84492

TR Property Investment Trust plc

Report & Accounts for the year ended 31 March 2010

TR Property Investment Trust plc

Cautionary statement regarding forward-looking statements

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

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

Overview

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

The Trust offers investors two share classes

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

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

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

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

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

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

Independent Board The directors are all independent of 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 Details of how the board operates and fulfils its responsibilities are set out in the Directors' Report on pages 48 to 60

Further Information General shareholder information and details of how to invest in TR Property Investment Trust plc, including investment through an ISA or shareplan, can be found on pages 100 to 102 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 are located in the UK only

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

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

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 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 March 2010, the share price has risen by 252% from 45 25p to 159 40p and the net asset value per share has risen by 227% from 56 52p to 185 22p Over the same period the benchmark price only index has risen by 102%

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 (2009 2 30p) per Ordinary share was paid on 12 January 2010 to shareholders on the register on 11 December 2009 A second interim dividend of 3 45p per Ordinary share was paid on 1 April 2010 to shareholders on the register on 12 March 2010 This second interim dividend has replaced the final dividend that would normally be paid in August 2010

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 is the FTSE EPRA/NAREIT Small Cap Europe Index in Sterling This benchmark, calculated by FTSE, is the FTSE EPRA/NAREIT Europe Index in Sterling, adjusted to exclude those stocks with a market capitalisation exceeding £1bn The constituents have been adjusted quarterly, however, from 1 April 2010 the constituents will be adjusted annually

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 33 6% from 106 25p to 70 50p and the net asset value per share has fallen by 20 1% from 122 85p to 98 12p Over the same period the benchmark price only index has fallen by 30 4%

Dividend

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

An interim dividend of 0 90p (2009 0 90p) per Sigma share was paid on 12 January 2010 to shareholders on the register on 11 December 2009 A second interim dividend of 1 10p per Sigma share was paid on 1 April 2010 to shareholders on the register on 12 March 2010 This second interim dividend has replaced the final dividend that would normally be paid in August 2010

Financial Highlights and Performance

Ordinary Shares

	Year ended 31 March 2010	Year ended 31 March 2009	% Change
Revenue			
Revenue earnings per share	**5.18p**	6 49p	-20 2
Net dividend per share	**5.75p**	5 75p	–
	At 31 March 2010	At 31 March 2009	% Change
Balance Sheet			
Net asset value per share	**185.22p**	126 07p	+46 9
Share price	**159.40p**	106 00p	+50 4
Net (debt)/cash	**(8%)**	15%	
Shareholders' funds (£'000)	**475,500**	323,666	+46 9
Shares in issue at end of period (m)	**256.7**	256 7	–
	Year ended 31 March 2010	Year ended 31 March 2009	
Performance			
Benchmark performance (total return)	**+60.6%**	-48 6%	
NAV total return	**+52.6%**	-40 5%	
Share price total return	**+60.5%**	-41 2%	

Sigma Shares

	Year ended 31 March 2010	Year ended 31 March 2009	% Change
Revenue			
Revenue earnings per share	**3.06p**	2 91p	+5 2
Net dividend per share	**2.00p**	2 00p	–
	At 31 March 2010	At 31 March 2009	% Change
Balance Sheet			
Net asset value per share	**98.12p**	61 34p	+60 0
Share price	**70.50p**	39 00p	+80 8
Net (debt)/cash	**(11%)**	17%	
Shareholders' funds (£'000)	**122,577**	76,623	+60 0
Shares in issue at end of period (m)	**124.9**	124 9	–
	Year ended 31 March 2010	Year ended 31 March 2009	
Performance			
Benchmark performance (total return)	**+70.0%**	-48 6%	
NAV total return	**+64.1%**	-42 3%	
Share price total return	**+90.0%**	-56 2%	

Historical Performance *for years ended 31 March*

	2000	2001	2002	2003	2004	2005(D) (Restated)	2006(D)	2007(D)	2008(D)	2009(D)	2010(D)
Gross revenue(A) (£'000)	12,693	13,307	13,751	16,676	16,247	–	–	–	–	–	–
Total income(B) (£'000)	–	–	–	–	–	19,741	23,143	26,226	32,160	32,073	**27,782**
Total assets less current liabilities (£'m)	305 8	382 7	382 7	344 3	440 9	544 7	813 6	1,017 0	725 3	418 6	**616.6**
Shareholders' funds (£'m)											
Total	266	343	342	304	401	505	771	973	707	400	**598**
Ordinary shares	266	343	342	304	401	505	771	973	568	324	**476**
Sigma shares	–	–	–	–	–	–	–	–	139	76	**123**
Net revenue (*pence per share*)											
Earnings – Ords	1 41	1 58	1 86	2 30	2 51	2 85	3 44	4 09	5 79	6 49	**5 18**
Earnings – Sigma	–	–	–	–	–	–	–	–	0 85	2 91	**3.06**
Dividends – Ords	1 32	1 40	1 65	2 05	2 50	2 85	3 40	4 10	5 60	5 75	**5 75**
Dividends – Sigma	–	–	–	–	–	–	–	–	1 95**	2 00	**2.00**
NAV per share (pence)											
Ords	56 5*	73 2*	78 1*	73 0	113 1	145 7	224 1	290 8	219 6	126 1	**185.2**
Sigma	–	–	–	–	–	–	–	–	108 6	61 3	**98.1**
Share price (pence)											
Ords	45 25	58 25	64 75	59 00	95 00	128 50	209 50	256 50	188 25	106 00	**159.40**
Sigma	–	–	–	–	–	–	–	–	92 00	39 00	**70.50**
Indices of growth											
Per Ordinary share											
Share price	100	129	143	130	210	284	463	567	416	234	**352**
Net Asset Value	100	129	138	129	200	258	397	514	389	223	**327**
Dividend Net	100	106	125	155	189	216	258	303	424	436	**436**
RPI	100	102	104	107	110	113	116	121	126	125	**131**
Benchmark(C)	100	125	127	116	164	204	292	363	271	132	**202**
Per Sigma share (*2007 = launch date*)											
Share price	–	–	–	–	–	–	–	100	87	37	**66**
Net Asset Value	–	–	–	–	–	–	–	100	88	50	**80**
Dividend Net	–	–	–	–	–	–	–	–	100	103	**103**
RPI	–	–	–	–	–	–	–	100	103	103	**107**
Benchmark(E)	–	–	–	–	–	–	–	100	88	43	**70**

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

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

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

(D) Figures for 2006 onwards have been prepared in accordance with IFRS Figures for 2005 have been restated in accordance with IFRS All previous figures were prepared under UK GAAP

(E) The benchmark for the Sigma share class was FTSE EPRA/NAREIT Europe Index in Sterling up to 31 March 2009 and FTSE EPRA/NAREIT Europe Index in Sterling, adjusted to exclude those stocks with a market capitalisation exceeding £1bn thereafter

*fully diluted for warrant conversion

**Includes a special dividend of 1 10p

Chairman's Statement

Peter Salsbury BSc **Chairman**
10 June 2010

Introduction

In my interim report I noted that, between March and September 2009, UK and European property share prices had risen with record speed Since September, prices have broadly moved sideways waiting for gradually improving fundamentals of the direct market to catch up with share ratings Over the year both share classes underperformed the benchmark in terms of NAV total return performance chiefly due to investing their cash holdings with greater circumspection than was subsequently justified At the share price total return level the Ordinary share class performance was in line with benchmark and the Sigma performance well ahead of its benchmark, thanks to a decline in the discount to NAV at which the shares have traded Each manager's report goes into greater detail regarding relative performance last year Since September both share classes have been fully invested and utilising a modest level of borrowed money

While noting the underperformance, I think it fair to draw shareholders' attention to the table on page 5 which shows the record of the managers over an extended period continues to be excellent

Chris Turner has decided to retire in July 2011 following the Annual General Meeting He has been Senior Fund Manager since 1995 He will continue in his current role as Senior Fund Manager with day to day responsibility for the Ordinary Share Class until 31 March 2011

Chris has recommended that Marcus Phayre-Mudge takes over as Fund Manager for the Ordinary Share Class from 1 April 2011 and be appointed as Senior Fund Manager when he retires in July 2011 He has also proposed that James Wilkinson becomes Fund Manager for the Sigma Share Class from 1 April 2011

Chairman's Statement *continued*

Ordinary Share Class

These recommendations have been endorsed by the management of Thames River Capital and the Board has no hesitation in giving their approval

On behalf of the Board, I thank Chris and the management of Thames River Capital for their part in planning a smooth transition In particular I pay tribute to Chris for recruiting and developing the talent in Marcus, James and their colleagues over many years They have become an exceptionally strong Property Fund Management Team by any standards

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 are commented on by the fund managers In summary the Ordinary share class NAV total return of 52 6% was 8 0% behind its benchmark total return of 60 6%, while the Sigma share class NAV total return of 64 1% was 5 9% behind its benchmark return of 70 0%

Revenue Results

As anticipated, the Trust's group net revenue declined as a result of lower dividend income and the absence of large VAT and backdated interest payments The decline was, however less than anticipated at the interim stage because a number of UK quoted companies chose to pay second interim dividends before the end of March in place of final dividends in the second quarter of 2010 In the event these payments added some £1 3m to Group income, raising the Ordinary share revenue per share by some 0 4p per share to 5 18p The Sigma share class also benefited and actually showed an increase in revenue per share over the year Further details of the revenue results are noted in the managers' reports

Dividends

As announced in my statement in the last Annual Report, the Board had agreed that, subject to unforeseen circumstances, it intended to 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 ended March 2009 This we have done, though the final dividends, due in August, have been brought forward and distributed as second interim payments made on 1 April 2010

Ordinary Shares

The Board maintained the interim dividend at 2 30p per share and has declared and paid a second interim dividend of 3 45p which together equal the 5 75p per share paid for the year ended March 2009

Sigma Shares

The Board maintained the interim dividend at 0 90p per share and has declared and paid a second interim dividend of 1 10p which together equal the 2 00p per share paid for the year ended March 2009

Chairman's Statement *continued*

Revenue Outlook

Details of the revenue outlook for both share classes are noted in the managers' reports In summary our managers are advising the Board that, subject to unforeseen circumstances, they expect that net revenue per share for the Ordinary share class will be in the order of 5 35p per share – an increase of around 3% relative to the year to March 2010, and that the Sigma share class is expected to have net revenue of 2 30p, a decline of 25% relative to last year

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

Net Debt, Gearing and Currencies

During the financial year ended March 2009 both share classes had substantial cash holdings, and this cash contributed significantly to the relative outperformance in that year At March 2009 the Ordinary share class held net cash of £49 6m or 14 4% of gross assets and Sigma had £13m of net cash or 14 9% of gross assets This cash was reinvested gradually over the six months to September 2009, too gradually to prevent relative NAV total return underperformance in that six month period At the end of September 2009, the Trust was in modest net debt A £50m variable rate multi-currency borrowing facility was renewed in November 2009 At March 2010, the Trust was utilising almost all this facility in addition to the outstanding £15m Debenture repayable in 2016 The gearing ratios were 7 5% for the Ordinary share class and 10 8% for Sigma

As in previous years the portfolios' exposure to foreign currencies was not hedged either at the asset or income level Over the year Sterling appreciated against the Euro, but depreciated against the Swiss Franc and the Swedish Krona

Discount and Share Repurchases

The Ordinary share price discount to capital only net asset value averaged 9 8% over the year with a range of 4 0% to 15 4% The Sigma share price discount to capital only net asset value averaged 23 6% over the year with a range of 13 8% to 36 2% No shares were repurchased in either share class

Share Issuance

For some years the Board has not included the customary motion at the AGM seeking shareholders consent to issue shares During the last financial year the Ordinary shares traded at a very low discount to NAV and the Board has been advised that reinstating the motion would be a sensible measure I can assure shareholders that the Board will not issue any shares unless they are trading at a premium to NAV and that furthermore, the Board considers that issuance will be to the benefit of all shareholders The Board has no present intention to introduce the use of Treasury shares

Sigma Share Class Benchmark

When the Sigma share class was launched in 2007 it had the same benchmark as the Ordinary share class Last year the Board decided that it was more appropriate for it to use that benchmark minus those shares capitalised at over £1 billion with the constituents adjusted quarterly However strong market conditions coupled with increased volatility and a capped index resulted in an unduly large number of stocks rotating in and out of the Sigma benchmark on a quarterly basis From 1 April 2010, the Board have introduced new measures to reduce the constituent volatility whilst maintaining the stretching performance target required to attain a performance fee A more detailed explanation is contained in the manager's statement.

Chairman's Statement *continued*

Board and Management

The Board has noted the announcement by F&C Asset Management regarding the acquisition of Thames River Capital The Board is assured that the team managing the Trust will be unchanged and looks forward to continuing to work with the team as part of the enlarged group

Outlook

Late April and early May have brought sharp reminders that markets are still willing to respond violently when faced with political or economic uncertainty Despite the gradual return of relative normality in the economies and high streets across Europe, severe structural problems remain The Euro currency is being pressure tested, while in both the UK and across Europe we have to factor into property demand the outlook for higher taxation and lower government spending The prospect of rising interest rates, which preoccupied our thoughts earlier in the year, seems to have taken a backstage position for the moment, but at some stage it will return

Demand for property as an investment has re-emerged strongly, both in the residential and commercial markets, most particularly from retail investors A substantial part of this is down to the search for income, but, despite the assurances of many economists, there is a widespread view that the problem of the public debt mountains will eventually lead to higher inflation and that real estate, held either directly or indirectly, will prove a better medium term investment than conventional bonds

As noted, both the Ordinary and Sigma share class have returned to a lightly geared position However both portfolios continue to be dominated by holdings in companies which the managers consider have both below average risk in terms of their balance sheets and also which offer decent relative liquidity Like an Icelandic volcano, the global economy keeps reminding us that it is not settled, but somehow the alarm created by these later eruptions are never as frightening or disruptive as that first explosion

My thanks to Chris Turner

Chris Turner has transformed the Company since he took over as Senior Fund Manager in May 1995 The share price was 34p and the Net Assets were £162m

Financial performance has been outstanding Average annualised growth figures include a Share Price total return of +15 1%, NAV total returns of +14 8%, and Dividends +12 8% These compare with annualised increases of +9 1% for the EPRA Benchmark, +7 4% for the FTSE 100 index, and +2 7% for the Retail Price Index.

Under his leadership investment has been focused on those Companies judged to have superior management, high quality assets and good prospects for growth

The policy of managing directly owned commercial property is a source of market credibility and develops expertise in the team Both Marcus and James were responsible for this area in their early years under Chris

He has backed his judgement with significant investment decisions, consistently maintaining positions well away from the benchmark ratios He led the fund from a UK base to becoming Pan European, he supported the launch of Sigma and was instrumental in joining forces with Thames River Capital

He has grown a very strong reputation with shareholders putting in much effort to ensure that they are appropriately informed This has expanded the retail base to over 70% in respect of the Ordinary shares His views are highly respected by company managers throughout the property industry

However, I believe that the building of a strong team with the ability to analyse companies and economic trends then to have the courage to make significant decisions which benefit shareholders will be his most important legacy

Comprehensive details on Marcus and James are set out in the Management section on page 45 of the Annual Report

Peter Salsbury
Chairman

Managers' Report

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

Cliché or not, we have to say that, for property shares and for the direct property market, March 2009 to March 2010 has clearly been a year of two very distinct and contrasting halves In the first six months, property share prices flew forwards with record speed and volatility At the interim stage we reported this extraordinary turnaround in sentiment which saw the Pan European real estate sector rise by an average of 47% over the six month period Since September volatility has moderated and the sector has traded in a very narrow range ending with a modest gain of 3 9% The annual price appreciation for the sector of +53 0% was slightly ahead of that for the All Share Index of +46 7% and the Stoxx 600 Index in Euros of +49 4%

In the direct property market the pattern has been exactly the same, with a time lag Values continued to fall in the UK until July 2009, and in Europe until December 2009 Having turned, UK values surged forward at unprecedented pace rising by 12 8% between August 2009 and March 2010 and are only now settling down to a normal, much more sluggish, pace In Europe, six months behind the UK, which now seems to be the pattern in the direct market, values are also now moving forward – though much more gradually, having much less lost ground to make up

Of course all is not sweetness and light Macro events continue to haunt the global and the European economies Nevertheless on the four key problems facing UK and European commercial property markets – economic growth, unemployment, interest rates and leverage within the industry – investors are less hazy about the scale of the problems and have, or think they have, some greater notion about the possible course and timescale for the solutions That is a positive which we think definitely puts markets on a sounder footing than they were even six months ago

Property Investment Markets

After an average value decline of 44% from their March 2007 peak, the UK commercial property capital values reached their nadir in July 2009, some two months after the huge rally in the corporate bond market Judicious buying of top quality income streams had already been happening for some months, motivated primarily by yield, and, for overseas investors, also by the decline in Sterling What completed the turn of the market was the drying up of distressed selling by property companies and open-ended property funds Once values were clearly moving upwards again, buying interest turned into a virtual frenzy and this, in turn, further reduced selling activity Over the autumn, initial yields for the most sought after income streams (typically well let Central London property and supermarkets nationwide) dropped by 200 basis points and some values rose by 25% Unable to secure the best stock, many buyers moved up the risk curve to acquire shorter leases or properties let to medium-risk tenants This imbalance between buyers and sellers continued through the last quarter of 2009 and the first quarter of 2010

By the end of this March, average commercial property values had appreciated by 13% in 8 months Today the market is better balanced and buying interest, whilst still strong for the right product, appears more judicious and selective Central and inner London property is in high demand from both domestic and overseas buyers The London economy seems to have suffered more sharply than the rest of the UK early in the recession, and appears now to be recovering faster without a high reliance on public sector employment Buyers are still cautious of offices outside London unless there is a long lease in place to a quality covenant Investor demand for shopping centres, which was extremely poor in 2009, has revived, and yields have declined even for secondary centres Out of London, the sharpest appreciation in values has come in the retail warehouse market where

Market Background and Outlook *continued*

the covenant and rental value worries which concerned investors a year ago seem to have evaporated Prime UK industrial yields have fallen by 150 basis points to under 7%, but to be classified as prime a shed must have a lease with over 10 years to run to a good covenant. Elsewhere in this market, high vacancy rates are often a considerable barrier to value growth

In a similar pattern to the UK, investment activity in Continental Europe has gathered pace reflecting the growing optimism of the investors that the nadir in values has passed The record shows that, on average, Continental values fell far less fast than UK values in the 2007-2009 period – 20% to 25% rather than 40% to 45% There is therefore less ground to be made up, and, as such, the pace of value growth has been more modest than that seen in the UK Nevertheless top quality buildings, especially in Northern Europe's major cities are now commanding multiple bids and often selling at or above asking price Southern and Eastern Europe are slacker, but even in Spain, there is renewed investment activity

In terms of the outlook for commercial property values, the mood of the industry is generally that the recent surge in pricing will moderate and come to a halt over the summer Derivative market pricing for the IPD annual index futures suggests UK average capital growth will be around 4% in 2010 The IPD monthly index has already recorded average capital value growth of 4 5% in the January to April 2010 period, so the implication is that the rest of 2010 will show a 0 5% decline Futures pricing also implies a 2% annual capital value decline in both 2011 and 2012 In Europe, the German IPD all property futures market pricing has a very similar profile to the UK index, pointing to a 3% decline in capital values in 2010 and 2011 The IPD French office futures market indicates stable values for the next three years

Whilst we do not wish to decry the underlying logic of these forecasts, three points need to be made Firstly, derivative market pricing has been a less than perfect guide to the future over the past eighteen months This time last year, UK pricing implied a 24% average value decline in 2009 (outcome -5 6%) and a decline of 6% in 2010 (outcome +4 5% so far) So recent pricing has tended to be ruled by pessimists (or banks laying off their liabilities) Secondly, these numbers are for indices of average commercial property There is now some market pricing available for futures in individual sub-sectors of the UK market and these numbers show the expected variations in forecast returns The Central London office market and the UK retail warehouse sectors are expected to show continued value growth in 2010 and 2011, while capital values are expected to decline for South East offices and industrial property across the UK Thirdly, as yield contraction slows, so the prime mover of a property's valuation is now reverting to the length of the lease and the level of the rent passing relative to rental values Whatever its location, an over-let property with an approaching lease expiry and a tenant no longer in occupation is a depreciating asset Meanwhile, an empty building for which a tenant is found for a decent certain lease term and rent will see a sharp, maybe up to 25%, uplift in value

Rental Values

With the exception of the best (Grade A) office buildings in capital cities and units in the very choicest retail pitches, fragile is the best description of tenant demand across the whole of the UK and Europe In the UK, published rental indices record a decline of 10 8% in average rental values since March 2008, of which 5 9% occurred in the twelve months to March 2010 These statistics are based on headline rental values rather than net effective figures and therefore miss the impact of rent-free periods and other landlords' incentives which are in very widespread use If these are taken into account the true decline in average rental values may be closer to 20% Today, the speed of decline has slowed in most locations In a minority of locations rents have found a base and rent-free periods are declining Occupier enquiries are rising, but as yet, rental growth is only being evidenced in the core Central London office and retail markets

In the market for business space (as opposed to retail space) most tenant demand is the result of rationalisation or consolidation Businesses are taking the opportunity of lease expiries to move into higher quality space without increasing their rental outgoings – trading up rather than down Agents are reporting higher turnover at the gross level in almost all areas but net absorption remains neutral to negative, and so vacancy rates remain high despite increased activity However the almost total absence of new construction starts means the supply of Grade A space is shrinking and thus the vacancy problem is moving down the quality ladder This is forcing landlords of older or outmoded space into proper and costly refurbishment before they can hope to find an occupier At the very bottom of the quality ladder, demolition, spurred on in the UK, by the inequitable empty rates levy, may be the most practical solution This action does, at least, reduce the vacancy rate

Market Background and Outlook *continued*

Green issues appear to be a factor of increasing importance in the office sector The operating efficiency of buildings is of increasing concern to potential occupiers, as is the availability of public transport That shiny, twenty year old, out of town office complex surrounded by a full car park, alongside a motorway clogged every rush hour and miles from the shops, no longer seems very user friendly Towns such as Bracknell, once the epicentre of the dot com boom, have seen office rental values decline by 50% from the high twenties per square foot to the low teens It is hard to see office property in such locations ever returning to its former value in real terms

As noted, the Central London office market is the brightest area of the leasing market at present Contrary to expectations, the financial industry labour force has started to grow again, and hopefully nothing in the new government's proposals for the banking industry will put a halt to this trend A series of major lettings in the City has reduced Grade A availability Incentives have declined markedly and there has been an increase in real underlying rental values and a fall in overall vacancy rates The same is true of the West End In both locations, the supply of new space over the next two years will be paltry, so that some tenants may now fear that a lack of effective action today may prevent their finding appropriate space when their current leases expire

Retail demand is also improving, but from a very low base Most Pan European suburban high streets now have an unprecedented number of to let boards In malls and major shopping centres, owners have to work very hard to avoid the dead frontages that shoppers shun The result has been a huge increase in temporary lettings often at discounted rents up to 30% below previous levels It appears that tenant failures, administrations and voluntary arrangements are in decline and that incentives have levelled off The one bright spot in the retail market has been Central London where rental values have continued to grow throughout the last two years

Across the UK and Europe, industrial and storage letting markets are what agents describe as "challenging" In the UK, vacancy has climbed over 15% and visitors to any shed estate will often find three in ten of the units unoccupied Any letting is a good letting and rental values remain under pressure Tenants are using choice to gain shorter leases with more frequent options to break

Looking ahead, the outlook for business tenant demand is probably best assessed by mixing together the outlook for changes in GDP with the outlook for employment growth

Across Europe, GDP is rising anaemically while employment growth is at best static If, as expected, Governments are now forced by markets to trim their budget deficits, employment growth may be non-existent for some considerable time The utilisation of commercial floorspace varies from industry to industry The service sector is a big user, the construction sector is not The front line services in the public sector – police, hospitals, schools – use little commercially rented space, but these are the services least likely to be cut Office markets in regional centres with high levels of public sector employment may be best avoided by investors for the time being

In the retail sector the resilience of consumer expenditure has been remarkable Shopping has become a European sport, with some consumers' finances looking little better than those of the average premier league football team The problem is to foresee what, if any, will be the impact on retail sales and margins, over the next two years, from higher taxation, or falling job security or rising mortgage rates, or a combination of all three

Debt and Credit Markets

We commented twelve months ago, and at the interim stage, that the pile of outstanding bank and Commercial Mortgage Backed Security debt against commercial property showed little change We noted that maturing loans were being rolled despite very obvious breaches in the original loan terms – a policy now somewhat cruelly tagged "pretend and extend"- and that very little distressed property had come to market Today the situation has changed – modestly in terms of the numbers and to a greater extent in terms of the markets' knowledge of the problems In numbers terms the rally in both pricing and enthusiasm for commercial real estate has created a queue of cash rich funds and companies wanting to help the banks shift problem assets Meanwhile the extent of the debt problem both in the UK and across Europe has been so extensively researched by agents and commentators, and aired in the press, that few investors buying today will not be fully aware of the implications

New bank lending for fresh commercial property purchases is still expensive by historic standards, but the supply of funds has increased modestly over the last six months and margins are creeping downwards, especially in Europe In Switzerland we have seen a five year fixed rate loan of CHF250m taken at an all in cost of 2 5%, in a market where running yields of 4 5% can be had from prime real estate

Market Background and Outlook *continued*

Property Shares

As noted in our introduction, property share prices soared by 47% in the first half of our financial year and then traded sideways over the second half In the first half the diversity of performance was very wide, but it was mainly gearing related rather than stock specific – broadly the faster they fell in 2008, the faster they rose in mid 2009 For investors who, like us, had fled to safety in the year to March 2009, it was necessary to make large scale switches into smaller higher risk businesses to outperform Amongst the benchmark constituents, spectacular gains were seen in prices of the shares of companies considered closest to receivership

