5%
IPD Monthly Index total return*	**0.5%**	-25.5%
Total return from direct property	**3.1%**	-14.9%

	Half year ended 30 September 2009	Year ended 31 March 2009	% Change
Share Price			
Share price	**157.00p**	106.00p	+48.1
Share price total return	**52.3%**	-41.2%	
Market capitalisation	**£403m**	£272m	+48.2

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

Manager's Report

Ordinary Share Class

Chris Turner MRICS **Fund Manager**
24 November 2009

Performance

Back at the start of April, if a fairy godmother had offered to me, on your behalf, a total return, in the six months to end September, of 45%, I would have grabbed it gleefully. As it has turned out, what looks like an excellent absolute result, has actually been a very poor one – relative to the benchmark's total return of 53%. What went wrong is simple – I was too conservative, wrong footed by the speed and totality of the change in sentiment. As a result I reinvested the cash holdings too slowly, and held onto safe stocks when I should have sold them all and moved up the risk curve faster and with as much capital as possible. I take some comfort from knowing that I was not alone amongst fund managers and investors in finding it difficult to re-orientate my outlook, and to buy or re-invest into companies whose shares I was so glad not to own at the end of 2008.

The rally in stocks was extremely widespread, but was led by what would aptly have been described as junk just a few months earlier. Medium and small companies outperformed, particularly those with very high leverage, while big safe stocks underperformed. Our physical property portfolio, which made up 17% of the gross assets at March, had a great six months losing less than 1% in value. However, this was no help whatever to short term performance and with an average of 5% net cash across the half year, I mistakenly had only some 80% of the Ordinary share capital at work in the equity market, trying to keep up with the 100% invested benchmark. Thankfully, due to a narrowing of the discount to NAV, the share price total return at 52.3% was only marginally lower than the benchmark.

Manager's Report *continued*

Investment Activity

Regular readers will know that I have taken sneaking pride in previous years for having a relatively low level of portfolio turnover – usually keeping it below 25% per annum. From the remarks in my opening paragraph, the last six months was clearly a period when I needed to change my habits. Regretfully I did not. Though I was a net investor in each month in the half year, my pace of buying was too cautious. I was looking for a decent pause or relapse in pricing, both to provide a buying opportunity and to assess the underlying fundamentals in more depth. That relapse never came. The 18% rise in property share prices in August was particularly unexpected. I was at my desk for what is usually a quiet month with stable pricing, watching highly leveraged stocks rise up to 10% a day, while your holdings in the large stable well financed companies struggled to make any positive headway. During September I said goodbye to the remaining net cash and took the Ordinary share balance sheet into modest net debt. I bought into companies with higher leverage and this is reflected in the see-through leverage of the portfolio which rose from 33% at March to 47% at the end of September – almost in line with the benchmark average.

Distribution of Assets

The table showing the distribution of assets is on page 16. Over the six months the biggest percentage change was in the direct property which dropped from 17.4% of gross assets down to 10.3%. This was purely a move generated by the performance of the equities, as there were no sales or purchases of property in the half year. The change in balance between UK and Continental equities was also principally due to stock performance rather than portfolio realignment. The UK property equities outperformed rising 54%, while Continental stocks returned 44% in Sterling. Since the late summer my purchases have been biased towards the Continent on grounds of value, income and economic outlook. European securities were 54% of the portfolio at September compared with 51% at March. UK equities rose from 32% to 35% in the period. We bought two blocks of Euro denominated medium term corporate bonds, in Hammerson and Prologis European both of which performed well, and these made up 1.7% of the gross assets at the half year end.

Outside the UK the equity investments continued to be dominated by stocks listed in Paris which made up 31.3% of gross assets, compared with 33% in March. Almost half this total is the holding in Unibail which owns property right across the Continent.

Largest Equity Investments

The top ten holdings had a value of £238m and accounted for 50% of the total assets. The list, has as usual, changed very little over the summer either in order or content, save for the return of Segro, where we took up our rights and excess underwriting stock, in their two issues this summer. Unibail continued to dominate the list. The other re-entry was Foncière des Régions which rose from 14th place as a result of a 125% share price increase. The two departures were Castellum and Great Portland, stocks in which we continue to have substantial holdings.

Aside from Foncière des Régions, Klépierre rose by over 100%. Hammerson, Corio, Segro, and Derwent London all gave us total returns of over 50%. The underperformers were the three big stocks, particularly Unibail and British Land with total returns of below 40%.

Revenue and Revenue Outlook

Post tax revenue per Ordinary share fell 13.2% to £9.24m and net revenue per share declined by 12.8% to 3.60p. This was a better than expected earnings result in the context of my forecast, in May, of a 25% decline in earnings per share over the twelve months to next March. Our investment income declined by 15.4% to £10.67m as dividend cuts and passes in some of our larger holdings hurt, but overall dividend income was slightly higher than I expected. Other operating income was significantly greater than forecast. Our cash holdings earned next to nothing (as anticipated) but we had two unexpected windfalls – interest on VAT refunded of £560,000 and underwriting commissions of £466,000. The decline in gross rental income is mainly as a result of selling the Woking building in September 2008, though there was some loss of income from tenant bankruptcies as noted in the direct property comments.

The expenses line saw lower management fees but higher property management costs and other expenses. We have received another VAT repayment, this time covering the 1990 to 1996 period totalling £735,000, of which £443,000 was credited to the revenue account. Borrowing costs halved as we repaid the 8.125% debenture last November so the charge in the period only relates to the 11.5% debenture. Taxation is estimated at 24% versus 25% for the last financial year.

Manager's Report *continued*

The key factor in the lower tax charge is the legislative changes announced in the Budget regarding the taxation of overseas dividends. From 1 July 2009, UK law changed such that all overseas dividend receipts are non taxable from this date.

It may be possible that this treatment of overseas dividends may also be applied for earlier periods and there are also a number of cases in the European Courts which have challenged the practice of applying withholding taxes. These matters are at various stages of either appeal or implementation by the individual tax authorities across Europe. If the appeals are unsuccessful and the rulings are incorporated into each jurisdictions tax law, then this will reduce the ongoing tax charge further. However, at this point, the outcome is not certain and the tax charges in the accounts have been prepared on the basis of the current legislation.

