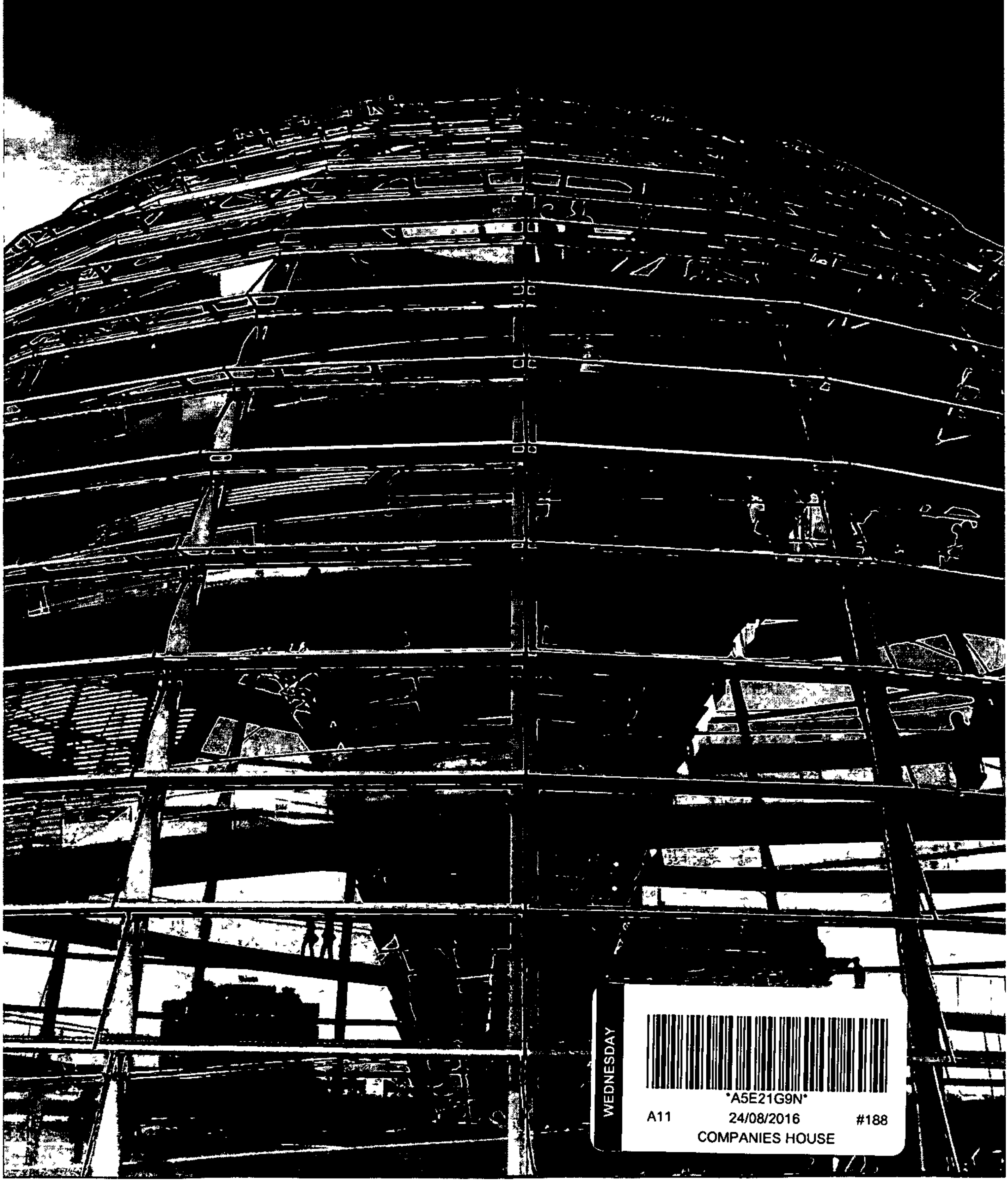
TR Property Investment Trust plc

Report & Accounts for the year ended 31 March 2016



TR Property Investment Trust plc

The Company's investment objective is to maximise shareholders' total returns by investing in the shares and securities of property companies and property related businesses internationally and also in investment property located in the UK.

Introduction

The Company was formed in 1905 and has been a dedicated property investor since 1982 The Company is an Investment Trust and its shares are premium listed on the London Stock Exchange

Benchmark

The benchmark is the FTSE EPRA/NAREIT Developed Europe Capped Net Total Return Index in Sterling

Investment Policy

The Company seeks to achieve its objective by investing in shares and securities of property companies and property related businesses on an international basis, although, with a Pan-European benchmark, the majority of the investments will be located in that geographical area The Company also invests in investment property, located in the UK only

Further details of the Investment Policies, the Asset Allocation Guidelines and policies regarding the use of gearing are set out in the Strategic Report on pages 24 to 25 and the entire portfolio is shown on page 17

Investment Manager

F&C Investment Business Limited acts as the Company's alternative investment fund manager ("AIFM") with portfolio management delegated to Thames River Capital LLP ("the Portfolio Manager") Marcus Phayre-Mudge has managed the portfolio since 1 April 2011 and been part of the Fund Management team since 1997

Independent Board

The directors are all independent of the Manager and meet regularly to consider investment strategy, to monitor adherence to the stated objective and investment policies and to review performance Details of how the Board operates and fulfils its responsibilities are set out in the Directors' Report on page 41

Performance

The Financial Highlights for the current year are set out opposite and Historical Performance can be found on page 2 Key Performance Indicators are set out in the Strategic Report on pages 26 and 27

Retail Investors advised by IFAs

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers ("IFAs") in the UK to ordinary retail investors in accordance with the Financial Conduct Authority ("FCA") rules in relation to non-mainstream investment products and intends to continue to do so The shares are excluded from the FCA's restrictions, which apply to non-mainstream investment products, because they are shares in an authorised investment trust

Further information

General Shareholder information and details of how to invest in TR Property Investment Trust plc, including an investment through an ISA or saving scheme, can be found on pages 95 to 98 This information can also be found on the Trust's website www trproperty com

Financial Highlights and Performance

	Year ended 31 March 2016	Year ended 31 March 2015	% Change
Balance Sheet			
Net asset value per share	**335.56p**	318 12p	+5 5%
Shareholders' funds (£'000)	**1,065,419**	1,010,045	+5 5%
Shares in issue at the end of the period (m)	**317.5**	3175	+0 0%
Net debt[1]	**11.9%**	12 8%	
Share Price			
Share price	**297.50p**	310 50p	-4 2%
Market capitalisation	**£945m**	£986m	-4 2%

	Year ended 31 March 2016	Year ended 31 March 2015	% Change
Revenue			
Revenue earnings per share	**8.36p**	8 89p	-6 0%
Dividends[2]			
Net Interim dividend per share	**3.15p**	2 95p	6 8%
Net Final dividend per share	**5.20p**	4 75p	9 5%
Net Total dividend per share	**8.35p**	770p	8 4%
Total Return Assets and Benchmark			
Benchmark performance (total return)	**5.4%**	+23 3%	
Net asset value total return	**8.2%**	+28 3%	
Share price total return	**-1.6%**	+29 5%	
Ongoing Charges[3]			
Excluding performance fee	**0.72%**	0 76%	
Including performance fee	**1.06%**	1 64%	
Excluding performance fee and direct property costs	**0.67%**	0 70%	

1 Net debt is the total value of loan notes, loans (including notional exposure to CFDs) less cash as a proportion of net asset value

2 Net dividends per share are the dividends in respect of the financial year ended 31 March 2016 An interim dividend of 3 15p was paid in January 2016 A final dividend of 5 20p (2015 4 75p) will be paid on 2 August 2016 to shareholders on the register on 24 June 2016 The shares will be quoted ex-dividend on 23 June 2016

3 Ongoing charges calculated in accordance with the AIC methodology (using fair value NAV)

Historical Performance

For the years ended 31 March

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total income[A] (£'000)	23,143	26,226	32,160	32,073	27,782	29,520	30,973	32,988	33,933	36,689	**34,690**
Total assets less current liabilities (£'m)	813 6	1,017 0	725 3	418 6	616 6	688 8	606 3	701 9	824 4	1,010	**1,120**
Shareholders' funds (£'m)											
Total	771	973	707	400	598	670	588	684	809	1,010	**1,065**
Ordinary shares	771	973	568	324	476	531	470	684	809	1,010	**1,065**
Sigma shares[B]	–	–	139	76	123	140	118	–	–	–	**–**
Ordinary shares Net revenue (pence per share)											
Earnings	3 44	4 09	5 79	6 49	5 18	6 94	7 07	6 74	8 09	8 89	**8 36**
Dividends	3 40	4 10	5 60	5 75	5 75	6 00	6 60	7 00	7 45	7 70	**8.35**
NAV per share (pence)	224 10	290 80	219 60	126 10	185 20	207 10	183 60	215 25	254 94	318 12	**335 56**
Share price (pence)	209 50	256 50	188 25	106 00	159 40	177 10	154 50	186.30	247 50	310 50	**297.50**
Indices of growth											
Share price[C]	100	122	90	51	76	85	74	89	118	148	**142**
Net Asset value[C]	100	130	98	56	83	92	82	96	114	142	**150**
Benchmark[D]	100	124	93	45	69	76	67	76	81	96	**99**
Dividend Net	100	118	165	169	169	176	194	206	219	226	**246**
RPI	100	105	109	108	113	119	123	128	131	132	**134**

Figures from 2006 onwards have been prepared in accordance with IFRS

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

(B) The Sigma share class was launched in 2007 and Sigma shares redesignated as Ordinary shares on 17 December 2012

(C) Capital only indices. These do not reflect dividends paid

(D) Benchmark Price only Index composite index comprising the S&P/Citigroup European Property Index up to March 2007, the FTSE EPRA/NAREIT Developed Europe Index up to March 2012, the FTSE EPRA/NAREIT Developed Europe Net Index for the year to March 2013 and thereafter the FTSE EPRA/NAREIT Developed Europe Capped Net Total Return Index. Source Thames River Capital

Chairman's Statement

Caroline Burton
Chairman

Introduction

Pan-European property and property equities delivered a more modest return to investors in the Trust's financial year than they had experienced over the previous three years, but unlike broader European equity markets as measured by the FTSE All Share (-3 9%) and the Eurostoxx 600 measured in Euros (-12 8%) the return was positive

The first half of the year saw the sector benefit from its domestic focus as investors became nervous about the impact of weaker commodity prices and a Chinese economic slowdown on world activity In the second half of 2015 and into 2016 as central bank action drove bond yields ever lower, and in some cases into negative territory, the search for income across other asset classes continued to support property values and has allowed property investors, including the Trust, access to debt at very low rates

Last year I commented on the impact on the Trust of the weakness of the Euro against Sterling This year, in spite of offering higher interest rates, Sterling has fallen 11 5% against the Euro apparently because of investors positioning themselves against the perceived risk of Brexit The Trust's European assets have therefore risen in value when measured in Sterling

The Manager's strategy of concentrating investment in markets where rental growth is visible or can be expected (UK, Germany, Sweden) worked well in the first nine months of the financial year A change in appetite for London high value residential was anticipated and, as highlighted in the Interim Report, the Manager had reduced exposure accordingly However investor sentiment towards companies exposed to London property, both commercial and residential, turned negative towards the end of the year and even businesses with very limited exposure to London residential development suffered severe corrections which meant that performance in the final quarter was disappointing

The directly-held properties, largely because of asset management initiatives at the Bayswater property and a significant increase in passing rents at Wandsworth, added to overall performance

NAV and Share Price Performance

The NAV rose 8 2% which was well ahead of the benchmark rise of 5 4% However the share price total return was -1 6% At the start of the period the share price was trading close to the capital net asset value In common with many other sector-specialist investment trusts a discount has reappeared, starting in this case in late September, though it has been more stable since January This 10% discount is slightly higher than the average of 9% over the past ten years

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

Revenue Results and Dividend

Earnings per share are 8 36p compared to 8 89p in the previous year The prior year earnings were inflated by a number of one-off events, and lower earnings for the year ended March 2016 were flagged in last year's Annual Report and again at the interim stage

Nevertheless, we have still continued to see underlying growth in our dividend income and the Directors have announced a final dividend of 5 20p per share, a 9 5% increase over the prior year final dividend This brings the full year dividend to 8 35p, a 8 4% increase on the 2015 total of 7 70p

Revenue Outlook

Whilst much of the benefit of debt refinancing has now been extracted by companies such that lowering costs of debt further are not likely to add much to earnings for the

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Front Cover Reichstag Dome, Berlin.

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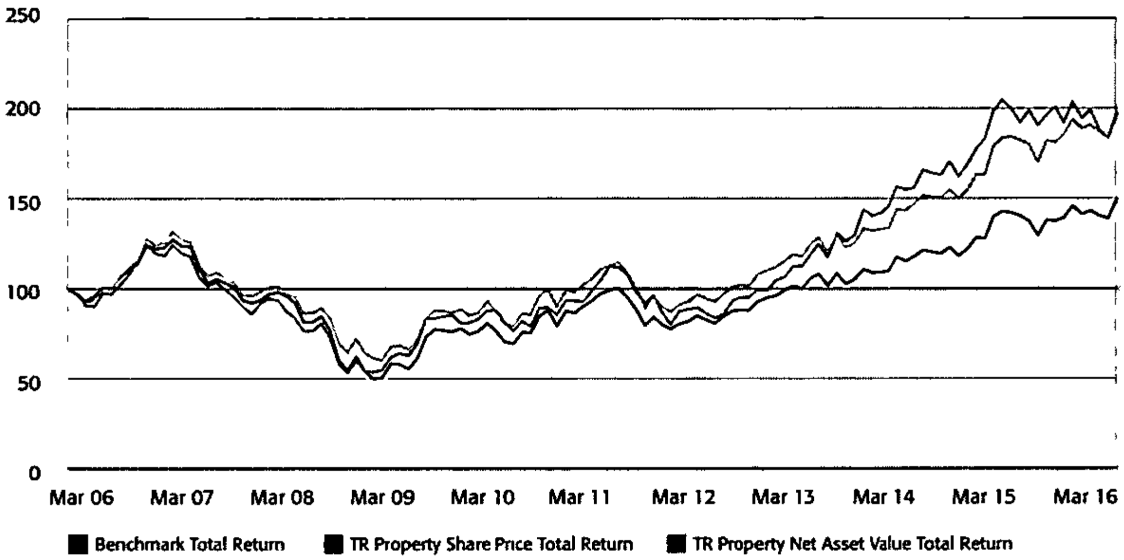
Ordinary Share Class Performance: Total Return over 10 years (rebased)



next year, we still expect to see modest growth in underlying earnings (and therefore dividends) driven by rental growth and accretive acquisitions Indeed, the Trust's own development at The Colonnades in Bayswater is now complete and the benefit in income terms will be seen over the coming year

The usual caveats apply, change in the timing of dividends received over the active period around our year end have an impact as can corporate activity The main unknown though is FX rates and since around 60% of our income is not Sterling denominated, this can have a significant impact on the earnings for the year

Net Debt

Gearing has moved from 12 8% at the beginning of the year, (it did increase through the first half) to 11 9% at the year end These figures include the impact of the CFD exposure Half of the gearing at the year end was achieved through CFD positions

As set out in the interim statement, new long term loans of £15m and €50m were agreed through a private placement and these were drawn in February The sterling amount was immediately used to repay the 11 5% existing debenture Further details of the loan notes and other borrowing facilities are set out in the Manager's Report, but the ongoing annual interest cost on the new term loans totalling c £55m is lower than that on the £15m of retiring debt.