Over the whole year the performance of the UK property shares (+55%) and Continental real estate stocks (+57%) was virtually identical in local currency terms The shares of the big companies tended to underperform either because they had cut their gearing with dilutive rights issues, or because they had relatively low gearing to start with At the country level, Greece and Belgium performed worst with +25% total returns, Switzerland (+42%) and Germany (+35%) were below par, UK, France, Netherlands and Italy all had total returns just ahead of the benchmark while Austria and Finland gained over 100% and the only serious listed Norway property share returned 233%

The huge increase in share prices primarily reflected a narrowing of discounts to NAV from a 30% – 70% range down to a nil – 20% range In the UK, price changes also reflected some very positive NAV valuations at December 2009 and March 2010 On the Continent, values continued to decline until the first quarter of 2010, but shares are anticipating a return to NAV growth in 2010

Rights issues and other capital raisings were commonplace last summer but much less frequent in the second half The quoted sector has now almost completely refinanced itself and a few companies are even now in the embarrassing position of having to hold, on deposit, cash raised in an issue which was intended to be invested at the bottom of the market and which cannot be yet used to repay term debt Takeover bids have been very scarce and there have been no outright bankruptcies – which is astonishing and a tribute to both the kindness of bankers and the appetite of investors for refinancing businesses

Recent final results have been broadly in line with forecasts In the UK the dilutive effect of the large rights issues last spring has been seen in dividends which have been adjusted downwards by most of the companies involved On the Continent, rights issues were much better judged in terms of time and pricing and widespread dilution was avoided Due to this and to the use of some variable rate debt by most non-UK property companies, we have seen 5% to 10% earnings growth outside the UK, and dividend increases to match

Several larger companies have moved their strategy towards greater specialisation Corio, the largest Dutch REIT is now selling off all its office and industrial property to concentrate solely on retail property In the UK, Liberty International, already a retail specialist, has split the business into two quoted companies – a pure shopping centre investment business and a Central London retail and exhibition business We applaud these moves We think that specialist companies are likely to outperform over the cycle as they allow management to concentrate their skills on one specific area of the market rather than attempt to spread their abilities over different use classes We think that diversification of risk is usually better handled by the equity investor than by the managements of property companies The argument is similar to that which raged in the Investment Trust sector thirty years ago and which eventually resulted in the majority of Trusts becoming specialists in an industry or region (including this Trust) It is notable that all the new entrants to the quoted market over the last year were specialist businesses in terms of geography or property type

Outlook

According to a recent survey, the real estate sector is the most under-owned sector of the stock market by UK generalist fund managers, and the second most under-owned by their Continental counterparts Perversely we find this rather encouraging, and it allows us to imagine what might happen to stock prices if the sector suddenly regained any popularity amongst professional investors In fact the asset class has recently been popular with retail investors as the surge of capital into UK property funds this spring has proved This divergence in outlook might be due to the difference in opinion about the outlook for inflation The professionals, by and large, accept that inflation will not be a problem, so long as capacity utilisation remains as low as it is today They are as concerned about potential deflation Retail investors see the UK RPI at over 5% and worry about protecting their income against the possibility of resurgent inflation They are aware that national deficits can be shrunk by austerity that is severe enough to bring rioters onto the streets or at least the removal of a Government at the next election

Market Background and Outlook *continued*

They can also remember that the real value of debt can be eroded by turning a blind eye to controlling inflation

As the foregoing comments allude, the outlook for commercial real estate over the next two years is not all sweetness and light The sectors immediate prospects are bound up with the outlook for economic growth, employment and interest rates The recent sovereign debt crisis in Europe has highlighted problems that were known but broadly ignored until recently If this crisis forces more Governments to concentrate on reducing deficits at the expense of fostering growth, then further recovery will be postponed One side effect of such action would probably ensure that interest rates stay lower for longer and this ought to be beneficial for property investment demand At least the decline in the Euro is likely to give a boost to exporters within the Euro area

It does seem as though we may be coming to the end of the first phase of the property market recovery – a phase in which equity investment using bottom up stock selection seemed almost pointless in the face of the gale-force winds of macro economics over which we have very little foresight or control We have to look forward to a period of quieter markets, unaffected by global noise, in which we can use our stock selection skills to pick the companies which will give us consistently above average returns whatever the strength of the underlying economy may be at the time

Ordinary Shares

Financial Highlights

	Year ended 31 March 2010	Year ended 31 March 2009	% Change
Revenue			
Total revenue income (£'000)	**22,359**	26,335	-15 1
Income from operations before tax (£'000)	**17,089**	22,414	-23 8
Revenue earnings per share	**5.18p**	6 49p	-20 2
Net dividend per share	**5.75p**	5 75p	–

	At 31 March 2010	At 31 March 2009	% Change
Balance Sheet			
Investments held at fair value (£'000)	**512,665**	278,150	+84 3
Shareholders' funds (£'000)	**475,500**	323,666	+46 9
Shares in issue at end of period (m)	**256.7**	256 7	–
Net (debt)/cash	**(8%)**	15%	
Net asset value per share	**185.22p**	126 07p	+46 9

Performance

	Year ended 31 March 2010	Year ended 31 March 2009
Assets and Benchmark		
Benchmark performance (price only)	**+53.0%**	-51 2%
NAV change	**+46.9%**	-42 6%
Benchmark performance (total return)	**+60.6%**	-48 6%
NAV total return	**+52.6%**	-40 5%
IPD Monthly Index total return*	**+16.3%**	-25 5%
Total return from direct property	**+13.1%**	-14 9%

	At 31 March 2010	At 31 March 2009	% Change
Share Price			
Share price	**159.40p**	106 00p	+50 4
Share price total return	**+60.5%**	-41 2%	
Market capitalisation	**£409m**	£272m	+50 4

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

Manager's Report

Ordinary Share Class

Chris Turner MRICS **Fund Manager**
10 June 2010

Performance

Facts first – over the financial year ending in March 2010 the Ordinary share class NAV total return of +52 6% compared to a benchmark total return of +60 6% – an underperformance gap of 8 0% The share price total return at +60 5% was only a whisker below the benchmark thanks to the discount to NAV narrowing over the year My errors that led to this NAV underperformance are very irritating to my pride, particularly as this has been the first year in the last decade that the NAV total return has not outperformed In my defence, I would like to note that taken over the two years March 2008 to March 2010, the NAV total return has been -9 2% while the benchmark total return has been -17 4%

All the NAV underperformance occurred in the first six months to September 2009 In that period I was badly wrong footed by the speed and totality of the change in sentiment. Having outperformed by being cautious and by holding up to 20% of the share capital in cash through the previous year, I found it impossible to believe the right approach was not to reinvest this cash gradually to avoid being caught in another false dawn Like the rest of the stock market, property shares took off into orbit, rising 50% in five months, leaving unfit old codgers like myself panting in their wake Two other personal traits were of no help either Firstly, I am, by nature, a rather slow investor, taking pride in having a low investment turnover, but this was a period when I should have been extremely active Secondly, retail investors are a majority of the shareholders of the Trust and "would I buy this for my mother" is an investment test I use from time to time After the dire uncertainties of 2008, the desire to ensure capital preservation made it harder than usual to buy into the high risk companies whose shares outperformed so strongly in the rally

Manager's Report *continued*

Since September, the Ordinary share class has been fully invested and has been using a modest amount of borrowed money The NAV total return in the second half has been +4 3% compared with the benchmark's total return of +4 9% So relative performance has stabilized but the underperformance of the first half has not been re-captured Our direct property portfolio made a positive absolute contribution to returns in the half and has come through the last two years extremely well relative to the IPD index thanks to the hard work by my colleagues

Income is important The Board took the excellent decision to maintain the Ordinary share dividend at 5 75p per share last year utilising a small portion of our revenue reserves The revenue per share declined for a number of reasons outlined below, but, the outcome was better than my forecast It would not be difficult to reinvest the portfolio to increase the revenue per share quite markedly, but there is a natural trade off between income and capital growth, and, incidentally, the Trust is taxed on income while capital gains within the Trust are tax-free The Trust has a total return policy and the dividend growth over the last ten years would not have been achieved without avoiding some of the stocks in the sector with the highest dividend yields

Investment Activity

My long term practice has been to keep the annual portfolio turnover below 25% of average total assets As already noted this was a mistake in 2009 The total purchases and sales of assets over the financial year are shown in the table on page 19 These added together and divided by two (the turnover) was just under £90m or just under 23% of average total assets of £395m

The Ordinary share class started the year with net cash of just under £50m I reinvested this into the market fairly evenly over the first six months of the financial year, and by the end of September 2009, the share class had modest net debt From September the share class has been utilising between half and three quarters of its £52m total facilities In March 2009, beside the cash drag, the Ordinary share class was also invested in safer stocks with below average gearing so the see-through leverage of the portfolio was 33% compared with the benchmark's leverage of 48% Purchases over the summer therefore were biased towards rebuilding higher see-through leverage and by the end of September this had reached 47% compared with 49% for the benchmark Since September, the portfolio see-through leverage has been matching or slightly exceeding the benchmark figure

See-Through Portfolio by Market* (%)

	Benchmark 31 March 2010	Ordinary Share Class Portfolio
UK		
City Offices	2 5%	2 1%
West End Offices	4 2%	5 0%
West End Retail	1 9%	2 8%
Docklands	0 2%	2 0%
GKC/SE Offices	0 8%	2 7%
Provincial Offices	0 4%	0 5%
In town Retail	5 4%	4 8%
Supermarkets	0 9%	0 8%
Retail Warehouses	2 8%	2 6%
Out of town retail	2 0%	1 1%
SE Industrials	2 2%	2 7%
Other Industrials	0 8%	0 8%
Self Storage	0 8%	1 7%
Leisure	0 4%	0 6%
Residential	2 6%	4 7%
Other	0 7%	1 2%
Total UK	**28.6%**	**36.1%**
Austria Retail	0 8%	0 8%
Austria Offices	0 4%	0 2%
Austria Residential	0 7%	0 8%
Belgium Retail	0 6%	0 8%
Belgium Offices	2 8%	0 9%
Belgium Residential	0 3%	0 2%
Belgium Logistics	0 5%	0.1%
Central Europe Retail	1 2%	1 1%
Central Europe Offices	0 3%	0 3%
Central Europe Industrial	0 6%	0 4%
Central Europe Other	0.3%	0 5%
Denmark	0 2%	0 2%
Finland Retail	0 2%	1 5%
Finland Offices	1 1%	0 5%
Finland Other	0 4%	0 3%
France Retail	10 0%	9 6%
France Offices	7 7%	8 2%
France Logistics	1 7%	1 7%
France Residential	1 4%	1 5%
France Other	1 9%	1 9%
Germany Retail	1 1%	0 5%
Germany Offices	2 2%	1 4%
Germany Logistics	1 0%	0 7%
Germany Residential	5 8%	3 7%
Germany Other	0 3%	0 2%
Greece Retail	0 3%	0 2%
Greece Offices	0 5%	0 4%
Italy Retail	2 0%	1 7%
Italy Offices	1 8%	2 0%
Italy Logistics	0 2%	0 1%
Netherlands Retail	3 3%	3 1%
Netherlands Offices	0 8%	0 2%
Netherlands Other	0 4%	0 4%
Norway	1 3%	1 3%
Portugal	0 1%	0 1%
Russia	0 2%	0 5%
Spain Retail	2 0%	2 1%
Spain Other	0 2%	0.2%
Sweden Retail	1 9%	2 0%
Sweden Offices	4 5%	4.3%
Sweden Industrial	1 4%	1 4%
Sweden Other	1 0%	1 3%
Switzerland Retail	1 6%	1.3%
Switzerland Offices	2 8%	1 8%
Switzerland Other	0 9%	0 6%
USA	0 4%	0 5%
Other Overseas	0 3%	0 4%
Total	**100.0%**	**100 0%**

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

Manager's Report *continued*

Despite the recovery in sentiment, I did not feel confident enough to make substantial investments in illiquid shares, but preferred to keep the bulk of our funds in reasonably tradable securities Only one of our holdings in the top twenty equities listed on pages 23 to 25 represents more than 1 1% of the issued equity of the business, and that exception is Big Yellow where the holding which was once 15% of the equity, is now down to 1 9%

Despite their volatility, the impact of currency fluctuations on the capital and revenue returns, taken over the whole year, was relatively small We took no special action to hedge the currency, though it should be noted that all borrowings are currently in Sterling We made no use of index derivatives nor have we bought any shares on "contracts for difference" We did not lend any stock

Distribution of Assets

The tables showing the distribution of assets are on pages 21 and 22 The investment portfolio of the Ordinary share class rose by £235m from £278m to £513m The biggest percentage changes are to the direct property portfolio which, because it appreciated only slightly over the year, shrunk from 17 4% of investments to 9 9%, and to the European quoted section which rose from 50 9% to 57 0% UK quoted property shares rose modestly from 31 7% to 33 1%

Within Europe, my biggest net investments were into Sweden and Switzerland, both of which are outside the Eurozone and have relatively debt free Governments I expect their economies to show good relative resilience over the coming year The table on page 17 shows the see-through spread of the assets by use class and geography Within the UK we have favoured shares which give us exposure to London business space and underweighted stocks with high retail exposure and those with provincial portfolios On the Continent we somewhat reversed the selection and preferred shares with exposure to shopping malls against the office and industrial sector save for companies invested in offices located in the Paris area

Largest Equity Investments

The top ten holdings had a value of £245m and accounted for 48% of the total portfolio The list will continue to be very familiar to regular readers The only new entrants, bar Segro, are stocks which were previously in the 11 to 20 list and all the departures out of the top ten are still in the top 20 The French company, Unibail, continues to dominate the list It is the largest quoted real estate business in Pan-Europe with a portfolio of 80 major shopping centres located mainly in France but including centres in Sweden, Central Europe, Spain and the Netherlands Most of these centres are the type of trophy assets that are rarely, if ever, offered for sale The total assets of Unibail are equal to those of Land Securities and British Land together and our £80m holding represents only 0 7% of the issued capital I like the asset class and the quality of the individual properties and have a high regard for the management Over an extended period the shares have substantially outperformed the Sector

We have holdings in all of the big five UK REITS, and, three of them (Land Securities, Segro and Hammerson) outperformed the benchmark in total return terms in our last financial year However on a five year total return basis, the picture is different By this measure the UK REITs stand out as poor investments relative to their major Continental counterparts In part this reflects the sharper fall in UK property values, but it also reflects the impact of the dilution from the rights issues which the boards and advisors imposed on shareholders 15 months ago Those UK companies which avoided rights issues, such as Derwent London or Big Yellow, or timed them with greater wisdom, such as Great Portland, still sport positive five year numbers

Revenue and Revenue Outlook

Post tax revenue per Ordinary share fell 20 4% to £13 3m and net revenue per share declined by 20 2% to 5 18p The actual decline in core income dividend and net rental income was just under 16% from £22 7m to £19 5m There were a number of one-off features to the revenue both last year and the year before which make it difficult to draw other precise comparisons Special VAT re-payments (with back dated interest) occurred in both years, but were more significant in the year to March 2009 However, last year we had the benefit of £0 83m of underwriting income versus none in the previous year Dividend timing differences also played their usual part Unibail, whose dividends are the largest single source of income for the Ordinary share class, reverted from quarterly to annual payments in 2009, thus delaying £2m of income from the last financial year into the current one, but in the opposite direction we received in March and early April some £1m of UK dividend income that we had expected in May and June 2010 as a number of companies switched to second interims in place of final dividends In 2008, we had substantial income from cash on deposit and in 2009/10 this cash earned almost

Manager's Report *continued*

nothing The rental income decline partly reflects the sale of the Woking building in September 2008, and partly the modest loss of income and increased outgoings from space vacated by tenants during 2009 In previous years the service charge income and outgoings have been shown net of recoveries from tenants This year, to comply with the accounting standard, they are shown gross on both the income and expense lines The net result remains the same

At the expenses level, the management fee charged to revenue was 9 2% higher than the prior year following a 47% increase in shareholders' funds The fee is charged under the new fee arrangements agreed in March 2009 Finance costs fell by 32% reflecting the repayment of the 8 125% debenture last year and the current trend in interest rates

The taxation rate is 22% versus 25% for the last financial year As noted at the interim stage, the key factor in the lower tax charge is the change regarding taxation of overseas dividends UK law changed such that all overseas dividend receipts are non taxable from 1 July 2009 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 still 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

Revenue Forecast

Last year my forecasts thankfully proved too pessimistic This year, with over half our dividend income already received or declared, I expect our net revenue per share to increase by about 3% to 5 35p per share As ever, this forecast is made barring unforeseen circumstances and is based on current exchange rates I commented earlier that a number of our UK investments, which normally pay us their final dividend in May or June, switched to March this year My forecast assumes that, in 2011, these companies revert to their former timing, so that the income contribution from these companies will be higher in 2011-2012

Gearing, Debt and Debentures

At the start of the year the Ordinary share class had gross cash of £61 8m Adjusting for the share of the Debenture debt of £12 2m, net cash was £49 6m which was equivalent to 14 4% of gross assets The cash was spent over the period, mainly in the first three months, and at the

Ordinary Share Class
Changes in Investments

	Valuation 2009 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	**Valuation 2010 £'000**	%
Austria	234	8,323	(550)	(24)	7,983	1 6
Belgium	4,520	2,191	(2,084)	1,728	6,355	1 2
Finland	1,284	4,064	(267)	2,387	7,468	1 4
France	92,696	16,589	(12,831)	54,851	151,305	29 5
Germany	442	2,936	(77)	1,128	4,429	0 9
Greece	641	–	(234)	373	780	0 2
Italy	1,857	–	–	1,230	3,087	0 6
Luxembourg	872	5,620	(66)	4,086	10,512	2 0
Netherlands	26,293	11,736	(3,977)	14,304	48,356	9 4
Norway	–	3,740	(476)	1,625	4,889	1 0
Sweden	8,748	11,690	(1,792)	9,962	28,608	5 6
Switzerland	3,976	11,832	(191)	2,955	18,572	3 6
Continental Europe	141,563	78,721	(22,545)	94,605	292,344	57 0
UK	88,115	48,460	(27,224)	60,204	169,555	33 1
Direct Property	48,472	6	(302)	2,590	50,766	9 9
	278,150	127,187	(50,071)	157,399	512,665	100 0

Manager's Report *continued*

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 In November we renewed our one year revolving credit facility for £50m of which the Ordinary class has £40m At the end of the financial year we had £47m of debt made up of £12m from the Debenture and £35m from the bank facility The cash of £9 8m shown in the balance sheet was mostly swallowed up in paying the second interim dividend of £8 9m the day after the year end

Direct Property Portfolio

The physical property portfolio produced a total return of 13 1% for the year to 31 March 2010, comprising an income return of 7 7% and capital growth of 5 4% The portfolio underperformed the Investment Property Databank Monthly index which produced a total return of 16 3%, comprised of an income return of 8 1% and a capital return of 7 6%

There were no sales or purchases during the year and the team continued to concentrate on asset management of the existing portfolio At the Colonnades we suffered two bankruptcies in the first half of the year affecting some 18% of the income from the building The 7,200 sq ft of office space has been subdivided and half has been relet as has the small café with only a minimal void The residential lease extensions continued, producing over £250,000 premium income taken as capital receipts over the year

At our industrial estate in Wandsworth we let one of the two small vacant workshop and storage units at £12 50 per sq ft and have placed the other under offer As reported at the half year, we agreed a new lease with the tenant of our Milton Keynes office building, Exel Europe Limited (DHL)

The vacancy rate on the portfolio at the end of the year was 2 8% and this will fall to 2% following the completion of the lease at Wandsworth In contrast the void rate in the IPD Monthly Index finished the year at 10 8% We have three further leases expiring in 2010 in the portfolio, all at the Colonnades Discussions are in hand for the renewal of all three tenants The current rents passing on these leases represent just below 5% of the portfolio's rent roll

Chris Turner
Fund Manager – Ordinary Share Class

Ordinary Share Class Portfolio

as at 31 March	**2010 £'000**	**2010 %**	2009 £'000	2009 %
UK Securities – *quoted*	169,555	33 1	88,115	31 7
UK Investment Properties	50,766	9 9	48,472	17 4
UK Total	220,321	43 0	136,587	49 1
European Securities				
– quoted	292,344	57 0	141,563	50 9
Total investments	**512,665**	**100.0**	**278,150**	**100.0**

as at 31 March 2010	**£'000**	**%**
Quoted investments		
Equities	457,278	89 2
Fixed interest	4,621	0 9
Investment properties	50,766	9 9
Total Investments	512,665	100 0

Spread of Direct Portfolio by Capital Value (%)
as at 31 March 2010

	Office and mixed use	Retail	Industrial and business space	Residential Ground Rents	Total
West End of London	13 6%	22 2%	15 3%	12 1%	63 2%
Around the M25	14 1%	–	–	–	14 1%
Other South East	9 6%	–	–	–	9 6%
Remainder of UK	13 1%	–	–	–	13 1%
Total	**50.4%**	**22.2%**	**15.3%**	**12.1%**	**100 0%**

Note Mixed use has been split into component parts and so is not comparable with prior year

Portfolio Summary (excluding cash on deposit)
as at 31 March

	2010 £'000	2009 £'000	2008 £'000
Total Investments	£513m	£278m	£565m
Net assets	£476m	£324m	£568m
UK quoted property shares	33%	32%	46%
Overseas quoted property shares	57%	51%	41%
Direct Property (externally valued)	10%	17%	13%

Lease Lengths within the Direct Property Portfolio

as at 31 March	Gross rental income
less than 1 year (including voids)	9 6%
1 to 3 years	45 0%
4 to 5 years	25 8%
6 to 10 years	18 6%
11 to 15 years	-
Over 15 years	1 0%
	100 0%

Ordinary Share Class Investment Portfolio by country *as at 31 March 2010*

	£'000	Market value %
Austria		
Conwert Immobilien	4,903	1.0
CA Immobilien Anlagen	3,080	0.6
	7,983	**1.6**
Belgium		
Cofinimmo	4,747	0.9
Retail Estates	1,053	0.2
Befimmo	555	0.1
	6,355	**1.2**
Finland		
Citycon	4,721	0.9
Sponda	2,747	0.5
	7,468	**1.4**
France		
Unibail-Rodamco	80,228	15.6
Foncière des Régions	16,159	3.2
Klépierre	15,302	3.0
Icade	12,479	2.4
Gecina	10,960	2.1
Silic	8,318	1.6
Tour Eiffel	2,208	0.4
Mercialys	1,539	0.3
Compagnie Foncière Internationale	1,426	0.3
Altarea	966	0.2
Foncière Lyonnaise	699	0.1
Affine	388	0.1
Société Foncière Paris Ile de France	384	0.1
Foncière Europe Logistique	249	0.1
	151,305	**29.5**
Germany		
Alstria Office	2,387	0.5
Deutsche Euroshop	1,675	0.3
Hahn-Immobilien	351	0.1
DIC Asset	16	0.0
	4,429	**0.9**
Greece		
Babis Vovos International	514	0.1
Lamda Development	266	0.1
	780	**0.2**
Italy		
Beni Stabili	3,087	0.6
	3,087	**0.6**
Luxembourg		
Gagfah	3,744	0.7
Prologis European Properties	3,224	0.6
	6,968	**1.3**
Netherlands		
Corio	22,600	4.4
Wereldhave	9,495	1.9
Eurocommercial Properties	8,451	1.6
Vastned Retail	6,608	1.3
Kardan	1,202	0.2
	48,356	**9.4**
Norway		
Norwegian Property	4,889	1.0
	4,889	**1.0**

	£'000	Market value %
Sweden		
Castellum	10,293	2.0
Fabege	6,482	1.3
Kungsleden	3,091	0.6
Hufvudstaden	1,975	0.4
JM	1,970	0.4
Klovern	1,860	0.3
Wallenstam Byggnads	1,494	0.3
NCC	1,443	0.3
	28,608	**5.6**
Switzerland		
Swiss Prime Site	10,946	2.1
PSP Swiss Property	7,626	1.5
	18,572	**3.6**
United Kingdom		
Land Securities	34,578	6.7
British Land	25,017	4.9
SEGRO	14,382	2.8
Hammerson	12,589	2.5
Derwent London	11,748	2.3
Great Portland Estates	11,004	2.1
Liberty International	8,559	1.7
Big Yellow Group	8,500	1.7
Shaftesbury	5,131	1.0
Songbird Estates	4,482	0.9
Helical Bar	4,089	0.8
Grainger	3,847	0.7
Max Property	2,856	0.6
Quintain Estates & Developments	2,497	0.5
Hansteen Holdings	2,160	0.4
Development Securities	2,137	0.4
CLS Holdings	2,069	0.4
St Modwen Props	1,945	0.4
Unite Group	1,449	0.3
Rugby Estates	1,330	0.3
McKay Securities	1,289	0.2
Safestore Holdings	864	0.2
Wichford	741	0.1
Capital & Regional	652	0.1
Orchid Developments	601	0.1
Conygar Investment	582	0.1
RGI International	580	0.1
Terra Catalyst	568	0.1
The Local Shopping REIT	492	0.1
Primary Health Properties	486	0.1
Trinity Capital	407	0.1
Town Centre Securities	352	0.1
Unitech Corporate Parks	336	0.1
Nanette Real Estate	88	0.0
London & Associated Properties	71	0.0
	168,478	**32.9**
Fixed Interest		
Prologis International 5.875% (Luxembourg)	3,544	0.7
Segro 6.75% (UK)	1,077	0.2
	4,621	**0.9**
Direct Property	50,766	9.9
	50,766	**9.9**
Total Portfolio	**512,665**	**100.0**