Against this background, I would have hoped to raise my forecast for full year earnings upward to around 5.4p per share. However the second half revenue will be hit by a major timing difference. Our largest source of income, Unibail, has been paying us dividends of about £1m per quarter. In the summer the company decided to revert to a single annual payment to occur in April. This means that the two £1m payments expected in the second half and equivalent to about 0.6p per share after tax, will not be available until April 2010. Elsewhere we still have some further lack of clarity on the timing and extent of certain dividend payments next spring, and assuming unchanged currency rates, I have retained my full year revenue per share forecast of 4.7p.

Gearing, Debt and Debentures

At the start of the half year the Ordinary share class had gross cash of £61.8m. Adjusting for the debenture debt of £12.2m, net cash was £49.6m which was equivalent to 14.6% of gross assets. The cash was spent over the period, mainly in the first three months, at the end of June net cash was down to £16m. At the end of September gross cash was down to £4.5m and, after deducting the debenture debt, the share class had net borrowings of £7.7m equivalent to 1.6% of gross assets.

The portfolio's see-through leverage (which adds the proportionate debt of all our equity investments to our on balance sheet net cash or net debt) rose from 33% to 47% over the half year as we reinvested the cash into equities. In the same period the benchmark's see through leverage has remained fairly constant at 48% to 49%, with the impact of falling property values being offset by the equity capital raisings seen in the Sector.

Direct Property Portfolio

The direct property portfolio produced a positive total return over the period of 3.1%, made up of a fall in the capital value of -0.5% and an income return of 3.5%. The portfolio comfortably outperformed the IPD Monthly Index, which returned 0.5%, made up of a capital decline of -3.5% and an income return of 4.2%. There were no sales or purchases in the half year during which we concentrated on tenant retention and lease renewals.

We were hit by two bankruptcies, both at the Colonnades, affecting £190,000 of income. The majority of the loss resulted from the liquidation in June of Sanastro Ltd, who occupied 7,200 sq ft of offices. The profitable portion of the business was bought as part of a pre-pack arrangement. A 5 year lease was agreed with the newco, which will take 3,600 sq ft at a rent of £17.50 per sq ft (£63,000 per annum) from the date of the liquidation. We are marketing the vacant space and are in negotiations with the liquidator regarding recovery of the debt. A small café that became vacant has been relet at a new rent of £15,000 per annum. The previous tenant was paying £22,000 per annum. The reduction in rent takes into account the increased flexibility in the new lease which has 1 month rolling landlord redevelopment breaks.

In Milton Keynes we regeared the Exel Europe Ltd (DHL) lease prior to the break in January 2010. DHL will take a new 5 year lease with a third year tenant's break option at a rent of £450,000 per annum, a reduction of only £1 per sq ft or £35,000 per annum. We have also completed the letting of one vacant industrial unit in Wandsworth. Both these lettings have been in line with our strategy of actively managing the vacancy and extending existing leases.

Despite the insolvencies within the portfolio we have limited the vacancy rate to just 3% of the total rental income. In the same period the void levels in the IPD Monthly Index increased to 12%.

Chris Turner
Fund Manager – Ordinary share class

Portfolio

Largest Quoted Investments (Country of listing)

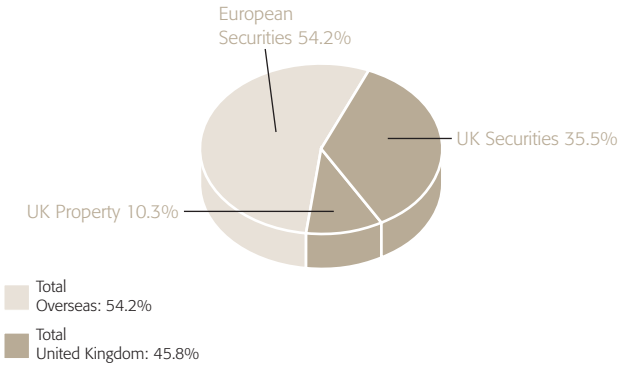
as at 30 September 2009

The 40 largest quoted investments amount to £390,427,000 or 83% of total investments (convertibles and all classes of equity in any one company being treated as one investment).

	Market Value £'000		Market Value £'000		Market Value £'000
Unibail-Rodamco (France)	77,810	Silic (France)	9,591	Prologis International Funding 5.875% 2014 (Luxembourg)	3,082
Land Securities (UK)	31,875	Eurocommercial Properties (Netherlands)	8,603	Gagfah (Luxembourg)	3,036
British Land (UK)	22,810	Wereldhave (Netherlands)	7,688	Max Property (UK)	2,838
Corio (Netherlands)	21,189	Liberty International (UK)	7,440	Grainger (UK)	2,753
Segro (UK)	20,213	Vastned Retail (Netherlands)	6,624	Beni Stabili (Italy)	2,593
Klépierre (France)	14,610	PSP Swiss Property (Switzerland)	6,327	Prologis European Properties (Luxembourg)	2,450
Foncière des Régions (France)	14,453	Cofinimmo (Belgium)	5,231	Hansteen Holdings (UK)	2,430
Icade (France)	12,711	Citycon (Finland)	4,771	Sponda (Finland)	2,353
Hammerson (UK)	11,632	Shaftesbury (UK)	4,766	St Modwen Properties (UK)	2,153
Derwent London (UK)	10,699	Hammerson 4.875% 2015 (UK)	4,740	CLS Holdings (UK)	2,120
Gecina (France)	10,542	Fabege (Sweden)	4,546	Norwegian Property (Norway)	2,078
Big Yellow (UK)	10,313	Helical Bar (UK)	4,539	Foncière Lyonnaise (France)	1,848
Castellum (Sweden)	10,260	Quintain Estates & Developments (UK)	3,482		
Great Portland Estates (UK)	9,767	Conwert Immobilien (Austria)	3,461		

Distribution of Investments (excluding cash on deposit)

as at 30 September 2009

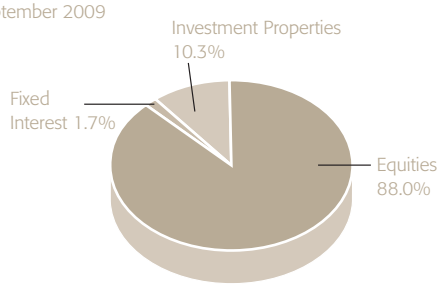


as at 30 September 2009

	£'000	%
UK Securities – quoted	162,430	34.5
UK – Fixed interest	4,740	1.0
UK Investment Properties	48,251	10.3
UK Total	215,421	45.8
European Securities		
– France	147,447	31.3
– Netherlands	45,278	9.6
– Sweden	19,327	4.1
– Germany	3,401	0.7
– Other	36,686	7.8
– Fixed interest	3,082	0.7
Total investments	470,642	100.0