Currencies

As reported earlier currency movements have been significant over the period We continue to use FX forward contracts to maintain the currency exposure of our Balance Sheet broadly in line with that of the benchmark. The resulting exposures are set out in Note 11 to the Financial Statements

Discount and Share Repurchases

As mentioned, the discount did widen over the year and at the year end was above the long-term average The Directors continue to monitor the discount and the Trust's share register closely and encourage the Manager's active investor relations programme No share repurchases took place during the year

The Trust is available on a broad range of investor platforms and I would remind investors of our dedicated website (www trproperty com) which provides current and background data on the Trust including a monthly factsheet

Chairman's Statement

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Change of Auditor

For the reasons set out in the Report of the Audit Committee, Ernst & Young will not seek reappointment as external auditor at the Annual General Meeting This is by mutual agreement between the Board and EY, who have provided excellent service to the Company for many years Following an audit tender shareholders will be asked to approve a resolution to appoint KPMG LLP as the Company's independent auditor with effect from the conclusion of the Annual General Meeting in July

Outlook

Many of the themes highlighted in my outlook for the previous period are still important in the Manager's thinking Generally, throughout Europe, value and occupier demand is supported by modest new supply coming onto the market with a continuing lack of speculative development finance Investors both in property and elsewhere are more than ever inclined to pay up for security of income and unwilling to put current value on future growth This has influenced the Manager's decision to reduce exposure to development-oriented shares, particularly in London A Brexit decision to leave the EU would undoubtedly raise questions in investors' minds as to the long-term sustainability of employment in financial services in the UK capital

In Continental Europe the Manager expects the Trust's exposure to Germany to continue to deliver outperformance A change of strategy towards Sweden may become appropriate as the Manager has some concern that the economy there could overheat. The situation is being closely monitored

Whilst bond yields remain as low as they are, real estate will continue to offer an income advantage Property is a pro-cyclical asset class and the strongest performing property markets have experienced a return to rental growth Without a broadening of tenant demand across Europe we will see further valuation gains restricted but with earnings underpinned by the very low cost of debt

Caroline Burton
Chairman
13 June 2016

Manager's Report

Marcus Phayre-Mudge MRICS
Fund Manager

Performance

The Net Asset Value total return of +8 2% was ahead of the benchmark total return of +5 4% The share price total return (assuming dividend reinvestment) was a poorer -1 6% as a result of the share price moving to a 10% discount to the capital net asset value A year ago the share price stood close to par with the asset value

I commented in the Interim Report that the first half had been 'a game of two halves' with the market weakening in Q1 only to recover in Q2 This pattern was broadly repeated in the second half with the low point of June almost matching the low of February At the time of writing (mid May) the market has experienced a sustained rally from that February low The last 12 months have been dominated by concerns surrounding global growth and the impact of multi-decade lows in the price of oil With renewed fears of deflationary pressures the focus has, once again, been on the behaviour of central banks The recovery in markets over the last couple of months has been strongly assisted by the dovish behaviour of the Federal Reserve and, more locally for our investments, the promises made by the ECB Mario Draghi announced, amongst other initiatives, a widening of the unorthodox monetary easing programmes to include the purchase of a broader range of financial assets The cost of debt fell further for the companies we were invested in With bonds, both sovereign and corporate, offering anaemic returns, well financed property companies, many yielding over 4% and offering the prospect of further cash flow growth, are attractive

As a result Continental European companies outperformed the UK names in the second half of the year, a reverse of the pattern seen in the first half This gulf in relative performance has been particularly acute in the last few months The Europe ex UK (in EUR) component of our benchmark returned +3 6% in Q1 2016 whilst the UK names (in GBP) fell -7 1% Not only have the Continental property companies benefited from this ECB driven tailwind, the UK has suffered its own headwind in the form of the upcoming referendum

The impact of the uncertainty surrounding the June vote has fallen most heavily on the largest UK companies, (in part as a consequence of their greater liquidity) and the most London-centric Whilst the fund does hold a large position in Land Securities, this was offset by a large underweight position in British Land Performance suffered in the last quarter of the financial year from our large positions in high-quality London-centric businesses such as Derwent London, Great Portland Estates and CLS Holdings The collective overweight to the UK (versus Continental Europe) was reduced to a five year low in the second half on anticipation of weakness in the high-end London residential market as supply increased and stamp duty changes significantly damaged transaction volumes

The largest contributors to the relative outperformance were the large positions in German residential businesses and our physical property portfolio which saw strong returns from asset management initiatives in the London assets The German residential markets continue to offer strong fundamentals with continuing demand (household growth and immigration), affordability (due to wage inflation) and lack of new supply (inner city planning and zoning constraints) all contributing factors The listed German companies are now 18 5% of our benchmark, consolidation as well as the listing of new residential entities there have been regular corporate actions over the last few years This year saw the successful acquisition of Gagfah by Vonovia funded by a €2 2bn rights issue However this was followed by a hiatus of corporate activity as the three largest companies then attempted (quite unnecessarily in our view) to take each other over The end result was that the status quo of three separate businesses was maintained with shareholders correctly

Manager's Report

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identifying that over payment for modest synergies and cost savings was bad business The only consequence appears to have been large fees to advisers coupled with silence from the respective supervisory boards over the behaviour of some management teams

Property Investment Markets

Real estate remained a popular asset class in 2015 with a record year of investment in the UK at £66 3bn However the profile of investor type and sector focus has altered when compared to previous periods and we expect many of these themes to continue this year and beyond In last year's Annual Report and in the Interim I commented on the renewed focus on regional assets, versus London and this has continued apace South East offices saw a record transaction volume of £3 4bn, almost twice the ten year average, whilst Central London rose just 4% to £26 9bn UK institutions were net sellers in the second half and we expect that to continue particularly as the large retail customer focused daily dealing vehicles continue to report modest net redemptions They were joined by private property companies who were also net sellers (£6 5bn) but demand from overseas buyers rose accounting for 50% of total volume Central London continues to receive the lion's share of transactions but the 50% share was down from 60% in the previous year Overseas buyers are also looking further afield and are now a major owner of commercial property across the UK According to the Investment Property Forum, overseas ownership is now over 25% of all UK commercial property, up from 14% in 2002

We do not expect these volumes to be matched in 2016 A pause in decision making ahead of the Referendum is anecdotally evident and set to continue through Q2 2016 The importance of overseas buyers is also likely to continue as the UK's safe haven status for international capital remains undiminished The weakness of Sterling is a real support for all exports and property is no exception

The ability to buy commercial property at yields well in excess of the cost of the debt required to finance it remains a key attraction With the cost of debt falling further over the last 12 months and rental growth (albeit mostly quite modest) in evidence across most markets, the strong +11 7% total return (IPD Monthly March 2016 Index) is not a surprise Looking forward the return balance of 5 5% from income and 5 9% from capital is set to swing further towards income as yield compression becomes harder to envisage in a maturing capital cycle

Across Europe, the impact of the ECB's actions continue to resonate with lower cost of borrowing for corporates Banks still see real estate as an attractive asset and exposure continues to grow Markets where there is tangible evidence of a supply/demand imbalance are experiencing rental growth and this is attracting investors and driving down yields In Germany, prime office yields have reached all time lows in Munich (3 5%) and Berlin (4%) having tightened over 50bps in a year Investment volumes in German offices had a like-for-like increase of 25% to €25bn (versus an average over the last 5 years of just €11 3bn) according to CBRE Similar yield compression has been felt in their residential markets where the nationwide average rent increase has been 3% In cities of over 500,000 people the growth rate has averaged 4 2% Both listed and private property companies have been active and the residential market reached a record transaction volume of €22bn as measured by Savills

Offices

Sentiment towards the London office focused companies has clearly weakened since the beginning of 2016 as investors fretted about a slowdown in rental growth driven by an increase in supply and the potential risks to demand The potential 'demand shock' they argue is both short-term around Brexit driven delays to decision making and longer-term from the steep increase in the cost of space The risk of a future demand shock is an unknown, whilst the supply of office space is much more measurable given lengthy construction periods The reality of 2015 was a record breaking take up of 12 2m sq ft (11 3m sq ft in 2014) and the highest since the dot-com frenzy of 2000 This take up level was a staggering 23% ahead of the 10 year average and this market evidence sustained our overweight position to the London names

Supply remains limited in a historical context across all submarkets Docklands, traditionally viewed as the market with the greatest availability and a finance focused tenant base, had an overall vacancy level of 4 9% There are no new buildings scheduled for completion until 2018 The vacancy situation in the City and further West into Midtown and the core West End is even tighter The West End has vacancy of 2 6% but unusually it is this market

Manager's Report

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which currently has the greatest supply response with 2 3m sq ft, a record, due to complete in 2016 However the devil is always in the detail and 50% of this space is accounted for in 3 buildings in Victoria and 2 in Hammersmith The latter is really only classed as 'West End' in the eye of an optimistic estate agent

None of this supply data is worrying, if anything quite the contrary, but corrections in rental values are generally driven by demand shock which may or may not then be compounded by oversupply We note that active demand fell in Q4 2015 and we expect that to continue into the 2016 data According to Jones Lang LaSalle, West End active demand at 5 3m sq ft is now in line with the long-term average of 5 2m sq ft TMT accounts for 33% of current requirements and this demand is much more determined by global growth than local factors It is this industry sector's growth which drives our ongoing positive view on the newest sub-markets, north of Oxford St and further east to the Tech Belt, north of the City

The concern, as voiced in the Interim, remains those areas most dependent on financial services and larger occupiers Again, the risk is not supply, which will only reach the 10 year average in 2018, but demand In the City, Docklands and the Southbank demand is driven by financial services and primarily banking and a vote to leave the European Union would have a significant impact for many years

Last year I commented that office markets around the M25 and the larger regional centres were all experiencing real rental growth, many for the first time since 2007 This broad improvement has not only continued but has accelerated in new build and Grade A refurbished stock as tenants compete for better quality space Availability in the entire M25 market (as measured by Knight Frank) is at a level last seen in 2001 Although take up was only slightly ahead of the 10 year average (at 2 7m sq ft) the cumulative effect of steady demand growth and lack of new supply has eroded vacancy rates to historic lows in the M3 and M4 markets Availability is 26% below the 10 year average There is some supply (3 5m sq ft) to be delivered in the next 2 years but not enough to return availability to long-term averages The fund continues to add to its position in Mckay Securities, the only REIT focused entirely on office and industrial in the South East

Paris focused property companies have seen the opposite response from investors when compared with their London cousins Here, where the recovery in rents is, at best nascent and patchy, share prices have been driven upwards as investors rotate from the 4 year old growth story in London to the potential up cycle in Paris Once again, the devil is in the detail We have been fans of the recovery in central Paris for the last two years, through our investment in Terreis, a small cap stock focused only on the CBD The net asset value of this business has grown 35% in the last two years as rents rose and yields have fallen This prime sub market has seen a surge in take up with CBRE reporting that 2015 was the best performance since 2006 This take up was driven primarily by a 15 year record in the number of transactions of less than 50,000 sq ft, whilst larger transactions (those above 50,000 sq ft) were the second lowest in a decade Vacancy across the broad Paris region continues to be as polarised Paris Centre West has a vacancy rate of 4 7% and an enduring shortage of modern space La Defense, the Western Crescent and beyond to the Inner Rim vacancy still stands at 10% as demand continues to be matched by supply The good news is that possible future supply (available schemes not commenced) has slowed and more markets have reached rental stabilisation (as opposed to decline) over the last year with vacancy edging down towards the 10 year average

Germany continues to be a mixed bag of performance with Frankfurt again the laggard and the only office market not to experience vacancy reduction The two largest markets Berlin and Munich saw vacancy levels fall to 6 4% and 4 9% respectively with the commensurate upwards pressure on rents The merger of Alstria and Deutsche Office last year resulted in business with a market cap of €1 9bn and offers us exposure to most of the major markets but not quite enough of the preferred ones

The performance of the Swedish economy and its central bank continue to confound the sceptics GDP growth in Q4 2015 reached an annualised rate of 4% Meanwhile the central bank maintained negative interest rates One consequence is an ongoing surge in both residential and commercial property values with market evidence continuing to point to yield compression in virtually all portfolios of the listed companies With rents so closely tied to GDP growth it is no surprise that rents are rising particularly in Stockholm (16% in 2015) and Gothenburg (8% in 2015)

Manager's Report

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Retail

The retail sector continues to be the underperformer The exception remains Central London and more of that later in the report. The IPD Monthly Index retail rental growth for the last twelve months was 0 9% versus the All Property equivalent figure of 4 1% However there has been a marked improvement recently when you compare this figure with the equivalent three year data where the average annualised growth rate was just 0 1% The fund's underweight position to UK retail has been a consistent theme for many years driven by the structural seismic shifts in the retail landscape There are tentative signs of headline rental growth in certain dominant centres as retailers compete for the right sized space in the omni-channel retailing environment However, the fundamental problem for landlords remains the capital expenditure required to bring their centres up to a standard whereby customers will want to spend time (and money) rather than just spending their money online

The retail environment is getting better and record levels of employment result in more overall spend even if much of the growth in jobs has been in low skilled/low paid roles In 2015, retail sales grew 1 1% (ONS data) but sales through physical stores fell -0 3% year on year Effectively all the additional growth was captured by online sales which grew its overall share of sales from 12 4% to 13 5% Acknowledging this overall sales volume improvement but unable to ignore the ongoing difficulties for physical stores, particularly centres with very high rents, has resulted in us focusing on market segments where we are more confident of retailer affordability even in the face of online competition The fund's UK retail exposure is therefore through Capital & Regional and NewRiver Retail who returned 16 4% and 13 7% respectively over the financial year This compared to the larger retail REITs, Hammerson and Intu, who own more dominant centres but where tenant affordability is more stretched We have also become increasingly concerned about the yields applied to these larger malls given anaemic growth and high levels of capital expenditure required These two companies returned -9 6% and -6 1% respectively in the period

Our approach to Continental retail is different and hasn't dramatically altered over the last year We are overweight the group as a whole favouring the largest companies who own dominant centres Online sales growth remains slower than in the UK but is a growing trend The key differential remains tenant affordability and we have maintained exposure not only to Unibail and Klépierre but also Mercialys However the weakness in sub-regional high streets is ongoing as customers continue to make fewer but longer trips and we have reduced exposure to the Dutch businesses Vastned Retail and Wereldhave

Shopping is a leisure activity and increasingly combined with dining The fastest growing sector of any mall is in F&B (food and beverage) and the traditional food court tacked on or tucked away on the upper level is being reinvented A range of food offers extends dwell time but landlords are discovering that significant investment needs to be made in re-engineering their malls to accommodate this very different retailer mix Prime city centres with a range of unit sizes and natural side streets linking prime retail pitches offer the best chance of creating that mix of retail, restaurant, bar and café It is no surprise that Capital & Counties' Covent Garden assets and Shaftesbury's retail portfolio recorded respective rental growth of 12% and 4% in 2015

Distribution and Industrial

The growth in online retailing continues to drive a re-engineering of the distribution landscape Last year 35% of all deals involved the retail and food sectors according to data from Colliers International Particularly with business to consumer deliveries, the competition requires next day delivery and, increasingly in numerous urban environments, same day delivery There has been a land grab across key distribution hubs all over Northern Europe resulting in rising rents UK distribution property rental growth averaged 5% in 2015 The largest distribution units are getting larger with a huge amount of sophisticated goods handling automation This investment by the tenant, encourages them to take long leases (to write down the costs) and this adds to the value of the investment. Amazon's 1m sq ft hub in the West Midlands has been sold to a Korean investor for a reported initial yield of 4 5% and a capital value of £126m Big shed, big numbers

The sector is in rude health with take-up reaching 96 4 million sq ft in 2015, up 7% on 2014 Overall supply shrank by 26% and by more than that in the South East. However, with the shortest build time, the sector is always the fastest to respond and 2015 recorded the first annual increase in Grade A availability since 2009 It is interesting to note that the greatest imbalance between supply and demand is in the sub 50,000ft market as opposed to the

Manager's Report

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logistics driven +250,000 sq ft This broader spread of demand is comforting and we expect rental growth to continue into 2016 We maintained our large holding in St Modwen which has the largest regional industrial exposure of any listed company London Metric and Tritax Big Box offer purer logistics exposure but we are concerned that yields are now implying rental growth which will be harder to achieve as the supply/demand imbalance evaporates for the larger units

Residential

I have already commented on the strength of the German residential market but it was by no means unique Both Sweden and the UK continue to enjoy capital appreciation given the combination of record low mortgage costs and long running undersupply, particularly in the larger cities The Swedish government is examining further macro-prudential tools in an effort to control house price inflation whilst the Riksbank's negative base rate stance does increase mortgage affordability However the market does not appear to have heeded the threat of these affordability controls and Swedish house prices rose an astonishing 32% in 2015 Our largest residential overweight was to Balder which rose 41% in the year The only other residential business in the index, Wallenstam, we did not hold and it fell -1 4%