Twenty Largest Equity Investments – Ordinary Portfolio

		Shareholding Value % of investment portfolio† % of equity owned Share price at 31 March 2010 (2009)	**Comment** Note Market caps, yields and share price returns all at end March 2010
1	Unibail-Rodamco (France)	£80 23m (£57 7m) 15 6% (20 7%) 0 7% (0 7%) €149 90 (€106 42)	Europe's largest quoted property company by both market cap and gross assets, following the June 2007 merger with Rodamco Its €22 billion portfolio is located in France (62%), the Netherlands (11%), Scandinavia (8%), Spain (9%), Austria (5%) and Eastern Europe (5%) The asset focus rests on very large dominant shopping centres in the main European cities (74% of assets) which generate higher sales density/footfall and lower structural vacancy The group also runs exhibition/convention centres (8%) and pursues an opportunistic strategy (buy/build and sell) on offices (18%) mostly located in Paris CBD and La Défense It has a solid capital recycling track record (exceptional dividend of €23 or 26% of NAV after the sale of Coeur Défense in 2004) The current loan to value is 32%. Despite its size and low gearing over the cycle the company has managed to deliver a stunning growth in both NAV (+8% p a.) and recurring EPS (+12% p a) over the past 5 years while its dividend per share doubled to €8 This translates into a stellar five-year total shareholder return of 98 5%.
2	Land Securities (UK)	£34 58m (£24 9m) 6 7% (9 0%) 0 7% (0 7%) 678p (437p)	The UK's largest tax-efficient real estate investment company (REIT) by market cap and portfolio value, with a portfolio of £9 7 billion including share of joint ventures Now divested of outsourcing business Trillium, the company is focused on Central London offices (44%), shopping centres (36%) and retail warehouses (12%) Central London Offices should remain a supply constrained market ahead of a significant lease expiry concentration in 2014 (corresponding to the past two leasing peaks with signed 25-year leases in 1989 and 15-year leases in 1999) The company is poised to benefit from this strong office tenant demand thanks to over 110,000 sqm of developments already underway and up to a further 400,000 sqm of development and refurbishment opportunities Following its £750m rights issue in 2009, the loan to value is 43 5% The five year total shareholder return has been -25 8%
3	British Land (UK)	£25 02m (£17 5m) 4 9% (6 3%) 0 6% (0 5%) 481p (361p)	With an £8 6 billion portfolio largely made up of Central London offices (31%) and retail (66%) in the UK, British Land is the UK's second largest REIT The portfolio has outperformed IPD by 4 8% over the last year owing to its above-average lease profile (13 year unexpired lease length) and exposure to retail warehouses (up 14 8%) and supermarkets (up 18 4%) The company guides for a flat DPS of 26p next year (2010/11) which translates into a 5 4% yield Following £1.3bn of disposals last year and a £740m rights issue the loan to value ratio is now 47% The five year total shareholder return has been -12 6%
4	Corio (Netherlands)	£22 60m (£11 8m) 4 4% (4 3%) 0 6% (0 6%) €49 44 (€31 13)	Corio is the fourth largest Pan-European property company (weighted by market cap within the EPRA benchmark) with a €6 5 billion portfolio concentrated on the retail sector (95%) After an eventful year in which it has successfully completed two share issues (raising a total €710m) Corio has entered the German retail market through an exclusive deal with Dutch developer Multi Corp Corio acquired a €1.3bn retail portfolio comprising of four operational assets and five developments predominately located in Germany The portfolio split is now Netherlands (30%), France (29%), Italy (16%), Iberia (11%) Germany (8%) and Turkey (6%) In addition the company has a €2 8 development pipeline (41% committed) with a 7% yield on cost which should drive earnings and NAV growth Leverage is relatively low at 38% The five year total shareholder return has been 48 8%
5	Foncière des Régions (France)	£16 16m (£5 6m) 3 2% (2 0%) 1 0% (0 3%) €81 55 (€35 22)	Foncière des Régions is a diversified European property company with a consolidated portfolio of €13bn of assets (€9.3bn in group share) The asset focus rests on French and Italian offices (76% group share) let on long-term lease contracts to tenants such as France Telecom, EDF, IBM, Suez Environment and Telecom Italia The Italian office exposure is held through Beni Stabili which is to become a SIIQ (Italian REIT) in January 2011 The adoption of the tax-transparent regime should boost BNS recurring earnings by 50% in 2011 FDR has reduced its stake in BNS to 51% from 68% in order to meet the SIIQ conversion criteria In addition Foncière des Régions has strategic stakes in sector-specialist REITs Foncière des Murs (French lodging and leisure assets/25% owned), Foncière Développements Logements (French and German residential/32% owned), Foncière Europe Logistique (French and German industrials/67% owned) and Parcs GFR (French car parks/60% owned) The group managed its leveraged balance sheet (59% LTV in 2008) by over-delivering on its disposal targets (cumulative €1 9bn assets sold in 2008/09) and renegotiating debt covenants. Leverage is now 55 6% with a target of 50-55% The yield is north of 7%. The five year total shareholder return has been 82 1%.
6	Klépierre (France)	£15 30m (£6 6m) 3 0% (2 4%) 0 3% (0 2%) €29 08 (€13 22)	Klepierre owns a Pan European shopping centre portfolio valued at €15 billion located in France (51%), Scandinavia (15%), Italy (12%), Iberia (10%) and Central Europe (9%) The acquisition of the Steen & Strom €2 7bn portfolio in 2008 together (JV with pension fund ABP) has increased diversification in a strong retail property market. Indeed over the course of 2009 the Scandinavian portfolio posted a 3% LFL rental growth thanks to 97% occupancy and 21% uplift on relettings and renewals. Klepierre has a €2 8 development pipeline (21% committed) mostly on France and Scandinavia with a 7 5% yield on cost Klepierre is a subsidiary of BNP Paribas (50%-owned) This controlling stake is beneficial for minority shareholders in that it provides Klepierre with a superior access to debt financing and enabled them to avoid a deeply discounted rights issue in 2009 through the renegotiation of debt covenants The five year total shareholder return has been 56 5%

†Investment portfolio excluding cash on deposit

Twenty Largest Equity Investments – Ordinary Portfolio *continued*

		Shareholding Value % of investment portfolio† % of equity owned Share price at 31 March 2010 (2009)	**Comment** Note Market caps, yields and share price returns all at end March 2010
7	SEGRO (UK)	£14.38m (£3 1m) 2 8% (1 1%) 0 6% (0 6%) 320p (225p)	Segro is the largest operator of industrial property in the UK The group completed the acquisition of Brixton, the second largest publicly listed industrial property group in the UK in August 2009 creating a £3 2bn UK portfolio Although the 14 6% vacancy rate is high, it does provide potential for future cash flow growth The group also owns a £1 3bn Continental European portfolio with a 12 8% vacancy rate In the year, £742m of new equity was raised and, following additional refinancing and the extension of banking facilities, the group operates with a low loan-to-value ratio of 47% The five year total shareholder return has been -40 1%
8	Hammerson (UK)	£12 59m (£8 1m) 2 5% (2 4%) 0 5% (0 4%) 393p (255p)	This UK-based REIT is active in both the UK and France as investor and developer The £5 1 billion portfolio is split between 39% UK shopping centres, 16% UK retail parks, 34% French shopping centres and 7% City offices Post a nearly £600m rights issue and £780m disposals the loan-to-value now stands at 42% (gearing at 72%) The company's development pipeline mostly includes medium and long term projects but the group could seize some attractive acquisition opportunities using their £770m cash and undrawn committed facilities The five year total shareholder return has been -17 2%
9	Icade (France)	£12 48m (£10 1m) 2 4% (3 6%) 0 3% (0 4%) €82 29 (€53 03)	Icade is a diversified real estate company involved in house building, property management and commercial property rental activity with a €5 3 billion portfolio The latter is split between offices and business parks (73%), PPE and healthcare (17%), shopping centres (5%) and logistics (5%) Caisse des Dépôts (effectively the French government) is the largest shareholder (56%) ICADE sold its social housing portfolio (€2bn) at a low yield of 4% and acquired Companie La Lucette on an implied asset yield of 8% from Morgan Stanley REF (5% discount to NAV) La Lucette's portfolio is concentrated on Paris offices and should re-weight and further improve the quality of ICADE's commercial property portfolio Current leverage is low at 38% and the five year total shareholder return has been 115 9%
10	Derwent London (UK)	£11 75m (£5 7m) 2 3% (2 0%) 0 9% (0 7%) 1366p (665p)	This group is a specialist London REIT operating a £1 9bn portfolio with a specific focus on the West End and areas bordering the City of London Through the downturn Derwent was the only major REIT not to raise additional external equity, largely due to its successful and prudent approach to investment and development, and the disposal of non-core assets The group retains a strong balance sheet with a loan-to-value ratio of only 36 5%, which provides it with sufficient firepower and the flexibility to take advantage of opportunities as they arise Vacancy rates remain very low (2 4%), highlighting the attraction and quality of the existing portfolio and the group has a number of developments/refurbishments due for completion in 2010 The five year total shareholder return has been 34 1%
11	Great Portland Estates (UK)	£11 00m (£5 9m) 2 1% (2 1%) 1 1% (1 1%) 314p (244p)	Central London office investor and developer, which operates on its own account and through a number of JVs with institutions. Despite a competitive investment environment in the second half of 2009 the company has made £161 5m of investments, representing 97% of net capital raised in May 2009 Three development projects due to start in first half 2010 Leverage, which was already amongst the lowest in the UK, remains low at 32%, providing the company with £470m of balance sheet capacity The five year total shareholder return has been 52 1%
12	Gecina (France)	£10 96m (£3 3m) 2 1% (1 2%) 0 2% (0 1%) €81 91 (€28 80)	Gecina has an €10 5bn French high-quality portfolio of offices (54%), prime residential (32%), logistics (5%) and healthcare/hotels (9%) 80% of these assets are concentrated in Paris and the Paris Region Despite the low yielding nature of the residential assets (c4 5% net yield) it provides a very resilient cash flow thanks to high occupancy rate (stubbornly above 98% over the past 10 years) and above-inflation LFL rental growth (above 3% p a since 2005) The struggle for power between the controlling Spanish shareholders has now been partly resolved and the corporate governance has improved dramatically These changes have led credit rating agencies to adopt a more positive stance on the company The loan-to-value is 46% The five year total shareholder return has been 22 4%
13	Swiss Prime Site (Switzerland)	£10 95m (£0 0m) 2 1% (0 0%) 0 5% (0 0%) CHF 65 95 (-)	Following the merger with Jelmoli last year SPS has become the largest Swiss investment property company both by market cap and portfolio size (CHF 8bn) The group – still externally managed by Credit Suisse – is now predominantly invested in retail (41%) and office (36%) assets throughout Switzerland SPS has the target to sell CHF 300-400m of assets in 2010 (mostly from the Jelmoli portfolio) and to reach CHF 35-50m cost synergies by 2011 (c.10% of recurring earnings) The yield on the stock is above 5 5% which compares favourably to the Swiss wider equity index (sub-3%) The five year total shareholder return has been 47 4%

Twenty Largest Equity Investments – Ordinary Portfolio *continued*

	Shareholding Value % of investment portfolio† % of equity owned Share price at 31 March 2010 (2009)	**Comment** Note Market caps, yields and share price returns all at end March 2010
14 Castellum (Sweden)	£10 29m (£6 6m) 2 0% (2 4%) 0 9% (0 9%) SEK 72 50 (SEK 46 00)	Based in Gothenburg, Castellum owns a SK 29bn mixed portfolio of higher yielding assets located in Central and Southern Sweden. The property portfolio per type consists of 65% offices/retail, 31% logistics/industrial and 4% development/land Castellum manages its properties actively through six local subsidiaries. At 52%, leverage is relatively low by Swedish standards We applaud the company's pragmatic approach to fixing part of their floating debt (which has benefited the P&L greatly as interest rates were falling) as interest rates are now expected to increase markedly for 2011/12 The five year shareholder total return has been 56%
15 Wereldhave NV (Netherlands)	£9 50m (£5 6) 1 9% (2 0%) 0 7% (0 5%) €70 96 (€52 49)	Wereldhave is a diversified Dutch-based REIT with investments throughout Europe (73%) and the United States (24%) Its €2 6 billion portfolio is dominated by the office and retail sectors, which represents over 92% of assets In March 2010 Wereldhave acquired €250m of Dutch mid-size shopping centres from Unibail-Rodamco at a 6 1% yield whereby they expanded the portfolio size by 9% and increase the loan-to-value to 36% (from 28% a year earlier) The cost of debt remains very low at 2 2% (due to 55% of the debt being floating) but together with some unhedged FX exposure tends to undermine the visibility on future earnings This seems factored in the stock valuation which yields over 7% The five year share price total return has been 37 6%
16 Liberty International (UK)	£8 56m (£3 9m) 1 7% (1 4%) 0 3% (0 2%) 504p (389p)	Liberty International has had an eventful year, culminating in the splitting of the group's operations into two separately traded entities – Capital Shopping Centres and Capital & Counties – in May 2010 Capital Shopping Centres continues to trade as a REIT and is the largest owner of shopping centres in the UK. While the portfolio has some reversion potential and operates with very low vacancy rates, the recent short term leases have skewed these figures and the 56% loan-to-value limits financial flexibility Capital & Counties has a much greater focus on development and, as a result, decided not to maintain REIT status It is predominantly focussed on London and offers potential upside from the development of the Earl's Court/Olympia site and Covent Garden retail portfolio The five year total shareholder return from Liberty International has been -36 5%
17 Big Yellow Group (UK)	£8 50m (£5 6m) 1 7% (2 0%) 1 9% (1 4%) 340p (190p)	The UK's largest quoted self storage company, operating primarily in London and the South East with 51 directly owned stores and eight further stores within a joint venture with Pramerica There are 11 sites in the development pipeline, of which 9 have planning permission The company has successfully restructured its debt portfolio to leave it with a weighted average interest cost of only 3 4% (vs 6 6% in 2008) – amongst the lowest in the sector The loan-to-value is 34% following a £31 5m placing in May 2009 and the interest coverage of 4 0x remains well within covenants The five year total shareholder return has been 80 8%
18 Eurocommercial Properties (Netherlands)	£8 45m (£4 6m) 1 6% (1 7%) 0 8% (0 7%) €29 61 (€20 43)	Based in London and listed in Amsterdam, with Dutch REIT status, the company is a specialist shopping centre investor operating in Northern Italy (41%), France (37%) and Sweden (22%) The company raised €98 8m through an accelerated equity offering in November 2009 using the proceeds for two acquisitions (in France and Northern Italy) at an attractive 6 5% yield as well the Växjö development in Sweden (completion in mid-2011 with 8% net yield on cost) The company is conservatively managed with a very active asset management and a long dated debt profile in European standards (over 9 years) The loan to value ratio is 42% and the five year total shareholder return has been 50 8%
19 Silic (France)	£8 32m (£5 7m) 1 6% (2 0%) 0 6% (0 6%) €93 25 (€56 44)	Silic is an investor in and developer of office and light industrial space in the Paris. Its 1 2 million sqm portfolio (valued at €3 2bn) is clustered in business parks Orly-Rungis, Roissy and La Défense-Nanterre The company has €263m developments with a projected 8 2% yield on cost and some land bank reserves valued at over €180m Indeed Silic has one of the largest privately-owned land bank in the Paris region representing an additional building potential of over 1 2 million sqm on their 63-hectare park, which currently houses 376,500 sqm of space The company is conservatively managed which is reflected in the loan to value rate of 32% is relative to the sector as a whole The controlling shareholder is the French insurance group Groupama which holds a 44% stake. The five year total shareholder return has been 66 8%.
20 PSP Swiss Property (Switzerland)	£7 63m (£4 0m) 1 5% (1 4%) 0 4% (0 3%) CHF 67 65 (CHF 48 00)	Based in Zurich, PSP is a real estate investment company owning a portfolio valued at over CHF 5 billion at the end of 2009 62% of assets by value are located in Zurich, with the remaining properties split mainly between Geneva (14%), Basel (6%) and Bern (4%) Two thirds of rent comes from offices with the majority of the rest from retail and parking fees The internally-managed company has been successful in reducing the vacancy to 7 5% in 2009 from 13 9% in 2006 The loan to value ratio has remained stable at around 37% The five year total shareholder return has been 62 7%

Five year share price total returns are from Bloomberg using the period ended 31 March 2010, are expressed in local currency and assume the reinvestment of net dividends

Ordinary Portfolio Investment Properties *as at 31 March 2010*

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**	**Admin Re UK Limited**

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 Admin Re UK Ltd until December 2012

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

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

Property	Sector	Tenure	Size (sq ft)	Principal tenants
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

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

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

Ordinary Share Class Income Statement

for the year ended 31 March 2010

	Year ended 31 March 2010 Revenue Return £'000	Year ended 31 March 2010 Capital Return £'000	Year ended 31 March 2010 Total £'000	Year ended 31 March 2009 Revenue Return £'000	Year ended 31 March 2009 Capital Return £'000	Year ended 31 March 2009 Total £'000
Investment income						
Investment income	**15,696**	**-**	**15,696**	18,447	-	18,447
Other operating income	**1,502**	**-**	**1,502**	2,722	-	2,722
Gross rental income	**3,655**	**-**	**3,655**	4,240	-	4,240
Service charge income	**1,506**	**-**	**1,506**	926	-	926
Gains/(losses) on investments held at fair value	**-**	**154,504**	**154,504**	-	(246,226)	(246,226)
Total income	**22,359**	**154,504**	**176,863**	26,335	(246,226)	(219,891)
Expenses						
Management and performance fees	**(2,288)**	**(1,144)**	**(3,432)**	(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	**(1,792)**	**-**	**(1,792)**	(1,176)	-	(1,176)
Other expenses	**(696)**	**-**	**(696)**	(664)	-	(664)
Total operating expenses	**(4,333)**	**(852)**	**(5,185)**	(2,549)	(849)	(3,398)
Operating profit/(loss)	**18,026**	**153,652**	**171,678**	23,786	(247,075)	(223,289)
Finance costs	**(937)**	**(937)**	**(1,874)**	(1,372)	(1,372)	(2,744)
Net profit/(loss) before tax	**17,089**	**152,715**	**169,804**	22,414	(248,447)	(226,033)
Taxation	**(3,797)**	**589**	**(3,208)**	(5,715)	4,903	(812)
Net profit/(loss)	**13,292**	**153,304**	**166,596**	16,699	(243,544)	(226,845)
Earnings/(loss) per Ordinary share (note 9 on pages 75 and 76)	**5.18p**	**59.71p**	**64.89p**	6 49p	(94 71)p	(88 22)p

The final 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 This can be found in the Group Statement of Changes in Equity for the year ended 31 March 2010 on page 64

The notes on pages 67 to 88 form part of these accounts

Ordinary Share Class Balance Sheet

as at 31 March 2010

	2010 £'000	2009 £'000
Non-current assets		
Investments held at fair value	**512,665**	278,150
Current assets		
Debtors	**9,286**	3,940
Cash and cash equivalents	**9,863**	61,776
	19,149	65,716
Current liabilities	**(40,614)**	(4,766)
Net current (liabilities)/assets	**(21,465)**	60,950
Total assets less current liabilities	**491,200**	339,100
Non-current liabilities	**(15,700)**	(15,434)
Net assets	**475,500**	323,666
Net asset value per Ordinary share (note 20a on page 88)	**185.22p**	126 07p

The notes on pages 67 to 88 form part of these accounts

Sigma Shares

Financial Highlights

	Year ended 31 March 2010	Year ended 31 March 2009	% Change
Revenue			
Total revenue income (£'000)	**5,423**	5,738	-5 5
Income from operations before tax (£'000)	**4,533**	4,786	-5 3
Revenue earnings per share	**3.06p**	2 91p	+5 2
Net dividend per share	**2.00p**	2 00p	–

	At 31 March 2010	At 31 March 2009	% Change
Balance Sheet			
Investments held at fair value (£'000)	**133,557**	65,755	+103 1
Shareholders' funds (£'000)	**122,577**	76,623	+60 0
Shares in issue at end of period (m)	**124.9**	124 9	–
Net *(debt)*/cash	**(11%)**	17%	
Net asset value per share	**98.12p**	61 34p	+60 0

Performance

	Year ended 31 March 2010	Year ended 31 March 2009
Assets and Benchmark		
Benchmark performance (price only)	**+61.1%**	-51 2%
NAV change	**+60.0%**	-43 5%
Benchmark performance (total return)	**+70.0%**	-48 6%
NAV total return	**+64.1%**	-42 3%

	Year ended 31 March 2010	Year ended 31 March 2009	% Change
Share Price			
Share price	**70.5p**	39 0p	+80 8
Share price total return	**+90.0%**	-56 2%	
Market capitalisation	**£88m**	£49m	+79 6

Source Thames River Capital.

Manager's Report

Sigma Share Class

Marcus Phayre-Mudge MRICS **Fund Manager**
10 June 2010

Introduction

I reported at the interim stage that small cap real estate stocks had outperformed their larger competitors in the six months to September 2009 This outperformance not only continued but widened further in the second half of the year FTSE EPRA/NAREIT Small Cap Europe Total Return Index rose +70 0% in the year to March 2010 whilst the FTSE EPRA/NAREIT Europe Index (which includes all those stocks with a market capitalisation of over £1bn) rose +60 6% This differential is consistent with the broad trend of smaller companies outperforming larger stocks in the initial upward correction following such a serious bear market Indeed initial upward correction is a mild euphemism for what was a very dramatic reversal of investor sentiment towards all equities, particularly those viewed as direct beneficiaries of the easing of debt availability and the monetary stimuli put in place by central banks

Sigma's benchmark index rose 68 2% between 9 March 2009 (the low point) and 19 October as the correction in real estate equity pricing was reinforced by the underlying asset value movement The IPD Monthly Index turned positive in July and has delivered capital growth of 13 1% between then and the end of March

However, the benchmark index value on 19 October was only exceeded again on the last three days of the financial year From mid October to the year end the sector oscillated in a sub 10% trading range as sentiment ebbed and flowed For the bulls the strongest value reinforcement was the lack of forced selling by creditors – banks have not flooded the market with indebted property Investors need income and as detailed in the Revenue section dividend cuts were fewer than expected as earnings were enhanced by lower short term rates and thus reduced interest bills The sector continued to offer attractive dividend yields and exposure to real assets However, set against these positive drivers, the market continued (quite rightly in our view) to fret about the lack of broad tenant demand for space The exception to this has been a small group of submarkets including the Central London office and retail markets With GDP growth nascent or absent across Europe there is little justification for anticipating rental growth in the near term

Another feature of the market worthy of note has been currency volatility Sigma's non Sterling asset exposure is not hedged as the benchmark is denominated in Sterling The manager therefore needs to monitor closely the see-through currency exposure of the portfolio versus the benchmark's currency exposure The central theme over most of the year was the volatility of Sterling versus all European currencies

Performance

In the year to March 2010, the Sigma share class total return NAV rose +64 1% and this compares with a total return from the FTSE EPRA/NAREIT Small Cap Europe Index of +70 0% On a price only (as opposed to total return) basis Sigma's NAV rose by +60 0% whilst the benchmark (price only) rose +61 1% The difference between the two sets of figures reflects the impact of dividends assumed by the index to be re-invested on their ex-dividend date With over 40% of the sector's income received in the first quarter of the year the assumed reinvestment of these dividends helped generate significant additional returns Over the two years

Manager's Report *continued*

from March 2008 to March 2010 the NAV total return has been -5.3% while the benchmark total return has been -12.6%.

Sigma still had net cash throughout the first quarter as we still remained cautious about the recovery and this was a drag on performance. My stock selection has always focused on the sustainability of asset values and earnings as well as seeking to evaluate the value of individual company management's strategic contribution. As a consequence the portfolio did not own positions in a number of the higher risk businesses and it was these highly leveraged companies which enjoyed dramatic outperformance in the first half of the year as risk appetite surged. The initial rally from early March to May was followed by a short, sharp pullback (-6%) in June. Indeed fundamentals in the underlying real estate markets had shown very few signs of improvement at this stage. In fact it was to be macroeconomic data which drove all markets higher from early July. Underowned by generalist investors and seen as a geared play on recovery, real estate equities surged forward with record breaking returns in Q2 (July –September) of +37.0%.

As outlined in the Introduction, the second half of the year was very different, marked by higher volatility in a tight trading range. The introduction of leverage in September was clearly beneficial (as the sector rose +11% in the second half of the year) but the vast majority of the year's gains were in the first half. The introduction of leverage into the portfolio was triggered by the improvement in the fundamental demand for real estate as an asset class. Indeed the leverage remains mild at 11%. My reticence to increase it further is based on the concern that the demand for the asset class is chiefly from investors and not yet from tenants – it is the latter who drive rental growth and ultimately value growth.