Classification of Investments (excluding cash on deposit)

as at 30 September 2009



as at 30 September 2009

	£'000	%
Equities	414,569	88.0
Fixed interest	7,822	1.7
Investment properties	48,251	10.3
Total investments	470,642	100.0

Ordinary Portfolio Investment Properties *as at 30 September 2009*

Value in excess of £10 million

	Property	Sector	Tenure	Size (sq ft)	Principal tenants
	The Colonnades Bishops Bridge Road London W2	**Mixed Use**	**Freehold**	**44,000 200 space car park 242 residential units**	**NCP Waitrose 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**	**Life Assurance Holding Corporation 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 Life Assurance Holding Corporation Ltd until December 2012.

	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.

	Cambridge Science Park Cambridge	**Offices**	**Leasehold 125 years from 1987**	**38,500**	**Worldpay Ltd**

This office building occupies a prime site on Cambridge's foremost out of town office park. It was built in 1989 and extensively refurbished in 2000, prior to being let to Worldpay Limited, a leading internet payment systems company wholly owned by the Royal Bank of Scotland.

	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.

Ordinary Share Class Income Statement

for the half year ended 30 September 2009

	(Unaudited) Half year ended 30 September 2009			(Unaudited) Half year ended 30 September 2008			(Audited) Year ended 31 March 2009		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
Income									
Investment income	**10,670**	**–**	**10,670**	12,610	–	12,610	18,447	–	18,447
Other operating income	**1,143**	**–**	**1,143**	1,347	–	1,347	2,722	–	2,722
Gross rental income	**1,881**	**–**	**1,881**	2,130	–	2,130	4,240	–	4,240
Service charge income	**538**	**–**	**538**	423	–	423	299	–	299
Returns/(losses) on investments held at fair value	**–**	**135,445**	**135,445**	–	(113,286)	(113,286)	–	(246,226)	(246,226)
Total income	**14,232**	**135,445**	**149,677**	16,510	(113,286)	(96,776)	25,708	(246,226)	(220,518)
Expenses									
Management and performance fees	**(1,102)**	**(551)**	**(1,653)**	(1,133)	(2,207)	(3,340)	(2,095)	(4,288)	(6,383)
Repayment of prior years' VAT	**443**	**292**	**735**	–	–	–	1,386	3,439	4,825
Direct property expenses, rent payable and service charge costs	**(688)**	**–**	**(688)**	(570)	–	(570)	(549)	–	(549)
Other expenses	**(320)**	**–**	**(320)**	(282)	–	(282)	(664)	–	(664)
Total operating expenses	**(1,667)**	**(259)**	**(1,926)**	(1,985)	(2,207)	(4,192)	(1,922)	(849)	(2,771)
Operating profit/(loss)	**12,565**	**135,186**	**147,751**	14,525	(115,493)	(100,968)	23,786	(247,075)	(223,289)
Finance costs	**(404)**	**(404)**	**(808)**	(829)	(829)	(1,658)	(1,372)	(1,372)	(2,744)
Income from operations before tax	**12,161**	**134,782**	**146,943**	13,696	(116,322)	(102,626)	22,414	(248,447)	(226,033)
Taxation	**(2,919)**	**559**	**(2,360)**	(3,053)	2,005	(1,048)	(5,715)	4,903	(812)
Net profit/(loss)	**9,242**	**135,341**	**144,583**	10,643	(114,317)	(103,674)	16,699	(243,544)	(226,845)
Earnings/(loss) per Ordinary share (note 3a)	**3.60p**	**52.72p**	**56.32p**	4.13p	(44.40)p	(40.27)p	6.49p	(94.71)p	(88.22)p

Ordinary Share Class Balance Sheet

as at 30 September 2009

	30 September 2009 (Unaudited) £'000	30 September 2008 (Unaudited) £'000	31 March 2009 (Audited) £'000
Non-current assets			
Investments held at fair value	**470,642**	405,359	278,150
Current assets			
Other receivables	**3,996**	10,690	3,940
Cash and cash equivalents	**4,487**	78,261	61,776
	8,483	88,951	65,716
Current liabilities	**(4,428)**	(25,330)	(4,766)
Net current assets	**4,055**	63,621	60,950
Total assets less current liabilities	**474,697**	468,980	339,100
Non-current liabilities	**(15,305)**	(15,941)	(15,434)
Net assets	**459,392**	453,039	323,666
Net asset value per Ordinary share	**178.94p**	176.28p	126.07p

Sigma Shares

Financial Highlights

	Half year ended 30 September 2009 (Unaudited)	Half year ended 30 September 2008 (Unaudited)	% Change
Revenue			
Total revenue income (£'000)	**3,001**	3,957	-24.2
Income from operations before tax (£'000)	**2,662**	3,239	-17.8
Revenue earnings per share	**1.76p**	2.05p	-14.1
Net interim dividend per share	**0.90p**	0.90p	–
Return/(loss) per share#	**33.60p**	(24.84)p	–

#Under IFRS, capital returns are included in "earnings".

	As at 30 September 2009 (Unaudited)	As at 31 March 2009 (Audited)	% Change
Balance Sheet			
Investments held at fair value (£'000)	**114,488**	65,755	+74.1
Shareholders' funds (£'000)	**117,221**	76,623	+53.0
Shares in issue at end of period (m)	**124.9**	124.9	–
Net cash	**3%**	17%	–
Net asset value per share	**93.84p**	61.34p	+53.0

Performance

	Half year ended 30 September 2009	Year ended 31 March 2009
Assets and Benchmark		
Benchmark performance (price only)	**51.7%**	-51.2%
NAV change	**53.0%**	-43.5%
Benchmark performance (total return)	**57.5%**	-48.6%
NAV total return	**55.3%**	-42.3%

	Half year ended 30 September 2009	Year ended 31 March 2009	% Change
Share Price			
Share price	**73.45p**	39.00p	+88.3
Share price total return	**92.2%**	-56.2%	
Market capitalisation	**£92m**	£49m	+87.8

Source: Thames River Capital.