In the UK, the Conservative government has endeavoured to promote new build first time buyers with the 'Help to Buy' scheme whilst trying to reduce the tax benefits for 'buy-to-let' investors The intention is to level the playing field between owner-occupiers and investors, where the latter was able to offset all mortgage costs, which has been particularly attractive to the higher rate tax payer Our view is that these tax changes will have an impact, particularly on the amateur landlord Within the listed sector, Grainger has announced a strategic drive into the private rented sector as its regulated tenancy portfolios continue to run down

The one area of the UK residential market which has weakened is Central London I wrote about our reservations in the Interim and the sale of our holding in Capital & Counties The impact of the changes to stamp duty, the supply of new build apartments (not houses) and the economic slowdown in Asia have all had an effect Investors have taken fright, particularly since the beginning of 2016 Capital & Counties, where c.50% of its balance sheet is the Earls Court development site, fell -25% in the last quarter of the financial year St Modwen, a large holding, has just 13% of its balance sheet exposed to the Nine Elms (Vauxhall) regeneration area where it is rebuilding the New Covent Garden Flower Market which will then release 10 acres for residential development The stock fell 27% in Q1 2016 such was the investor reaction to the expected decline in residual land values We agree that apartment prices are correcting, particularly in this one sub-market, but the share price now barely reflects any positive value on a site which is adjacent to a Zone 1 underground station, train and bus interchange Our London exposure was also reduced last October when Lonestar agreed a bid for Quintain, the owner of much of the land bank surrounding Wembley Stadium at a 20% premium to the undisturbed price Our overall view on London residential remains the same as six months ago, whilst an overdue pricing correction is underway the longer term disequilibrium of undersupply and population growth remains

Meanwhile across the rest of the UK house price growth has continued to be robust but the underlying bare land values have not grown as quickly We put this down to two factors, firstly national housebuilders have learnt their lesson from the crisis, and have no desire to maintain large land banks on their balance sheets They now prefer to buy land which is ready for construction rather than taking it through the often convoluted planning process The other impact has been the significant reduction in the number of medium and smaller sized regional developers The lack of development finance and the difficulties in rehiring labour lost in the downturn has resulted in the land market being dominated by fewer players During the year we sold out of our only pure land play, Urban & Civic which has two excellent strategic sites in Rugby and Huntingdon We continue to have exposure through St Modwen, which as highlighted earlier, is trading at a significant discount to its asset value

Debt and Equity Capital Markets

Four European central banks are now experimenting with negative rates The era of unorthodox stimulus continues Against this backdrop Pan European property companies continue to tap corporate bond markets, raising €13 7bn in the year to March 2016 This compares to €9 5bn raised in the previous year and just €5 6bn in 2013 Much of this has been utilised in refinancing more expensive debt and not merely to increase leverage

Manager's Report

continued

further In fact the weighted average loan-to-value ratio at 37 9% compares favourably with 40 9% in March 2015

At the half year I commented on Unibail's €500m 10 year bond issued in April 2015 at 1 0% and how this compared with their €700m 10 year issued in June 2013 at 2 5% Again, Europe's largest property company has been active in the bond markets with €500m 10 year issued at 1 375% in March 2016 Whilst not quite as low as the April 2015 issue it proves ongoing appetite at very attractive financing rates for a business owning many of Europe's best shopping centres yielding over 4% Post the year-end Unibail announced a €500m 20 year bond with a coupon of 2% This is a very long dated bond and reflects the QE driven environment as much as investors' satisfaction with this company's credit rating The margin over the relevant swap rate was just 98bps It is also worthy of note that Hammerson, whilst a UK listed company, does have a €1 9bn French shopping centre portfolio and raised €500m at 1 75%

Equity capital markets were again busy but in the same vein as last year the focus was primary issuance from existing companies rather than IPOs In fact there were only two IPOs in the entire year, ADO Properties a Berlin residential investor and Pandox, a hotel owner/operator The Trust participated in both but sold out of the Pandox position in the Autumn We continue to hold the position in ADO

Merlin Properties, one of several of the new breed of aggressive acquiring externally managed Spanish companies, raised €613m in April 2015 and then a further €1 0bn in July to purchase the Testa portfolio

In the UK, raisings have been modest by comparison Investors were happy to back businesses with secure income streams and we saw Assura, Target Healthcare, and, post the year end, Primary Health Properties raise £600m between them The serial raiser of capital Tritax Big Box came back to the market twice in the period raising £325m, having raised £240m in March 2015 Such is the demand for large distribution units let on long leases The company has a covered dividend yield of 5 5% and trades at a premium to asset value enabling the raisings to be non-dilutive Demand for income proved to be the primary motivation for owning real estate particularly in the second half and we saw raisings from the high yielding stocks Picton, Regional Reit and Schroders Property Income Trust

Property shares

A key feature of the period was the huge dispersion in returns between the UK and Continental Europe In the first half the UK outperformed Continental Europe with the UK (in GBP) returning 3 4% and CE (in EUR) returning -7 0% As I mentioned in the Interim the strategy of focusing on markets with the greatest likelihood of rental growth proved sound in the first half with the German companies falling just -1% and the Swedish stocks rising +3 8% (in SEK)

The second half of the year was the reverse but more extreme with the UK names falling -13 4% in GBP and Continental Europe rising +9 3% in EUR. As explained earlier in the Performance summary the UK-centric headwinds, particularly investor concerns around the June referendum, manifested themselves in January and February with the UK names collectively falling -7 1% in Q1 2016

Within the European names the German stocks dominated by residential business performed strongly through both halves resulting in a total return of 10 3% over the year The Riksbank also entered the era of negative interest rates and further dovish comments from their central bank in October saw the Swedish names rise over 10% in that month alone This helped drive the Swedish companies to a total return for the year of 6 6% and second place in the country rankings

These country performance figures are quoted in local currency but when viewed from a GBP denominated fund the weakening of GBP had a dramatic effect In EUR, Continental Europe returned just 1 4% over the year whilst in GBP the figure was 11 1% I would remind investors that the Company's position on currencies is to run the non GBP exposure in line with the benchmark's currency exposure

Distribution of Assets

UK equity exposure dropped over the period to 31 7% (42 8% in March 2015) but UK physical property exposure increased to 8 2% (from 6 6%) as a consequence of capital value increases, the purchase of the industrial property in Gloucester and the remaining development expenditure at the Colonnades Continental European exposure rose from 50 6% to 60 1% This reflected the performance of the region, the strengthening of the Euro and the additional equity issuance by companies in Germany and Spain in the first half

Manager's Report

continued

Investment Activity

Turnover (purchases and sales divided by two) totalled £309 4m and equates to 29 8% of the average net assets over the period This was slightly ahead of last year's equivalent figure of 27 4% and reflects the volatility of the market and the rotation of the portfolio particularly in the second half

A key theme of the asset rotation was the further reduction in our exposure to UK large cap retail, particularly our long-term holding in Hammerson which was reduced by £26m (to less than £10m) and the sale of almost all of the briefly held Intu position, towards the end of the year The Intu holding was mostly acquired in January 2016 post the aggressive early New Year sell off We continue to hold NewRiver Retail and Capital & Regional which own smaller, less dominant shopping centres but where there is a greater capacity for a large number of asset management initiatives to make a material difference Long term holders will be aware of our views that in the longer-term it is our expectation that the outperforming centres will be either the very dominant or the very local with mid sized centres squeezed the most The current underweight to the owners of larger centres reflects our expectation that whilst they will outperform in the longer-term we are entering a period where these assets are over valued relative to their growth expectations and that higher yielding smaller centres will produce greater total return dominated by their higher income return The overall underweight to UK retail was a positive contributor to performance

The large overweight to Central London offices was also reduced over the year through a combination of reducing exposure to the London specialists, Great Portland and Derwent London but also, importantly, a sizeable reduction in British Land which has 43% of its exposure to both London offices and (some) high end residential The sales in the London specialists was mainly in late 2015 when they were trading at large premiums to asset value However our ongoing, albeit reduced, overweight was still a negative contributor to performance The price correction in early 2016 has brought them back onto our radar on valuation grounds but we consider them 'high impact' in relation to the Referendum and we are unlikely to add before June

I commented back in November that we did have some modest ongoing exposure to the Vauxhall/Nine Elms regeneration area through our ownership of CLS Holdings and St Modwen and the investment rationale around St Modwen has been covered earlier Our surprise at the market response to St Modwen also extended to CLS where the current book value of its Vauxhall development site is just 9% of their balance sheet It is therefore disappointing to report that in the last quarter of the financial year and including the reporting of record breaking FY15 results the share price fell -16% with investors' seeming to ignore all the good news and focus merely on their modest London residential exposure We continue to hold these positions confident that the expected performance of the remainder of their portfolios will materialise

The regional housing market (ex London) remains in good health and our stalwarts in the self storage space continued to perform well with Big Yellow (+23 2%) and Safestore (+18 6%) adding to relative performance Occupancy and rates continue to climb steadily

The other alternative asset classes of hotels (owners not managers) and student accommodation proved a mixed bag of performance I wrote about the IPO of Pandox, a business we invested in back in 2000 before it was taken private in 2004 We participated in the IPO but took profits too early as the stock rose 47% between June and December However, our concerns around the volatility of the sector were well founded with the stock correcting 20% by mid February, only to partially recover since then Our student accommodation exposure continues to be through the dominant listed player, Unite Group and whilst the company returned 11 5% in the period, it has suffered greater volatility as investors fret about the sector maturing and the risk of oversupply in some cities We remain vigilant but also comforted by management's response and positioning of the portfolio

The German residential exposure increased significantly over the year and as commented on earlier we participated in the IPO of ADO Properties in July and have followed on with a further participation in their most recent capital raise post the year-end The stock has returned 44% since listing and reflects investor sentiment towards the hugely popular Berlin market Our largest overweight relative to the benchmark was LEG, which had a total return of 12 2% in the year, also ahead of the overall benchmark

When viewed in local currency Sweden was the top performing region Swedish property companies (with just one exception) continue to be amongst the most

Manager's Report

continued

leveraged listed real estate businesses in Europe The Riksbank's dovish approach has, as discussed earlier, driven yields downwards and all asset pricing upwards and in particular residential Our key overweight, as mentioned in the Interim, remained Balder The strong rental growth seen in Stockholm and Gothenburg explained the good performance from Fabege, another overweight position However we were underweight the least leveraged company, Hufvudstaden which returned over 11% despite a loan-to-value of just 17% which is considered ultra conservative when compared with the wider Swedish peer group (who average over 50% each)

The one consistently poor investment decision, which produced a negative contribution in both halves of the year was the underweight to Swiss property companies From an occupational perspective, the commercial property market for both offices and retail in the two major cities remain poor with little sign of rental growth except in super prime locations Shopping centres, particularly those close to the border, have suffered from customers crossing into France to buy cheaper Euro priced goods However the investment market and demand for income remains robust. This also translates into the listed stocks where investors view the solid income from both PSP and Swiss Prime Site and the offer of 4%+ dividend yields as very attractive when base rates are negative Our focus on market fundamentals meant we didn't see 'the wood for the trees' Switzerland continues to be perceived as a safe haven and the broad weakening of sentiment in the beginning of 2016 resulted in these stocks being the top performing names in Q1 2016

Revenue

Earnings at 8 36p were lower than the prior year, as had been anticipated Prior year earnings had been inflated by a number of one-off items, without these the underlying earnings for 2014/15 were around 7 64p Therefore, although the headline earnings figure shows a decline of 6 0%, the underlying recurring earnings have shown healthy growth

The purchase of Gloucester and the completion of the Colonnades development during the year added to rental income, with some tenants still to take occupation at the Colonnades, further details of this project are set out below

Operating expenses were slightly higher in absolute terms than in the prior year, however ongoing charges (excluding the performance fee and direct property costs) have reduced from 0 70% to 0 67% of NAV

The revenue tax rate was marginally above that in the previous year, driven by the income mix and the fact that fewer overseas dividends were paid from capital accounts and so attracted withholding tax

Revenue Outlook

We anticipate modest growth in our underlying earnings over the forthcoming year However, one of the biggest unknowns is the impact of exchange rates on our income account. Recent months have seen weakness in Sterling and uncertainty is set to continue until the outcome of the referendum in June is known The result and where Sterling settles could have a significant impact on our earnings

Gearing, Debt and Debentures

Gearing started the year at 12 8%, increasing to 13 6% at the half year stage with a reduction in the last quarter to end the year at 11 9%

We reported a loan note placing in the Interim Report The £15m 15 year loan and the €50m 10 year loan were drawn in mid-February and the Sterling amount was utilised to repay the existing debenture a few days later The revolving multi-currency credit facility with RBS was renewed in January on improved pricing and the facility with ING has also just been agreed for a further year Although largely undrawn at the moment, the loans, together with CFD financing give the capacity to increase the gearing when this is deemed to be beneficial

Direct Physical Property

The physical property portfolio was the strongest performing component of the portfolio, well ahead of equities with a total return of 19 7% This was primarily capital growth (16 5%) and a modest income return of 3 2% reflecting the leasing phase of our largest asset The IPD Monthly Index total return for the 12 months was 11 7% During the year the Trust purchased one industrial property in Gloucester at a total acquisition cost of £6 6m and the purchase details were reported at the Interim On a like for like basis the property portfolio's total return was higher at 21 3% as it excludes the negative effect of the purchase costs (£0 4m) at Gloucester

Over the year we continued the programme of intensive

Manager's Report

continued

asset management and this was the primary driver behind the significant capital growth

The extension and refurbishment works at the Colonnades were completed during the year The new 40,000 sq ft Waitrose supermarket opened early, in September 2015 The remaining 5 retail units were completed in December 2015 with the only outstanding item being the public realm works which requires Westminster City Council approval Prior to the year-end we had secured tenants on 3 of the 5 units A ten year lease to Graham and Green, the furniture and soft furnishing retailer, for a new showroom was agreed prior to the year-end and completed shortly after Two other units are under contract to Babaji which is a new Turkish 'pida' restaurant concept run by Alan Yau, the renowned restauranteur behind both the Wagamama and Hakkasan chains The letting to Babaji is conditional on receipt of alcohol and outside seating licences from the local authority We have strong interest in the remaining two units

The programme of residential lease extensions also continued with a further 9 leases being extended for a total premium of just over £1m Just over 50% of leases on the 242 flats at the Colonnades have now been extended

At the industrial property in Ferrier Street, Wandsworth our potential redevelopment plans continue to evolve in conjunction with Wandsworth Borough Council The Council are currently carrying out a borough-wide employment land use review which will take at least 12 months to complete Any planning application will need to be made following the conclusion of this process All leases on the estate expire in September 2016 and we are now in the midst of agreeing three year lease extensions with tenants at rents which reflect the rapid rental growth experienced over the past three years

Outlook

A year ago this outlook focused on our expectation that central banks, and in particular the ECB, would maintain and indeed broaden the scope of monetary stimulus Globally, base rates were destined to remain very low although there was an increasing expectation of rate rises in the US and possibly even in the UK Fast forward to today and both the landscape and investor expectations are quite different The Fed have lifted rates just once and the US economy grew at its slowest pace in two years in the first three months of 2016, once again questioning the strength of one of the world's two most critical economies The woes of the other one are well documented Global growth remains elusive and volatility has heightened Almost two-thirds of all government bonds now yield less than 1% Negative base rates have become a part of several central banks' toolkits However, there is scepticism over the success of this strategy given the difficulties banks have in passing on negative deposit rates to consumers

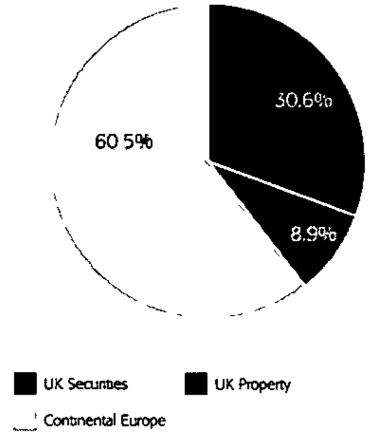
Against this backdrop, property continues to offer a stable and predictable earnings stream which, as highlighted in the Revenue Outlook, also has the capacity to grow Broadly, the supply of new commercial space remains a benign factor given the lack of development over the last seven years In markets where there is the potential for delivery to be higher than the 10 year average, only a material drop in demand would lead to a serious rental correction The risk is therefore one of demand rather than supply The deferral of business decision making and investment within the UK economy, ahead of the Referendum, is clearly visible and a vote to leave the EU would, through the ensuing uncertainty, deliver exactly that type of demand shock, particularly to the London economy A vote to remain in the EU would, we judge, see this global city's fundamental attractions reassert themselves However, we would continue to be concerned about London's high end residential market where there is a visible supply surge exacerbated by increases in transaction taxes and disclosure requirements making residential investment less attractive for overseas investors