Investment Activity

Purchases exceeded sales in a year in which the early months were dominated by the investment of net cash followed by the fund moving to a geared position early in the second half. The level of activity (both purchases and sales) was also greater than in previous years due to the constituent volatility in the benchmark. As outlined in the Chairman's Statement, the benchmark's quarterly review of constituents based on a fixed market capitalisation limit of £1bn resulted in a significantly higher amount of turnover as stocks departed or entered the benchmark in

See-Through Portfolio by Market (%)

	Benchmark 31 March 2010	Sigma Share Class Portfolio
UK		
City Offices	1.2%	0.5%
West End Offices	2.2%	2.1%
West End Retail	2.3%	1.5%
Docklands	0.1%	1.4%
GKC/SE Offices	1.1%	1.0%
Provincial Offices	0.8%	1.3%
In town Retail	1.1%	3.6%
Supermarkets	0.1%	0.0%
Retail Warehouses	0.6%	0.7%
Out of town retail	0.1%	0.1%
SE Industrials	1.9%	1.0%
Other Industrials	1.1%	0.7%
Self Storage	2.0%	2.6%
Leisure	0.2%	0.6%
Residential	6.8%	12.8%
Other	1.0%	1.6%
Total UK	**22.6%**	**31.5%**
Austria Retail & Offices	1.2%	0.8%
Austria Residential	1.9%	2.9%
Belgium Retail	0.6%	0.7%
Belgium Offices	4.1%	1.1%
Belgium Residential	0.3%	0.2%
Belgium Logistics	1.1%	0.9%
Central Europe Retail	0.6%	0.5%
Central Europe Offices	0.6%	0.5%
Central Europe Logistics	0.8%	0.6%
Central Europe Other	0.2%	0.9%
Denmark	0.1%	0.1%
Finland Retail	2.2%	3.5%
Finland Offices	2.8%	1.1%
Finland Other	0.9%	0.7%
France Retail	1.8%	3.9%
France Offices	2.1%	3.0%
France Logistics	1.7%	3.9%
France Other	0.1%	2.0%
Germany Retail	2.7%	1.5%
Germany Offices	5.5%	5.2%
Germany Logistics	1.4%	1.3%
Germany Residential	8.6%	4.1%
Germany Other	0.8%	0.7%
Greece	1.9%	0.8%
Italy Retail	2.4%	2.0%
Italy Offices	1.1%	1.2%
Italy Other	0.4%	0.3%
Netherlands Retail	1.8%	1.4%
Netherlands Offices	1.5%	0.4%
Netherlands Industrial	0.7%	1.0%
Norway	3.2%	2.7%
Portugal	0.1%	0.1%
Russia	0.4%	1.3%
Spain	0.9%	0.9%
Sweden Retail	2.5%	3.1%
Sweden Offices	11.3%	9.3%
Sweden Industrial	3.6%	2.3%
Sweden Other	1.5%	1.3%
Switzerland	1.8%	0.1%
USA	0.1%	0.1%
Other Overseas	0.1%	0.1%
Total	**100.0%**	**100.0%**

Manager's Report *continued*

a period of rapidly increasing and volatile share prices The Chairman has already commented on the improvements that the Board have made to reduce the volatility of the constituent movements and I echo the Board's view that this will lead to reduced stock turnover whilst continuing to allow investors' to measure the manager's performance appropriately An explanation of the amendments is detailed further in the report

Investment turnover (sales and purchases divided by two) was £95 4m which equates to 90 8% of the average gross assets (over the year) of £105 0m This is expected to return to the long run average of 50% following the alterations to the benchmark index review procedure There was plenty of opportunity to invest fresh capital into the real estate equity sector in the period The UK companies' rescue rights issues which dominated the market in February and March 2009 continued in April with Segro and Liberty raisings Other UK stocks which followed later in the year with rights issues were St Modwen, Wichford, Capital & Regional and Workspace Rescue rights issues were not a purely Anglo Saxon phenomenon and Continental European stocks which required fresh equity included Sponda (Finland), Norwegian Properties (Norway) and Deutsche Wohnen (Germany) As values in underlying property markets stabilised over the summer months, a number of companies raised equity to invest opportunistically In the UK this included Great Portland Estates, Shaftesbury, Big Yellow Group, Primary Health, Hansteen, Development Securities and London & Stamford Such opportunistic raisings were less prevalent in Continental Europe and generally restricted to 10% share placings (Vastned Retail, Eurocommercial and Corio) Rights issues were undertaken by Warehouses de Pauw and Befimmo If all of those were not enough to keep us busy the UK market also saw two IPOs of externally managed vehicles intending to seek out distressed opportunities

The table on page 36 shows the changes in our investments over the year The apparent significant reduction in the exposure to France (from 27 2% to 11 1%) and the Netherlands (16 4% down to 11 6%) and the respective increase in Scandanavia (Sweden from 7 5% to 15 7% and Finland 0 6% to 5 6%) is not as extreme as it first appears The table on page 31 which shows the see-through portfolio by sub-market versus the benchmark provides some clarification The significant adjustments in the benchmark constituents over the period resulted in a dramatic change in the geographic exposure In fact as shown on page 38 the relative overweight exposure to France and the Netherlands is as large as it was a year ago, whilst the fund has reduced its underweight to Scandinavia over the period

Reviewing the monthly transaction activity illustrates my response to opportunities in the market I was a net buyer of equities in April and May (with purchases exceeding sales 1 8 1) June and July were evenly balanced but mid August through to October was the period of greatest activity (purchases of £50 2m and sales of £40 7m) as the fund took on gearing This period was marked by great volatility and the snapshot monthly statistics often do not provide a clear picture For example the month of October was virtually flat (-0 3%) but intra month movements +6 7% to -8 2% indicates the level of volatility The timing of transactions was of the greatest importance

Largest Equity Investments

The table on page 37 shows the top 20 holdings at the year end Given the activity described above it is useful to compare these positions with the situation back in March 2009 The portfolio was then in the final stages of the transition to entirely small cap stocks and the top 20 positions included 4 large cap stocks Over the following nine months a further four of those listed, Segro, Derwent London, Silic and Wereldhave became large cap stocks

As we have outlined earlier the most dramatic movements in share prices in the first half of the year were those businesses with the greatest leverage as investors sought additional risk exposure My investment strategy is focused on quality businesses with sound management and portfolios of assets which I believe will make market beating returns over the medium term The top 20 positions outlined on pages 39 to 41 does not contain any businesses with a significant development focus I believe that development will remain subdued for some time to come as tenants hold back from commitments and banks remain unwilling to fund speculatively The market which remains the exception to prove the rule is Central London where an international finance community and a lack of new supply is forcing rents upwards For this reason, Great Portland Estates is now our second largest position

Alongside Castellum there are now five other significant Scandinavian positions This reflects our positive macro view on these Northern European economies Most

Manager's Report *continued*

property companies in this region tend to operate with a combination of greater than average leverage and higher proportion of floating rate debt Over the last twelve months this has helped the region outperform the broader market Within those six stocks the sector focus has remained city centre office markets (Fabege, Hufvudstaden and Norwegian Properties) as well as retail (Citycon)

The expected lack of rental growth in the short term in the traditional commercial property sectors has drawn me to other markets and this is clearly visible in the top 20 positions The exposure to residential has increased considerably (from 5 2% to 22 6% on a see through basis) with Conwert (Austria/Germany) and Grainger (UK) in our top 10 positions Other significant positions include Unite (student housing), Big Yellow (self storage) and Foncière des Murs (budget hotels predominantly leased to Accor)

I mentioned earlier that there have been a number of 'opportunistic' vehicles which raised capital and expected to acquire assets from distressed sellers Sigma has significant exposure to just one company with this business model, Hansteen In the last 12 months it has acquired a €330m portfolio of German industrial properties and an £80m portfolio of UK assets from creditor banks keen to recover some of their capital

Distribution of Assets

The table on page 31 explains the 'see-through' by country and sub-market and is set against the equivalent for the benchmark The UK exposure has remained static in absolute terms but relative to the benchmark it is now a considerable overweight position This reorientation was undertaken in the second half of the year and is heavily concentrated in the Greater London and South East markets Geographically, France is the other significant overweight The French assets are also heavily concentrated in the Ile de France and through high quality shopping centres

At the sector level, I have maintained the overweight exposure to retail particularly in France and Scandanavia Residential exposure has increased substantially but with a strong country concentration, Sweden, the UK and Austria

Last year I commented that I had gravitated to higher office exposure in Paris and Brussels I have maintained the former and dramatically reduced the latter The defensive qualities of the Brussels office market with a high level of sovereign related tenants is not appropriate as the cycle evolves Although offering security of income, the Brussels market is also entering a period of over supply and, at best, static rents

The Central European exposure was reduced heavily in 2008 and remains limited today

Revenue

In the interim report I stated that I expected our revenue to be in the region of 2 0p per Sigma share This estimate reflected several factors including our anticipation of further dividend cuts as companies sought to preserve cash in their business The expectation of the continuation of low base rates also minimised the return from any cash in the portfolio

In fact our estimates proved too pessimistic with earnings totaling 3 06p The core reason behind the improvement in earnings was better than expected dividend receipts from our underlying holdings Cashflows, particularly on the Continent were aided by high levels of floating rate debt which led to reduced interest bills coupled with fewer tenant delinquencies The result was that the majority of businesses (which had not already announced the temporary suspension of dividends) either paid the same as last year or actually increased the amount (versus the previous year) Allied to this were a number of additional factors which require explanation

As the outlook for European commercial property and property equities improved so did investors' appetite for risk From late September last year Sigma began to utilise its RBS loan facility and by mid Autumn the fund had 10% gearing This debt had an average cost of 2 3% which is below the dividend yield on the portfolio (3 9%) and is therefore earnings accretive Our income forecasts are always prudent and there is no assumption that debt will be drawn

The second factor is the shape of the portfolio As noted earlier, one of our key concerns for the sector remains the general lack of rental growth opportunities across Europe A consequence of this view is that the portfolio remains focused on businesses with standing (income producing) portfolios as opposed to developer or other lower yielding and opportunistic business models As noted last year, the

Manager's Report *continued*

overweight to Continental European stocks has once again been positive from an income perspective The strengthening of the Euro resulted in a greater than expected Sterling value for our Euro denominated dividend receipts Importantly, a number of UK property companies chose to pay a second interim dividend (in lieu of a final dividend) ahead of the new tax year and the change in personal income tax thresholds This had the effect of pulling income from 2010/11 back into 2009/10 In Sigma's case the list of companies included Hansteen, 3 4% of net assets Overall this amounted to around 0 20p per share of post tax income

Also bolstering our income was the successful VAT reclaim on management fees (and interest) and underwriting fees These non – recurring items added just under 0 50p per share to income

As anticipated at the interim stage, the tax charge for the year is considerably lower than in 2009 The key factor in this is that from 1 July 2009, UK law changed such that all overseas dividend receipts are non taxable from this date Because a higher proportion of Sigma's income is derived from overseas dividends than the Ordinary share class, this has had a greater impact on the tax charge for Sigma

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

Revenue Expectations

A number of the contributing factors to the year's earnings noted above are unlikely to reoccur and this is the rationale behind the cautious payout ratio in the year to March 2010 The payment of second interims (pulling income from 2010/11 back into 2009/10 will have a negative impact on our forecasts Currencies could also swing the other way and at the time of going to press the volatility has increased markedly My current advice to the Board is that revenue earnings will be in the order of 2 3p per Sigma share

Since Sigma's inception the payout ratio has been cautious as the portfolio underwent transition to an entirely small cap portfolio Looking forward it is expected that the payout ratio will increase

My view is that base rates are set to remain low throughout 2010 and that this will continue to enhance the earnings of those businesses with floating rate debt However, we remain reluctant to factor in rental growth and many payouts are expected to remain static rather than grow Some index linked rents (particularly where tied to the cost of construction) have already begun to fall There also remains a swathe of Continental European property which enjoyed strong annual rental uplifts in better economic conditions and where the indexation was greater than open market rental value movements This has resulted in some over rented leases which will revert to market levels over time

I continue to remind shareholders that Sigma has a total return objective If the economic outlook was to show signs of improvement and the fund rotated into a larger number of non or low income producing development cycle plays then the earnings forecast could alter

Cash, Gearing and Debentures

Changes in the net cash position of the share class was, as expected for such a dramatic performance period, acute At the end of March 2009, Sigma had net cash of £8m (11 2% of NAV) This figure is post any adjustment for debenture debt, the cost of the final dividend and any outstanding rights issue commitments As noted at the half year, the Trust had renewed its £50m loan facility with the Royal Bank of Scotland of which £10m was Sigma's share Sigma began to draw on this facility in September and by December this was fully drawn Coupled with Sigma's share of the debenture (£2 85m) by the end of March 2010 the gearing was 10 8% of total assets

Alongside the gearing figure on the balance sheet 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 is 58 5% (34 6% last March) and reflects not only the drawdown of the RBS facility but also the portfolio's rotation entirely into smaller companies Back in March 2009 the portfolio

Manager's Report *continued*

still contained 25% large cap stocks which were generally less leveraged than their smaller competitors (particularly the UK stocks after the wave of rescue rights issues) The equivalent figure for the benchmark is 53 8% Sigma's see-through positions are then enhanced by its own on balance sheet gearing I remain vigilant that this increased see-through leverage may result in greater volatility in both asset values and share prices

Sigma Share Class Benchmark

The Chairman has reported that the Board have introduced new measures to reduce the constituent volatility in the small cap benchmark In the year to March 2010, the quarterly index adjustments based on a fixed constituent market cap of £1bn resulted in 52% of the benchmark rotating The Board wished to maintain its current constituent limit of £1bn to ensure that the benchmark remains aligned to the share class's objective of investing in smaller companies but with the following additional features

(1) the market cap is adjusted annually in line with the movement in the benchmark over the period (ie a 10% capital gain in the index in the year to March 2011 would result in the market cap hurdle rising to £1 1bn)

(2) The constituents list is reviewed annually rather than quarterly

(3) Only companies which have a market cap 20% ahead of the market cap hurdle will be excluded and only those with a market cap 20% below the hurdle will fall into the index (the 'smoothing band' approach)

Marcus Phayre-Mudge
Fund Manager – Sigma Share Class

Sigma Share Class Portfolio

as at 31 March 2010	£'000	%
UK – equities	**45,795**	**34.3**
European Securities		
France	**14,831**	**11.1**
Netherlands	**15,464**	**11.6**
Sweden	**21,016**	**15.7**
Austria	**9,461**	**7.1**
Other	**26,990**	**20.2**
Total Investments	**133,557**	**100.0**

Changes in Investments	Valuation 2009 £'000	Purchases £'000	Sales £'000	(Appreciation)/ depreciation £'000	**Valuation 2010 £'000**	%
Austria	692	9,108	(432)	93	9,461	7.1
Belgium	4,104	7,230	(8,536)	1,402	4,200	3.1
Denmark	102	–	(157)	55	–	–
Finland	426	6,669	(1,401)	1,726	7,420	5.6
France	17,907	8,370	(19,505)	8,059	14,831	11.1
Germany	2,093	4,625	(1,864)	1,383	6,237	4.7
Greece	846	11	(317)	253	793	0.6
Italy	972	602	(612)	664	1,626	1.2
Luxembourg	92	3,058	(1,681)	1,595	3,064	2.3
Netherlands	10,762	11,328	(11,436)	4,810	15,464	11.6
Norway	–	2,770	–	880	3,650	2.7
Sweden	4,899	18,271	(9,526)	7,372	21,016	15.7
Switzerland	–	2,294	(2,319)	25	–	–
Continental Europe	42,895	74,336	(57,786)	28,317	87,762	65.7
UK – equities	22,860	33,027	(26,399)	16,307	45,795	34.3
	65,755	107,363	(84,185)	44,624	133,557	100.0

Sigma Share Class

Top 20 Holdings at 31 March 2009

Security	Holding value in £'000	% of total equity portfolio value
Unibail-Rodamco	7,418	11.2
Eurocommercial Properties	4,319	6.6
Wereldhave	3,788	5.8
Silic	3,403	5.2
Castellum	3,040	4.6
Great Portland Estates	2,787	4.2
Befimmo	2,767	4.1
Hansteen Holdings	2,758	4.2
Hammerson	2,420	3.7
Land Securities	2,143	3.3
Helical Bar	1,930	2.9
Big Yellow	1,670	2.5
Derwent London	1,610	2.4
Segro	1,564	2.4
Deutsche Euroshop	1,559	2.4
Compagnie Foncière Internationale	1,379	2.1
The Local Shopping REIT	1,334	2.0
Vastned Retail	1,310	2.0
Argan	1,123	1.7
Corio	1,107	1.7

The value of the largest twenty holdings at 31 March 2009 totalled £49m and represented 75% of the portfolio

Top 20 Holdings at 31 March 2010

Security	Holding value in £'000	% of total equity portfolio value
Eurocommercial Properties	9,137	6.8
Great Portland Estates	7,204	5.4
Conwert Immobilien	6,376	4.8
Fabege	5,900	4.4
Citycon	5,344	4.0
Vastned Retail	5,241	3.9
Grainger	5,013	3.8
Hufvudstaden	4,737	3.5
Alstria Office	4,109	3.1
Hansteen Holdings	3,891	2.9
Unite Group	3,705	2.8
Norwegian Property	3,650	2.7
Castellum	3,474	2.6
Big Yellow	3,347	2.5
CA Immobilien Anlagen	3,085	2.3
Prologis European Properties	3,064	2.3
Foncière Paris	3,011	2.3
Shaftesbury	2,744	2.1
Foncière des Murs	2,420	1.8
Kungsleden	2,236	1.7

The value of the largest twenty holdings at 31 March 2010 totalled £88m and represented 66% of the portfolio

Sigma Share Class Investment Portfolio by country

as at 31 March 2010

	£'000	Market value %
Austria		
Conwert Immobilien	6,376	4.8
CA Immobilien Anlagen	3,085	2.3
	9,461	**7.1**
Belgium		
Warehouses de Pauw	2,103	1.6
Befimmo	1,835	1.3
Retail Estates	262	0.2
	4,200	**3.1**
Finland		
Citycon	5,344	4.0
Sponda	2,076	1.6
	7,420	**5.6**
France		
Foncière Paris	3,011	2.2
Foncière des Murs	2,420	1.8
Tour Eiffel	2,084	1.6
Argan	1,947	1.5
Compagnie Foncière Internationale	1,436	1.1
ANF	1,423	1.1
Altarea	1,403	1.0
Foncière 6 et 7	768	0.6
Foncière Europe Logistique	339	0.2
	14,831	**11.1**
Germany		
Alstria Office	4,109	3.1
Deutsche Euroshop	1,799	1.4
Hahn-Immobilien	317	0.2
DIC Asset	12	0.0
	6,237	**4.7**
Greece		
Lamda Development	793	0.6
	793	**0.6**
Italy		
Beni Stabili	1,626	1.2
	1,626	**1.2**
Luxembourg		
Prologis European Properties	3,064	2.3
	3,064	**2.3**
Netherlands		
Eurocommercial Properties	9,137	6.9
Vastned Retail	5,241	3.9
Nieuwe Steen Investments	646	0.5
Vastned Offices Industrial	440	0.3
	15,464	**11.6**
Norway		
Norwegian Property	3,650	2.7
	3,650	**2.7**
Sweden		
Fabege	5,900	4.4
Hufvudstaden	4,737	3.5
Castellum	3,474	2.6
Kungsleden	2,236	1.7
Klovern	1,728	1.3
Wallenstam Byggnads	1,505	1.1
JM	915	0.7
Wihlborgs Fastigheter	521	0.4
	21,016	**15.7**
United Kingdom		
Great Portland Estates	7,204	5.4
Grainger	5,013	3.8
Hansteen Holdings	3,891	2.9
Unite Group	3,705	2.8
Big Yellow	3,347	2.5
Shaftesbury	2,744	2.1
Helical Bar	2,184	1.6
The Local Shopping REIT	2,051	1.5
Quintain Estates & Developments	1,944	1.5
Safestore Holdings	1,717	1.3
Development Securities	1,473	1.1
Conygar Investment	1,209	0.9
Wichford	1,090	0.8
Songbird Estates	951	0.7
St Modwen Props	872	0.7
CLS Holdings	824	0.6
Rugby Estates	773	0.6
Town Centre Securities	699	0.5
Capital & Regional	667	0.5
RGI International	594	0.4
Terra Catalyst	568	0.4
Orchid Developments	419	0.3
Max Property Group	408	0.3
McKay Securities	385	0.3
Trinity Capital	374	0.3
Primary Health Properties	351	0.3
Pactolus Hungarian	276	0.2
Nanette Real Estate	62	0.0
	45,795	**34.3**
Total Portfolio	**133,557**	**100.0**

Twenty Largest Equity Investments – Sigma Portfolio

		Shareholding Value (£m) % of investment portfolio % of equity owned Share price at 31 March 2010 (2009)	**Comment** Note Market caps, yields and share price returns all at end March 2010
1	Eurocommercial Properties (Netherlands)	£9 14m (£4 3m) 6 9% (6 6%) 0 9% (0 6%) €29 61 (€20 43)	Based in London and listed in Amsterdam, with Dutch REIT status, the company is a specialist shopping centre investor operating in Northern Italy (41%), France (37%) and Sweden (22%) The company raised €98 8m through an accelerated equity offering in November 2009 using the proceeds for two acquisitions (in France and Northern Italy) and the Växjo development in Sweden The loan to value ratio is 42% and the five year total shareholder return has been 50 8%
2	Great Portland Estates (UK)	£7 20m (£2 8m) 5 4% (4 2%) 0 7% (0 5%) 314p (244p)	Central London office investor and developer, which operates on its own account and through a number of JVs with institutions Despite a competitive investment environment in the second half of 2009 the company has made £161 5m of investments, representing 97% of net capital raised in May 2009 Three development projects due to start in first half 2010 Leverage, which was already amongst the lowest in the UK, remains low at 32%, providing the company with £470m of balance sheet capacity The five year total shareholder return has been 52 1%
3	Conwert Immobilien (Austria)	£6 38m (£0 7m) 4 8% (1 1%) 0 9% (0 2%) €9 16 (€4 74)	Vienna listed residential investor with a €2 5bn portfolio concentrated in Austria (49%), Germany (47%) and Eastern Europe (mostly Czech Republic) The company focuses on capturing a significant rent reversionary potential and disposing mature assets mainly on a unit-by-unit basis (in 2009 €361m disposals were carried out 9% above fair value) The loan to value is at 55 2% but with a notably long-dated debt (11 year average maturity) mostly in the form of mortgage loans with local banks The five year share price total return has been -28 3%
4	Fabege (Sweden)	£5 90m (£0 4m) 4 4% (0 6%) 0 8% (0 1%) SEK 48 80 (SEK 29 00)	Fabege is a Swedish real-estate investment company focused on the Stockholm office market which should from a strong rental outlook. Some 56% of the portfolio is located in the central part of Stockholm, and the remaining 44% in the nearby suburbs The loan to value stands at 62% with an average debt duration close to 6 years which is deemed long by Swedish standards In addition Fabege appears to benefit from strong banking relationships as evidenced by SEK 1bn of new credit facility secured in Q4 2009 at a 100bp margin The five year share price total return has been 1%
5	Citycon (Finland)	£5 34m (£0 4m) 4 0% (0 6%) 0 9% (0 1%) €2 94 (€1 46)	Citycon is a specialist Nordic shopping centre investor with a €2 2bn portfolio in Finland (66%), Sweden (27%) and the Baltics (7%) The company has a dominant position in Finland, owning 22% of the Finnish shopping mall market Citycon's portfolio is mainly exposed to the resilient food retail sector through its Kesko tenant accounting for 23 2% of rental income The loan to value rate is 61% Citycon is 48%-owned by Gazit-Globe, an active global shopping centre investor which adds a speculative upside risk to the company The five year share price total return has been 77 4%
6	Vastned Retail (Netherlands)	£5 24m (£1 3m) 3 9% (2 0%) 0 7% (0 3%) €49 39 (€30 39)	Pan-European retail real estate investor with Dutch REIT status Its €1 9bn high-yielding portfolio is concentrated in the Netherlands (39%), Spain (23%), France (20%) and Belgium (16%) The company also has exposure to Turkey and Portugal The company raised €75 5m through an accelerated equity offering in September 2009 to seize attractive acquisition opportunities The loan to value rate is 40% and the five year share price total return has been 31 5%
7	Grainger (UK)	£5 01m (0 0m) 3 8% (0 0%) 0 9% (0 0%) 135p (–)	The group owns the largest portfolio of regulated and home reversion housing in the UK (market value £1 5bn), a sizable German housing portfolio (£475m) and it operates a small residential development business The group aims to deliver above average returns by acquiring regulated properties at lower-than-market values and then selling the properties once they become vacant While the process is very capital intensive and subject to many uncertainties, Grainger now has the scale to drive sufficient near-term returns from rental income and vacant property sales, with the prospect for substantial earnings over time The recent rights issue reduced the group's loan-to-value on core banking facilities to 53% and management is aiming to maintain this lower ratio going forward The five-year total shareholder return is -34 6%