Manager's Report

Sigma Share Class

Marcus Phayre-Mudge MRICS **Fund Manager**
24 November 2009

Introduction

In the Annual Report in June, I offered some explanations as to why we felt that smaller property companies had underperformed their larger competitors in the year to March 2009. For the half year just gone and set against a backdrop of record setting performance by Pan European real estate equities I am pleased to report a reversal of this phenomenon. Sigma has since 1 April, had its own 'small cap' benchmark against which investors and the Board measure the Manager's performance. This benchmark is a derivation of the one used by the Ordinary share class, it merely excludes those stocks with a market capitalisation of more than £1bn. It is adjusted quarterly, adding or removing those stocks whose market capitalisation have moved through the threshold in either direction. The FTSE EPRA/NAREIT Small Cap Europe Index returned +57.5% in the six months to 30 September whilst the FTSE EPRA/NAREIT Europe Index which includes all those stocks with a market capitalisation of over £1bn rose +53.0%.

The outperformance of smaller companies is, we believe, partially explained by their 'under ownership' in the bear market from early 2007 to the spring of this year as investors sought safety in the more liquid names. As sentiment began to improve these stocks enjoyed stronger demand as investors arbitraged away the relative value discounts when compared with larger stocks. This almost voracious appetite for risk, as outlined earlier, saw very strong demand for those smaller businesses where equity had been reduced to a thin slice and super leveraged returns were once again on offer for those investors who believed that technical insolvency and loan delinquency would not lead to foreclosure and the evaporation of any remaining equity by superior creditors. As spring turned to summer, the central bank and government funded stimulus programmes had the effect

Manager's Report *continued*

of reflating asset values which has, for the moment, offered tremendous support to the bulls. Throughout 2008 and into early 2009, leverage was to be avoided as it was merely magnifying the effect of falling values. Quite suddenly, this has reversed. With base rates set to remain low and the banks not seeking to call in loans (even when borrowers are in breach of covenant) the most leveraged businesses offer the highest returns. For those businesses with floating rate debt, earnings (albeit short term) have been flattered. Rising share prices anticipated this asset value growth which is now coming through the asset valuations in the second half and are now reflecting these changes in fortunes.

My stock selection has always focused on the sustainability of asset values and earnings as well as seeking to quantify the value of individual company management's strategic contribution (how well did they read the cycle?). As a consequence the portfolio did not own positions in a number of higher risk businesses in the early part of the financial year. In fact into the summer we remained concerned that the central bank intervention was forcing capital into income producing assets without altering the fundamental economic demand for the use of the underlying buildings. Property (from an earnings perspective) remains a late cycle play as rental growth responds only to tenant demand and we have seen little improvement in occupational markets. However, looking back over this period of tremendous share price growth there are clearly occasions when changes in markets require fundamental analysis to be put to one side as momentum and a wholesale shift in the attitude to risk grips investors.

Performance

Over the period, the Sigma share NAV total return was +55.3% and this compares with a total return from the FTSE EPRA/NAREIT Small Cap Europe Index of +57.5%. On a price only (as opposed to total return) basis Sigma's NAV rose by 53.0% whilst the benchmark (price only) rose 51.7%, a modest outperformance reflecting the fact that the total return measurement includes reinvested dividends. The differential between the price only and the total return figures is widest in the first half of the year as over 80% of our revenue is received in the period. The absolute numbers are clearly pleasing but the relative performance requires further explanation. At the year end in March I still held 11% of the fund's assets in cash such was our conviction that the worst was not yet over. The investment focus was on high quality smaller companies which had the appropriate leverage together with better than average portfolios (and income) which we felt would weather the storm better than others. The low point in an equity cycle is only apparent after it has passed and the fund clearly suffered from some cash drag in the first surge of share prices between mid March and late May. Also the strongest performing equities were those with the most risk, particularly where leverage was combined with development exposure. Sigma had avoided or was significantly underweight in such businesses. Within the Investment Activity section, I will explain how we have reacted to the changing tempo in the markets as the half year progressed.

Investment Activity

This half year was an active period for the fund. Investment turnover (purchases and sales divided by two) totalled £47.7m equivalent to 49% of average shareholders' funds. The period encompassed the virtual completion of the sale of large cap stocks which were particularly focused in the UK and France, coupled with the reinvestment of the cash position. The market also presented a number of fresh investment opportunities through participation in the recapitalisations of a range of property company balance sheets. During the first quarter of the year, these recapitalisations were dominated by the deeply discounted rights issues from the largest UK companies. Sigma participated where we had positions in order not to be diluted but I took advantage of the subsequent relief rallies to sell the remaining positions in the UK majors. The exception was Segro where the 12 for 1 rights issue meant that the stock remained below the £1bn threshold even after raising £525m in early April. In June, the company successfully acquired their deeply indebted rival, Brixton Estates. This required a further rights issue which took the market capitalisation back over £1bn. In last year's Interim I wrote that we had significantly sold down our position in St Modwen. At the time I commented that the business had quality management and a strong market niche but that in the short term the business model relied on selling land to residential developers. This sub-market evaporated as development finance disappeared and St Modwen raised £107m in May to ensure that it complied with its debt covenants. We participated in the rights issue and placing. Following this successful refinancing we have begun to rebuild our position. Other rescue raisings were from Workspace and Wichford neither of which are companies we previously held. In the case of the latter we participated in the deeply discounted rights issue viewing this as an attractive entry point. On the Continent, the rescue refinancings were later in the summer and fewer in number and quantum with just Sponda and Norwegian Properties in Scandinavia and Deutsche Wohnen in Germany requiring deeply discounted raisings.

Manager's Report *continued*

As companies began to decide that the bottom of the asset value cycle was in sight they wanted equity firepower to take advantage of pricing. For these businesses, the balance sheet restructuring continued but the rationale had evolved from 'rescue' to 'opportunistic'. Companies which raised equity included a number of our significant holdings including Great Portland and Big Yellow Group in the UK. We also added to our small existing positions in Primary Health Properties and London & Stamford Properties where again we viewed the placing prices as attractive entry points. On the Continent, we added to our positions in Warehouses De Pauw, Hansteen, Vastned Retail and Befimmo who all raised capital for acquisitions. Investor appetite has been strong enough to enable a number of IPOs in the sector. The fund has invested in one this year, Max Property, run by two highly rated property professionals both of whom have track records in listed property companies.