The three years of double digit growth in the Trust's asset value (FY2012 – FY2015) were driven in large part by the asset inflationary consequences of unorthodox monetary easing This was followed, in the year under review, by a more modest yet still positive return This decline in the rate of capital growth reflects an increasing uncertainty surrounding the future effectiveness of current ultra loose central bank monetary policies However, and echoing the Chairman's closing remarks, the predictability of earnings from real estate, given the ongoing expectation of historically low cost of debt, will remain a key attraction of the sector relative to other asset classes particularly given the risks of earnings downgrades from many corporates in such a low growth environment

Marcus Phayre-Mudge
Fund Manager
13 June 2016

Portfolio

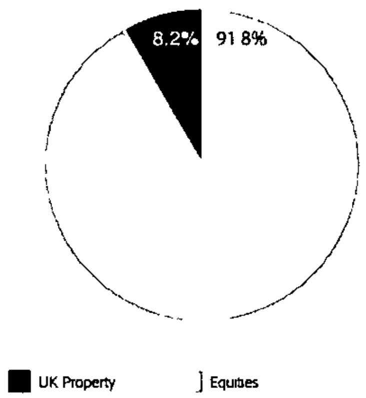
Distribution of Investments
as at 31 March



Distribution of Investments
as at 31 March

	2016 £'000	2016 %	2015 £'000	2015 %
UK Securities				
– quoted	**336,663**	**30.6**	434,549	40.7
– fixed interest	**–**	**–**	6,130	0.6
UK Investment Properties	**97,764**	**8.9**	75,434	7.1
	434,427	**39.5**	516,113	48.4
Continental Europe Securities				
– quoted	**663,182**	**60.4**	539,007	50.5
– fixed interest	**951**	**0.1**	868	0.1
Investments held at fair value	**1,098,560**	**100.0**	1,055,988	99.0
– CFD debtor[1]	**329**	**–**	10,604	1.0
Total Investment Positions	**1,098,889**	**100.0**	1,066,592	100.0

Investment Exposure
as at 31 March



Investment Exposure
as at 31 March

	2016 £'000	2016 %	2015 £'000	2015 %
UK Securities				
– quoted	**336,663**	**28.1**	434,549	38.2
– fixed interest	**–**	**–**	6,130	0.5
– CFD exposure[2]	**43,567**	**3.6**	46,791	4.1
UK Investment Properties	**97,764**	**8.2**	75,434	6.6
	477,994	**39.9**	562,904	49.4
Continental Europe Securities				
– quoted	**663,182**	**55.3**	539,007	47.3
– fixed interest	**951**	**0.1**	868	0.1
– CFD exposure[2]	**55,909**	**4.7**	36,002	3.2
Total Investment Exposure[3]	**1,198,036**	**100.0**	1,138,781	100.0

Portfolio Summary
as at 31 March

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Total investments	**£1,099m**	£1,056m	£880m	£740m	£516m
Net assets	**£1,065m**	£1,010m	£809m	£684m	£470m
UK quoted property shares	**31%**	41%	41%	37%	34%
UK fixed interest	**0%**	1%	1%	0%	0%
Overseas quoted property shares	**60%**	51%	50%	56%	56%
Overseas fixed interest	**0%**	0%	0%	0%	0%
Direct property (externally valued)	**9%**	7%	8%	7%	10%

1 Net unrealised gain on CFD contracts held as balance sheet debtor
2 Gross value of CFD positions
3 Total investments illustrating market exposure including the gross value of CFD positions

Investment Portfolio by Country

as at 31 March 2016

	£'000	Market value %
Austria		
Buwog	12,594	1.1
CA Immobilien	6,946	0.6
Conwert Immobilien	1,749	0.2
	21,289	**1.9**
Belgium		
Warehousing and Distribution de Pauw	8,571	0.8
Befimmo	3,331	0.3
Aedifica	2,300	0.2
Wereldhave	575	0.1
	14,777	**1.4**
Finland		
Citycon	3,945	0.4
Sponda	2,423	0.2
Technopolis	275	-
	6,643	**0.6**
France		
Unibail-Rodamco	95,892	8.7
Klépierre	37,814	3.4
Gecina	18,100	1.7
Foncière des Régions	10,873	1.0
Terreis	10,859	1.0
Foncière des Murs	10,382	0.9
Argan	7,194	0.7
Mercialys	4,286	0.4
ANF Immobilier	919	0.1
	196,319	**17.9**
Germany		
Vonovia	84,397	7.7
LEG	65,157	5.9
Deutsche Wohnen	41,696	3.8
Alstria Office	13,963	1.3
VIB Vermoegen	12,356	1.1
Deutsche Euroshop	9,057	0.8
ADO Properties	4,874	0.4
Grand City Properties	3,945	0.4
TLG	1,625	0.2
	237,070	**21.6**
Ireland		
Green Reit	3,609	0.3
	3,609	**0.3**
Italy		
Beni Stabili	2,133	0.2
	2,133	**0.2**
Netherlands		
Eurocommercial Properties	17,050	1.6
Wereldhave	16,831	1.5
Vastned Retail	6,583	0.6
Intervest Offices & Warehouses	2,026	0.2
NSI	19	-
	42,509	**3.9**
Norway		
Entra	4,863	0.4
Norwegian Property	3,135	0.3
	7,998	**0.7**

	£'000	Market value %
Spain		
Merlin	16,293	1.5
Inmobiliaria Colonial	5,855	0.6
Hispania Activos	4,734	0.4
	26,882	**2.5**
Sweden		
Fastighets Balder	17,523	1.6
Fabege	16,154	1.5
Kungsleden	14,052	1.3
Wihlborgs	11,646	1.0
Castellum	5,534	0.5
Hemfosa	4,567	0.4
Fastighets Balder (Pref)	749	0.1
Wallenstam	319	-
Klovern (Pref)	262	-
	70,806	**6.4**
Switzerland		
Swiss Prime Site	19,356	1.8
PSP Swiss Property	13,791	1.2
	33,147	**3.0**
United Kingdom		
Land Securities	66,395	6.0
Great Portland Estates	28,912	2.6
Derwent London	28,375	2.6
British Land	24,479	2.2
St Modwen	20,493	1.9
Unite Group	20,114	1.8
Shaftesbury	18,622	1.7
CLS Holdings	18,337	1.7
SEGRO	13,324	1.2
NewRiver	12,366	1.1
McKay Securities	12,265	1.1
Hammerson	10,153	0.9
Safestore Holdings	10,112	0.9
Grainger	6,988	0.6
Capital & Regional	6,811	0.6
Workspace Group	6,515	0.6
Big Yellow Group	5,148	0.5
Primary Health Properties	4,400	0.4
INTU Properties	4,127	0.4
Telford Homes	3,955	0.4
Secure Income Reit	3,103	0.3
Picton	3,103	0.3
Local Shopping Reit	2,865	0.3
Helical Bar	2,366	0.2
Hansteen Holdings	1,634	0.1
Redefine	1,088	0.1
Target Healthcare	611	0.1
Nanette Real Estate	2	-
	336,663	**30.6**
Direct Property	**97,764**	**8.9**
Fixed Interest		
VIB Vermoegen 4.00% 05/12/16 (Germany)	951	0.1
	951	**0.1**
CFD Debtors (included in current assets)	**329**	**-**
Total Investment Positions	**1,098,889**	**100.0**

Twelve Largest Equity Investments

1 Unibail-Rodamco (France)

	31 March 2016	31 March 2015
Shareholding value	**£105 8m**	£93 5m
% of investment exposure†	**9 92%**	8 7%
% of equity owned	**0 6%**	0 5%
Share price	**€241 80**	€251 05

Europe's largest quoted property company by both market cap and gross assets, following the June 2007 merger with Rodamco Its EUR38bn portfolio is located in France (55%), Central Europe (10%), Scandinavia (9%), Spain (8%), Austria (6%) and the Netherlands (4%) The focus is on large dominant shopping centres in the main European cities, which generate higher sales density/footfall and lower structural vacancy To supplement returns the group also pursues an opportunistic strategy (buy/build and sell) on offices (11%) mostly located in Paris CBD and La Défense Following further financial restructuring, Unibail is looking to increase earnings by 8-10% in 2016 The current loan to value stands at 35% with an increased average debt maturity of 6 5 years The five year total shareholder return has been 104 1%

2 Land Securities (UK)

	31 March 2016	31 March 2015
Shareholding value	**£88 6m**	£100 0m
% of investment exposure†	**8 3%**	9 3%
% of equity owned	**1 0%**	1 0%
Share price	**1,100 0p**	1,253 0p

The UK's largest real estate investment trust (REIT) by market cap and portfolio value, with a portfolio of £14 3bn including share of joint ventures and developments The company is exposed to Central London Offices and Retail (50%), Shopping Centres (27%), Retail Warehouses & Supermarkets (11%) and other investments (predominantly Accor hotels and leisure-focused assets) (12%) The group has maintained its debt neutral strategy and invested in development assets through disposals of mature ex-growth assets This has reduced LTV dramatically as asset values have increased Development exposure is reducing as the group is concerned about over-supply and a slowdown in returns Nova in Victoria and New Street Square in the city complete in 2016, leaving only the Westgate Shopping Centre in Oxford as the remaining development exposure Last reported loan to value was a low 23% The five year total shareholder return has been 77 1%

3 Vonovia (Germany)

	31 March 2016	31 March 2015
Shareholding value	**£84 4m**	£41 9m
% of investment exposure†	**7 9%**	3 9%
% of equity owned	**0 7%**	0 5%
Share price	**€31.63**	€31 40

Vonovia (formerly named Deutsche Annington) is the largest German residential landlord following the acquisition of Gagfah in 2014 and Sudewo portfolio in 2015, with nearly 360,000 units under management Vonovia runs a large in-house craftsman organization which enables the company to run an innovative strategy focussing on improving and modernizing its €24bn portfolio, while offering economies of scale by acquiring additional portfolios Vonovia reported an LTV below 50% as of December, in-line with its longer term target, and a cost of debt at 2 6% after it executed the largest Eurobond issuance in the real estate sector ever in December The total shareholder return since listing in July 2013 has been 101 1%

†Percentage of Investment Exposure positions include exposure through CFDs

Twelve Largest Equity Investments

continued

4 LEG (Germany)

	31 March 2016	31 March 2015
Shareholding value	**£65 1m**	£42 9m
% of investment exposure†	**6 1%**	4 0%
% of equity owned	**1 6%**	1 4%
Share price	**€82 85**	€73 87

LEG is a German residential company focused on the economically strong region of North Rhine-Westphalia The company is one of the largest real estate companies in Germany with nearly 110,000 units under management with a combined value of €6 6bn LEG is characterized by a strong balance sheet with a pro-forma LTV of just under 50%, an average debt maturity of more than 10 years and an average cost of debt of 2 3% The company is run by a well-regarded management team, and has a well-maintained portfolio with 97 5% occupancy and an efficient platform from which it intends to grow further The total shareholder return since listing in February 2013 has been 103 2%

5 Klépierre (France)

	31 March 2016	31 March 2015
Shareholding value	**£60 2m**	£45 1m
% of investment exposure†	**5 7%**	4 2%
% of equity owned	**0 6%**	0 4%
Share price	**€42 10**	€45 69

Klépierre owns a Pan-European shopping centre portfolio valued at €21 7bn located in France (39%), Scandinavia (18%), Italy (16%), Iberia (8%) and Central Europe (8%) Klépierre has an attractive €3 6bn development pipeline (of which €0 7bn committed) at an average expected yield of 7 1% Simon Property Group, the largest global shopping centre REIT owns a 20% stake and has been a positive force since it acquired the shares in 2011 Klépierre has been able to increase like-for-like net rental income in its shopping centres by 3 4%, outperforming indexation by 3% and has been able to reduce vacancy to 0 6% since it acquired the Cono assets mid-2015 Klépierre reported a LTV of 39% at the year end, combined with a reported cost of debt below 2 5% The five year total shareholder return has been 87 8%

6 Deutsche Wohnen (Germany)

	31 March 2016	31 March 2015
Shareholding value	**£47 1m**	£33 3m
% of investment exposure†	**3 9%**	3 1%
% of equity owned	**0 6%**	0 7%
Share price	**€27 33**	€23 84

Deutsche Wohnen is Germany's second largest residential company with the bulk of its exposure to Greater Berlin (76%) The company owns a high quality portfolio consisting of more than 150,000 units with a combined value of nearly €12bn Deutsche Wohnen experienced another strong year in Berlin with valuation uplifts of +24%, thereby increasing the NAV of the company by more than 30% compared to a year earlier The company launched a bid for Conwert in March 2015, but failed to acquire the necessary 50% +1 share of the outstanding shares in April, after which it decided to withdraw the bid An attempt to consolidate LEG later in the year failed too as investors saw more value in two separate companies The Company has the lowest LTV amongst peers at 38% The five year total shareholder return has been 216%

†Percentage of Investment Exposure, positions include exposure through CFDs

Twelve Largest Equity Investments

continued

7 Great Portland Estates (UK)

	31 March 2016	31 March 2015
Shareholding value	**£28 9m**	£44 7m
% of investment exposure†	**2 7%**	4 1%
% of equity owned	**1 2%**	1 6%
Share price	**728 0p**	811 5p

This Central London office investor and developer manages £3 6bn of property with exposure to West End and City Offices and Retail (76% and 24% respectively) The group has had another strong year with significant lettings signed 9 6% ahead of March 2015 ERV, in the nine months of its financial year to December 2015 Great Portland is a total return investment with the majority of returns generated from management's ability to redevelop or refocus an asset through development to drive rental growth and capital appreciation The group has committed to its largest ever development programme with 0 9m sqft across nine schemes While the market has slowed in London, 59% of the development space is pre-let or pre-sold and all is due for completion in the next 24 months Management is committed to capital recycling and the strong balance sheet (23% LTV) provides downside protection and optionality The five year total shareholder return has been 104 7%

8 Derwent London (UK)

	31 March 2016	31 March 2015
Shareholding value	**£28 4m**	£38 4m
% of investment exposure†	**2 7%**	3 5%
% of equity owned	**0 8%**	1 0%
Share price	**3,152 0p**	3,424 0p

Derwent London is a specialist London REIT (97% of portfolio) operating a £4 9bn portfolio with a specific focus on offices in the West End and areas bordering the City of London Demand for the group's high-quality space remains high (largely driven by the TMT sector) with management guiding to rental growth of 5%-8% for 2016 However, as yield compression has come to a halt valuation growth has slowed Management's strategy of low leverage coupled with a sector-leading operational platform and a proven track-record of acquisition, repositioning and capital recycling should continue to drive good property level returns While the group has the largest potential development pipeline as a percentage of portfolio in London, management has optionality over full commitment should conditions turn negative in their markets The balance sheet is very strong with a loan-to-value ratio of only 18%, providing protection in the case of a downturn The five year total shareholder return has been 106 8%

9 Unite Group (UK)

	31 March 2016	31 March 2015
Shareholding value	**£24 5m**	£27 1m
% of investment exposure†	**2 3%**	2 5%
% of equity owned	**1 7%**	2 1%
Share price	**636 5p**	585 5p

Unite is the UK's largest purpose-built student housing developer, owner and operator The group manages c 46,000 student beds either wholly-owned or on behalf of joint ventures of which Unite has a 52% economic interest Over 2016 the asset class attracted strong institutional investment which in turn drove rapid yield compression Unite benefitted and saw its portfolio value grow 20% and its share of asset value reach £1 9bn Rental growth also accelerated and management are confidently guiding to 3-4% annual growth as the demand-supply dynamic remains strongly in landlords' favour The development pipeline continues to deliver additional rental and value growth and management is committed to funding this through asset recycling A combination of development returns, like-for-like rental growth and efficiency improvements has made management confident over 16% CAGR in EPS till 2019 The LTV of 35% provides the group with sufficient firepower to continue its development activity The five year total shareholder return has been 216 7%