Twenty Largest Equity Investments – Sigma Portfolio *continued*

		Shareholding Value (£m) % of investment portfolio % of equity owned Share price at 31 March 2010 (2009)	**Comment** Note Market caps, yields and share price returns all at end March 2010
8	Hufvudstaden (Sweden)	£4 74m (£0 7m) 3 5% (1 1%) 0 4% (0 1%) SEK 61 25 (SEK 42 40)	A focused Swedish property group with a SEK 18bn portfolio of assets located in Stockholm (87%) and Gothenburg (13%) Hufvustaden is principally exposed to retail stores (42%) and office buildings (48%) and manages to capture an average 9% uplift during 2009 rent renegotiations The group remains financially robust with a very low net loan-to-value ratio of 19% and interest coverage ratio multiple of 79x. The five year total shareholder return is 60 6%
9	Alstria Office REIT (Germany)	£4 11m (£0 3m) 3 1% (0 5%) 1 0% (0 2%) €8 26 (€3 68)	Alstria is the largest REIT in Germany It owns a high-quality office portfolio of 77 properties valued at €1 6bn 52% of the portfolio is located in Hamburg (mostly let to the City of Hamburg) and benefits from an average lease length of 10 years In 2009 the company has been successful in reducing the balloon on the main syndicated debt facility (down to €0 66bn from €1 1bn) due at the end of 2011 This has been achieved by executing €226m of asset sales at or above book value and entering into six new selected refinancing agreements The loan to value rate on this facility now stands at 60% compliant with its covenants The share price total return has been -42% since the IPO in April 2007
10	Hansteen Holdings (UK)	£3 89m (£2 8m) 2 9% (4 2%) 1 1% (2 0%) 80p (58p)	Hansteen is a European industrial company run by Ian Watson and Morgan Jones, formerly at Ashtenne The company recently converted into a UK REIT structure and raised £200m in July 2009 Hansteen used the proceeds in 2010 by acquiring a €330m portfolio in Germany at 9 2% initial yield and potential upside from 20% vacancy and subsequently through the purchase of the Kilmartin portfolio in the UK (£80m reflecting £60psf) Following these two deals the pro-forma portfolio value is now £789m (62% in Germany and 20% in Holland) with a loan to value of 51% The three year total shareholder return (IPO in late 2005) has been -4 7%
11	Unite Group (UK)	£3 71m (£0 2m) 2 8% (0 3%) 0 9% (0 2%) 258p (67p)	UNITE is the largest listed provider of student accommodation in the UK, which is a niche growth market. Indeed the UK student population is forecast to continue its expansion with over 3m students by 2014 compared to 2 4m now Unite's business model includes the design, development, facility management, revaluation of its portfolio and ultimately recycling of its assets into its USAF fund The £999m portfolio is spread across the UK and London is the group's largest market. The loan-to-value ratio is 56% and the five year total shareholder return is -7 8%
12	Norwegian Property (Norway)	£3 65m (£0 0m) 2 7% (0 0%) 0 5% (0 0%) NOK12 40 (–)	With 62% of its assets in offices in Oslo/Stavanger and 38% in hotels in the Nordics, the company is well positioned to the buoyant Nordic economies. Following a recent equity issue, the loan-to-value ratio reduced slightly to 73% which, albeit high, should magnify NAV growth going forward Indeed the group has written-down 17% and 15% on its office and hotel valuation respectively since year-end 2007 and is poised to benefit from recovering capital values The total shareholder return since listing has been -74 1%
13	Castellum (Sweden)	£3 47m (£3 0m) 2 6% (4 6%) 0 3% (0 4%) SEK 72 50 (SEK 46 00)	Based in Gothenburg, Castellum owns a SK 29bn mixed portfolio of higher yielding assets located in Central and Southern Sweden The property portfolio per type consists of 65% offices/retail, 31% logistics/industrial and 4% development/land Castellum manages its properties actively through six local subsidiaries At 52%, leverage is relatively low by Swedish standards We applaud the company's pragmatic approach to fixing part of their floating debt (which has benefited the P&L greatly as interest rates were falling) as interest rates are now expected to increase for 2011/12 The five year shareholder total return has been 56%
14	Big Yellow Group (UK)	£3 35m (£1 7m) 2 5% (2 5%) 0 8% (0 4%) 340p (190p)	The UK's largest quoted self storage company, operating primarily in London and the South East with 51 directly owned stores and eight further stores within a joint venture with Pramerica There are 11 sites in the development pipeline, of which 9 have planning permission The company has successfully restructured its debt portfolio to leave it with a weighted average interest cost of only 3 4% (vs 6 6% in 2008) – amongst the lowest in the sector The loan-to-value is 34% following a £31 5m placing in May 2009 and the interest coverage of 4 0x remains well within covenants Five year total shareholder return has been 80 8%

Twenty Largest Equity Investments – Sigma Portfolio *continued*

	Shareholding Value (£m) % of investment portfolio % of equity owned Share price at 31 March 2010 (2009)	**Comment** Note Market caps, yields and share price returns all at end March 2010
15 CA Immoblien Anlagen (Austria)	£3 09m (£0 0m) 2 3% (0 0%) 0 4% (0 0%) €8 90 (–)	Vienna listed commercial property investor and developer with a €3 5bn portfolio located in Austria (21%), Germany (60%) and Eastern Europe (19%) Assets valued at €980m are under development, the bulk of which are located in Germany (88%), with pre let ratios of 50-60% In 2009 the company achieved €435m of property sales beating its €300m guidance 82% of the sales were carried out in Germany above book value In March 2010, it launched the takeover of the 37% minority shareholders in CA Immo International (listed subsidiary holding the Eastern European portfolio) at a 30% discount to NAV The loan-to-value is 42% The issue of two bonds in H209 worth €285m improved the debt maturity profile Five year total shareholder return has been -54 6%
16 Prologis European Properties (Luxembourg)	£3 06m (£0 1m) 2 3% (0 1%) 0 5% (0 1%) €5 19 (€1 35)	The group is a leading owner of distribution facilities with a €2 8bn portfolio of 232 properties providing 4 9m square metres of space across 11 countries throughout Europe Vacancy remains very low versus the sector which highlights the attraction of the group's facilities The loan-to-value of 54% remains within covenants The total shareholder return since listing has been -62 6%
17 Foncière Paris (France)	£3 01m (£0 6m) 2 2% (1 0%) 1 9% (0 5%) €102 40 (€86 78)	Commercial property investor and developer focused on the Ile de France region of France The management team – headed by JP Dumortier, the Chairman of the French REIT federation – is highly regarded The portfolio comprises 43 assets valued at €426m generating a gross yield of 8 2% The current financial vacancy rate of 2 9% stands well below the market rate, together with a high retention rate of 92% The loan-to-value stands at a very conservative level of 42% and the yield is 5 9% Since IPO in March 2006 the total shareholder return has been -5 2%
18 Shaftesbury (UK)	£2 74m (£1 0m) 2 1% (1 6%) 0 3% (0 3%) 385p (226p)	A specialist investor in the West End of London, predominantly across three "urban villages" in Carnaby, Covent Garden and Chinatown and the Longmartin Development is due to come on stream in summer 2010 Exposure is spread across retail (43%), offices (21%), restaurants/leisure (27%) and residential (9%) The loan-to-value ratio remains very low at 35% and the five year total shareholder return is 54 7%
19 Foncière des Murs (France)	£2 42m (£0 0m) 1 8% (0 0%) 0 3% (0 0%) €18 10 (–)	A separately traded subsidiary of Foncière des Regions The company owns a €3 2bn portfolio and specialises in the hotel (58%), leisure (16%), restaurant (13%) and nursing home (13%) sectors mostly in France (12% in Belgium and Portugal) The residual firm lease length is over 9 years with no vacancy The principal tenant is the Accor hotel group (Ibis, Mercure and Novotel) The free-float is limited at 9 5% but the share register is rock-solid, comprised of life insurance groups (CA Predica, Generali Vie, BNP Cardif) and Foncière des Régions (25%) The loan-to-value ratio is 61 7% and the yield is 9 0% The five-year total shareholder return is 75 9%
20 Kungsleden (Sweden)	£2 24m (£0 4m) 1 7% (0 7%) 0 3% (0 1%) SEK 56 25 (SEK 31 60)	A Swedish property company with a SEK 21bn portfolio of 556 properties The portfolio is primarily in Sweden (85% by value) and is split between commercial property (45%) and public buildings (such as retirement homes and schools) Of the remainder, 8% of the portfolio is invested in retirement homes in Germany and 7% refers to modular buildings The loan-to-value ratio of 66% and the five year total shareholder return is 81 8%

Five year share price total returns are from Bloomberg using the period ended 31 March 2010 and are expressed in local currency and assume the reinvestment of net dividends

Sigma Share Class Income Statement

for the year ended 31 March 2010

	Year ended 31 March 2010			Year ended 31 March 2009		
	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
Investment income						
Investment income	**4,940**	**-**	**4,940**	4,902	-	4,902
Other operating income	**483**	**-**	**483**	836	-	836
Gains/(losses) on investments held at fair value	**-**	**44,260**	**44,260**	-	(62,769)	(62,769)
Total income	**5,423**	**44,260**	**49,683**	5,738	(62,769)	(57,031)
Expenses						
Management and performance fees	**(626)**	**(313)**	**(939)**	(807)	(836)	(1,643)
Repayment of prior years' VAT	**104**	**68**	**172**	325	807	1,132
Other expenses	**(162)**	**-**	**(162)**	(139)	-	(139)
Total operating expenses	**(684)**	**(245)**	**(929)**	(621)	(29)	(650)
Operating profit/(loss)	**4,739**	**44,015**	**48,754**	5,117	(62,798)	(57,681)
Finance costs	**(206)**	**(206)**	**(412)**	(331)	(331)	(662)
Profit/(loss) from operations before tax	**4,533**	**43,809**	**48,342**	4,786	(63,129)	(58,343)
Taxation	**(707)**	**817**	**110**	(1,109)	768	(341)
Net profit/(loss)	**3,826**	**44,626**	**48,452**	3,677	(62,361)	(58,684)
Earnings/(loss) per Sigma share (note 9 on pages 75 and 76)	**3.06p**	**35.73p**	**38.79p**	2 91p	(49 35)p	(46 44)p

The notes on pages 67 to 88 form part of these accounts

Sigma Share Class Balance Sheet

as at 31 March 2010

	2010 £'000	2009 £'000
Non-current assets		
Investments held at fair value	**133,557**	65,755
Current assets		
Debtors	**4,674**	5,964
Cash and cash equivalents	**1,582**	15,792
	6,256	21,756
Current liabilities	**(14,387)**	(8,039)
Net current (liabilities)/assets	**(8,131)**	13,717
Total assets less current liabilities	**125,426**	79,472
Non-current liabilities	**(2,849)**	(2,849)
Net assets	**122,577**	76,623
Net asset value per Sigma share (see note 20b on page 88)	**98.12p**	61 34p

The notes on pages 67 to 88 form part of these accounts

Directors

Peter Salsbury, age 60, retired in 2000 as Chief Executive of Marks & Spencer plc ("M&S") He now has a Management Consultancy practice specialising in Executive Coaching and Strategy During his 10 years on the Board at M&S his responsibilities included Commercial Estates, Retail Operations HR, as well as Sales and Marketing He also served on the Board of M&S Financial Services for 5 years He joined the Board of TRPIT in 1997, and succeeded as Chairman on 26 July 2004

Peter Salsbury – Chairman

Caroline Burton, age 60, joined the Board of TRPIT in June 2002 She joined Guardian Royal Exchange plc's Investment Department in 1973 and remained with the group until 1999 From 1987 she was Managing Director of Guardian Asset Management, and, from 1990 to 1999, Executive Director – Investments of the parent company She is a non-executive director of Rathbone Brothers plc. She is also a Member of the Management Committee of Hermes Property Unit Trust She advises a number of pension funds and charities

Caroline Burton

Hugh Seaborn, age 48, joined the Board of TRPIT on 24 July 2007 Mr Seaborn is a Chartered Surveyor and has considerable experience in the property arena, he is currently the Chief Executive Officer of the Cadogan Estate and a member of the Council and Audit Committee of the Duchy of Lancaster From 2000 to 2009, Mr Seaborn was Chief Executive Officer of the Portman Estate and he is immediate past Chairman of the Westminster Property Owners Association

Hugh Seaborn

Paul Spencer CBE, age 60, joined the Board of TRPIT on 1 August 2007 Mr Spencer is Chairman of State Street Managed Pension Funds Ltd and the Rolls-Royce Group plc Pension Fund He is also an Independent Trustee of the BA, BT and BAT Pension Funds He also sits on the Boards of WPP Group plc (where he chairs the Audit Committee) and Nipponkoa Insurance Group (Europe) Ltd He is Chairman of the TRPIT Audit Committee

Paul Spencer

Richard Stone, age 67, was Deputy Chairman of Coopers and Lybrand ("C&L") and in 1998 became a member of the Global Board of PricewaterhouseCoopers until he joined the TRPIT Board in 2000 He headed up C&L's Corporate Finance Practice in the UK and Europe, and was also an Insolvency Practitioner He brings a broad base of business, financial and property experience to the TRPIT Board He is now Chairman of Drambuie Limited, a senior independent director of Halma plc, a non-executive director of Candover Investments plc and a non-executive director of Gartmore Global Trust plc. He is the Senior Independent Director for TRPIT and Halma plc.

Richard Stone

Peter Wolton, age 53, joined the Board of TRPIT in January 2005 He qualified as a Chartered Surveyor in 1980 with Savills and joined Schroders in 1983 to manage UK equities for institutional clients He ran Schroders' asset management activities in Japan from 1994 to 1998 and their global retail business from 1998 to 2001 From 2002 to 2003 he was Chief Executive of Baring Asset Management Ltd He is Chief Executive of New Model School Company Ltd, a director of Dunedin Income Growth Investment Trust plc and a former director of Schroder Japan Growth Fund plc.

Peter Wolton

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

Managers

Chris Turner, Fund Manager – Ordinary Share Class, age 64, has been the Fund Manager since 1995, first at Henderson Global Investors then, since October 2004, at Thames River Capital, when he joined as head of property investment. Between 1969 and 1977 he worked in the investment property division of Strutt & Parker, qualifying as a Chartered Surveyor in 1970 He was a property share analyst and subsequently a Director of UK Equities with Laing & Cruickshank from 1977 to 1988 and held similar roles with BZW from 1988 to 1995 In 1995 Chris joined Henderson as a Director of the Investment Management division and was appointed the fund manager of TRPIT In 1999 he was also appointed head of Henderson's Public Property Markets Team During his period as fund manager of TR Property, the Trust won numerous investment trust performance awards from Bloomberg, Money Observer, What Investment, Moneywise and Property Week.

Chris Turner

Marcus Phayre-Mudge, Fund Manager – Sigma Share Class, age 42 Marcus is currently fund manager of the Sigma share class and deputy fund manager of the Ordinary share class. He joined Chris at Henderson Global Investors in January 1997, initially managing the direct property portfolio within TR Property Investment Trust and latterly focusing on real estate equities, managing a number of UK and Pan European real estate equity funds in addition to activities in the Trust. Marcus moved with Chris to Thames River Capital in October 2004 where he is also fund manager of Thames River Property Growth & Income Fund Limited Prior to joining Henderson, Marcus was an investment surveyor at Knight Frank (1990) and was made an Associate Partner in the fund management division (1995) He qualified as a Chartered Surveyor in 1992 and has a BSc (Hons) in Land Management from Reading University

***Marcus* Phayre-Mudge**

James Wilkinson, Assistant Fund Manager, age 37 James joined the TRPIT team at Henderson in October 2002 taking responsibility for the direct property investments. He was also a portfolio manager and member of the Property Securities team at Henderson James moved with Chris and *Marcus to Thames River Capital in October 2004 gradually increasing* his involvement in the equities component of the Trust. James was appointed deputy fund manager of the Thames River Property Growth & Income Fund in 2007 and is currently the lead fund manager for the Thames River Real Estate Securities Fund. Prior to joining Henderson *he was Associate Partner at Healey & Baker Investment Managers* where he spent six years. James qualified as a Chartered Surveyor in 1998 He has a BA (Hons) in Philosophy from University of East Anglia and an MA in Property Valuation and Law from City University Business School

James Wilkinson

Jo Elliott, Finance Manager, age 48, has been Finance Manager since 1995, first at Henderson Global Investors then, *since January* 2005, at Thames River Capital, when she joined as CFO for the property team She joined Henderson Investors in 1995, where she most recently held the position of Director of Property, Finance & Operations, Europe. Previously she was Corporate Finance Manager with London and Edinburgh Trust plc and prior to that was an *investment/treasury* analyst with Heron Corporation plc. Joanne has a BSc (Hons) in Zoology from the University of Nottingham and qualified as a Chartered Accountant with Ernst & Young in 1989

Jo Elliott

George Gay, Direct Property Fund Manager, age 29, has been the direct property fund manager since 2008 He joined Thames River Capital in 2005 as assistant direct property manager and qualified as a chartered surveyor in 2006 George was previously at niche City investment agent, Morgan Pepper where as an investment graduate he gained considerable industry experience He has an MA in Property Valuation and Law from City University

George Gay

Angelique Ello, Investor Relations, age 27, joined Thames River Capital in November 2007 as an *administration* assistant. She joined from Girlguiding UK, where she was PA to the Head of Finance & Business Development. She graduated from Middlesex University in 2004 with a BA Hons in Political & International Studies with German She is a fluent German speaker She deals with Investor enquiries for the Trust in addition to wider portfolio *administration* matters

Angelique Ello

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

Directors' Remuneration Report

Introduction

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

Consideration by the Directors of Matters relating to Directors' Remuneration

Directors' remuneration is reviewed annually by the Management Engagement Committee which was formed in November 2006 and comprises the Chairman and all directors of the Company The Management Engagement Committee last met in March 2010

Statement of the Company's Policy on Directors' Remuneration

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

The Company's policy is that the fees payable to the directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the directors and should be sufficient to enable candidates of high calibre to be recruited The policy is for the Chairman of the Board, the Chairman of the Audit Committee and the Senior Independent Director to be paid higher fees than the other directors in recognition of their more onerous roles It is intended that this policy will continue for the forthcoming year

For the year ended 31 March 2010, directors' fees were paid at the annual rates of Chairman £65,000 (2009 £65,000), Audit Committee Chairman and Senior Independent Director £30,000 (2009 £30,000) and Directors £25,000 (2009 £25,000) A review of these fees has recently been carried out, alongside the Board evaluation process, by the JCA Group Its conclusion was that the fees should be raised for the first time since 2007 to reflect the increasingly demanding role of Directors as well as external trends As a result the following fees have been applied from 1 April 2010 Chairman £70,000, Audit Committee Chairman and Senior Independent Director £35,000, Directors £30,000 The actual amounts paid to the directors during the financial year under review are as shown in the table below

Amount of each Director's emoluments (audited)

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

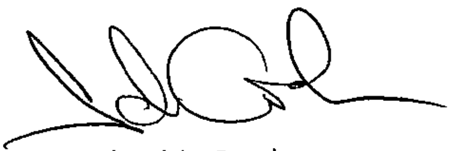
	31 March 2010 £	31 March 2009 £
C M Burton	**25,000**	25,000
P L Salsbury	**65,000**	65,000
H Seaborn	**25,000**	25,000
P Spencer	**28,333**	25,000
R A Stone	**30,000**	30,000
P H Wolton	**25,000**	25,000
TOTAL	**198,333**	195,000

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

Directors' Remuneration Report *continued*

Performance Graph (total return) for Ordinary Share Class

Performance Graph (total return) for Sigma Share Class



By order of the Board
For and on behalf of
Capita Company Secretarial Services Limited
Secretary
10 June 2010

Report of the Directors

The directors present the audited accounts of the Group and their report for the year ended 31 March 2010 The Group comprises TR Property Investment Trust plc ("the Company") and its subsidiaries The Company has two share classes, the Ordinary share class and the Sigma share class The review of the business of the Company, recent events and outlook are contained within the Chairman's Statement, on pages 6 to 9, which forms part of this Report of the Directors by reference

Status

The Company is an investment company, as defined in Section 833 of the Companies Act 2006, and operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 It is required to seek HM Revenue & Customs' approval of its status as an investment trust under the above-mentioned Section 842 every year, and this approval will continue to be sought. HM Revenue & Customs' approval of the Company's status as an investment trust has been received in respect of the year ended 31 March 2009 The directors are of the opinion that the Company has subsequently conducted its affairs in a manner which will enable it to continue to gain such approval The Company has no employees and the 'close company' provisions do not apply

Share capital

At 31 March 2010, the Company has two classes of share Ordinary shares of 25 pence each and Sigma shares of 12 5 pence each The Ordinary shares represent 80 5% and the Sigma shares represent 19 5% of the total issued share capital The shares are in registered form

Business Review

The following review is designed to provide information primarily about the Group's business and results for the year ended 31 March 2010 and covers

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

The results and performance of the two share classes are reviewed separately Full details of each portfolio and the Manager's views on the outlook for the coming financial year for each share class are covered in the Manager's Report for the Ordinary share class on pages 16 to 20 and for the Sigma share class on pages 30 to 35

Ordinary share class

Objective and Strategy

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

As at 31 March 2010, 90 1% of the Ordinary share class net assets were invested in Pan-European listed property securities and 9 9% in directly owned UK real estate

The Ordinary share class portfolio is total return focused and future growth and capital appreciation potential is generally regarded more highly than immediate initial yield or discount to asset value The investment selection process seeks to identify well managed companies of all sizes, especially those with a focus on a particular type of real estate business The investment policies are described on page 2

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

Revenue and Dividends

	2010	2009	Change
Revenue earnings per share	**5.18p**	6 49p	-20 2%
Dividends per share	**5.75p**	5 75p	0 0%

Total returns per Ordinary share, which include capital gains on investments, amounted to 64 89p per share

The capital return of 59 71p per share was reflective of the performance of the property equity market through the period which is covered in detail in the Manager's Report

Revenue earnings declined by 20 2% This was largely due to a significant number of companies suspending or reducing dividend payments through the period while they re-built their balance sheets, or changes in timing of dividend payments

Report of the Directors *continued*

Despite a fall in revenue in the period, the directors paid an interim dividend of 2 30p per Ordinary share on 12 January 2010, and a second interim dividend of 3 45p per Ordinary share on 1 April 2010 The second interim dividend replaced the final dividend which would normally be paid in August 2010 The total dividend in respect of the year was, therefore, 5 75p per Ordinary share

With earnings of 5 18p, the dividend for the year of 5 75p is not fully covered Reserves of £1 47m have been utilised The directors considered this to be an appropriate use of brought forward reserves, which amounted to £17 67m at the end of 2009 after taking into account all dividend payments in respect of that financial year In arriving at this decision the Directors also reviewed the income forecasts for the year to March 2011 Revenue is expected to increase in the forthcoming period and the Manager has indicated revenue earnings of 5 35p per share in his statement on page 19

The dividends shown in the Group Statement of Changes in Equity for the year are those dividends which have actually been paid in the period, i e the final dividend relating to the financial year ended 31 March 2009 (3 45p per share) and the first interim dividend for this period (2 30p per share) At the Balance Sheet date the second interim dividend (3 45p per share which replaced the final dividend usually paid in August) had not been paid to shareholders

Capital Return

	2010	2009	Change
NAV per share	**185.22p**	126 07p	+46 9%
Share price	**159.40p**	106 00p	+50 4%

Shareholders' funds increased by 46 9% The Benchmark returned 53 0% on a price only basis

Details of the investments are shown within the Manager's Report on pages 21 to 26

Property Valuation

Valuations of all the Group's properties as at 31 March 2010 have been carried out by an external independent valuer These valuations have been adopted in the accounts Details of the values and changes in fixed assets are shown in note 10 to the financial statements

Performance Measurement

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

For the year to 31 March 2010 the Benchmark was the FTSE EPRA/NAREIT Europe Index in Sterling This index, calculated by FTSE, is free float based and currently has 80 constituent companies

On a total return basis the share class returned 52 6% against the benchmark total return of 60 6%

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

Share Buy-back Activity

The Board has not set a specific discount at which shares will be repurchased However, there has been considerable activity in recent years and around 189 million Ordinary shares have been repurchased since the Board first took the decision to buy back shares in 1999 During the year to 31 March 2010, the Company did not repurchase any Ordinary shares

Sigma Share Class

Objective and Strategy

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

As at 31 March 2010 the portfolio was invested in Pan European property shares The original portfolio was "inherited" from the Ordinary share class on creation at 24 July 2007 and 64% of this was large cap stocks By 31 March 2010 the repositioning of the portfolio was complete and no large cap stocks remain in the portfolio

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

Revenue and Dividends

	2010	2009	Change
Revenue earnings per Sigma share	**3.06p**	2 91p	+5 2%
Dividends per Sigma share	**2.00p**	2 00p	0 0%

Total earnings per Sigma share, which include capital gains on investments amounted to 35 73p per share

Revenue earnings for the period amounted to 3 06p per Sigma share

Report of the Directors *continued*

The dividends shown in the Group Statement of Changes in Equity for the year are those dividends which have actually been paid in the period, i e the final dividend relating to the financial year ended 31 March 2009 (1 10p per share) and the first interim dividend for this period (0 90p per share) At the Balance Sheet date the second interim dividend (1 10p per share which replaced the final dividend usually paid in August) had not been paid to shareholders

Capital Return

	2010	2009	Change
NAV per Sigma share	**98.12p**	61 34p	+60 0%
Sigma Share Price	**70.50p**	39 00p	+80 8%

Rises in property equity prices resulted in an increase in shareholders' funds of 60 0% per Sigma share Over the same period the price only element of the benchmark increased by 61 1%

Details of the investments held in the Sigma portfolio are shown in the Manager's Report on pages 36 to 41

Performance Measurement

The directors consider performance measured against the benchmark to be the key performance indicator for the share class The benchmark for the share class for the period to 31 March 2010 was the FTSE EPRA/NAREIT Small Cap Europe Index in Sterling

This benchmark, provided by FTSE, is FTSE EPRA/NAREIT Europe Index in Sterling, adjusted to exclude those stocks with a market capitalisation exceeding £1bn For the year to March 2010 the constituents were adjusted quarterly, however, from 1 April 2010 this adjustment will be made annually

On a total return basis the Sigma share class returned 64 1% against a Benchmark total return of 70 0%

The performance for the financial year just ended and the outlook for the forthcoming financial year are covered in detail in the Chairman's Statement, Market Background and Outlook and Sigma Class Manager's Report on pages 6 to 14 and 30 to 35

Share Buy-back Activity

During the year to 31 March 2010, the Company did not repurchase any Sigma shares

Financial Instruments and the Management of Risk

By its nature as an investment trust, the portfolios of both share classes are exposed to market price risk, foreign currency risk and interest rate risk The Company's policies for managing these risks are outlined in note 11 to the financial statements Further information on the management of risk and internal controls is contained in the Corporate Governance Report on pages 56 to 60