The corporate bond market has exhibited many of the same characteristics as the equity market during the last two years. In May we made Sigma's first acquisition of bonds, buying European logistics investor ProLogis European Properties' 5.875% 2014 bonds at a yield of nearly 12%. We made further investments during the period. As market confidence in asset values increased during the first quarter of the current financial year bond prices made significant gains from their previous lows. They have continued to recover throughout the period. In total, bonds made up 1.7% of investments at the period end.

Distribution of Assets

The distribution of our invested assets at the end of September is set out in the table on page 25. At the half year, small cap stocks were 85.4% of the portfolio (excluding cash). At the year end in March, this figure had been 76.4%. Given the level of turnover in the portfolio it would be fair to have expected the portfolio to be entirely small cap. However, as outlined in my introduction, six companies in the new benchmark, (of which we had positions in five) outgrew the index in September due to growth in their market capitalisation. Adjusted for these holdings Sigma is 96.4% small cap positions. The geographical distribution between the UK and Continental Europe has hardly varied over the six month period maintaining a 35/65 split. However, within Continental Europe there have been significant adjustments at the country level. The exposure to France has dropped markedly from 27.3% of the portfolio to 12.9% although relative to the benchmark this remains a significant overweight. The exposure to Finland, Belgium and Germany have all increased markedly but in each instance this is a function of the bottom up stock selection procedure rather than a reflection of our views at a country level. At a see-through asset level, I continue to focus on exposure to retail property on the Continent (excluding Spain). I had previously reported that our exposure to this sector was principally through the core markets of France, Belgium and the Netherlands. To these countries I have now added retail exposure in Sweden, Germany and Finland as well as increased exposure to both central London and Paris office markets. The apparent continued balance between the UK and the Continent requires some clarification. I have in fact become more confident over the last six months towards a significant number of UK smaller companies whilst continuing to sell down the remaining large cap exposure as stocks such as Segro which had moved to 15-20% premiums to our expectation of their next published asset value.

Revenue

I outlined in the revenue outlook section of the Annual Report back in June, a number of factors which we expected to temper our revenue expectations through the second half of 2009 and into 2010. All of those considerations remain valid six months later. Our cautionary stance was centred on the likelihood of an increasing number of companies cutting or removing payment of dividends in order to preserve cash, particularly as they anticipated cashflow squeezes with the economic downturn leading to falling top line revenue. The good news is that these dividend adjustments have been no more savage than we had anticipated. The expectation is that the revenue for the full year will be broadly in line with our estimates. Whilst total revenue fell 24.2% when compared with the same period last year, the income from operations before tax (effectively our net income before tax) fell only 17.8%. This smaller reduction reflected the receipt of the final part of the VAT rebate (and accrued interest) which amounted to 6.4% of Sigma's net income. The VAT rebate appears as a positive under expenses in the income statement. Finance costs also fell as Sigma had no borrowings beyond its share of the one remaining debenture (£2.85m of 11.5% 2016).

The tax charge for the current year is estimated to be 17.2%, a decrease from 23.2% for the year ended March 2009.

As noted for the Ordinary share class on page 15, the key factor in the lower tax charge is the legislative changes announced in the Budget regarding the taxation of overseas dividends. From 1 July 2009, UK law changed such that all overseas dividend receipts are non taxable from this date.

Manager's Report *continued*

As explained on page 15, it may be possible that this treatment of overseas dividends may also be applied for earlier periods and there are also a number of cases in the European Courts which have challenged the practice of applying withholding taxes. These matters are at various stages of either appeal or implementation by the individual tax authorities across Europe. If the appeals are unsuccessful and the rulings are incorporated into each jurisdiction's tax law, then this will reduce the ongoing tax charge further. However, at this point, the outcome is not certain and the tax charges in the accounts have been prepared on the basis of the current legislation.

As the Chairman highlighted, whilst the reduction in the revenue top line has weighed on our expectations this has been countered by our receipt of underwriting income. This has continued, at a reduced rate, in the second half of the year but it is not anticipated that it will continue into the next financial year.

Our expectation is that earnings for the year to March 2010 will be 2.0p per share which is an increase of 0.2p on our estimate back in May.

Debt, Gearing and Debentures

As already noted virtually all of the cash holdings were deployed in the period. Although at 30 September there was a small net cash position, Sigma utilised the Royal Bank of Scotland facility in early October, introducing gearing for the first time in the share class' history. As noted in the Chairman's Statement, Credit Committee approval for the renewal of the loan facility has been received from RBS, albeit at an increased cost. The Sigma share class' portion of this facility is £10m. The increased cost of the facility was anticipated. If this facility was fully utilised and added to Sigma's share of the outstanding debenture (£2.85m) the maximum gearing (based on gross assets at 30 September) would be 12%.

As well as looking at the gearing figure at the balance sheet level, we also calculate the 'see-through loan to value' (which adds the proportionate debt of all our equity investments to our own balance sheet net debt). This figure has risen significantly as the portfolio has rotated almost entirely into small cap stocks and stands at 61% versus a figure of 34.6% in March. The benchmark's equivalent figure was 56.3%, considerably higher than the benchmark used by the Ordinary share class and reflecting the generally greater leverage in smaller companies. We are comfortable with this increased see-through gearing figure as underlying asset values continue to rise.

Marcus Phayre-Mudge
Fund Manager – Sigma share class

Sigma Share Class Portfolio

Largest Quoted Investments (Country of listing)

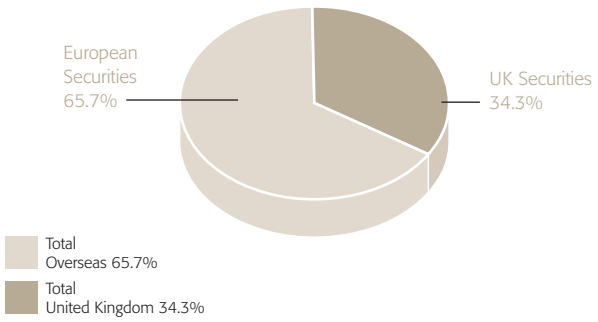
as at 30 September 2009

The 40 largest quoted investments amount to £99,452,000 or 86.9% of total investments (convertibles and all classes of equity in any one company being treated as one investment).