†Percentage of Investment Exposure positions include exposure through CFDs

Twelve Largest Equity Investments

continued

10 British Land (UK)

	31 March 2016	31 March 2015
Shareholding value	**£24 5m**	£42 9m
% of investment exposure†	**2 3%**	4 0%
% of equity owned	**0 3%**	0 5%
Share price	**700 5p**	832 5p

With a £15 0bn portfolio (including developments) covering Central London Offices (45%), Shopping Centres, Retail Warehouses and department stores (47%), Supermarkets (6%), and Residential (2%) British Land has the UK's largest property exposure In London, the office exposure is focused on three core clusters Broadgate, Regents Place and Paddington The group's main office development exposure is in Paddington as management aim to re-energize the area It is also exposed to London residential development in each of the affordable (Aldgate Place), prime (The Hempel) and uber-prime (Clarges) markets and this poses risk given the slowdown being seen in the market The group has higher gearing than its main peer Land Securities with loan to value at 34% and should the market turn negative it is as such less protected The five year total shareholder return has been 57 6%

11 Foncière des Régions (France)

	31 March 2016	31 March 2015
Shareholding value	**£23 7m**	£19 9m
% of investment exposure†	**2 2%**	1 9%
% of equity owned	**0 5%**	0 4%
Share price	**€83 05**	€92 17

Foncière des Régions is a diversified European property company with a consolidated portfolio of €17 7bn of assets (€11 0bn in group share) The company is mainly invested in French and Italian offices (62% group share), hotels (13%), and more recently it has successfully expanded its German Residential exposure (now 20% group share) The Italian office exposure is held through its 49% stake in listed real estate operator Beni Stabili (BNS), where the CEO was replaced by the CEO of Foncière des Régions in the year Foncière des Régions also holds a strategic stake in Foncière des Murs, a French and German leisure and lodging business of which it owns 43% The company saw 20bps yield compression during the year, mainly driven by strong revaluations in the French office portfolio which benefits from strong investor demand The group has a 46 1% LTV, with an average cost of debt of 2 8%, down from 3 3% a year ago, with an average maturity of 5 0 years The five year shareholder total return has been 52 7%

12 Segro (UK)

	31 March 2016	31 March 2015
Shareholding value	**£22 2m**	£13 9m
% of investment exposure†	**2 1%**	1 3%
% of equity owned	**0 7%**	0 4%
Share price	**410 3p**	416 9p

Segro is the largest operator of industrial property listed in the UK, with a total portfolio of £5 8bn split 75% in the UK and 25% in Continental Europe Having sold its standalone Slough office assets the group is entirely exposed to industrial space In the UK, the group is focused on Greater London industrial space and logistics and wider national logistics space In Europe, where quantitative easing is helping capital values, Germany and France are the group's largest markets with Poland in third To complement like-for-like performance, the group is active in development and management has recently added land in Greater London and land for national logistics We expect the greater focus and enhanced development pipeline will drive strong earnings growth The loan-to-value ratio is now 38% and is expected to remain around those levels, providing a solid base to support the strategy The five year total shareholder return has been 67 5%

†Percentage of Investment Exposure positions include exposure through CFDs

Investment Properties

as at 31 March 2016

Spread of Direct Portfolio by Capital Value (%)
as at 31 March 2016

	Office	Retail	Industrial	Residential and Ground Rents	Other	Total
West End of London	–	41 0	–	13 9	0 5	55 4
Inner London*	4 5	1 2	13 5	–	–	19 2
Around M25	9 5	–	–	–	–	9 5
South West	–	–	15 9	–	–	15 9
Total	**14 0**	**42 2**	**29 4**	**13 9**	**0 5**	**100 0**

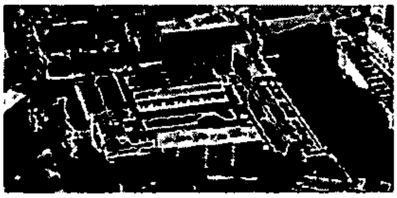
*Inner London defined as inside the North and South circular

Lease Lengths within the Direct Property Portfolio

as at 31 March 2016	Gross rental income
less than 1 year (including voids)	36 1%
1 to 3 years	7 6%
4 to 5 years	8 5%
6 to 10 years	16 5%
11 to 15 years	0 0%
Over 15 years	31 3%
	100 0%

Value in excess of £10 million

The Colonnades Bishops Bridge Road, London W2



Sector	**Mixed Use**
Tenure	**Freehold**
Size (sq ft)	**64,000**
Principal tenants	**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

Planning consent was granted for the extension and refurbishment of the commercial element in March 2014 Construction started in September 2014 and completion occurred in December 2015

Ferrier Street Industrial Estate, Wandsworth, London SW18

Sector	**Industrial**	
Tenure	**Freehold**	
Size (sq ft)	**36,000**	
Principal tenants	**Absolute Taste** **Kougar Tool Hire Ltd**	**Mossimans** **Page Lacquer**

Site of just over an acre, 50 meters 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

Value less than £10 million

Yodel Unit, Woodlands Park, Almondsbury, Bristol BS32

Sector	**Industrial**
Tenure	**Freehold**
Size (sq ft)	**53,000**
Principal tenants	**Yodel Delivery Network Ltd**

Located on the junction of the M4 and M5, this industrial building is let to Yodel, the parcel delivery company, on a lease expiring in 2019 at a low rent of £5 per sq ft. The building sits on a 5 75-acre site giving a low site density and a large yard offering a variety of alternatives uses for the site

Investment Properties

as at 31 March 2016 – continued

Value less than £10 million

IO Centre, Gloucester Business Park, Gloucester GL3

Sector	**Industrial**	
Tenure	**Freehold**	
Size (sq ft)	**63,000**	
Principal tenants	**SCI-MX Investments, Procook,**	**FEDEX, Infusion GB**

The IO Centre comprises six industrial units occupied by five tenants and sits on a 4.5-acre site. Gloucester Business Park is located to the east of Junction 11A of the M5 and one mile to the east of Gloucester City Centre. The property also has easy access to the A417 providing good links to the M4 via junction 15.

Field House, Station Approach, Harlow CM20

Sector	**Offices**
Tenure	**Freehold**
Size (sq ft)	**66,000**
Principal tenants	**Teva UK Ltd**

Located next to Harlow Town railway station, the building was constructed in the late 1980s and comprises a 66,000-sq ft office building on a site of 3.5 acres. 80% of the building by ERV is let to Teva UK Ltd on leases expiring in 2023.

Beacon House, Wimbledon, London SW18

Sector	**Offices**
Tenure	**Freehold**
Size (sq ft)	**12,000**
Principal tenants	**British Red Cross**

Beacon House is located in the main office district of this affluent London suburb. Lease expires on the upper parts in 2016 and will facilitate a refurbishment or redevelopment of the building.

Unit H1, Parkway Industrial Estate, Plymouth PL6

Sector	**Industrial**
Tenure	**Freehold**
Size (sq ft)	**66,000**
Principal tenants	**Invensys plc**

This industrial building is located on the main industrial estate in Plymouth beside the A38. It is let to Invensys until 2021 off a low rent of £4.50 per sq ft offering good potential for growth at the next rent review in 2016.

Investment Objective and Benchmark

The Company's Objective is to maximise shareholders' total return by investing in the shares and securities of property companies and property related businesses internationally and also in investment property located in the UK

The benchmark is the FTSE EPRA/NAREIT Developed Europe Capped Net Total Return Index in Sterling The index, calculated by FTSE, is free-float based and currently has 98 constituent companies The index limits exposure to any one company to 10% and reweights the other constituents pro-rata The benchmark website www epra com contains further details about the index and performance

Business Model

The Company's business model follows that of an externally managed investment trust

The Company has no employees Its wholly non-executive Board of six Directors retains responsibility for corporate strategy, corporate governance, risk and control assessment, the overall investment and dividend policies, setting limits on gearing and asset allocation and monitoring investment performance

The Board has appointed F&C Investment Business Limited as the Alternative Investment Fund Manager with portfolio management delegated to Thames River Capital LLP Marcus Phayre-Mudge acts as Fund Manager to the Company on behalf of Thames River Capital LLP and Alban Lhonneur is Deputy Fund Manager George Gay is the Direct Property Manager and Joanne Elliott the Finance Manager They are supported by a team of equity and portfolio analysts

Further information in relation to the Board and the arrangements under the Investment Management Agreement can be found in the Report of the Directors on pages 36 and 43 to 44

In accordance with the AIFMD, BNP Paribas has been appointed as Depository to the Company BNP Paribas also provide custodial and administration services to the Company Company secretarial services are provided by Capita Company Secretarial Services

The specific terms of the investment management agreement are set out on pages 43 to 44

Strategy and Investment Policies

The investment selection process seeks to identify well managed companies of all sizes The Manager generally regards future growth and capital appreciation potential more highly than immediate yield or discount to asset value

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

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

Asset allocation guidelines

The maximum holding in the stock of any one issuer or of a single asset is limited to 15% of the portfolio at the point of acquisition In addition, any holdings in excess of 5% of the portfolio must not in aggregate exceed 40% of the portfolio

The Manager currently applies the following guidelines for asset allocation,

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

Gearing

The company may employ levels of gearing from time to time with the aim of enhancing returns, subject to an overall maximum of 25% of the portfolio value

In certain market conditions the Manager may consider it prudent not to employ gearing on the balance sheet at all, and to hold part of the portfolio in cash

The current asset allocation guideline is 10% net cash to 25% net gearing (as a percentage of portfolio value)

Property Valuation

Investment properties are valued every 6 months by an external independent valuer If a material event occurs in the intervening period, then an interim valuation will be instructed on the property in question Valuations of all the Group's properties as at 31 March 2016 have been carried out on a "Red Book" basis and these valuations have been adopted in the accounts

Allocation of costs between Revenue & Capital

On the basis of the Board's expected long-term split of returns in the form of capital gains and income, the Group charges 75% of annual base management fees and finance costs to capital All performance fees are charged to capital

Key Performance Indicators

The Board assesses the performance of the Manager in meeting the Trust's objective against the following Key Performance Indicators ("KPIs")

KPI	Board monitoring and outcome
Net Asset Value Total Return Relative to the benchmark The Directors regard the Company's net asset value total return performance in comparison with the benchmark as being an overall measure of value delivered to the shareholders' over the longer-term	• The Board reviews the performance in detail at each meeting and discusses the results and outlook with the Manager
Delivering a reliable dividend which is growing over the longer term The principal objective of the company is a total return objective, however, the fund manager aims to deliver a reliable dividend with growth over the longer-term	• The Board reviews statements on income received to date and income forecasts at each meeting
The Discount or Premium at which the Company's shares trade compared with Net Asset Value Whilst investment performance is expected to be a key driver of the share price discount or premium to the net asset value of an investment trust over the longer-term, there are periods of volatility when the discount can widen The Board is aware of the vulnerability of a sector-specialist trust to a change of investor sentiment towards that sector	• The Board takes powers at each AGM to buy-back and issue shares When considering the merits of share buy-back or issuance, the Board looks at a number of factors in addition to the short and longer-term discount or premium to NAV to assess whether action would be beneficial to the shareholders overall Particular attention is paid to the potential impact of any share buy-back activity on the liquidity of the shares and on Ongoing Charges over the longer-term

	Outcome	
	1 Year	5 Years
NAV Total Return	8 2%	88 8%
Benchmark Total Return	5 4%	60 3%

	Outcome	
	1 Year	5 Years
Compound Annual Dividend Growth	8 4%	39 2%
CPI	1 6%	12 3%

	Outcome	
	1 Year	5 Years
Average discount	3 3%	6 2%
Number of shares repurchased	Nil	375,000

Key Performance Indicators

continued

KPI	Board monitoring and outcome
Level of Ongoing Charges The Board is conscious of expenses and aims to deliver a balance between strong service and costs The AIC definition of Ongoing Charges includes any direct property costs in addition to the management fees and all other expenses incurred in running a publicly listed company As no other investment trusts hold part of their portfolio in direct property (they either hold 100% of their portfolio as property securities or as direct property), this statistic is shown without direct property costs to allow a clearer comparison of overall administration costs with other funds investing in securities	• Expenses are budgeted for each financial year and the Board reviews regular reports on actual and forecast expenses throughout the year
Investment Trust Status The Company must continue to operate in order to meet the requirements for Section 1158 of the Corporation Tax Act 2010	• The Board reviews financial information and forecasts at each meeting which set out the requirements outlined in Section 1158 • The Directors believe that the conditions and ongoing requirements have been met in respect of the year to 31 March 2016 and that the Company will continue to meet the requirements

	Outcome	
	1 Year	3 Years
excluding Performance Fees and Property Costs	0 67%	0 71%

**Ongoing charges calculation introduced in 2013 therefore this statistic has only been produced for 3 years.*

Principal Risks and Uncertainties

In delivering long-term returns to shareholders, the Board must also identify and monitor the risk that has been taken in order to achieve that return The Board has included below details of the principal risks and uncertainties facing the Company and the appropriate measures taken in order to mitigate these risks as far as practicable

Risk Identified	**Board monitoring and mitigation**
Share Price performs poorly in comparison to the underlying NAV The shares of the Company are listed on the London Stock Exchange and the share price is determined by supply and demand The shares may trade at a discount or premium to the Company's underlying NAV and this discount or premium may fluctuate over time	• The Board monitors the level of discount or premium at which the shares are trading over the short and longer-term • The Board encourages engagement with the shareholders The board receives reports at each meeting on the activity of the Company's brokers, PR agent and meetings and events attended by the Fund Manager • The Company's shares are available through the F&C share schemes and the Company participates in the active marketing of these schemes The shares are also widely available on open architecture platforms and can be held directly through the Company's registrar • The Board takes the powers to buy-back and issue shares at each AGM
Poor Investment performance of the portfolio relative to the benchmark The Company's portfolio is actively managed In addition to investment securities the Company also invests in commercial property and accordingly, the portfolio may not follow or outperform the return of the benchmark.	• The Manager's objective is to outperform the benchmark. The Board regularly reviews the Company's long-term strategy and investment guidelines and the manager's relative positions against these • The Management Engagement Committee reviews the Manager's performance annually The Board has the powers to change the Manager if deemed appropriate

Principal Risks and Uncertainties

continued

Risk Identified	Board monitoring and mitigation
Market Risk Both share prices and exchange rates may move rapidly and adversely impact the value of the Company's portfolio Although the portfolio is diversified across a number of geographical regions, the investment mandate is focused on a single sector and therefore the portfolio will be sensitive towards the property sector, as well as global equity markets more generally Property companies are subject to many factors which can adversely affect their investment performance, these include the general economic and financial environment in which their tenants operate, interest rates, availability of investment and development finance and regulations issued by governments and authorities	• The Board receives and considers a regular report from the manager detailing asset allocation, investment decisions, currency exposures, gearing levels and rationale in relation to the prevailing market conditions
The Company is unable to maintain its progressive policy on dividends Low earnings in the underlying portfolio, through adverse changes in tax treatment of dividends or other income received by the company, changes in the timing of receipt of dividends or the weakening of FX rates leading to a fall in the Sterling value of income receipts from overseas holdings may reduce the level of earnings of the Company and therefore put pressure on its ability to maintain a progressive dividend	• The Board receives and considers regular income forecasts • Income forecast sensitivity to changes in FX rates is also monitored • The Company has revenue reserves which can be drawn upon when required
Accounting and Operational risks Disruption or failure of systems and processes underpinning the services provided by third parties and the risk that these suppliers provide a sub-standard service	• Third party service providers produce periodic reports to the Board on their control environments and business continuation provisions on a regular basis • The Management Engagement Committee considers the performance of each of the service providers on a regular basis and considers their ongoing appointment • The Custodian and Depository are responsible for the safeguarding of assets In the event of a loss of assets the Depository must return assets of an identical type or corresponding amount unless able to demonstrate that the loss was the result of an event beyond their reasonable control