Management Arrangements and Fees

Throughout the period investment management services have been provided by Thames River Capital LLP ("Thames River" or "the Manager"), accounting and administrative services by BNP Paribas Securities Services, and company secretarial services by Capita Company Secretarial Services Limited Custodial Services were provided by JPMorgan Chase until 30 June 2009 when such services were transferred to BNP Paribas Securities Services

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

- Notice Period
  The investment management agreements ("IMAs") provide for termination of the agreements by either party without compensation on the provision of not less than 12 months' written notice

- Management Fees
  Ordinary share class
  The fee for the Ordinary share class for the period under review was a fixed fee of £2 65m plus an ad valorem fee of 0 20% pa based on the net asset value (determined in accordance with the Association of Investment Companies ("AIC") method of valuation) of the Ordinary share class on the last day of March, June, September and December, payable quarterly in advance

  The fee arrangements were reviewed at the end of the financial year, and for the year to March 2011 the fixed fee element will increase to £2 78m The fee arrangements will be reviewed once again at the end of the financial year

  Sigma share class
  The fee for the Sigma share class for the period under review was a fixed fee of £0 65m plus an ad valorem fee of 0 30% pa based on the net asset value (determined in accordance with the AIC method of valuation) of the Sigma share class on the last day of March, June, September and December, payable quarterly in advance

Report of the Directors *continued*

The fee arrangements were reviewed at the end of the financial year, and for the year to March 2011 the fixed fee element will increase to £0 68m The fee arrangements will be reviewed once again at the end of the financial year

For both share classes the management fee includes fund accounting and administrative services, safe custody and company secretarial services which are all provided by third parties The Company has a direct contractual relationship with the parties providing these services and the fees incurred are deducted from the gross fees due to Thames River This affords the Company a high degree of transparency and control in respect of these services

- Performance Fees
  In addition to the management fees, the Board has agreed to pay the Investment Manager performance related fees in respect of an accounting period if certain performance objectives are achieved

Ordinary share class
A performance fee is payable if the total return of adjusted net assets attributable to Ordinary shareholders, as defined in the IMA with Thames River, at 31 March each year outperforms the total return of the Company's Benchmark plus 2% (the "hurdle rate"), this outperformance (expressed as a percentage) is known as the "percentage outperformance" Any fee payable will be the amount equivalent to the adjusted net assets attributable to Ordinary shareholders at 31 March each year multiplied by the percentage outperformance, then multiplied by 15%

The maximum performance fee payable for the period is capped at 2% of the adjusted net assets attributable to Ordinary shareholders However, if the adjusted net assets at the end of the period are less than at the beginning of the period, the maximum performance fee payable will be limited to1% of the adjusted net assets attributable to the Ordinary shareholders If any fee exceeds the relevant cap (2% or 1% as applicable), such excess will be carried forward and applied to reduce any percentage underperformance in future periods

If the total return of Ordinary equity shareholders' funds for any performance period is less than the hurdle rate for the relevant performance periods, such underperformance (expressed as a percentage) will be carried forward No fee will be payable unless the Group equity shareholders' funds for the particular share class outperforms the hurdle rate, after taking into account any accumulated percentage underperformance for previous periods to the extent it is not offset by the overperformance offsets described above At 31 March 2010, 2 39% of underperformance is being carried forward

Sigma share class
A performance fee is payable if the total return of adjusted net assets attributable to Sigma shareholders, as defined in the IMA with Thames River, at 31 March each year outperforms the total return of the Company's Benchmark plus 2% (the "hurdle rate"), this outperformance (expressed as a percentage) is known as the "percentage outperformance" Any fee payable is the amount equivalent to the adjusted net assets attributable to Sigma shareholders at 31 March each year multiplied by the percentage outperformance, then multiplied by 20%

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

If the total return of Sigma equity shareholders' funds for any performance period is less than the hurdle rate for the relevant performance periods, such underperformance (expressed as a percentage) will be carried forward No fee will be payable unless the Group equity shareholders' funds for the particular share class outperforms the hurdle rate, after taking into account any accumulated percentage underperformance for previous periods to the extent it is not offset by the overperformance offsets described above At 31 March 2010 6 97% of underperformance is being carried forward

Basis of Accounting and IFRS
On the basis of the Board's expected long term split of returns, in the form of capital gains and income in equal proportions, the Group charges 50% of finance costs to capital One-third of the management fee is deemed to relate to the administration of the Company and is charged to revenue The remainder is split on the same basis as finance costs and 50% charged to capital The

Report of the Directors *continued*

overall result is that two-thirds of the management fee is charged to revenue and one-third to capital All performance fees are charged to capital

Allocation of Costs Between Share Classes
Each share class has its own management fee structure and is invoiced directly for management fees which are allocated between capital and revenue accounts on the basis of accounting described above

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

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

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

We review the environmental statements and behaviour of all the companies in which we invest and take these into account in decision-making We recognise that good environmental management can play a part in overall risk management and also have a financial impact in terms of savings through energy and water efficiency Where appropriate, our managers will engage with investee companies to raise concerns about environmental matters

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

Annual General Meeting (the "AGM")
The AGM will be held on Tuesday, 27 July 2010 at 12 noon The Notice of Meeting is set out on pages 89 to 92, and an explanation of the business to be conducted is given on pages 95 and 96

Resolutions 10 to 12 will be proposed as special resolutions which requires a majority of at least 75% of those present and voting to be passed

Resolution 10 – Disapplication of statutory pre-emption rights

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

Resolution 11 – Authority to Purchase Own Shares

The Company's Articles permit the Company to purchase its own shares out of capital profits Under the Listing Rules of the Financial Services Authority a company is permitted to purchase up to 14 99% of its issued equity share capital through market purchases pursuant to a general authority granted by shareholders in general meeting

The current authority which permits the Company to purchase up to 14 99% of its issued Ordinary and Sigma shares expires at the conclusion of the forthcoming AGM The Board believes that the Company should continue to have authority to make market purchases of its own Ordinary and Sigma shares for cancellation The Board is therefore seeking to renew its power to make market purchases of Ordinary and Sigma shares Accordingly, a special resolution to authorise the Company to make market purchases of up to 14 99% of the Company's issued Ordinary and Sigma share capital at the date of the AGM is proposed, with the shares purchased to be cancelled Based on the number of shares in issue at the date of this Report, 14 99% of the Company's issued Ordinary share capital is equivalent to 38,483,078 Ordinary shares and 14 99% of the Company's issued Sigma share capital is equivalent to 18,725,808 Sigma shares These figures have been calculated on the basis that there is no change in the issued share capital between the date of this Report and the AGM to be held on 27 July 2010

Any purchase of shares would be made at a discount to the prevailing Net Asset Value, thus enhancing the Net Asset Value of the remaining shares The terms of the resolution will restrict the price payable to the effect that it could not be less than 25p per share for Ordinary shares and 12 5p per share for Sigma shares (being the nominal values) and not more than 5% above the average of the closing mid-market quotations for the five business days immediately preceding the date on which the Company agrees to buy the shares concerned

Report of the Directors *continued*

Resolution 12 – Adoption of new Articles of Association

The Company proposes to adopt new Articles of Association These incorporate amendments to the current Articles of Association to reflect the provisions of the Companies Act 2006 ("the 2006 Act") and the Companies (Shareholders' Rights) Regulations 2009 which have come into force since the current Articles of Association were adopted at the 2008 AGM

The principal changes in the new Articles of Association proposed to be adopted at the 2010 AGM are explained in the explanatory notes on pages 97 and 98 to this document. Other changes, which are of a minor, technical or clarifying nature and also some minor changes which merely reflect changes made by the 2006 Act have not been noted The new Articles of Association showing all the changes to the current Articles of Association are available for inspection at the Company's registered office at 51 Berkeley Square, London W1J 5BB and at The Royal Automobile Club for at least 15 minutes prior to and during the AGM

Recommendation

The directors consider that all the resolutions are in the interests of the Company and shareholders taken as a whole and recommend that all shareholders vote in favour of the resolutions, as the directors intend to, in respect of their own beneficial holdings of Ordinary and Sigma shares amounting, in aggregate, to 456,860 shares

Ordinary share class	**31 March 2010** **Ordinary shares of 25p**	31 March 2009 Ordinary shares of 25p
With beneficial interest		
C M Burton	**18,700**	18,700
P L Salsbury	**32,500**	32,500
R A Stone	**115,000**	115,000
P H Wolton	**10,104**	10,104
H Seaborn	**15,486**	15,486
P Spencer	**15,000**	15,000

On 2 June 2010, Mr Wolton purchased a further 9,896 Ordinary shares There have been no other changes in the directors' interests between the end of the financial year and the date of this report.

Sigma share class	**31 March 2010** **Sigma shares of 12 5p**	31 March 2009 Sigma shares of 12 5p
With beneficial interest		
C M Burton	**6,600**	6,600
P L Salsbury	**65,000**	65,000
R A Stone	**60,000**	60,000
P H Wolton	**20,000**	20,000
H Seaborn	**38,574**	38,574
P Spencer	**25,000**	25,000

On 2 June 2010, Mr Wolton purchased a further 25,000 Sigma shares There have been no other changes in the directors' interests between the end of the financial year and the date of this report

Other Statutory Information

Directors' Interests in Shares

The directors' interests in the share capital of the Company are shown in the tables above

There were no contracts subsisting during or at the end of the year in which a director of the Company is or was materially interested and which is or was significant in relation to the Company's business No director has a contract of service with the Company

Payment of Suppliers

It is the Company's payment policy for the current financial year to obtain the best possible terms for all business The Company agrees with its suppliers the terms on which business will take place and it abides by these terms There were no trade creditors at 31 March 2010 (2009 same)

Donations

The Company made no political or charitable donations during the year (2009 nil)

Share Capital Changes

At 1 April 2010 the Company had 256,725,000 Ordinary shares and 124,922,000 Sigma shares in issue

Since 1 April 2010, and up to the date of this document, the Company has made no market purchases for cancellation of Ordinary shares or of Sigma shares

At the AGM in 2009 the directors were given power to buy back 38,483,078 Ordinary shares Since the AGM the

Report of the Directors *continued*

directors have not bought any shares under this authority This authority will expire at the 2010 AGM Also at the AGM in 2009, the directors were given power to buy back 18,725,808 Sigma shares of 12 5 pence each Since the AGM the directors have not bought any Sigma shares under this authority This authority will also expire at the 2010 AGM The Company will seek to renew the power to make market purchases of Ordinary and Sigma shares at this year's AGM

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

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

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

No member shall be entitled to vote at any general meeting or class meeting in respect of any shares held by them if any call or other sum then payable by them in respect of that share remains unpaid Currently, all issued shares are fully paid In addition, no member shall be entitled to vote if he has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act

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

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

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

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

The Board may decline to register a transfer of any of the Company's certificated shares by a person with a 0 25% interest (as defined in the Articles) if such a person has

Report of the Directors *continued*

been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act, unless the transfer is shown to the Board to be pursuant to an arm's length sale (as defined in the Articles)

Significant Voting Rights – Ordinary shares

Shareholder	% of Ordinary share voting rights*
Legal & General Investment Management Limited (UK)	**3.83**

Declarations of interests in voting rights of the Company, at 30 April 2010, are set out above

In addition, at 30 April 2010 the following shareholders held over 3% of the voting rights on a non-discretionary basis

Shareholder	% of Ordinary share voting rights*
Rensburg Sheppards Investment Management Limited	7 14
TR Property ISA/PEP and Shareplan Schemes	6 50
Brewin Dolphin Securities Limited	5 96
HSBC Global Asset Management (UK) Limited	4 55
Rathbone Investment Management Limited	3 62
Quilter	3 45
F&C Investment Management Limited	3 20

Significant Voting Rights – Sigma shares

Shareholder	% of Sigma share voting rights*
Legal & General Investment Management Ltd. (UK)	**3.97**

Declarations of interests in voting rights of the Company at 30 April 2010, are set out above

In addition at 30 April 2010 the following shareholders held over 3% of the voting rights on a non-discretionary basis

Shareholder	% of Sigma share voting rights*
Reliance Mutual Insurance Society Ltd	6 56
Scottish Widows Investment Partnership Ltd	6 47
Goldman Sachs Asset Management International	4 53
F&C Asset Management plc	4 30
Heartwood Wealth Management Limited	3 65
Derbyshire County Council Pension Fund	3 40
Merseyside Pension Fund	3 23
JPMorgan Asset Management (UK) Limited	3 18

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

ISAs

The Company has conducted its affairs, and will continue to conduct its affairs, in such a way as to comply with the Individual Savings Accounts Regulations. Both Ordinary shares and Sigma shares can be held in Individual Savings Accounts

Directors' Indemnity

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

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

Directors' Statement as to Disclosure of Information to Auditors

The directors who were members of the Board at the time of approving the Report of the Directors are listed on page 44 of these financial statements Each of these directors confirms that

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

Shareholder Information

Further information on the Company can be found on pages 100 to 102

Going Concern

The Board has prepared forecasts taking account of the current uncertain market conditions which demonstrate

Report of the Directors *continued*

that the Trust will be able to operate within available facilities The assets of the Company consist mainly of securities which are readily realisable and, accordingly, it has adequate financial resources to continue in operational existence for the foreseeable future

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

Corporate Governance

Corporate Governance Report

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

Application of the AIC Code's Principles

This statement describes how the principles of the Combined Code on Corporate Governance ("the Code") issued by the Financial Reporting Council in June 2008 have been applied to the affairs of the Company

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

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

Composition and Independence of the Board

The Board currently consists of six directors, all of whom are non-executive and are independent of the Investment Manager None of the directors have any other links to the Investment Manager they all have other professional employment

Powers of the Directors

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

Directors

Directors' retirement by rotation and re-election is subject to the Articles of Association, the Combined Code published in June 2008 and the AIC Code of Corporate Governance

The Articles of Association require that up to one-third of the directors must retire every year and that every director must retire by rotation at least every three years They may then offer themselves for re-election The terms of the directors' appointments also provide that a director shall be subject to election at the first AGM after appointment and to re-election at least every third year thereafter

The directors retiring by rotation at the forthcoming AGM are Ms Burton and Mr Wolton who, being eligible, offer themselves for re-election Mr Salsbury and Mr Stone have served on the Board for more than nine years In accordance with the Combined Code on Corporate Governance, they will stand for annual re-election by shareholders and offer themselves for re-election at the forthcoming AGM

The Board has considered the continued appointments of Mr Salsbury, who has served on the Board for twelve years, and Mr Stone, who has served on the Board for nine years They have no other links to the Investment Manager The Board subscribes to the AIC Code view that length of tenure is not necessarily an issue, rather the directors' contribution The Board is conscious of the need to maintain continuity on the Board and believes that retaining directors with sufficient experience of both the Company and the markets is of great benefit to shareholders Moreover, long-serving directors are less likely to take a short-term view The Board has concluded that both Mr Salsbury and Mr Stone continue to make valuable contributions and, notwithstanding their length of service, believes that they remain independent in character and judgement Accordingly, all six directors are regarded as being free of any conflicts of interest and no issues in respect of independence arise

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

Report of the Directors *continued*

Board Committees
The Board has established an Audit Committee as set out below The Management Engagement Committee, which also carries out the functions of a Remuneration Committee, was formed in November 2006. Further details are set out below The Board does not have a Nominations Committee This function is carried out by the Board as part of the agenda of regular Board meetings when required

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

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

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

The provision of non-audit services by the Company's Auditors is considered and approved by the Audit Committee on a case-by-case basis

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

The Audit Committee is satisfied that Ernst & Young LLP is independent of the Company

The Board recommend the reappointment of Ernst & Young LLP as Auditors at the forthcoming AGM

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

Management Engagement Committee
The Management Engagement Committee ("MEC") was formed in November 2006 comprising the Chairman and all directors of the Company

The MEC meets at least on an annual basis, towards the end of the financial year The MEC met in March 2010

The MEC reviews, on an annual basis, the performance of Thames River and its continued suitability to manage the Company's portfolio It also reviews the terms of the Investment Management Agreement, to ensure they are competitive and fair and in the best interests of the shareholders, and to negotiate terms where appropriate At the MEC meeting in March 2010, the MEC confirmed that Thames River should be retained as the Investment Manager for the financial year ending 31 March 2011

In addition to the Investment Management role, the Board has delegated to external third parties the custodial services (which include the safeguarding of assets), the day to day accounting, company secretarial services, administration and registration services Each of these contracts was entered into after full and proper consideration of the quality of the services offered, including the control systems in operation insofar as they relate to the affairs of the Company These contracts are reviewed annually by the MEC.

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

The MEC also reviews, on an annual basis, the directors' fees The results of the most recent review are set out in the Directors' Remuneration Report on pages 46 and 47

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

Report of the Directors *continued*

Performance Evaluation
An independent evaluation of the effectiveness of the Board, its committees and the performance of each director was undertaken by the JCA Group ("JCA") In addition to the Directors, the most Senior members of the Fund Management and Investment Management teams were interviewed

The JCA report was presented and discussed by the Board and subsequently the Chairman held individual discussions with each Director to give individual feedback. The Chairman was interviewed by and had feedback from both the Senior Independent Director and JCA The process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and the Committees, the contribution of individual directors, as well as building on and developing individual and collective strengths

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

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

In particular, it is considered that each of the directors makes a significant contribution to the affairs of the Company and that directors seeking re-appointment at the Company's forthcoming AGM merit re-appointment by shareholders

Directors' Remuneration
Directors' remuneration is considered by the MEC The MEC determines and approves directors' fees following proper consideration, having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs In the recent review external advice was also taken

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

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

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

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

Board Meetings
The number of meetings of the Board and Committees held during the year under review, and the attendance of individual directors, are shown below

Meetings

	Board	Audit	MEC
No. of meetings in the year	**6**	**2**	**1**
Peter Salsbury	6	2	1
Caroline Burton	6	2	1
Richard Stone	5	2	1
Peter Wolton	6	2	1
Hugh Seaborn	5	1	1
Paul Spencer	6	2	1

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

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

Report of the Directors *continued*

investment restrictions, performance, corporate governance and Board membership and appointments

In order to enable them to discharge their responsibilities, all directors have full and timely access to relevant information At each meeting, the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature The Board monitors compliance with the Company's objectives and is responsible for setting asset allocation, investment and gearing limits within which the Fund Manager has discretion to act and thus supervises the management of the investment portfolio, which is contractually delegated to the Investment Manager

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

Further details of the Board's consideration of key operational matters is contained in the Business Review section of the Report of the Directors on pages 48 to 52

Conflicts of Interest

In line with the Companies Act 2006, the Board has the power to authorise any potential conflicts of interest that may arise and impose such limits or conditions as it thinks fit A comprehensive exercise was undertaken to identify the potential and actual conflicts of interest of the Directors and their connected persons The Board then reviewed these conflicts and approved them (excluding the Director to whom the potential conflict related) A register of conflicts is maintained and will be reviewed at least annually to ensure all details are kept up-to-date In the future, appropriate authorisation will be sought prior to the appointment of any new director or if any new conflicts arise

Internal Controls

The Board has overall responsibility for the Group's systems of internal controls and for reviewing their effectiveness The Investment Manager is responsible for the day to day investment management decisions on behalf of the Group Accounting and company secretarial services have both been outsourced

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

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

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

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

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

Report of the Directors *continued*

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

Relations with Shareholders
Shareholder relations are given high priority by both the Board and the Investment Manager The prime medium by which the Company communicates with shareholders is through the Interim and Annual Reports which aim to provide shareholders with a clear understanding of the Company's activities and their results This information is supplemented by the daily calculation and by the publication at the London Stock Exchange of the Net Asset Value of the Company's Ordinary and Sigma shares and interim management statements

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

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

It is the intention of the Board that the Annual Report and Accounts and Notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of the AGM Shareholders wishing to lodge questions in advance of the AGM, or to contact the Board at any other time, are invited to do so by writing to the Company Secretary at the registered address given on page 99

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

Socially Responsible Investment
Good corporate governance extends to a company's policies on the environment, employment, human rights and community relationships Corporations are playing an increasingly important role in global economic activity and the adoption of good corporate governance enhances a company's economic prospects by reducing the risk of government and regulatory intervention and any ensuing damage to its business or reputation

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

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

Compliance Statement
The directors acknowledge that the Company did not comply with the following provisions of the Combined Code in the year ended 31 March 2010

A.2 1 Due to the nature and structure of the Company the Board of non-executive directors do not feel it is necessary to appoint a chief executive

A 4 1 The Board does not have a separate Nominations Committee This function is carried out by the Board as part of the agenda of regular Board meetings when required

B 2 1 The Board does not have a separate Remuneration Committee The functions of a Remuneration Committee are carried out by the MEC

C 3 5 As the Company has no employees and its operational functions are undertaken by third parties, the Audit Committee does not consider it necessary for the Company to establish its own internal audit function

Registered Auditor
A resolution to re-appoint Ernst & Young LLP as the Company's Auditor will be put to shareholders at the forthcoming AGM

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

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the group's auditors in connection with preparing their report) of which the Company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board
For and on behalf of
Capita Company Secretarial Services Limited
Secretary
10 June 2010

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

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

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

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

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

By order of the Board
Peter Salsbury
Chairman

10 June 2010

The Board members are listed on page 44

Independent Auditors' Report

to the members of TR Property Investment Trust plc

We have audited the financial statements of TR Property Investment Trust plc for the year ended 31 March 2010 which comprise Group Income Statement, Group and Company Statement of Changes in Equity, Group and Company Balance Sheets, Group and Company Cash Flow Statements and the related notes 1 to 22 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group and Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and Company's affairs as at 31 March 2010 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulations

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following

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

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

Under the Listing Rules we are required to review

- the directors' statement, set out on pages 55 and 56, in relation to going concern, and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review

Michael-John Albert (Senior statutory auditor)

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

London

10 June 2010

Group Income Statement

for the year ended 31 March 2010

Notes		Year ended 31 March 2010 Revenue Return £'000	Year ended 31 March 2010 Capital Return £'000	Year ended 31 March 2010 Total £'000	Year ended 31 March 2009 Revenue Return £'000	Year ended 31 March 2009 Capital Return £'000	Year ended 31 March 2009 Total £'000
	Investment income						
2	Investment income	**20,636**	**-**	**20,636**	23,349	-	23,349
4	Other operating income	**1,985**	**-**	**1,985**	3,558	-	3,558
3	Gross rental income	**3,655**	**-**	**3,655**	4,240	-	4,240
3	Service charge income	**1,506**	**-**	**1,506**	926	-	926
10	Gains/(losses) on investments held at fair value	**-**	**198,764**	**198,764**	-	(308,995)	(308,995)
	Total income	**27,782**	**198,764**	**226,546**	32,073	(308,995)	(276,922)
	Expenses						
5	Management and performance fees	**(2,914)**	**(1,457)**	**(4,371)**	(2,902)	(5,124)	(8,026)
5	Repayment of prior years' VAT	**547**	**360**	**907**	1,711	4,246	5,957
3	Direct property expenses, rent payable and service charge costs	**(1,792)**	**-**	**(1,792)**	(1,176)	-	(1,176)
6	Other administrative expenses	**(858)**	**-**	**(858)**	(803)	-	(803)
	Total operating expenses	**(5,017)**	**(1,097)**	**(6,114)**	(3,170)	(878)	(4,048)
	Operating profit/(loss)	**22,765**	**197,667**	**220,432**	28,903	(309,873)	(280,970)
7	Finance costs	**(1,143)**	**(1,143)**	**(2,286)**	(1,703)	(1,703)	(3,406)
	Profit/(loss) from operations before tax	**21,622**	**196,524**	**218,146**	27,200	(311,576)	(284,376)
8	Taxation	**(4,504)**	**1,406**	**(3,098)**	(6,824)	5,671	(1,153)
	Net profit/(loss)	**17,118**	**197,930**	**215,048**	20,376	(305,905)	(285,529)
9a	**Earnings/(loss) per Ordinary share**	**5.18p**	**59.71p**	**64.89p**	6 49p	(94 71)p	(88 22)p
9b	**Earnings/(loss) per Sigma share**	**3.06p**	**35.73p**	**38 79p**	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 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 This can be found in the Group Statement of Changes in Equity for the year ended 31 March 2010 on page 64

The notes on pages 67 to 88 form part of these accounts

Group and Company Statement of Changes in Equity

for the year ended 31 March 2010	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	–	–	–	–	166,596	48,452	215,048
Ordinary dividends paid	–	–	–	–	(14,762)	(2,498)	(17,260)
At 31 March 2010	**64,181**	**15,615**	**43,162**	**43,513**	**338,641**	**92,965**	**598,077**

for the year ended 31 March 2009	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)
Ordinary 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

The notes on pages 67 to 88 form part of these accounts

Group and Company Balance Sheets

as at 31 March 2010

Notes		Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000
	Non-current assets				
10	Investments held at fair value	**646,222**	**626,622**	343,905	324,930
10	Investments in subsidiaries	**-**	**53,745**	-	55,133
		646,222	**680,367**	343,905	380,063
	Current assets				
12	Debtors	**10,325**	**9,644**	5,970	5,123
	Cash and cash equivalents	**11,445**	**11,402**	77,568	77,517
		21,770	**21,046**	83,538	82,640
14	**Current liabilities**	**(51,366)**	**(103,179)**	(8,871)	(62,414)
	Net current (liabilities)/assets	**(29,596)**	**(82,133)**	74,667	20,226
	Total assets less current liabilities	**616,626**	**598,234**	418,572	400,289
14	**Non-current liabilities**	**(18,549)**	**(157)**	(18,283)	-
	Net assets	**598,077**	**598,077**	400,289	400,289
	Capital and reserves				
15	Called up share capital	**79,796**	**79,796**	79,796	79,796
16	Share premium account	**43,162**	**43,162**	43,162	43,162
16	Capital redemption reserve	**43,513**	**43,513**	43,513	43,513
17	Retained earnings	**431,606**	**431,606**	233,818	233,818
	Equity shareholders' funds	**598,077**	**598,077**	400,289	400,289
	Net asset value per:				
20a	Ordinary share	**185.22p**	**185.22p**	126 07p	126 07p
20b	Sigma share	**98.12p**	**98.12p**	61 34p	61 34p