	Market Value £'000		Market Value £'000		Market Value £'000
Eurocommercial Properties (Netherlands)	7,911	Grainger (UK)	2,636	Quintain Estates (UK)	1,372
Befimmo (Belgium)	4,851	Sponda (Finland)	2,539	Prologis European Properties (Luxembourg)	1,339
Conwert Immobilien (Austria)	4,568	Silic (France)	2,489	Warehousing & Distribution (Belgium)	1,324
Hansteen Holdings (UK)	4,333	Helical Bar (UK)	2,425	NCC (Sweden)	1,158
Vastned Retail (Netherlands)	4,225	Alstria Office (Germany)	2,358	Unibail-Rodamco (France)	1,154
Wereldhave (Netherlands)	4,087	Fabege (Sweden)	2,295	Lamda Development (Greece)	1,126
Great Portland Estates (UK)	4,027	Foncière Paris (France)	2,134	Safestore Holdings (UK)	1,100
Citycon (Finland)	4,025	Local Shopping REIT (UK)	2,026	Development Securities (UK)	1,036
Derwent London (UK)	3,920	Foncière des Murs (France)	1,975	Hufvudstaden (Sweden)	1,021
Cofinimmo (Belgium)	3,675	Argan (France)	1,766	Wallenstam Byggnads (Sweden)	968
Big Yellow (UK)	3,317	Foncière Lyonnaise (France)	1,654	Tour Eiffel (France)	947
Castellum (Sweden)	3,166	Prologis International Funding 5.875% 2014 (Luxembourg)	1,541	Beni Stabili (Italy)	901
Deutsche Euroshop (Germany)	2,984			CLS Holdings (UK)	848
Shaftesbury (UK)	2,851	Foncière International (France)	1,380		

Distribution of Investments

as at 30 September 2009



as at 30 September 2009

	£'000	%
UK Securities – quoted	**39,223**	**34.3**
UK Total	**39,223**	**34.3**
European Securities:		
France	**14,740**	**12.9**
Netherlands	**16,739**	**14.6**
Sweden	**10,410**	**9.1**
Germany	**5,647**	**4.9**
Other	**26,188**	**22.9**
Fixed interest	**1,541**	**1.3**
Total Investments	**114,488**	**100.0**

Sigma Share Class Income Statement

for the half year ended 30 September 2009

	(Unaudited) Half year ended 30 September 2009			(Unaudited) Half year ended 30 September 2008			(Audited) Year ended 31 March 2009		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
Income									
Investment income	**2,708**	**–**	**2,708**	3,459	–	3,459	4,902	–	4,902
Other operating income	**293**	**–**	**293**	498	–	498	836	–	836
Returns/(losses) on investments held at fair value	**–**	**39,325**	**39,325**	–	(34,204)	(34,204)	–	(62,769)	(62,769)
Total income	**3,001**	**39,325**	**42,326**	3,957	(34,204)	(30,247)	5,738	(62,769)	(57,031)
Expenses									
Management and performance fees	**(296)**	**(148)**	**(444)**	(459)	(229)	(688)	(807)	(836)	(1,643)
Repayment of prior years' VAT	**104**	**68**	**172**	–	–	–	325	807	1,132
Other expenses	**(71)**	**–**	**(71)**	(70)	–	(70)	(139)	–	(139)
Total operating expenses	**(263)**	**(80)**	**(343)**	(529)	(229)	(758)	(621)	(29)	(650)
Operating profit/(loss)	**2,738**	**39,245**	**41,983**	3,428	(34,433)	(31,005)	5,117	(62,798)	(57,681)
Finance costs	**(76)**	**(76)**	**(152)**	(189)	(189)	(378)	(331)	(331)	(662)
Income from operations before tax	**2,662**	**39,169**	**41,831**	3,239	(34,622)	(31,383)	4,786	(63,129)	(58,343)
Taxation	**(461)**	**602**	**141**	(622)	353	(269)	(1,109)	768	(341)
Net profit/(loss)	**2,201**	**39,771**	**41,972**	2,617	(34,269)	(31,652)	3,677	(62,361)	(58,684)
Earnings/(loss) per Sigma share (note 3b)	**1.76p**	**31.84p**	**33.60p**	2.05p	(26.89)p	(24.84)p	2.91p	(49.35)p	(46.44)p

Sigma Share Class Balance Sheet

as at 30 September 2009

	30 September 2009 (Unaudited) £'000	30 September 2008 (Unaudited) £'000	31 March 2009 (Audited) £'000
Non-current assets			
Investments held at fair value	**114,488**	91,281	65,755
Current assets			
Other receivables	**1,067**	528	5,964
Cash and cash equivalents	**6,804**	24,105	15,792
	7,871	24,633	21,756
Current liabilities	**(2,289)**	(7,391)	(8,039)
Net current assets	**5,582**	17,242	13,717
Total assets less current liabilities	**120,070**	108,523	79,472
Non-current liabilities	**(2,849)**	(2,849)	(2,849)
Net assets	**117,221**	105,674	76,623
Net asset value per Sigma share	**93.84p**	83.29p	61.34p