Principal Risks and Uncertainties

continued

Risk Identified	Board monitoring and mitigation
Financial Risks The Company's investment activities expose it to a variety of financial risk which include counterparty credit risk, liquidity risk and the valuation of financial instruments	• Details of these risks together with the policies for managing these risks are found in the Notes to the Financial Statements on pages 64 to 87
Loss of Investment Trust Status The Company has been accepted by HM Revenue & Customs as an investment trust, subject to continuing to meet the relevant eligibility conditions As such the Company is exempt from capital gains tax on the profits realised from the sale of investments Any breach of the relevant eligibility conditions could lead to the Company losing investment trust status and being subject to corporation tax on capital gains realised within the Company's portfolio	• The Investment Manager monitors the investment portfolio, income and proposed dividend levels to ensure that the provisions of CTA 2010 are not breached The results are reported to the Board at each meeting • The income forecasts are reviewed by the Company's tax advisor through the year who also reports to the Board on the year-end tax position and on CTA 2010 compliance
Legal, regulatory and reporting risks Failure to comply with the London Stock Exchange Listing Rules and Transparency and Disclosure rules, failure to meet the requirements under the Alternative Investment Funds Directive, the provisions of the Companies Act 2006 and other UK, European and overseas legislation affecting UK companies Failure to meet the required accounting standards or make appropriate disclosures in the Interim and Annual Reports	• The Board receives regular regulatory updates from the Manager, Company Secretary, legal advisors and Auditors The board considers these reports and recommendations and takes action accordingly • The Board receives an annual report and update from the Depository • Internal checklists and review procedures are in place at service providers • External auditors review Interim & Annual Reports and audit year end Financial Statements
Inappropriate use of gearing Gearing, either through the use of bank debt or through the use of derivatives may be utilised from time to time Whilst the use of gearing is intended to enhance the NAV total return, it will have the opposite effect when the return of the Company's investment portfolio is negative	• The Board receives regular reports from the Manager on the levels of gearing in the portfolio These are considered against the gearing limits set in the Investment Guidelines and also in the context of current market conditions and sentiment
Personnel changes at Investment Manager Loss of portfolio manager or other key staff	• The Chairman conducts regular meetings with the Fund Management team • The fee basis protects the core infrastructure and depth and quality of resources The fee structure incentivises good performance and is fundamental in the ability to retain key staff

Viability Statement

In accordance with provision C.2 2 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over the coming 5 years This period is used by the Board during the strategic planning process and consider reasonable for a business of our nature and size

This assessment takes account of the Company's current position and the policies and processes for managing the principal risks set out on pages 28 to 30 and the Company's ability to continue in operation and meet its liabilities as they fall due over the period of assessment

In the assessment of the viability of the Company the Directors have noted that:

- The Company has a long-term investment strategy under which it invests mainly in readily realisable, publicly listed securities and which restricts the level of borrowings
- Of the current portfolio, 65% could be liquidated within seven trading days
- The Company invests in real estate related companies which hold real estate assets, and invests in commercial real estate directly These investments provide cash receipts in the form of dividends and rental income
- The Company is able to take advantage of its closed-ended Investment Trust structure and able to hold a proportion of its portfolio in less liquid direct property with a view to long-term outperformance
- The structure has also enabled the Company to secure finance in excess of 10 years
- The expenses of the Company are predictable and modest in comparison with the assets Regular and robust monitoring of revenue and expenditure forecasts are undertaken throughout the year
- The Company has no employees and consequently does not have redundancy or other employment related liabilities or responsibilities
- The Company retains title to its assets held by the Custodian which are subject to further safeguards imposed on the Depository

The following assumptions have been made in assessing the longer-term viability:

- Real Estate will continue to be an investable sector of international stock markets and investors will continue to wish to have exposure to that sector
- Closed-ended Investment Trusts will continue to be wanted by investors and regulation or tax legislation will not change to an extent to make the structure uneconomical in comparison to other investment products
- The performance of the Company will continue to be satisfactory Should the performance be less than the Board deems to be satisfactory, it has the appropriate powers to replace the Investment Manager

The Board has concluded that the Company will be able to continue in operation and meet its liabilities as they fall due over the coming 5 years. The Company's business model, capital structure and strategy have enabled the Company to operate over many decades, and the Board expects this to continue into the future.

Corporate Responsibility

Exercise of voting power

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

The exercise of voting rights attached to the Company's portfolio has been delegated to the Manager who takes a global approach to engagement with issuers and their management in all of the jurisdictions in which it invests The Manager is required to include disclosure about the nature of their commitment to the Financial Reporting Committee's Stewardship Code and details may be found at www fandc com

Environmental policy & Socially Responsible Investment

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

The Company has adopted an environmental policy in respect of its investments in both physical property and listed property companies Within the context of the overall aim of the Company to maximise shareholders' returns the Directors will seek to limit the Company's and its investee companies' impact on the environment and will comply with all relevant legislation relating to its operations and activities

The environmental policies and behaviour of all the companies in which the Company invests are taken into account in decision making

Good environmental management can play a role in overall risk management and also have a financial impact in terms of savings through energy and water efficiency Where appropriate the Manager will engage with investee companies to raise concerns about environmental matters

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

Diversity, Gender Reporting and Human Rights Policy

The Board recognises the requirement under Section 414 of the Companies Act 2006 to detail information about employee and human rights, including information about any policies it has in relation to these matters and effectiveness of these policies As the Trust has no employees, this requirement does not apply

The Board currently comprises 4 male and 2 female Directors The Board's diversity policy is outlined in more detail in the Corporate Governance Report The Manager has an equal opportunity policy which is set out on its website www fandc com

By order of the Board
Caroline Burton
Chairman
13 June 2016

Carol Burt

Directors

Caroline Burton

Caroline Burton, joined the Board of the Company on 6 June 2002 and became Chairman in July 2013 She will retire from the Board at the 2016 AGM She joined Guardian Royal Exchange plc's Investment Department in 1973 and remained with the group until 1999 From 1987 she was Managing Director of Guardian Asset Management and, from 1990 to 1999, Executive Director – Investments She is a non-executive director of Blackrock Smaller Companies Trust plc, Liverpool Victoria Friendly Society Ltd and a member of the Appointments Committee of Hermes Property Unit Trust She advises a number of pension funds

Simon Marrison

Simon Marrison, joined the Board of the Company on 28 September 2011 Mr Marrison is CEO of Europe at LaSalle Investment Management and has responsibility for a portfolio of over €20billion across Europe Mr Marrison has been based in Paris since 1990 having started his career in London Until 1997 he was a partner at Healey & Baker (now Cushman & Wakefield) and from 1997 to 2001 he was at Rodamco where he became Country Manager for France He joined LaSalle in 2001 as Managing Director for Continental Europe

Hugh Seaborn

Hugh Seaborn, joined the Board of the Company on 24 July 2007 He is currently the SID and will succeed Ms Burton as Chairman with effect from the end of the 2016 AGM He is a Chartered Surveyor and has considerable experience in the property arena, he is the Chief Executive Officer of the Cadogan Estate He was a member of the Council and Audit Committee of the Duchy of Lancaster until December 2013 From 2000 to 2009, he was Chief Executive Officer of the Portman Estate, he is Chairman of the Knightsbridge Business Group, is past Chairman of the Estates Business Group and past Chairman of the Westminster Property Owners Association

Suzie Procter

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

John Glen

John Glen, joined the Board of the Company on 17 February 2014 and is presently the Chief Executive of Buccleuch Previously, John was based in Paris as CFO of Air Liquide and also served as the Vice Chairman of the European Financial Reporting Group (EFRAG) John is also a non-executive director for BIC, and a member of the Board for Project Scotland John is also a member of the 2020 Climate Change Group He is also a Board Member of the Three Stills Company which is building a new whisky distillery in the Scottish Borders

David Watson

David Watson, joined the Board of the Company on 1 April 2012 He became Chairman of the Company's Audit Committee on 1 January 2013 and will also become the SID with effect from the end of the 2016 AGM He is a Chartered Accountant and has had a distinguished career in the Financial Services Industry He spent 9 years as Finance Director of M&G Group plc, where he was a director of four equity investment trusts, and most recently at Aviva plc as Chief Finance Officer of Aviva General Insurance He is currently Deputy Chairman of Countrywide plc and a non-executive director of Charles Taylor plc, Kames Capital plc and Hermes Fund Managers Limited, where he is Chairman of the Audit Committee

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

Managers

Marcus Phayre-Mudge

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

Jo Elliott

Jo Elliott, Finance Manager, has been Finance Manager since 1995, first at Henderson Global Investors then, since January 2005, at Thames River Capital, when she joined as CFO for the property team She joined Henderson Global Investors in 1995, where she most recently held the position of Director of Property, Finance & Operations, Europe Previously she was Corporate Finance Manager with London and Edinburgh Trust plc and prior to that was an investment/treasury analyst with Heron Corporation plc. Jo has a BSc (Hons) in Zoology from the University of Nottingham and qualified as a Chartered Accountant with Ernst & Young in 1988

George Gay

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

Alban Lhonneur

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

Report of the Directors

The Directors present the audited financial statements of the Group and the Company and their Strategic and Directors' Reports for the year ended 31 March 2016 The Group comprises TR Property Investment Trust plc and its fully owned subsidiaries The review of the business of the Company, recent events and outlook are contained within the Strategic Report on pages 4 to 32

GOVERNANCE

Status

The Company is an investment company, as defined in Section 833 of the Companies Act 2006, and operates as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010

The Company has a single share class, Ordinary shares, with a nominal value of 25 pence each which are premium listed on the London Stock Exchange

The Company has received confirmation from HM Revenue & Customs that the Company has been accepted as an approved investment trust for accounting periods commencing on or after 1 April 2012 subject to the Company continuing to meet the eligibility conditions of Section 1158 Corporation Tax Act 2010 and the ongoing requirements for approved companies in Chapter 3 of Part 2 Investment Trust (Approved Company) (Tax) Regulations 2011 (Statutory Instrument 2011/2999)

The Directors are of the opinion that the Company has conducted and will continue to conduct its affairs so as to maintain investment trust status The Company has also conducted its affairs, and will continue to conduct its affairs, in such a way as to comply with the Individual Savings Accounts Regulations The Ordinary shares can be held in Individual Savings Accounts (ISAs)

Results and Dividends

At 31 March 2016 the net assets of the Company amounted to £1,065m (2015 £1,010m), on a per share basis 335 56p (2015 318 12p) per share

Revenue earnings for the year amounted to 8 36p (2015 8 89p) and the Directors recommend the payment of a final dividend of 5 20p (2015 4 75p) per share bringing the total dividend for the year to 8 35p (2015 7 70p), an increase of 8 4% for the full year In arriving at their dividend proposal, the Board also reviewed the income forecasts for the year to March 2017

Performance details are set out in the Financial Highlights on page 1 and the outcome of what the directors to consider to be the Key Performance Indicators on pages 26 to 27 The Chairman's Statement and the Managers Report give full details and analysis of the results for the year

Share Capital and Buy-back Activity

At 1 April 2016 the Company had 317,500,980 (2015 317,500,980) Ordinary shares in issue

At the AGM in 2015 the Directors were given power to buy back 47,593,396 Ordinary shares Since this AGM the Directors have not bought back any Ordinary shares under this authority The outstanding authority is therefore 47,593,396 shares

This authority will expire at the 2016 AGM The Company will seek to renew the power to make market purchases of Ordinary shares at this year's AGM

Since 1 April 2016 to the date of this report, the Company has made no market purchases for cancellation

The Board has not set a specific discount at which shares will be repurchased However, around 171 million Ordinary shares have been repurchased since the Board first took the decision to buy back shares in 1999

Report of the Directors

continued

Management Arrangements and Fees

Details of the management arrangements and fees are set out in the Report of the Management Engagement Committee beginning on page 43 Total fees paid to the Manager in any one year (Management and Performance Fees) may not exceed 4 99% of Group Equity Shareholders' Funds Total fees payable for the year to 31 March 2016 amount to 0 8% (2015 1 3%) of Group Equity Shareholders Funds Included in this were performance fees earned in the year ended 31 March 2016 of £3,354,000 (2015 £7,745,000)

Basis of Accounting and IFRS

The Group and Company financial statements for the year ended 31 March 2016 have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee (IASC) that remain in effect, to the extent that they have been adopted by the European Union and as regards the Group and Company financial statements, as applied in accordance with the provisions of the Companies Act 2006

The accounting policies are set out in note 1 to the Financial Statements on pages 64 to 67

Going Concern

The Directors' assessment of the longer-term viability of the Company is set out on page 31

As the Board is of the opinion that the Company can continue in operation for the foreseeable future, being for a period of at least 12 months from the date that these financial statements were approved, it has been concluded that the going concern basis should be adopted for the preparation of the Financial Statements for the year ended 31 March 2016

Internal Controls

The Board has overall responsibility for the Group's systems of internal controls and for reviewing their effectiveness The Portfolio 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 the 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, AIFM and Portfolio 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 AIFM or Portfolio Manager The key risks are explained in more detail in the Strategic Report on pages 28 to 29

The effectiveness of each third party provider's internal controls is assessed on a continuing basis by the Compliance and Risk departments of the AIFM and Portfolio 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

Report of the Directors

continued

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

The Board has established a process for identifying, evaluating and managing any major risks faced by the Group The Board undertakes an annual review of the Group's system of internal controls in line with the Turnbull guidance Business risks have also been analysed by the Board and recorded in a risk map that is reviewed regularly Each quarter the Board receives a formal report from each of the AIFM, Portfolio 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 considers the flow of information and the interaction between the third party service providers and the controls in place to ensure accuracy and completeness of the recording of assets and income The Board receives a report from the Portfolio Manager setting out the key controls and the results of the audit testing of these

The Board also has direct access to company secretarial advice and services provided by Capita Company Secretarial Services, which, through its nominated representative, is responsible for ensuring that the Board and Committee procedures are followed and that applicable regulations are complied with

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

Key risks identified by the Auditors are considered by the Audit Committee to ensure robust internal controls and monitoring procedures are in place in respect of these risks on an ongoing basis

Annual General Meeting (the "AGM")

The AGM will be held on 26 July 2016 at 2 00pm The Notice of AGM is set out on pages 88 to 89 This notice contains resolutions to receive the Report of the Directors and audited financial statements, approve the directors' remuneration report, appoint the auditors and empower the Directors to set their fees The Directors are also seeking powers to allot Ordinary shares, dis-apply statutory pre-emption rights, and buy back Ordinary shares for cancellation The full text of the resolutions and an explanation of each is contained in the Notice of AGM and explanatory notes on pages 92 to 93

Material Interests

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 Further details regarding the appointment letters can be found on page 47

Donations

The Company made no political or charitable donations during the year (2015 £nil)

GOVERNANCE

Report of the Directors

continued

Voting Interests

Rights and Obligations Attaching to Shares

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

Voting

At a general meeting of the Company, when voting is by a show of hands, each share affords its owner one vote

Restrictions on Voting

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

Deadlines for Voting Rights

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

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

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

Significant Voting Rights

At 31 March 2016, no shareholders held over 3% of voting rights on a discretionary basis However, at 31 March 2016 the following shareholders held over 3% of the voting rights on a non-discretionary basis

Shareholder	% of Ordinary share voting rights*
Quilter Cheviot Investment Management	7 40%
Alliance Trust plc	6 99%
Brewin Dolphin Limited	6 94%
Rathbone Investment Management Ltd	6 45%
Investec Wealth & Investment Ltd	5 61%
HSBC Holdings plc	4 22%
Hargreaves Lansdown Asset Management	3 58%

* See above for further information on the voting rights of Ordinary shares

Since 31 March 2016 to the date of this report, the Company has not been informed of any notifiable changes with respect to the Ordinary shares

Report of the Directors

continued

Corporate Governance Report

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

This statement describes how the principles of the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council (the "FRC") in 2014 have been applied to the affairs of the Company The Code can be viewed at www frc org uk

GOVERNANCE

Application of the AIC Code's Principles

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

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

Compliance Statement

The Directors acknowledge that the Company did not comply with the following provisions of the Code in the year ended 31 March 2016

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

C 3 5 & C 3 6 As the Company has no employees and its operational functions are undertaken by third parties, the Audit Committee does not consider it necessary for the Company to establish its own internal audit function

D 2 1 The Board does not have a separate Remuneration Committee The functions of a Remuneration Committee are carried out by the Management Engagement Committee

Composition and Independence of the Board

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

Powers of the Directors

Subject to the Company's Articles of Association, the Companies Act 2006 and any directions given by special resolution, the business of the Company is managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. In particular, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertakings, property, assets and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company to any third party

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

Report of the Directors

continued

GOVERNANCE

Directors

The Chairman is Ms Burton and the Senior Independent Director is Mr Seaborn The Directors' biographies, on page 33, demonstrate the breadth of investment, commercial and professional experience relevant to their positions as Directors of the Company

Ms Burton, who has served on the Board since 2002, will not be seeking re-election and she will retire from the Board of Directors following the AGM on 26 July 2016 Following Ms Burton's retirement from the Board, Mr Seaborn will become Chairman of the Trust and Mr Watson will become the Senior Independent Director

The Board subscribes to the AIC Code view that length of tenure does not necessarily impinge independence and has taken this into account when considering the continued appointment of Mr Seaborn who has served on the Board for nine years The Board is conscious of the benefits of continuity on the Board and believes that retaining Directors with sufficient experience of both the Company and the market is of great benefit to shareholders Moreover, longserving Directors are less likely to take a short-term view

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

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

Mr Glen, Mr Marrison, Mr Seaborn, Ms Procter and Mr Watson will retire at the forthcoming AGM in accordance with the Code and, being eligible, will offer themselves for re-election All Directors are regarded as being free of any conflicts of interest and no issues in respect of independence arise The Board has concluded that all Directors continue to make valuable contributions and believe that they remain independent in character and judgement.