These accounts were approved by the directors of TR Property Investment Trust plc (Company No 84492) and authorised for issue on 10 June 2010

P Salsbury – Director

The notes on pages 67 to 88 form part of these accounts

Group and Company Cash Flow Statements

as at 31 March 2010

	Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000
Reconciliation of operating revenue to net cash (outflow)/inflow from operating activities				
Net profit/(loss) before tax	**218,146**	**218,207**	(284,376)	(283,740)
Financing activities	**2,286**	**2,650**	3,406	3,465
(Gains)/losses on investments held at fair value through profit or loss	**(198,764)**	**(196,618)**	308,995	307,976
(Increase)/decrease in accrued income	**(306)**	**(566)**	(41)	194
(Increase)/decrease in other debtors	**(3,250)**	**(3,156)**	1,869	(11,788)
(Decrease)/increase in creditors	**(4,116)**	**(5,853)**	2,113	(9,278)
Net (purchases)/sales of investments	**(97,357)**	**(97,653)**	34,514	34,094
(Increase)/decrease in sales settlement debtor	**(775)**	**(775)**	607	607
Decrease in purchase settlement creditor	**(274)**	**(274)**	(173)	(173)
Scrip dividends included in investment income	**(2,937)**	**(2,937)**	-	-
Net cash (outflow)/inflow from operating activities before interest and taxation	**(87,347)**	**(86,975)**	66,914	41,357
Interest paid	**(2,286)**	**(2,650)**	(4,085)	(3,465)
Taxation paid	**(1,323)**	**(1,323)**	(1,691)	(1,691)
Net cash (outflow)/inflow from operating activities	**(90,956)**	**(90,948)**	61,138	36,201
Financing activities				
Equity dividends paid	**(17,260)**	**(17,260)**	(16,349)	(16,349)
Purchase of Ordinary and Sigma shares	**-**	**-**	(4,442)	(4,442)
Repayment of debentures	**-**	**-**	(25,000)	-
Drawdown of loans	**45,250**	**45,250**	-	-
Net cash used in financing	**27,990**	**27,990**	(45,791)	(20,791)
(Decrease)/increase in cash	**(62,966)**	**(62,958)**	15,347	15,410
Cash and cash equivalents at start of the year	**77,568**	**77,517**	51,881	51,767
Exchange movements	**(3,157)**	**(3,157)**	10,340	10,340
Cash and cash equivalents at end of the year	**11,445**	**11,402**	77,568	77,517

The notes on pages 67 to 88 form part of these accounts

Notes to the Financial Statements

1 Accounting policies

The financial statements for the year ended 31 March 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee (IASC) that remain in effect, to the extent that they have been adopted by the European Union

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

a Basis of consolidation

The Group accounts consolidate the financial statements of the Company and its subsidiaries to 31 March 2010 Companies, other than subsidiaries, in which the Group has an investment representing 20% or more of the voting rights and over which it exerts significant influence, are treated as associates The Group accounts include the appropriate share of the results and reserves of these companies based on the latest available accounts Other companies, in which the Group has an investment representing 20% or more of the voting rights but where the directors consider that the Group does not exert significant influence, are not treated as associates and are accounted for as investments

b Income

Dividends receivable on equity shares are treated as revenue for the year on an ex-dividend basis Where no ex-dividend date is available, dividends receivable on or before the year end are treated as revenue for the year Provision is made for any dividends not expected to be received Where the Group has elected to receive these dividends in the form of additional shares rather than cash the amount of cash dividend foregone is recognised as income Differences between the value of shares received and the cash dividend foregone are recognised in the capital returns of the Group Income Statement. The fixed returns on debt securities are recognised on a time apportionment basis so as to reflect the effective yield on each such security Interest receivable from cash and short term deposits is accrued to the end of the year

Rental income

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

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

Service charges and expenses recoverable from tenants

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

c Expenses

All expenses and finance costs are accounted for on an accruals basis An analysis of retained earnings broken down into revenue and capital items is given in note 17 In arriving at this breakdown, expenses have been presented as revenue items except as follows

- expenses which are incidental to the acquisition or disposal of an investment,
- expenses are presented as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated One third of the management fees is deemed to relate to the administration of the Trust and charged to revenue The remainder are allocated 50% to revenue return and 50% to capital return to reflect the Board's expectations of long term investment returns The overall result is that two thirds of management fees are charged to revenue and one third to capital All performance fees are charged to capital return

Notes to the Financial Statements *continued*

1 **Accounting policies** continued

Expenses are allocated between the share classes as follows

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

d Finance costs

The finance cost in respect of capital instruments other than equity shares is calculated so as to give a constant rate of return on the outstanding balance One half of the finance costs is charged to capital return

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

e Taxation

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

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

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

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

The brought forward tax losses held within TR Property Investment Trust plc prior to the introduction of the new Sigma share class have been split between the Ordinary shares and the Sigma shares based on the proportion of ordinary shares converted to Sigma shares on 24 July 2007 (18 9943%) Tax losses will in the future only be transferred from one share class to another to the extent that there are insufficient current year losses available to the share class claiming the losses to cover the taxable income arising

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

f Properties

Investment properties are revalued six-monthly by independent valuers The purchase and sale of properties is recognised to be effected on the date unconditional contracts are exchanged

g Investments

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

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

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

In its financial statements the Company recognises its investments in subsidiaries at fair value, being their respective net asset values

Notes to the Financial Statements *continued*

1 Accounting policies continued

Investment property

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

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

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

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

h Movements in fair value

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

i Non-current liabilities

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

j Foreign currency translation

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

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

k Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits

l Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year except as described below

The following new and amended IFRS and IFRIC interpretations are mandatory as of 1 January 2009 unless otherwise stated

- Amendment to IFRS 7 Improving Disclosures about Financial Instruments
- IFRS 8 Operating Segments
- IAS 1 (Revised) Presentation of Financial Statements
- Improvements to IFRSs (issued May 2008)
- IAS 23 Definition of borrowing costs

Amendment to IFRS 7 Improving Disclosures about Financial Instruments

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy The fair value measurement disclosures are presented in Note 10 The Group has taken advantage of the transitional provisions under this amendment and has therefore not provided comparative information for 31 March 2009

The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 11 4

Notes to the Financial Statements *continued*

1 **Accounting policies** continued

IFRS 8 Operating Segments

IFRS 8 replaces IAS 14 Segment reporting (IAS 14) The Group concluded that its operating segments determined in accordance with IFRS 8 are the same as the business segments previously indentified under IAS 14 IFRS 8 disclosures are shown in note 10, including the related revised comparative information

IAS 1 (revised) Presentation of Financial Statements

The revised Standard has required the reconciliation of movements in equity, previously disclosed in the notes, to be presented as a primary statement entitled "Consolidated Statement of Changes on Equity" In addition, the Consolidated Statement of Recognised Income and Expense has been replaced with the Consolidated Statement of Comprehensive Income The revised standard requires this statement to present all items of recognised income and expense, either in one single statement, or in two linked statements The Group has elected to present one statement, being the Group Income Statement

In addition the revised Standard requires a third balance sheet to be presented if accounting changes are applied retrospectively or reclassifications are made and the opening balance sheet is affected This requirement does not apply to the Group in the current financial year

Improvements to IFRSs (issued May 2008)

In May 2008 the Accounting Standards Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording There are separate transitional provisions for each amendment The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group

IAS 23 Borrowing Costs

The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39 The Group has amended its accounting policy accordingly which did not result in any change in its financial position

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year However, the nature of estimation means that actual outcomes could differ from those estimates

In the process of applying the Group's accounting policies, the following judgements have been made, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements

Operating lease commitments

The Group has entered into commercial property leases as lessor on its investment property portfolio The classification of such leases as operating or finance lease requires the Group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies The Group has not recognised deferred tax assets arising as a result of excess management expenses and excess non-trade debits These expenses will only be utilised if the Group has profits chargeable to corporation tax in future accounting periods It is considered too uncertain that the Group will generate such profits and, on this basis, the deferred tax asset in respect of these expenses has not been recognised

Notes to the Financial Statements *continued*

1 **Accounting policies** continued

Revaluation of Investment Properties

The Group carries its investment properties at fair value (market value) revalued twice a year, with changes in fair values being recognised in the Group Income Statement. The Group engaged Drivers Jonas Deloitte as independent valuation specialists to determine market value as at 31 March 2010

Valuations of Property

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

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

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

In arriving at their estimates of market values as at 31 March 2010, the valuers have used their market knowledge and professional judgement and have not only relied solely on historical transactional comparables

2 **Investment income**

	2010 £'000	2009 £'000
Dividends from UK listed investments	**1,933**	3,092
Dividends from overseas listed investments	**11,007**	13,703
Scrip dividends from overseas listed investments	**2,937**	–
Interest from listed investments	**428**	113
Property income distributions	**4,331**	6,441
	20,636	23,349

3 **Net rental income**

	2010 £'000	2009 £'000
Gross rental income	**3,655**	4,240
Service charge income	**1,506**	926
Direct property expenses, rent payable and service charge costs	**(1,792)**	(1,176)
	3,369	3,990

Operating Leases

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

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

	2010 £'000	2009 £'000
Within 1 year	**3,400**	3,600
After 1 year but not more than 5 years	**10,000**	11,300
More than 5 years	**1,500**	3,500
	14,900	18,400

Notes to the Financial Statements *continued*

4 Other operating income

	2010 £'000	2009 £'000
Interest receivable	**142**	2,904
Interest on VAT repayments	**694**	654
Underwriting commission	**1,149**	-
	1,985	3,558

5 Management and performance fees

	2010 Revenue Return £'000	2010 Capital Return £'000	2010 Total £'000	2009 Revenue Return £'000	2009 Capital Return £'000	2009 Total £'000
Management fee	**2,914**	**1,457**	**4,371**	2,902	1,450	4,352
Repayment of prior years' VAT	**(547)**	**(360)**	**(907)**	(1,711)	(4,246)	(5,957)
Performance fee	**-**	**-**	**-**	-	3,674	3,674
	2,367	**1,097**	**3,464**	1,191	878	2,069

A summary of the terms of the management agreement is given in the Report of the Directors on pages 50 and 51

6 Other administrative expenses
(including irrecoverable VAT)

	2010 £'000	2009 £'000
Directors' fees (*Directors' Remuneration Report on pages 46 and 47*)	**183**	197
Auditors' remuneration		
– for audit of the financial statements	**87**	81
– for audit of the financial statements of subsidiaries	**17**	17
– for other services	**5**	5
Other expenses	**566**	503
	858	803

7 Finance costs

	2010 £'000	2009 £'000
Bank loans and overdrafts repayable within 1 year	**516**	274
Debentures repayable within 1 year	**-**	1,359
Debentures repayable after more than 5 years	**1,770**	1,773
	2,286	3,406
Amount allocated to capital return	**(1,143)**	(1,703)
Total allocated to revenue return	**1,143**	1,703

Notes to the Financial Statements *continued*

8 Taxation

a Analysis of charge in the year

	2010 Revenue Return £'000	2010 Capital Return £'000	2010 Total £'000	2009 Revenue Return £'000	2009 Capital Return £'000	2009 Total £'000
UK corporation tax at 28%	**4,457**	**(1,515)**	**2,942**	6,952	(5,259)	1,693
Overseas taxation	**(21)**	**-**	**(21)**	8	–	8
	4,436	**(1,515)**	**2,921**	6,960	(5,259)	1,701
Overprovision in respect of prior years	**(89)**	**-**	**(89)**	(136)	–	(136)
Current tax charge for the year	**4,347**	**(1,515)**	**2,832**	6,824	(5,259)	1,565
Deferred taxation	**157**	**109**	**266**	–	(412)	(412)
	4,504	**(1,406)**	**3,098**	6,824	(5,671)	1,153

b Factors affecting current tax charge for the year

The tax assessed for the period is higher than the standard rate of corporate tax in the UK for a large company (28% (2009 28%)) The difference is explained below

	2010 Revenue Return £'000	2010 Capital Return £'000	2010 Total £'000	2009 Revenue Return £'000	2009 Capital Return £'000	2009 Total £'000
Net profit/(loss) on ordinary activities before taxation	**21,622**	**196,524**	**218,146**	27,200	(311,576)	(284,376)
Corporation tax charge/(credit) at 28% (2009 28%)	**6,054**	**55,027**	**61,081**	7,616	(87,241)	(79,625)
Effects of						
Non taxable (gains)/losses on investments	**-**	**(55,654)**	**(55,654)**	–	86,519	86,519
Tax relief on expenses (charged)/ credited to capital	**-**	**(888)**	**(888)**	(6)	(4,537)	(4,543)
Non-taxable UK dividends	**(541)**	**-**	**(541)**	(866)	–	(866)
Non-taxable overseas dividends	**(1,298)**	**-**	**(1,298)**	–	–	–
Overseas withholding taxes	**(21)**	**-**	**(21)**	8	–	8
Overprovision in respect of prior years	**(89)**	**-**	**(89)**	(136)	–	(136)
Disallowable expenses	**23**	**-**	**23**	18	–	18
Other short term timing differences	**219**	**-**	**219**	190	–	190
Current tax charge for the year	**4,347**	**(1,515)**	**2,832**	6,824	(5,259)	1,565

The Group has not recognised deferred tax assets of £576,000 (2009 £995,000) arising as a result of excess management expenses and excess non-trade debits These expenses will only be utilised if the Group has profits chargeable to corporation tax in future accounting periods It is considered too uncertain that the Group will generate such profits and, on this basis, the deferred tax asset in respect of these expenses has not been recognised

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

Notes to the Financial Statements *continued*

8 Taxation continued

c Provision for deferred taxation

The amounts of deferred taxation provided at 28% (2009 28%) comprise

Group	2010 Revenue Return £'000	2010 Capital Return £'000	2010 Total £'000	2009 Revenue Return £'000	2009 Capital Return £'000	2009 Total £'000
Capital gains	–	3,392	3,392	–	3,283	3,283
Accelerated capital allowances	157	–	157	–	–	–
Shown as						
Deferred tax liability	157	3,392	3,549	–	3,283	3,283

Company	2010 Revenue Return £'000	2010 Capital Return £'000	2010 Total £'000	2009 Revenue Return £'000	2009 Capital Return £'000	2009 Total £'000
Capital gains	157	–	157	–	–	–
Shown as						
Deferred tax liability	157	–	157	–	–	–

The movement in provision in the year is as follows

Group	2010 Revenue Return £'000	2010 Capital Return £'000	2010 Total £'000	2009 Revenue Return £'000	2009 Capital Return £'000	2009 Total £'000
Provision at the start of the year	–	3,283	3,283	–	3,695	3,695
Accelerated capital allowances	157	–	157	–	–	–
Capital gains	–	109	109	–	(412)	(412)
Provision at the end of the year	157	3,392	3,549	–	3,283	3,283

Company	2010 Revenue Return £'000	2010 Capital Return £'000	2010 Total £'000	2009 Revenue Return £'000	2009 Capital Return £'000	2009 Total £'000
Provision at the start of the year	–	–	–	–	–	–
Accelerated capital allowances	157	–	157	–	–	–
Provision at the end of the year	157	–	157	–	–	–

Notes to the Financial Statements *continued*

9 Earnings/(loss) per share

a Earnings/(loss) per Ordinary share

The earnings/(loss) per Ordinary share can be analysed between revenue and capital, as below

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Net revenue profit	**13,292**	16,699
Net capital gain/(loss)	**153,304**	(243,544)
Net total earnings/(loss)	**166,596**	(226,845)
Weighted average number of shares in issue during the year	**256,725,000**	257,124,930

	pence	pence
Revenue earnings per share	**5.18**	6 49
Capital gain/(loss) per share	**59 71**	(94 71)
Earnings/(loss) per Ordinary share	**64.89**	(88 22)

b Earnings/(loss) per Sigma share

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

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Net revenue profit	**3,826**	3,677
Net capital gain/(loss)	**44,626**	(62,361)
Net total earnings/(loss)	**48,452**	(58,684)
Weighted average number of shares in issue during the period	**124,922,000**	126,373,055

	pence	pence
Revenue earnings per share	**3.06**	2 91
Capital gain/(loss) per share	**35.73**	(49 35)
Earnings/(loss) per Sigma share	**38.79**	(46 44)

Notes to the Financial Statements *continued*

9 Earnings/(loss) per share continued

c Reconciliation of Group and Share Class Earnings

	2010 Revenue Return £'000	2010 Capital Return £'000	2010 Total £'000
Net profit per Group Income Statement	17,118	197,930	215,048
Net profit per Ordinary Share Class Income Statement	13,292	153,304	166,596
Net profit per Sigma Share Class Income Statement	3,826	44,626	48,452
	17,118	197,930	215,048
Weighted average number of Ordinary shares in issue during the year	256,725,000	256,725,000	256,725,000
Weighted average number of Sigma shares in issue during the year	124,922,000	124,922,000	124,922,000
Net earnings per Ordinary share	5.18p	59 71p	64.89p
Net earnings per Sigma share	3 06p	35.73p	38.79p

10 Investments held at fair value

(i) Analysis of investments

	Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000
Listed in the United Kingdom	215,350	215,350	110,494	110,494
Listed overseas	380,106	380,106	184,939	184,939
Investment properties	50,766	31,166	48,472	29,497
Investments held at fair value	646,222	626,622	343,905	324,930
Investments in subsidiaries at fair value	-	53,745	–	55,133
	646,222	680,367	343,905	380,063

Notes to the Financial Statements *continued*

10 Investments held at fair value continued

(ii) Gains on investments held at fair value

	31 March 2010 £'000	31 March 2009 £'000
Realised gains/(losses) on sale of investments	**22,534**	(5,608)
Movement in unrealised appreciation	**179,489**	(313,727)
Net movement on foreign exchange	**(3,259)**	10,340
	198,764	(308,995)

(iii) Business segment reporting

	Valuation 31 March 2009 £'000	Net additions/ (disposals) £'000	Net appreciation £'000	Valuation 31 March 2010 £'000	Gross revenue 31 March 2010 £'000
Listed investments	295,433	100,590	199,433	**595,456**	**20,636**
Direct property	48,472	(296)	2,590	**50,766**	**5,161**
	343,905	100,294	202,023	**646,222**	**25,797**

(iv) Geographical segment reporting

	Valuation 31 March 2009 £'000	Net additions/ (disposals) £'000	Net appreciation £'000	Valuation 31 March 2010 £'000	Gross revenue 31 March 2010 £'000
UK listed equities and convertibles	109,486	29,863	74,924	**214,273**	**6,264**
UK direct property	48,472	(296)	2,590	**50,766**	**5,161**
Continental European listed equities	184,458	71,320	120,784	**376,562**	**13,944**
Fixed interest	1,489	(593)	3,725	**4,621**	**428**
	343,905	100,294	202,023	**646,222**	**25,797**

Included in the above figures are purchase costs of £412,000 (2009 £225,000) and sales costs of £170,000 (2009 £181,000) These comprise mainly stamp duty and commission

(v) Substantial share interests

The Group held interests in 3% or more of any class of capital in 5 investee companies None of these investments is considered significant in the context of these financial statements See note 22 on page 88 for further details of subsidiary investments

(vi) Fair values of financial assets and financial liabilities

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

Notes to the Financial Statements *continued*

10 **Investments held at fair value** *continued*

Fair value hierarchy disclosures

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

Financial assets at fair value through profit or loss

At 31 March 2010

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	590,835	–	–	590,835
Fixed interest investments	4,621	–	–	4,621
	595,456	–	–	595,456

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

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

The valuation techniques used by the Group are explained in the accounting policies in note 1(g)

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

11 **Financial Instruments**

Risk management policies and procedures

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

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

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

The Investment Manager's policies and processes for managing these risks are summarised on pages 79 to 83 and have been applied throughout the year

Notes to the Financial Statements *continued*

11.1 Market Price Risk

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

Management of the risk

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

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

	2010 £'000	2009 £'000
Investments held at fair value	**646,222**	343,905

Concentration of exposure to price risks

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

Price risk sensitivity

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

	2010 *Increase* in fair value £'000	**2010 *Decrease* in fair value £'000**	2009 Increase in fair value £'000	2009 Decrease in fair value £'000
Income statement – profit after tax				
Revenue return	**(114)**	**114**	(200)	200
Capital return	**96,883**	**(96,883)**	51,486	(51,486)
Change to the profit after tax for the year/shareholders' funds	**96,769**	**(96,769)**	51,286	(51,286)
Change to total earnings/(loss)				
per Ordinary share	**29.91p**	**(29.91)p**	16 17p	(16 17)p
per Sigma share	**16.00p**	**(16 00)p**	783p	(783)p

11.2 Currency Risk

A proportion of the Group's portfolio is invested in overseas securities and their Sterling value can be significantly affected by movements in foreign exchange rates

Management of the risk

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

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

Notes to the Financial Statements *continued*

11.2 Currency Risk continued

Foreign currency exposure

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

Currency	**2010**	2009
Sterling	**36.0%**	38 6%
Euro	**51.2%**	56 8%
Swedish Krona	**8.4%**	3 5%
Other	**4.4%**	1 1%

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

2010	**Sterling £'000**	**Euro £'000**	**Swedish Krona £'000**	**Other £'000**
Receivables (due from brokers, dividends and other income receivable)	**6,602**	**2,219**	**1,435**	**69**
Cash at bank and on deposit	**10,601**	**678**	**8**	**158**
Bank loans and overdrafts	**(45,250)**	**-**	**-**	**-**
Payables (due to brokers, accruals and other creditors)	**(4,522)**	**(93)**	**(593)**	**(908)**
Total foreign currency exposure on net monetary items	**(32,569)**	**2,804**	**850**	**(681)**
Investments held at fair value	**266,116**	**303,371**	**49,624**	**27,111**
Non-current liabilities	**(18,549)**	**-**	**-**	**-**
Total net currency exposure	**214,998**	**306,175**	**50,474**	**26,430**

2009	Sterling £'000	Euro £'000	Swedish Krona £'000	Other £'000
Receivables (due from brokers, dividends and other income receivable)	5,331	165	474	-
Cash at bank and on deposit	15,434	62,094	40	-
Payables (due to brokers, accruals and other creditors)	(7,340)	(1,531)	-	-
Total foreign currency exposure on net monetary items	13,425	60,728	514	-
Investments held at fair value	159,240	166,733	13,647	4,285
Non-current liabilities	(18,283)	-	-	-
Total net currency exposure	154,382	227,461	14,161	4,285

Notes to the Financial Statements *continued*

11.2 Currency Risk continued

Foreign currency sensitivity

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

It assumes the following changes in exchange rates
Sterling/Euro +/- 15% (2009 15%)
Sterling/Swedish Krona +/- 15% (2009 15%)
Sterling/Other +/- 15% (2009 15%)

These percentages are consistent with those used in the preceding financial year

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

	Year ended 31 March 2010			Year ended 31 March 2009		
	Euro £'000	**Swedish Krona £'000**	**Other £'000**	Euro £'000	Swedish Krona £'000	Other £'000
Income statement – profit after tax						
Revenue return	**(1,123)**	**(84)**	**5**	(1,074)	(187)	2
Capital return	**(39,540)**	**(6,467)**	**(3,686)**	(30,737)	(1,782)	(558)
Change to the profit after tax for the year/shareholders' funds	**(40,663)**	**(6,551)**	**(3,681)**	(31,811)	(1,969)	(556)

	2010	2009
Change to total earnings		
per Ordinary share	**(15.22)p**	(10 36)p
per Sigma share	**(9.47)p**	(6 19)p

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

	Year ended 31 March 2010			Year ended 31 March 2009		
	Euro £'000	**Swedish Krona £'000**	**Other £'000**	Euro £'000	Swedish Krona £'000	Other £'000
Income statement – profit after tax						
Revenue return	**1,520**	**113**	**(7)**	1,461	253	(3)
Capital return	**53,495**	**8,750**	**4,988**	39,560	2,411	755
Change to the profit after tax for the year/shareholders' funds	**55,015**	**8,863**	**4,981**	41,021	2,664	752

	2010	2009
Change to total earnings		
per Ordinary share	**20.59p**	13 79p
per Sigma share	**12.81p**	722p

Notes to the Financial Statements *continued*

11.3 Interest rate risk

Interest rate movements may affect

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

Management of the risk

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

The Group has fixed and variable rate borrowings The interest rate on the debenture loan is fixed, details are set out in note 14 In addition to the debentures the Group has an unsecured, multi-currency revolving loan facility which carries a variable rate of interest based on the currency drawn, plus a margin This facility totals £50,000,000 (2009 £50,000,000)

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

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

Interest rate risk exposure

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

- floating interest rates when the interest rate is due to be re-set
- fixed interest rates when the financial instrument is due to be repaid

The Group's exposure to floating interest rates on assets is £11,445,000 (2009 £77,568,000)
The Group's exposure to fixed interest rates on assets is £4,621,000 (2009 £1,489,000)
The Group's exposure to fixed interest rates on liabilities is £60,250,000 (2009 £15,000,000)

Interest receivable and finance costs are at the following rates

- Interest received on cash balances, or paid on bank overdrafts, is at a margin over LIBOR or its foreign currency equivalent (2009 same)
- Interest paid on borrowings under the multi-currency loan facility is at a margin over LIBOR or its foreign currency equivalent for the type of loan
- The finance charge on the debenture stocks was at a weighted average interest rate of 11 757% (2009 9 891%)