Group Income Statement

for the half year ended 30 September 2009

	(Unaudited) Half year ended 30 September 2009			(Unaudited) Half year ended 30 September 2008			(Audited) Year ended 31 March 2009		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
Income									
Investment income	**13,378**	**–**	**13,378**	16,069	–	16,069	23,349	–	23,349
Other operating income	**1,436**	**–**	**1,436**	1,845	–	1,845	3,558	–	3,558
Gross rental income	**1,881**	**–**	**1,881**	2,130	–	2,130	4,240	–	4,240
Service charge income	**538**	**–**	**538**	423	–	423	299	–	299
Returns/(losses) on investments held at fair value	**–**	**174,770**	**174,770**	–	(147,490)	(147,490)	–	(308,995)	(308,995)
Total income	**17,233**	**174,770**	**192,003**	20,467	(147,490)	(127,023)	31,446	(308,995)	(277,549)
Expenses									
Management and performance fees (note 2)	**(1,398)**	**(699)**	**(2,097)**	(1,592)	(2,436)	(4,028)	(2,902)	(5,124)	(8,026)
Repayment of prior years' VAT	**547**	**360**	**907**	–	–	–	1,711	4,246	5,957
Direct property expenses, rent payable and service charge costs	**(688)**	**–**	**(688)**	(570)	–	(570)	(549)	–	(549)
Other expenses	**(391)**	**–**	**(391)**	(352)	–	(352)	(803)	–	(803)
Total operating expenses	**(1,930)**	**(339)**	**(2,269)**	(2,514)	(2,436)	(4,950)	(2,543)	(878)	(3,421)
Operating profit/(loss)	**15,303**	**174,431**	**189,734**	17,953	(149,926)	(131,973)	28,903	(309,873)	(280,970)
Finance costs	**(480)**	**(480)**	**(960)**	(1,018)	(1,018)	(2,036)	(1,703)	(1,703)	(3,406)
Income from operations before tax	**14,823**	**173,951**	**188,774**	16,935	(150,944)	(134,009)	27,200	(311,576)	(284,376)
Taxation	**(3,380)**	**1,161**	**(2,219)**	(3,675)	2,358	(1,317)	(6,824)	5,671	(1,153)
Net profit/(loss)	**11,443**	**175,112**	**186,555**	13,260	(148,586)	(135,326)	20,376	(305,905)	(285,529)
Earnings/(loss) per Ordinary share (note 3a)	**3.60p**	**52.72p**	**56.32p**	4.13p	(44.40)p	(40.27)p	6.49p	(94.71)p	(88.22)p
Earnings/(loss) per Sigma share (note 3b)	**1.76p**	**31.84p**	**33.60p**	2.05p	(26.89)p	(24.84)p	2.91p	(49.35)p	(46.44)p

The total column of this statement represents the Group's Income Statement, prepared in accordance with IFRS. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment 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 final Ordinary dividend of 3.45p in respect of the year ended 31 March 2009 was declared on 27 May 2009 and paid on 4 August 2009. The final Sigma dividend of 1.10p in respect of the year ended 31 March 2009 was declared on 27 May 2009 and paid on 4 August 2009. These can be found in the Group Statement of Changes in Equity for the half year ended 30 September 2009.

Group Statement of Changes in Equity

for the half year ended 30 September 2009 (Unaudited)	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 2009	64,181	15,615	43,162	43,513	186,807	47,011	400,289
Net gain for the period	–	–	–	–	144,583	41,972	186,555
Dividends paid	–	–	–	–	(8,857)	(1,374)	(8,857)
At 30 September 2009	**64,181**	**15,615**	**43,162**	**43,513**	**322,533**	**87,609**	**576,613**

for the half year ended 30 September 2008 (Unaudited)	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 2008	64,650	15,960	43,162	42,699	431,040	109,098	706,609
Net loss for the period	–	–	–	–	(103,674)	(31,652)	(135,326)
Ordinary shares repurchased	(400)	–	–	400	(2,697)	–	(2,697)
Sigma shares repurchased	–	(101)	–	101	–	(555)	(555)
Dividends paid	–	–	–	–	(8,489)	(829)	(8,489)
At 30 September 2008	**64,250**	**15,859**	**43,162**	**43,200**	**316,180**	**76,062**	**558,713**

for the year ended 31 March 2009 (Audited)	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 2008	64,650	15,960	43,162	42,699	431,040	109,098	706,609
Net loss for the period	–	–	–	–	(226,845)	(58,684)	(285,529)
Ordinary shares repurchased	(469)	–	–	469	(2,992)	–	(2,992)
Sigma shares repurchased	–	(345)	–	345	–	(1,450)	(1,450)
Dividends paid	–	–	–	–	(14,396)	(1,953)	(16,349)
At 31 March 2009	**64,181**	**15,615**	**43,162**	**43,513**	**186,807**	**47,011**	**400,289**

Group Balance Sheet

as at 30 September 2009

	30 September 2009 (Unaudited) £'000	30 September 2008 (Unaudited) £'000	31 March 2009 (Audited) £'000
Non-current assets			
Investments held at fair value	**585,130**	496,640	343,905
Current assets			
Other receivables	**3,457**	11,218	5,970
Cash and cash equivalents	**11,291**	102,366	77,568
	14,748	113,584	83,538
Other payables	**(5,111)**	(32,721)	(8,871)
Net current assets	**9,637**	80,863	74,667
Total assets less current liabilities	**594,767**	577,503	418,572
Non-current liabilities	**(18,154)**	(18,790)	(18,283)
Net assets	**576,613**	558,713	400,289
Capital and reserves			
Called up share capital	**79,796**	80,109	79,796
Share premium account	**43,162**	43,162	43,162
Capital redemption reserve	**43,513**	43,200	43,513
Retained earnings	**410,142**	392,242	233,818
Shareholders' funds	**576,613**	558,713	400,289
Net asset value per:			
Ordinary share	**178.94p**	176.28p	126.07p
Sigma share	**93.84p**	83.29p	61.34p

Group Cash Flow Statement

for the half year ended 30 September 2009

	Half year ended 30 September 2009 (Unaudited) £'000	Half year ended 30 September 2008 (Unaudited) £'000	Year ended 31 March 2009 (Audited) £'000
Reconciliation of operating revenue to net cash (outflow)/inflow from operating activities			
Net gain/(loss) before tax	**188,774**	(134,009)	(284,376)
Financing activities	**960**	2,036	3,406
(Gains)/losses on investments held at fair value through profit or loss	**(174,770)**	147,490	308,995
Decrease/(increase) in accrued income	**826**	2,598	(41)
Decrease/(increase) in other receivables	**936**	(491)	1,869
(Decrease)/increase in other payables	**(3,787)**	2,041	2,113
Net (purchase)/sale of investments	**(63,030)**	54,615	34,514
Decrease/(increase) in sales for settlement	**548**	(5,897)	607
Decrease in purchases for settlement	**(960)**	(1,159)	(173)
Net cash (outflow)/inflow from operating activities before interest and taxation	**(50,503)**	67,224	66,914
Interest paid	**(960)**	(2,036)	(4,085)
Taxation on investment income	**(1,157)**	(1,223)	(1,691)
Net cash (outflow)/inflow from operating activities	**(52,620)**	63,965	61,138
Financing activities			
Equity dividends paid	**(10,231)**	(9,318)	(16,349)
Purchase of Ordinary and Sigma shares	**–**	(3,252)	(4,442)
Repayment of debentures	**–**	–	(25,000)
Net cash used in financing	**(10,231)**	(12,570)	(45,791)
(Decrease)/increase in cash	**(62,851)**	51,395	15,347
Cash and cash equivalents at start of the period	**77,568**	51,881	51,881
Exchange movements	**(3,426)**	(910)	10,340
Cash and cash equivalents at end of the period	**11,291**	102,366	77,568

Notes to the Financial Statements

1 Basis of accounting

The financial statements have been prepared on the basis of the accounting policies shown in the annual financial statements for the year ended 31 March 2009 and in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting'.