Board Committees

The Board has established an Audit Committee, a Nomination Committee and a Management Engagement Committee, which also carries out the functions of a Remuneration Committee The roles and responsibilities of each Committee are set out on the individual Committee reports which follow

Board Meetings

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

	Board	Audit	MEC	Nomination
No of meetings in the year	6	2	1	1
Caroline Burton	6	2	1	1
John Glen	6	2	1	1
Simon Marrison	6	2	1	1
Suzie Procter	6	2	1	1
Hugh Seaborn	6	2	1	1
David Watson	6	2	1	1

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

Report of the Directors

continued

The Board

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

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

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

Conflicts of Interest

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

Relations with Shareholders

Shareholder relations are given high priority by the Board, the AIFM and the Portfolio Manager The prime medium by which the Company communicates with shareholders is through the Interim and Annual Reports which aim to provide shareholders with a clear understanding of the Company's activities and their results This information is supplemented by the daily calculation of the Net Asset Value of the Company's Ordinary shares which is published on the London Stock Exchange

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

At each AGM a presentation is made by the Manager following the business of the meeting Shareholders have the opportunity to address questions to the Chairman and the Chairman of the Audit 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 94

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

Report of the Directors

continued

GOVERNANCE

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 Directors' report are listed on page 33 Having made enquiries of fellow directors and of the Company's auditors, each of these Directors confirms that

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

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

Caroline Burton

By order of the Board

Caroline Burton
Chairman
13 June 2016

Report of the Management Engagement Committee

Role of the Committee

The primary role of the Management Engagement Committee ("MEC") is to review on an annual basis, the performance of the AIFM and the Portfolio Manager and their 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

In addition to the Investment Management role, the Board has delegated to external third parties the depositary and 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

Directors' remuneration is also reviewed by the MEC on an annual basis The MEC determines and approves Directors' fees following proper consideration, having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs For further details please see the Directors' Remuneration Report on pages 48 to 49

The MEC meets at least on an annual basis, towards the end of the financial year and last met in March 2016

Composition of the Committee

The MEC comprises all Directors of the Company and is chaired by Ms Burton

Activity during the year

At the MEC meeting in March 2016, the Committee reviewed the overall performance of the AIFM and Portfolio Manager and considered both the appropriateness of the Manager's appointment and the contractual arrangements (including the structure and level of remuneration) with the Manager

In addition to the reviews by the MEC, the Board reviewed and considered performance reports from the Portfolio Manager at each Board meeting The Board also received regular reports from the Administrator and Company Secretary

The Board believe that the Manager's track record and performance remains outstanding As a result, the MEC confirmed that the AIFM and Portfolio Manager should be retained for the financial year ending 31 March 2017 A summary of the significant terms of the Investment Management Agreement and the third party service providers who support the Trust are set out below

During the year the MEC also reviewed the performance of all their third party service providers including BNP Paribas, Capita Company Secretarial Services, Computershare, both the Company's brokers and PwC (as tax advisors) The Portfolio Manager provides regular updates on the performance of all third party providers during the year and attended this part of the MEC Meeting The MEC confirmed that they were satisfied with the level of services delivered by each third party provider

Management Arrangements and Fees

On 11 July 2014, the Board appointed F&C Investment Business Limited as the Alternative Investment Fund Manager (in accordance with the Alternative Investment Fund Managers Directive) with portfolio management delegated to the Investment Manager, Thames River Capital LLP

The significant terms of the Investment Management Agreement with the Manager are as follows

Report of the Management Engagement Committee

continued

GOVERNANCE

Notice Period

The Investment Management Agreement ("IMA") provides for termination of the agreement by either party without compensation on the provision of not less than 12 months' written notice

Management Fees

The fee for the period under review was a fixed fee of £2,975,000 plus an ad valorum fee of 0 20% pa based on the net asset value (determined in accordance with the AIC method of valuation) on the last day of March, June, September and December, payable quarterly in advance

The fee arrangements have been reviewed by the Board for the year to 31 March 2017 For this period the fixed element of the Management Fee will be £3,105,000

The fee arrangements will continue to be reviewed on an annual basis

Performance Fees

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

A performance fee is payable if the total return of adjusted net assets (after deduction of all Base Management Fees and other expenses), as defined in the IMA, at 31 March each year outperforms the total return of the Company's benchmark plus 1% (the "hurdle rate"), this outperformance (expressed as a percentage) is known as the "percentage outperformance" Any fee payable will be the amount equivalent to the adjusted net assets at 31 March each year multiplied by the percentage outperformance, then multiplied by 15% The maximum performance fee payable for a period is capped at 1 5% of the adjusted net assets However, if the adjusted net assets at the end of any period are less than at the beginning of the period, the maximum performance fee payable will be limited to 1% of the adjusted net assets

If the total return of shareholders' funds for any performance period is less than the benchmark for the relevant performance period, such underperformance (expressed as a percentage) will be carried forward to future performance periods

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

In the event that the benchmark is exceeded but the hurdle is not, that outperformance of the benchmark can be used to offset past or future underperformance These amounts can be used for offset purposes only and therefore cannot have the effect of creating a fee in a year where a fee would not otherwise be payable or increasing the fee in that year At 31 March 2016 there is a carry forward of outperformance of 1 8% (2015 1 8%)

No fee will be payable unless the adjusted net assets outperform the hurdle rate, after taking into account any accumulated percentage underperformance brought forward at the beginning of the financial year

Performance fees earned in the year ended 31 March 2016 were £3,354,000 (2015 £7,745,000)

Total fees paid to the Manager in any one year (Management and Performance Fees) may not exceed 4 99% of Group Equity Shareholders' Funds Total fees payable for the year to 31 March 2016 amount to 0 8% (2015 1 3%) of Group Equity Shareholders Funds

Report of the Management Engagement Committee
continued

Depository Arrangements and Fees

BNP Paribas was appointed as Depository on 14 July 2014 in accordance with the Alternative Investment Fund Managers Directive The Depository's responsibilities include cash monitoring, segregation and safe keeping of the Company's financial instruments, and monitoring the Company's compliance with investment and leverage requirements The Depository receives for its services a fee of 2 0 basis points per annum on the first GBP 150m of the Company's assets, 1 4 basis points per annum on assets above GBP 150m and below GBP 500m and 0 75 basis points on assets above GBP 500m

Review of Third Party Provider's Fees

Custody and Administration Services are provided by BNP Paribas and Company Secretarial Services by Capita Company Secretarial Services The fees for these services are charged directly to the Company and separately disclosed in the accounts

In previous financial periods the management fee included the fund accounting and administrative services, safe custody and company secretarial services provided by third parties The Company had a direct contractual relationship with the parties providing these services and the fees incurred were deducted from the gross fees due to the Manager For the year to 31 March 2016 and going forward the fees incurred for the third party services described above have been paid directly by the Company and the fund management fee does not include these fees

Caroline Burton
Chairman of the Management Engagement and Remuneration Committee
13 June 2016

GOVERNANCE

Report of the Nomination Committee

GOVERNANCE

Role of the Committee

As reported in the last Annual Report and Accounts, the Board made the decision in March 2015 to put a Nomination Committee in place to ensure there was an appropriate level of focus on succession planning

The primary role of the Nomination Committee is to review and make recommendations with regard to Board structure, size and composition, the balance of knowledge, experience, skill ranges and diversity and consider succession planning and tenure policy The Nomination Committee is also responsible for reviewing the outcome of the board evaluation process

The Nomination Committee meets at least on an annual basis, and more frequently as and when required The Nomination Committee met in January 2016 and met again in May 2016, following the year end

Composition of the Committee

The Nomination Committee comprises all Directors of the Company and is chaired by Ms Burton

Activity during the year

The Nomination Committee's key focus during this year was succession planning ahead of the Chairman's retirement from the Board in July 2016 Neither Ms Burton nor Mr Seaborn chaired, or were present at, the meeting which approved the succession of the Chairman

In accordance with the Committee's terms of reference, the Committee prepared a job specification, including the time commitment expected, in order to start the appointment process for a new Chairman The Committee carefully considered the candidates for the new Chairman, particularly focussing on the balance of skills, knowledge and experience currently on the Board After careful consideration, it was agreed that the appointment of Mr Seaborn as successor was the most appropriate appointment in order to ensure that the Board continued to operate effectively

When considering future appointments of Directors the Board, acting as the Nomination Committee, will consider the balance of skills, knowledge and experience, including gender diversity of the Board and will also consider external consultants when shortlisting candidates

Board Evaluation

In order to review the effectiveness of the Board and its Committees and of the individual Directors, the Board carried out an appraisal process This was implemented by way of a questionnaire and interviews with the Chairman The process was considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and the Committees, areas for additional focus going forward, the contribution of individual Directors, as well as building on and developing individual and collective strengths

The Chairman's effectiveness was assessed by all other Board members and views fed back to the Senior Independent Director The Chairman and the Senior Independent Director confirm that the performance of each Director continues to be effective and demonstrates their commitment to their role This includes extensive time for ad hoc communications throughout the year in addition to formal Board and Committee meetings The Board believes it has a good balance of skills, experience and length of service to ensure it operates effectively The performance of the Company is considered in detail at each Board meeting In accordance with the provisions of the Code, it is the intention of the Board to engage an external facilitator to assist with the performance evaluation every three years and the next external evaluation will be carried out for the year ended 31 March 2017

Report of the Nomination Committee

continued

Activity since the year end

Since the year end the Nomination Committee has met to consider and approve the appointment of a successor to the SID following Mr Seaborn's appointment as Chairman at the conclusion of the 2016 AGM Following discussion it was agreed that Mr Watson would become the SID with effect from the conclusion of their AGM, and would continue in his role as Chairman of the Audit Committee

Board Appointment Process

Appointment of New Directors

The Committee annually reviews its size and structure of the Board Where a new appointment is required, the Committee will appoint external recruitment consultants to assist in the process

Directors' Training

When a new Director is appointed, he/she is offered training to suit their needs Directors are also provided with key information on the Company's activities on a regular basis, 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

Letters of Appointment

No Director has a contract of employment with the Company Directors' terms and conditions for appointment are set out in letters of appointment which are available for inspection at the registered office of the Company and will be on display at the AGM

Caroline Burton
Chairman of the Nomination Committee
13 June 2016

Directors' Remuneration Report

Introduction

The Board has prepared this report and the Directors Remuneration Policy, in accordance with the requirements of Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2013 An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting

The law requires the Company's Auditors, Ernst & Young LLP, to audit certain of the disclosures provided Where disclosures have been audited, they are indicated as such The Auditor's opinion is included in the 'Independent Auditor's Report'

Annual Statement from the Chairman of the Committee

The Management Engagement Committee ("MEC") comprises all the Directors of the Company The Chairman of the Committee is Caroline Burton As the Company has no executive Directors, the MEC meets, at least annually, to review the remuneration and terms of appointment of the Investment Manager, and the level of the Board's fees, in accordance with the UK Corporate Governance Code

The MEC met in March and considered the feedback received as part of the Board evaluation alongside other factors Non-executive fees of listed companies continue to rise, and the regulatory burden continues ever upwards The MEC also noted that Directors fees had not been increased since March 2010 At the MEC meeting in March 2016 it was agreed that Non-executive Director's fees would be increased from £30,000 to £32,000 with effect from 1 April 2016 It was also agreed that those Directors holding the role of Audit Chairman and Senior Independent Director would continue to receive an additional £5,000 to reflect their responsibility It was further agreed that the Chairman's fee would remain at £70,000 per annum

Directors' Remuneration Policy

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 This policy was approved by the members at the 2014 AGM, and the Directors' intention is that this will continue for the year ending 31 March 2017 and subsequent years In accordance with the regulations, an ordinary resolution to approve the Directors' remuneration policy will be put to Shareholders at least once every three years, this is next due at the 2017 AGM

The Directors are remunerated in the form of fees, payable monthly 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 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 have a contract of service and a director may resign by notice in writing to the Board at any time, there are no notice periods The terms of their appointment are detailed in a letter to them when they join the Board As the Directors do not have service contracts, the Company does not have a policy on termination payments

There is no notice period and no payments for loss of office were made during the period

Shareholders' views in respect of Directors' remuneration are communicated at the Company's AGM and are taken into account in formulating the Directors remuneration policy At the last AGM, over 98 5 per cent of Shareholders voted for the resolution approving the Directors' Remuneration Report (1 5 per cent against) At the 2014 AGM over 97 per cent voted for the resolution approving the Directors' Remuneration Policy (2 per cent against), showing significant shareholder support.