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

Interest rate sensitivity

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

	2010 2% Increase £'000	**2010 2% Decrease £'000**	2009 2% Increase £'000	2009 2% Decrease £'000
Change to shareholders' funds	**(487)**	**487**	1,551	(1,551)
Change to total earnings/(loss)				
per Ordinary share	**(0.14)p**	**0.14p**	0 48p	(0 48)p
per Sigma share	**(0.10)p**	**0.10p**	0 25p	(0 25)p

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

Notes to the Financial Statements *continued*

11.4 Liquidity risk

Unquoted investments in the portfolio are subject to liquidity risk The Group did not hold any unquoted investments throughout the financial year

In certain market conditions, the liquidity of direct property investments may be reduced At 31 March 2010, 8% of the Group's investment portfolio was held in direct property investments

At 31 March 2010, 92% of the Group's investment portfolio is held in listed securities which are predominantly readily realisable

Management of the risk

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

11 5 Credit risk

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

Management of the risk

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

11.6 Fair values of financial assets and financial liabilities

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

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

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

There were no unquoted investments at the Balance Sheet date

The amounts of change in fair value for such investments recognised in the profit or loss for the year was a gain of £202,023,000 (2009 loss of £319,335,000)

12 Debtors

	Group 2010 £'000	**Company 2010 £'000**	Group 2009 £'000	Company 2009 £'000
Amounts falling due within one year				
Securities and properties sold for future settlement	**2,295**	**2,295**	1,520	1,520
Tax recoverable	**187**	**187**	163	163
Prepayments and accrued income	**3,501**	**3,465**	3,319	3,273
Other debtors	**4,342**	**3,697**	968	167
	10,325	**9,644**	5,970	5,123

Notes to the Financial Statements *continued*

13 VAT recoveries on management fees

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

18 9943% of the refunds were allocated to the Sigma share class and 81 0057% to the Ordinary share class in accordance with the ratio of Ordinary shares which converted to Sigma shares when the Sigma share class was created in July 2007

The allocation of the total refunds received to date between the two share classes across the income and capital accounts is summarised below

Ordinary share class:

	Year ended 31 March 2010			Year ended 31 March 2009		
	Revenue Return £'000	**Capital Return £'000**	**Total £'000**	Revenue Return £'000	Capital Return £'000	Total £'000
VAT refund received	**443**	**292**	**735**	1,386	3,439	4,825
Interest thereon	**562**	**-**	**562**	530	–	530
	1,005	**292**	**1,297**	1,916	3,439	5,355

Sigma share class:

	Year ended 31 March 2010			Year ended 31 March 2009		
	Revenue Return £'000	**Capital Return £'000**	**Total £'000**	Revenue Return £'000	Capital Return £'000	Total £'000
VAT refund received to date	**104**	**68**	**172**	325	807	1,132
Interest thereon	**132**	**-**	**132**	120	–	120
	236	**68**	**304**	445	807	1,252

Notes to the Financial Statements *continued*

14 Current and non-current liabilities

	Group 2010 £'000	**Company 2010 £'000**	Group 2009 £'000	Company 2009 £'000
Amounts falling due within one year				
Bank loans and overdrafts	**45,250**	**45,250**	–	–
Securities and properties purchased for future settlement	**1,603**	**1,603**	1,877	1,877
Amounts due to subsidiaries	**-**	**52,408**	–	53,968
Managers' performance fees payable	**-**	**-**	3,674	3,674
Tax payable	**1,642**	**1,642**	–	–
Accruals and deferred income	**1,389**	**910**	1,399	1,039
Other creditors	**1,482**	**1,366**	1,921	1,856
	51,366	**103,179**	8,871	62,414
Non-current liabilities				
Debenture loan	**15,000**	**-**	15,000	-
Deferred taxation	**3,549**	**157**	3,283	-
	18,549	**157**	18,283	-

The total amount of secured creditors is £15,000,000 (2009 £15,000,000)

Debenture loan

£15,000,000 (2009 £15,000,000) participation by TR Property Finance Limited, a subsidiary, in 11 5% 2016 several debenture stock issued by Trustco Finance plc, which is guaranteed by the Company by a floating charge over its assets The fair value of this debenture at 31 March 2010 was £20,265,000 (2009 £20,673,000)

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

Multi-currency revolving loan facilities

The Group also has unsecured, multi-currency, revolving loan facilities totalling £50,000,000 (2009 £50,000,000) £40,000,000 of this loan may be drawn by the Ordinary share class and £10,000,000 by the Sigma share class At 31 March 2010, the Ordinary share class had drawn down £35,250,000 and the Sigma share class had drawn down £10,000,000 (2009 facility undrawn for both share classes)

Notes to the Financial Statements *continued*

15 Called up share capital

a Ordinary share capital

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

	Authorised Number	Authorised £'000	Issued, allotted and fully paid Number	Issued, allotted and fully paid £'000
Ordinary shares of 25p				
At 1 April 2009 and 31 March 2010	542,287,064	135,572	256,725,000	64,181

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

b Sigma share capital

The balance classified as Sigma share capital includes the nominal value proceeds on issue of the Sigma equity share capital comprising Sigma shares of 12 5p

	Authorised Number	Authorised £'000	Issued, allotted and fully paid Number	Issued, allotted and fully paid £'000
Sigma shares of 12 5p				
At 1 April 2009 and 31 March 2010	473,766,572	59,221	124,922,000	15,615

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

16 Share premium account and capital redemption reserve

Share premium account

The balance classified as share premium includes the premium above nominal value from the proceeds on issue of the equity share capital, comprising Ordinary shares of 25p and Sigma shares of 12 5p

Capital redemption reserve

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

17 Retained earnings

	Group 2010 £'000	Company 2010 £'000	Group 2009 £'000	Company 2009 £'000
Investment holding gains	**148,839**	**157,919**	(45,319)	(33,931)
Realised capital reserves	**249,546**	**245,657**	245,774	242,018
	398,385	**403,576**	200,455	208,087
Revenue reserve	**33,221**	**28,030**	33,363	25,731
	431,606	**431,606**	233,818	233,818

Group investment holding gains at 31 March 2010 includes £nil (2009 £nil) relating to unlisted investments and £6,620,000 (2009 £4,122,000) relating to investment properties

Company investment holding gains at 31 March 2010 includes £15,700,000 (2009 £15,510,000) relating to unlisted investments and £8,215,000 revaluation loss (2009 £9,793,000) relating to investment properties Dividends are only distributable from the revenue reserve

Notes to the Financial Statements *continued*

18 Dividends

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 March 2009 of 3 45p (2008 3 30p) per Ordinary share	**8,857**	8,489
Final dividend for the year ended 31 March 2009 of 1 10p per Sigma share (2008 0 65p)	**1,374**	829
Interim dividend for the year ended 31 March 2010 of 2 30p (2009 2 30p) per Ordinary share	**5,905**	5,907
Interim dividend for the year ended 31 March 2010 of 0 90p (2009 0 90p) per Sigma share	**1,124**	1,124
	17,260	16,349
Amounts not recognised as distributions to equity holders in the year		
Second interim dividend for the year ended 31 March 2010 of 3 45p (2009 3 45p final dividend) per Ordinary share	**8,857**	8,857
Second interim dividend for the year ended 31 March 2010 of 1 10p (2009 1 10p final dividend) per Sigma share	**1,374**	1,374

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

Set out below is the total dividend to be paid in respect of the year This is the basis on which the requirements of S842 of the Income and Corporation Taxes Act 1988 are considered

	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Interim dividend for the year ended 31 March 2010 of 2 30p (2009 2 30p) per Ordinary share	**5,905**	5,907
Interim dividend for the year ended 31 March 2010 of 0 90p (2009 0 90p) per Sigma share	**1,124**	1,124
Second interim dividend for the year ended 31 March 2010 of 3 45p (2009 3 45p final dividend) per Ordinary share, paid on 1 April 2010	**8,857**	8,857
Second interim dividend for the year ended 31 March 2010 of 1 10p (2009 1 10p final dividend) per Sigma share, paid on 1 April 2010	**1,374**	1,374
	17,260	17,262

Notes to the Financial Statements *continued*

19 Company revenue account

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own revenue account The net revenue after taxation of the Company dealt with in the accounts of the Group was £19,559,000 (2009 £20,711,000)

20 Net asset value per share

a Net asset value per Ordinary share

Net asset value per Ordinary share is based on net assets attributable to Ordinary shares of £475,500,000 (2009 £323,666,000) and on 256,725,000 (2009 256,725,000) Ordinary shares in issue at the year end

b Net asset value per Sigma share

Net asset value per Sigma share is based on net assets attributable to Sigma shares of £122,577,000 (2009 £76,623,000) and on 124,922,000 (2009 124,922,000) Sigma shares in issue at the year end

21 Commitments and contingent liabilities

At 31 March 2010 and 31 March 2009 the Group had no capital commitments or contingent liabilities

The Company has guaranteed a £15,000,000 (2009 £15,000,000) participation in 11 5% 2016 secured debenture stock (see note 14)

22 Subsidiaries

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

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

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

* Indirectly held

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of TR Property Investment Trust plc will be held at 12 noon on Tuesday 27 July 2010 at the Royal Automobile Club, 89/91 Pall Mall, London SW1Y 5HS for the purpose of transacting the following business

To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 9 will be proposed as Ordinary Resolutions and Resolutions 10 to 12 shall be proposed as Special Resolutions

1 To receive the Report of the Directors and the Audited Accounts for the year ended 31 March 2010

2 To approve the Directors' Remuneration Report for the year ended 31 March 2010

3 To re-elect Caroline Burton as a Director

4 To re-elect Peter Wolton as a Director

5 To re-elect Peter Salsbury as a Director

6 To re-elect Richard Stone as a Director

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

8 To authorise the directors to determine the remuneration of the auditors

9 THAT the Directors be generally and unconditionally authorised pursuant to and in accordance to Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to a nominal value of £26,332,845 (being approximately 33% of the total issued share capital of the Company as at the latest practicable date prior to publication of the notice of the meeting) provided that this authority shall expire at the date of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 27 October 2011), save that the Company shall be entitled to make offers or agreements before the expiry of this authority which would or might require shares to be allotted or rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant rights pursuant to any such offers or agreements as if this authority had not expired

10 THAT

(a) (subject to the passing of resolution 9 set out above) the Directors be empowered pursuant to Section 570 and Section 573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 9 above and/or to sell shares held by the Company as treasury shares for cash as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to

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

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

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

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

(ii) in the case of the authority granted under Resolution 9 and/or in the case of any sale of treasury shares for cash, to the allotment (otherwise than under paragraph (i) above) of equity securities or sale of treasury shares up to a nominal amount of £3,989,825 (being approximately 5% of the total issued share capital of the Company as at the latest practicable date prior to publication of the notice of meeting),

(b) the power given by this resolution shall expire upon the expiry of the authority conferred by Resolution 9 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired

Notice of Annual General Meeting *continued*

11* THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 25 pence each and Sigma shares of 12 5 pence each in the capital of the Company on such terms and in such manner as the Directors may from time to time determine provided that

(a) the maximum number of Ordinary shares hereby authorised to be purchased shall be 14 99% of the Company's Ordinary shares in issue at the date of the Annual General Meeting (equivalent to 38,483,078 Ordinary shares of 25 pence each at 10 June 2010, the date of this Notice of Annual General Meeting),

(b) the maximum number of Sigma shares hereby authorised to be purchased shall be 14 99% of the Company's Sigma shares in issue at the date of the Annual General Meeting (equivalent to 18,725,808 Sigma shares of 12 5 pence each at 10 June 2010, the date of this Notice of Annual General Meeting),

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

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

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

(d) the minimum price (exclusive of expenses) which may be paid for an Ordinary share shall be 25 pence, being the nominal value per Ordinary share and for Sigma shares the minimum price shall be 12 5 pence, being the nominal value per Sigma share,

(e) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2011 or at any other general meeting prior to such time

12 THAT

(a) the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of Section 28 of the Act, are to be treated as provisions of the Company's Articles of Association, and

(b) the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification (the "New Articles") be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association (the "Current Articles")

*** Holders of Ordinary shares will vote on Resolution 11 only in respect of market purchases of Ordinary shares and holders of Sigma shares will vote on Resolution 11 only in respect of market purchases of Sigma shares.**

Registered Office
51 Berkeley Square
London
W1J 5BB

Registered in England No 84492

By Order of the Board
Capita Company Secretarial Services Limited
Secretary
10 June 2010

Notice of Annual General Meeting *continued*

Directions Pall Mall Clubhouse

The Royal Automobile Club has a dress code
Jacket and Tie

Notes to the Notice of Annual General Meeting

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

2 In order to be able to attend and vote at the AGM or any adjourned meeting, (and also for the purpose of calculating how many votes a person may cast) a person must have his/her name entered on the Register of Members of the Company by 6 00 pm on 25 July 2010 (or 6 00 pm on the date 2 days before any adjourned meeting) Changes to entries on the Register of Members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting

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

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

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

Notice of Annual General Meeting *continued*

6 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on 27 July 2010 and any adjournment(s) thereof by using the procedures described in the CREST Manual CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf

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

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

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

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

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

9 Biographical details of the Directors are shown on page 44 of the Annual Report & Accounts

10 The issued share capital of the Company is 256,725,000 Ordinary shares of 25p each and 124,922,000 Sigma shares of 12 5p each The total number of voting rights in the Company is 381,647,000 Shareholders are reminded that on a poll vote, the total number of votes cast is calculated according to the NAV per Ordinary share and the NAV per Sigma share

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

Notice of Separate Class Meeting of Ordinary Shareholders

Notice is hereby given that a separate class meeting of the holders of Ordinary shares of TR Property Investment Trust plc will be held at 12 10 pm (or so soon thereafter as the Annual General Meeting of the Company shall have concluded) on Tuesday 27 July 2010 at the Royal Automobile Club, 89/91 Pall Mall, London SW1Y 5HS to consider and, if thought fit, to pass the following resolution as an extraordinary resolution

Resolution 1

That the holders of Ordinary shares in the Company hereby sanction and consent to the passing and carrying into effect of Resolution 12 contained in the notice convening the Annual General Meeting of the Company to be held on 27 July 2010

Registered Office
51 Berkeley Square
London
W1J 5BB

Registered in England No 84492

By Order of the Board
Capita Company Secretarial Services Limited
Secretary
10 June 2010

Notes to the Notice of Separate Class Meeting of Ordinary Shareholders

1 Only holders of Ordinary shares in the Company are entitled to attend and vote on the resolution to be proposed at the above meeting

Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting A shareholder may appoint more than one proxy in relation to the Separate Class Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder A proxy need not be a shareholder of the Company To be valid any proxy form or other instrument appointing a proxy must be returned by post, by courier or by hand to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY no later than 48 hours before the time of the Separate Class Meeting The return of a completed proxy form or other such instrument will not prevent a shareholder attending the Separate Class Meeting and voting in person if he/she wishes to do so

2 In order to be able to attend and vote at the meeting or any adjourned meeting, (and also for the purpose of calculating how many votes a person may cast) a person must have his/her name entered on the register of members of the Company by 6 00 pm on 25 July 2010 (or 6 00 pm on the date 2 days before any adjourned meeting) Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting

Notes 4 and 5 of the notice convening the Annual General Meeting of the Company to be held on 27 July 2010 are incorporated into this notice by reference.

Notice of Separate Class Meeting of Sigma Shareholders

Notice is hereby given that a separate class meeting of the holders of Sigma shares of TR Property Investment Trust plc will be held at 12 10 pm (or so soon thereafter as the separate class meeting of holders of Ordinary Shares of the Company shall have concluded) on Tuesday 27 July 2008 at the Royal Automobile Club, 89/91 Pall Mall, London SW1Y 5HS to consider and, if thought fit, to pass the following resolution as an extraordinary resolution

Resolution 1

That the holders of Sigma shares in the Company hereby sanction and consent to the passing and carrying into effect of Resolution 12 contained in the notice convening the Annual General Meeting of the Company to be held on 27 July 2010

Registered Office
51 Berkeley Square
London
W1J 5BB

Registered in England No 84492

By Order of the Board
Capita Company Secretarial Services Limited
Secretary
10 June 2010

Notes to the Notice of Separate Class Meeting of Sigma Shareholders

1 Only holders of Sigma shares in the Company are entitled to attend and vote on the resolution to be proposed at the above meeting

Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting A shareholder may appoint more than one proxy in relation to the Separate Class Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder A proxy need not be a shareholder of the Company To be valid any proxy form or other instrument appointing a proxy must be returned by post, by courier or by hand to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY no later than 48 hours before the time of the Separate Class Meeting The return of a completed proxy form or other such instrument will not prevent a shareholder attending the Separate Class Meeting and voting in person if he/she wishes to do so

2 In order to be able to attend and vote at the meeting or any adjourned meeting, (and also for the purpose of calculating how many votes a person may cast) a person must have his/her name entered on the register of members of the Company by 6 00 pm on 25 July 2010 (or 6 00 pm on the date 2 days before any adjourned meeting) Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting

Notes 4 and 5 of the notice convening the Annual General Meeting of the Company to be held on 27 July 2010 are incorporated into this notice by reference.

Explanation of Notice of Annual General Meeting

Resolutions 1 and 2: Accounts and Directors' Remuneration Report
These are the resolutions which deal with the presentation of the audited accounts and the approval of the directors' remuneration report. The vote to approve the remuneration report is advisory only and will not require the Company to alter any arrangements detailed in the report should the resolution not be passed

Resolution 3: Re-election of Director
Resolution 3 deals with the re-election of Caroline Burton as director Under the Articles of Association, Caroline Burton is required to retire by rotation at the AGM, she has confirmed she will offer herself for re-election

Resolution 4. Re-election of Director
Resolution 4 deals with the re-election of Peter Wolton as director Under the Articles of Association, Peter Wolton is required to retire by rotation at the AGM, he has confirmed he will offer himself for re-election

Resolution 5: Re-election of Director
Resolution 5 is for the re-election of Peter Salsbury, who has served on the Board for more than nine years In accordance with the Combined Code on Corporate Governance, which requires directors who have served for more than nine years to seek annual re-election, Peter Salsbury will retire at the forthcoming AGM and he has confirmed he will offer himself for re-election

Resolution 6: Re-election of Director
Resolution 6 is for the re-election of Richard Stone, who has served on the Board for more than nine years In accordance with the Combined Code on Corporate Governance, which requires directors who have served for more than nine years to seek annual re-election, Richard Stone will retire at the forthcoming AGM and he has confirmed he will offer himself for re-election

Resolutions 7 and 8· Auditors
These deal with the re-appointment of the auditors, Ernst & Young LLP, and the authorisation for the directors to determine their remuneration

Resolution 9 Allotment of share capital
Our Board considers it appropriate that an authority be granted to allot shares in the capital of the Company up to a maximum nominal amount of £26,332,845 (representing approximately 33% of the Company's issued share capital as at 10 June 2010, being the latest practical date prior to publication As at the date of this notice the Company does not hold any shares in treasury The Directors have no present intention of exercising this authority and woud only expect to use the authority if shares could be issued at, or at a premium to, the NAV per share of the relevant share class If the Directors were to exercise this authority, they would intend to exercise not more than two-thirds (£17,555,230) of the maximum nominal amount in respect of Ordinary shares and not more than one-third (£8,777,615) of the maximum nominal amount in respect of Sigma shares

Resolution 10: Disapplication of statutory pre-emption rights
This resolution would give the Directors the authority to allot shares (or sell any shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings

This authority would be limited to allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the board otherwise considers necessary, or otherwise up to an aggregate nominal amount of £3,989,825 (representing a maximum of 15,959,300 Ordinary shares or a maximum of 31,918,600 Sigma shares) This aggregate nominal amount represents approximately 5% of the total issued share capital of the Company as at 10 June 2010, the latest practicable date prior to publication of this Notice In respect of this aggregate nominal amount, the Directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling 3-year period where the Principles provide that usage in excess of 75% should not take place without prior consultation with shareholders The Directors would intend not to exercise more than two-thirds (£2,659,883 33) of the aggregate nominal amount in respect of Ordinary shares and not to exercise more than one-third (£1,329,941 67) of the aggregate nominal amount in respect of Sigma shares

The authority will expire at the earlier of close of business on 27 October 2011 and the conclusion of the annual general meeting of the Company held in 2011

Resolution 11. Authority to make Market Purchases of the Company's Ordinary and Sigma shares
At the AGM held on 28 July 2009, a special resolution was proposed and passed, giving the directors authority, until the conclusion of the Annual General Meeting in 2010, to make market purchases of the Company's own issued Ordinary and Sigma shares up to a maximum of 14 99% of the issued share capital This authority will expire at this year's AGM

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

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

Explanation of Notice of Annual General Meeting *continued*

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

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

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

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

The minimum price to be paid will be 25p per Ordinary share and 12 5p per Sigma share (being the nominal values) The Listing Rules also limit a listed company to purchases of shares representing up to 15% of its issued share capital in the market pursuant to a general authority such as this For this reason, the Company is limiting its authority to make such purchases to 14 99% of the Company's Ordinary and Sigma shares in issue at the date of the AGM, this is equivalent to 38,483,078 Ordinary shares of 25p each (nominal value £9,620,770) and 18,725,808 Sigma shares of 12 5p each (nominal value £2,340,726) at 10 June 2010, the date of the Notice of the AGM The authority will last until the AGM of the Company to be held in 2011 or at any other general meeting

Resolution 12. Adoption of new articles of association

It is proposed in Resolution 12 to adopt the New Articles, primarily to take account of the coming into force of the Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations") and the implementation of the last parts of the Companies Act 2006

The principal changes introduced in the New Articles are summarised in the explanatory notes on pages 97 and 98 of this document. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 or the Shareholders' Rights Regulations, or conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills have not been noted in the explanatory notes The New Articles showing all the changes to the Current Articles are available for inspection at the Company's registered office at 51 Berkeley Square, London W1J 5BB and at The Royal Automobile Club for at least 15 minutes prior to and during the AGM

Glossary of Terms

Discount
The amount by which the market price per share of an Investment Trust Company is lower than the Net Asset Value per share The discount is normally expressed as a percentage of the Net Asset Value per share

Dividend Yield
The annual dividend expressed as a percentage of the share price

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

Net Asset Value
The value of the total assets less the liabilities Liabilities for this purpose include both current and long-term liabilities To calculate the Net Asset Value per Ordinary share, divide the Net Asset Value by the number of Ordinary shares in issue To calculate the Net Asset Value per Sigma share, divide the Net Asset Value by the number of Sigma shares in issue

Ordinary shares
Confer certain rights to the holder as laid down in the Articles of Association

Premium
The amount by which the market price per share of an Investment Trust Company exceeds the Net Asset Value per share The premium is normally expressed as a percentage of the Net Asset Value per share

Sigma shares
Confer certain rights to the holder as laid down in the Articles of Association

Explanatory Notes of Principal Changes to the Company's Articles of Association

1. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake This is drafted to give a wide scope

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company Under the Companies Act 2006 the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution

Further the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted This abolishes the need for companies to have objects clauses For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are treated as forming part of the Company's articles of association as of 1 October 2009 Resolution 12 confirms the removal of these provisions for the Company As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders

2. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution

3. Change of name

Under the Companies Act 1985, a company could only change its name by special resolution Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name

4. Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles

Explanatory Notes of Principal Changes to the Company's Articles of Association *continued*

reflect this Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes

5. Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles The New Articles contain such an authorisation The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way

6 Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action The Current Articles include these enabling provisions Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions Accordingly the relevant enabling provisions have been removed in the New Articles

7 Use of seals

Under the Companies Act 1985, a company required authority in its articles to have an official seal for use abroad Under the Companies Act 2006, such authority will no longer be required Accordingly, the relevant authorisation has been removed in the New Articles

The New Articles provide an alternative option for execution of documents (other than share certificates) Under the New Articles, when the seal is affixed to a document it may be signed by one director in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve

8. Vacation of office by directors

The Current Articles specify the circumstances in which a director must vacate office The New Articles update these provisions to treat physical illness in the same manner as mental illness

9 Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution The New Articles remove provisions in the Current Articles dealing with proxy voting on the basis that these are dealt with in the Companies Act 2006 and contain a provision clarifying how the provision of the Companies Act 2006 giving a proxy a second vote on a show of hands should apply to discretionary authorities

10. Voting by corporate representatives

The Shareholders' Rights Regulations have amended the Companies Act 2006 in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll The New Articles remove a provision in the Current Articles dealing with voting by corporate representatives on the basis that this is dealt with in the Companies Act 2006

11 Chairman's casting vote

The New Articles remove the provision giving the chairman a casting vote in the event of an equality of votes as this is no longer permitted under the Companies Act 2006

12. Adjournments for lack of quorum

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting The Current Articles have been changed to reflect this requirement.

13. General

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills

Directors and Other Information

Directors
P L Salsbury (Chairman)
C M Burton
H Seaborn
P Spencer
R A Stone
P H Wolton

Registered Office
51 Berkeley Square
London W1J 5BB

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

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

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

Fund Manager Ordinary Share Class
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
Investor Relations
A M Ello

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

Registrar
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 6ZY
Telephone 0870 707 1363

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

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

Solicitors
Slaughter and May
One Bunhill Row
London EC1Y 8YY

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

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

General Shareholder Information

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

Annual General Meeting
The AGM is held in London in July

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

Interim	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 99 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 at **www.trproperty.co uk** on the Company's website

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

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

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

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

For investors through the TR Property Share Plan 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 page 102

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 Security 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

This document is printed on Revive Silk of which 75% of the furnish is made from 100% de-inked post consumer waste The remaining 25% being mill broke and virgin fibres This paper is bleached using a combination of Totally Chlorine Free (TCF) and Elemental Chlorine Free (ECF) The manufacturing mill is accredited with the ISO 14001 standard for environmental management