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

2 Management and performance fees

	(Unaudited) Half year ended 30 September 2009			(Unaudited) Half year ended 30 September 2008			(Audited) Year ended 31 March 2009		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
Management fee	1,398	699	2,097	1,592	796	2,388	2,902	1,450	4,352
Repayment of prior years' VAT	(547)	(360)	(907)	–	–	–	(1,711)	(4,246)	(5,957)
Performance fee	–	–	–	–	1,640	1,640	–	3,674	3,674
	851	339	1,190	1,592	2,436	4,028	1,191	878	2,069

3 Return/(loss) per share

a Return/(loss) per Ordinary share

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

	Half year ended 30 September 2009 (Unaudited) £'000	Half year ended 30 September 2008 (Unaudited) £'000	Year ended 31 March 2009 (Audited) £'000
Net revenue profit	9,242	10,643	16,699
Net capital return/(loss)	135,341	(114,317)	(243,544)
Net total return/(loss)	144,583	(103,674)	(226,845)
Weighted average number of Ordinary shares in issue during the period	256,725,000	257,466,940	257,124,930
	pence	pence	pence
Revenue earnings per Ordinary share	3.60	4.13	6.49
Capital return/(loss) per Ordinary share	52.72	(44.40)	(94.71)
Return/(loss) per Ordinary share	56.32	(40.27)	(88.22)

Notes to the Financial Statements *continued*

3 Return/(loss) per share continued

b Return/(loss) per Sigma share

The return/(loss) per Sigma share can be analysed between revenue and capital, as below.

	Half year ended 30 September 2009 (Unaudited) £'000	Half year ended 30 September 2008 (Unaudited) £'000	Year ended 31 March 2009 (Audited) £'000
Net revenue profit	**2,201**	2,617	3,677
Net capital return/(loss)	**39,771**	(34,269)	(62,361)
Net total return/(loss)	**41,972**	(31,652)	(58,684)
Weighted average number of Sigma shares in issue during the period	**124,922,000**	127,417,568	126,373,055
	pence	pence	pence
Revenue earnings per Sigma share	**1.76**	2.05	2.91
Capital return/(loss) per Sigma share	**31.84**	(26.89)	(49.35)
Return/(loss) per Sigma share	**33.60**	(24.84)	(46.44)

4 Changes in share capital

During the half year there were no changes to the share capital. As at 30 September 2009 there were 256,725,000 Ordinary shares of 25p and 124,922,000 Sigma shares of 12.5p in issue.

5 Comparative information

The financial information contained in this Half-Yearly Financial Report does not constitute statutory accounts as defined in section 435(1) of the Companies Act 2006. The financial information for the half year ended 30 September 2008 and 30 September 2009 has not been audited. The figures and financial information for the year ended 31 March 2009 are an extract from the latest published accounts and do not constitute statutory accounts for that year. Those accounts have been delivered to the Registrar of Companies and include the report of the auditors, which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

Directors and Other Information

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C M Burton
H Seaborn
P Spencer
R A Stone
P H Wolton

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C M Turner MRICS
Fund Manager: Sigma Share Class
M A Phayre-Mudge MRICS
Finance Manager:
J L Elliott ACA
Assistant Fund Manager:
J F K Wilkinson MRICS
Direct Property Manager:
G P Gay MRICS
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aic
The Association of Investment Companies

General Shareholder Information

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

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

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

Interim	:	early January
Final	:	August

Dividend Payments
Dividends can be paid to Ordinary and Sigma shareholders by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar. Alternatively, shareholders can write to the Registrar (the address is given on page 34 of this report) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Share Price Listings
The market prices of the Company's Ordinary and Sigma shares are published daily in The Financial Times. Some of the information is published in other leading newspapers. The Financial Times also shows figures for the estimated Net Asset Values and the discounts applicable.

Share Price Information

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

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

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

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

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

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

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

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

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

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

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

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

Therefore, if an Ordinary shareholder converted 20% of their existing Ordinary shares into Sigma shares on 25 July 2007, the capital gains tax base cost of the new Sigma shares acquired would be equal to 20% of the original capital gains tax base cost of the Ordinary shares that they held pre-conversion. The base cost of their remaining holding of Ordinary shares would then be 80% of the original capital gains tax base cost of their Ordinary shares held pre-conversion.

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

Investing in TR Property Investment Trust plc

Market Purchases

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

Saving Scheme and ISA

BNP Paribas Securities Services (BNP Paribas) operates and administers both a share savings scheme and an ISA scheme (the Schemes) dedicated to the shares of the Company. BNP Paribas made these Schemes available at the request of the Company and they have operated since 2005. Both the share savings scheme and the ISA are subject to the Key Features document, which should be read before entering into the investment. These Schemes are subject to commission, stamp duty and administration charges, which are detailed in the Key Features document. Contact details are given on the page opposite.

Alternatively, UK residents can invest through the Alliance Trust. Alliance Trust provide and administer a range of self-select investment plans, including tax-advantaged PEPs, 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 08000 326 323, or visit **www.alliancetrust.co.uk**

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.

TR Property Share Plan

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

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

TR Property ISA

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

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

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

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

Further Information

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

BNP Paribas Securities Services
(TR Property Investment Trust plc Share Plan/ISA)
Block C, Western House
Lynch Wood Business Park
Peterborough
PE2 6BP

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

BNP Paribas Securities Services is authorised and regulated by the Financial Services Authority. We may record telephone calls for our mutual protection and to improve customer service.

TR Property Investment Trust plc is managed by Thames River Capital

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