Annual Remuneration Report

For the year ended 31 March 2016, Directors' fees were paid at the annual rates of Chairman £70,000 (2015 £70,000),

Directors' Remuneration Report

continued

Audit Committee Chairman and Senior Independent Director £35,000 (2015 £35,000) and all other directors £30,000 (2015 £30,000) The actual amounts paid to the Directors during the financial year under review are as shown 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 2016 £	31 March 2015 £
C M Burton	**70,000**	70,000
J Glen	**30,000**	30,000
S Marrison	**30,000**	30,000
S Procter	**30,000**	30,000
H Seaborn	**35,000**	35,000
D Watson	**35,000**	35,000
Total	**230,000**	230,000

No other remuneration was paid or payable by the Company during the year to any of the current or former directors

Company Performance

The graph below compares, for the seven years ended 31 March 2016, the percentage change over each period in the share price total return to shareholders compared to the share price total return of benchmark, which the Board considers to be the most appropriate benchmark for investment performance measurement purposes An explanation of the performance of the Company is given in the Chairman's Statement and Manager's Report

Directors' Interests in Shares (audited)

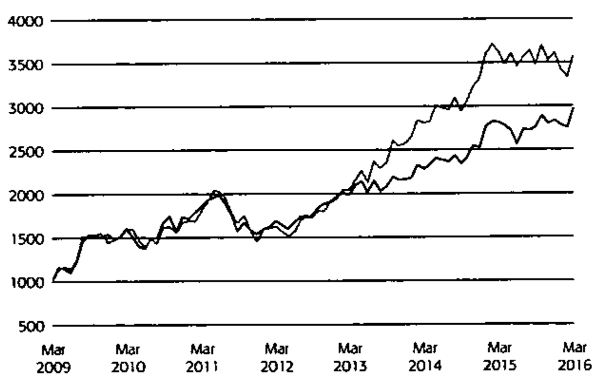
The interests of the Directors in the shares of the Company, at the beginning and at the end of the year, or date of appointment, if later, were as follows

	31 March 2016 Ordinary shares of 25p	31 March 2015 Ordinary shares of 25p
C M Burton	**21,982**	21,982
J Glen	**3,383**	–
S Marrison	**25,000**	25,000
S E Procter	**3,364**	3,364
H Seaborn	**34,668**	34,668
D Watson	**9,475**	9,237

Relative Importance of Spend on Pay

	2016 £'000	2015 £'000	Percentage increase %
Dividends paid	**25,083**	23,971	4 6
Directors Fees	**230**	230	0

Performance Graph – Share Price Total Return for Ordinary Share Class



Share Price Total Return assuming investment of £1,000 on 31 March 2009 and reinvestment of all dividends (excluding dealing expenses) (Source Thames River Capital)

Benchmark Total Return assuming notional investment into the index of £1,000 on 31 March 2009 (Source Thames River Capital)

For and on behalf of the Board

Caroline Burton

Chairman of the Management Engagement Committee

13 June 2016

Report of the Audit Committee

Role of the Committee

The Committee meets at least twice a year to review the internal financial and non-financial controls and to review reports thereon from the key third party service providers, 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, and, together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements

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

Representatives of the Company's Auditor attend the Committee meetings at which the draft Interim and Annual Report and Accounts are reviewed, and are given the opportunity to speak to the Committee members without the presence of the representatives of the Manager

Composition of the Committee

The Audit Committee ("the Committee") comprises all the members of the Board It has been the Company's policy, to include all Directors on all committees This encourages unity, clear communication and prevents duplication of discussion between the Board and the Committee The Committee Chairman is Mr Watson 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 Company's website, are available on request and will also be available for inspection at the AGM

Activity during the year

During the year the Committee met twice with all members at each meeting and considered the following,

- The Group's Internal Controls and consideration of the Reports thereon and Risk Map
- To review the Audit Planning Memorandum setting out the scope of the annual audit and key areas of focus
- The reports from the auditors concerning their audit of the Financial Statements of the Company and Consideration of Significant issues in relation to the Financial Statements
- The appropriateness of, and any changes to, the accounting policies of the Company, including the reasonableness of any judgements required by such policies
- The Viability Statement and consideration of the preparation of the Financial Statements on a Going Concern Basis
- The financial disclosures in the Financial Statements
- To consider the information presented in the Interim and Annual Reports to ensure that, taken as a whole, the Reports are fair, balanced and understandable and the information presented enables the shareholders to assess the Company's performance, business model and strategy
- The performance of the external auditors, audit fees and assessment of independence
- Consideration of the audit tender process and subsequently to review a report and recommendation from the representatives appointed to consider the proposals and attend the presentations from the tendering audit firms

Report of the Audit Committee

continued

Internal controls and management of risk

The Board has overall responsibility for the Group's system of Internal Controls and for reviewing their effectiveness Key risks identified by the Auditors are considered by the Audit Committee to ensure that robust internal controls and monitoring procedures in respect of these are in place on an ongoing basis

The Audit Committee received and considered reports on Internal Controls from the key service providers No areas of concern were highlighted

The Company's Risk Map was considered to identify any new risks and whether any adjustments were required to existing risks, and the controls and mitigation measures in place in respect of these risks

Significant Issues in relation to the Financial Statements

The Committee has considered this report and financial statements and the Viability Statement on page 31

The Committee considered the Auditor's assessment of risk of material misstatement and reviewed the internal controls in place in respect of the key areas identified and the process by which the Board monitors each of the procedures to give the Committee comfort on these risks on an ongoing basis These risks are also highlighted in the Company's Risk Map

- **Valuation of the Group's investments** – The Group's investments are priced for the daily NAV by BNP Paribas The quoted assets are priced by the Administrator's Global Pricing Platform which uses independent external pricing sources The control process surrounding this is set out in the BNP Paribas AAF 01/06 Internal Controls Report and testing by the reporting accountant for the period reported to 31 December 2015 did not reveal any significant exceptions The quarterly control report to the Board from BNP Paribas covering the period up to 31 March 2016 had no issues to report The Company's Investment Property portfolio is valued every six months on an open market basis by a professional external independent valuer In addition the Manager estimates the NAV using an alternative pricing source on a daily basis as an independent check

- **Existence and ownership of investments** – The Custodian, BNP Paribas, is responsible for the custody of the Company's investments Lists of investments held are reconciled to the Company's records on a regular basis and a report on controls, which is audited by BNP Paribas' independent reporting accountants, is produced annually for consideration by the Manager and the Audit Committee In addition, the quarterly control report from BNP Paribas to the Board covers any custody issues The Depositary's responsibilities include the segregation and safekeeping of the Company's assets The Depositary reports quarterly to the AIFM and these reports are made available to the Board The Depositary presents to the board at least once a year The Depositary conducts safekeeping reviews as part of its monitoring and oversight responsibilities

- **Calculation of Management and Performance Fees** – These are calculated independently of the Manager by the Administrator The calculations are reviewed by the Auditor as part of the Audit Engagement and specifically reported on to the Board in the Independent Auditors' Report The Committee consider and approve any area of subjectivity or judgement relating to the calculations

There has been nothing brought to the Committee's attention in respect of the financial statements for the period ended 31 March 2016, which was material or significant or that the Committee felt should be brought to shareholders' attention

Report of the Audit Committee

continued

GOVERNANCE

Auditor assessment and independence

Ernst & Young presented their Audit Plan for the year end at the interim Committee meeting and the Committee considered the audit process and fee proposal The Committee also reviewed Ernst & Young's independence policies and procedures including quality assurance procedures, it was considered that these policies remained fit for purpose and the Board is satisfied that Ernst & Young remain independent

Total fees payable to the Auditor for the year to 31 March 2016 were £97,000 (2015 £87,000)

The Committee has approved and implemented a policy on the engagement of the Auditor to supply non-audit services, taking into account the recommendations of the Accounting Practices Board with a view to ensuring that the external Auditor does not provide non-audit services that have the potential to impair or appear to impair the independence of their audit role The Committee does not believe there to be any impediment to the Auditor's objectivity and independence

The fees for non-audit services for the year to 31 March 2016 were £5,000 (2015 £5,000)

Full details of the Auditors' fees are provided in note 6 to the accounts on page 69

Following each audit, the Committee reviews the audit process and considers its effectiveness and the quality of the services provided to the Company The review following the completion of the 2016 Audit concluded that the Committee was satisfied with the Auditors effectiveness and performance

Change of External Auditor

Under the CMA Regulations which came into force on 1 January 2015 there are specific requirements for an audit tender process to be carried out every ten years and mandatory auditor rotation at least every twenty years

The lead partner on the Ernst & Young audit team was due to change following the 2016 audit in accordance with existing FRC audit partner rotation guidance, and the Company had already stated that it would carry out a formal audit tender process during 2016 to consider the appointment of auditors for the year ended 31 March 2017

The audit tender process was undertaken during the first quarter of 2016 As Ernst & Young had already been in office for in excess of 20 years and therefore would be required to retire under the new legislation following the 2019 audit, it was agreed between Ernst & Young and the Audit Committee that they would not seek to take part in the tender process and consequently they will not seek re-election at the forthcoming Annual General Meeting

Four firms were invited to tender Each firm was believed to offer extensive Investment Trust experience alongside the necessary property, accounting, tax and financial reporting and governance expertise Each firm's credentials were assessed against a standard set of criteria The result of the tender was that, on the recommendation of the Committee, the Board has selected KPMG LLP Subject to approval at the Company's 2016 AGM, the appointment of KPMG as auditor will take effect for the Company's financial year ending 31 March 2017

David Watson
Chairman of the Audit Committee
13 June 2016

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

GOVERNANCE

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

Under Company Law the directors must not approve the Group and Company financial statements unless they are satisfied that they present a true and fair view of the state of affairs and of profit or loss of the Group and Company for that period

In preparing the Group and Company financial statements the directors are required to

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

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

Responsibility statement

Each of the directors listed on page 33 confirm that to the best of their knowledge

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company and the undertakings included in the consolidation taken as a whole, and,
- the Annual Report, includes a fair review of the development and performance of the business and the position of the Trust, together with a description of the principal risks and uncertainties that it faces, and
- the accounting records have been properly maintained, and
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the company's performance, business model and strategy

By order of the Board

Caroline Burton
Chairman
13 June 2016

Independent Auditors' Report to the members of TR Property Investment Trust plc

Our opinion on the financial statements

In our opinion

- TR Property Investment Trust plc's consolidated financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2016 and of the Group's profit for the year then ended,
- the consolidated financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the consolidated financial statements, Article 4 of the IAS Regulation

What we have audited

TR Property Investment Trust plc's financial statements comprise

- Group Statement of Comprehensive Income for the year ended 31 March 2016
- Group and Company Balance Sheets as at 31 March 2016
- Group and Company Statement of Changes in Equity for the year ended 31 March 2016
- Group and Company Cash Flow Statements for the year ended 31 March 2016
- Related notes 1 to 23 to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

Overview of our audit approach

- Areas of audit focus – Fair valuation of the direct property portfolio
  Calculation of Performance fees
  Fair valuation of listed portfolio and existence and ownership of assets
  The first two areas are considered to be significant risks, consistent with the 2016 audit strategy
- Audit scope – The Group audit team has audited all items that are material to the Group and Parent Company financial statements
- Materiality – Materiality of £10 7m which represents 1% of net assets (2015 £10 1m)

Independent Auditors' Report

continued

Our assessment of risks of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas

Risk	Our response to the risk	What we concluded to the Audit Committee
Fair valuation of the direct property portfolio of £97.8m (2015 £75.4m) as described on page 51 in the Report of the Audit Committee The valuation of the properties held in the investment portfolio is a judgemental component of the Group's net asset value and total return There is a risk that judgements made in determining the assumptions used for valuation of the properties held by the Group could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders A valuation report from Deloitte LLP was used by the Group to support the year end valuations	We performed a walkthrough of the property valuation process, including the controls in place over the provision of valuation data to the valuer and review of the valuations by Thames River Capital We evaluated the independence and qualifications of Deloitte LLP We also observed the terms under which Deloitte LLP were engaged to ensure that the basis and scope of the valuations was appropriate We engaged EY property valuation experts to review the inputs, assumptions and valuation methods used by Deloitte LLP for a sample of investment properties. We concluded that the assumptions and methods used in establishing the valuations were appropriate. For the remaining properties we agreed the valuations to the Deloitte valuation report and assessed that the valuation methodology was consistent with previous years.	Based on the work performed, we have no matters to report
Calculation of performance fees (as described on pages 51 in the Report of the Audit Committee) During the year, the Group paid £3 4m (2015 £7 7m) in performance fees The performance fee is one of the Group's largest expenses and is calculated using a methodology as set out in the Ordinary Management Agreement between the Company and the Manager The calculation methodology for performance fees is given in the Report of the Management Engagement Committee on pages 43 and 44 The calculation involves a number of inputs and considerations and is performed manually by the Group's administrator Note 5 to the financial statements sets out the performance fees for the year ended 31 March 2016 Incorrect calculation of this fee could have a material impact on the revenue return generated for shareholders	We walked through the systems and controls of the accounting administrator, BNP Paribas Securities Services, in respect of the calculation of performance fees We re-performed the performance fee calculations and confirmed they were performed in line with the methodology set out in the Ordinary Management Agreement We identified any areas of subjectivity or judgement applied to the calculation We validated the external inputs used in the calculation to third party data We tested the allocation of performance fees to the capital return column of the Income Statement and confirmed it had been performed in line with the accounting policy set out on page 64	We sought confirmation from the Audit Committee that areas of subjectivity or judgment that we identified were approved by the Audit Committee

Independent Auditors' Report

continued

Risk	Our response to the risk	What we concluded to the Audit Committee
Fair valuation of the listed investment portfolio and existence and ownership of assets (as described on page 51 in the Audit Committee Report) The listed investment portfolio at the year-end comprised of quoted equities (£1bn), contracts for difference (£0 3m) and fixed interest (£0 9m) The valuation of the investments held in the portfolio is a key driver of the Group's net asset value and total return Incorrect pricing of the assets held by the Group or failure to maintain proper legal title could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders	We walked through the controls in place at the accounting administrator, BNP Paribas Securities Services over listed security pricing and holdings We reviewed the Service Organisation Controls Report (prepared in accordance with AAF 01/06) of BNP Paribas Securities Services for the year ended 31 December 2015, the reporting accountant for which was Mazars, and did not identify exceptions in controls related to the valuation of securities. We received a bridging letter for the three months to 31 March 2016 confirming no changes in the control environment since 31 December 2015 We agreed the year-end prices of each of the quoted equities, contracts for difference and fixed interest securities to an independent source We agreed the number of shares held for each security to confirmation of legal title received from BNP Paribas Securities Services, the Company's custodian and depositary We agreed the contracts for difference held at the year-end to an independent confirmation from the broker, ING Bank NV	Based on the work performed, we have no matters to report.

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Group This enables us to form an opinion on the financial statements We take into account size, risk profile, the organisation of the Group and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed The Group consists of the Company and its four principal subsidiaries

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements Materiality provides a basis for determining the nature and extent of our audit procedures

We determined planning materiality for the Group to be £10 7m which is 1% of net assets (2015 £10 1m, 1% of net assets) We derived our materiality calculation from a proportion of net assets as we consider that to be the most important financial metric on which shareholders judge the performance of the Group

Independent Auditors' Report

continued

Performance materiality

The application of materiality at the individual account or balance level It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that overall performance materiality (i e our tolerance for misstatement in an individual account or balance) for the Group should be 75% of planning materiality, being £8m (2015 75% of materiality, namely £7 6m) We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected

Given the importance of the distinction between revenue and capital for the Group we also apply a separate, lower performance materiality of £1 5m (2015 £1 6m) for the revenue column of the Income Statement, being 5% of the return on ordinary activities before taxation

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial

We agreed with the audit committee that we would report all audit differences in excess of £0 53m (2015 £0 51m) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations in forming our opinion

The scope of the audit of the financial statements

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 53, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

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 Strategic Report and the Report of the Directors' for the financial year for which the financial statements are prepared is consistent with the financial statements

GOVERNANCE

Independent Auditors' Report

continued

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is • materially inconsistent with the information in the audited financial statements, or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit, or • otherwise misleading In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy, and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed	We have no exceptions to report
Companies Act 2006 reporting	We are required to report to you if, in our opinion • adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or • the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or • certain disclosures of directors' remuneration specified by law are not made, or • we have not received all the information and explanations we require for our audit.	We have no exceptions to report
Listing Rules review requirements	We are required to review • the directors' statement in relation to going concern, set out on page 36, and longer-term viability, set out on page 31, and • the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review	We have no exceptions to report.

Independent Auditors' Report

continued

GOVERNANCE

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to • the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity, • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated, • the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements, and • the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions	We have nothing material to add or to draw attention to

Ashley Coups
(Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP,
Statutory Auditor
London
13 June 2016

Group Statement of Comprehensive Income

for the year ended 31 March 2016

	Notes	Year ended 31 March 2016 Revenue Return £'000	Capital Return £'000	Total £'000	Year ended 31 March 2015 Revenue Return £'000	Capital Return £'000	Total £'000
Income							
Investment income	2	**27,358**	**–**	**27,358**	29,315	–	29,315
Other operating income	4	**74**	**–**	**74**	348	–	348
Gross rental income	3	**3,330**	**–**	**3,330**	3,065	–	3,065
Service charge income	3	**1,023**	**–**	**1,023**	1,413	–	1,413
Gains on investments held at fair value	10	**–**	**64,087**	**64,087**	–	189,246	189,246
Net movement on foreign exchange, investments and loan notes	10	**–**	**1,768**	**1,768**	–	(2,633)	(2,633)
Net movement on foreign exchange, cash and cash equivalents		**–**	**709**	**709**	–	(1,585)	(1,585)
Net returns on contracts for difference	10	**2,905**	**(4,166)**	**(1,261)**	2,548	24,046	26,594
Total Income		**34,690**	**62,398**	**97,088**	36,689	209,074	245,763
Expenses							
Management and performance fees	5	**(1,229)**	**(7,042)**	**(8,271)**	(1,245)	(11,479)	(12,724)
Direct property expenses, rent payable and service charge costs	3	**(1,533)**	**–**	**(1,533)**	(1,920)	–	(1,920)
Other administrative expenses	6	**(1,269)**	**(481)**	**(1,750)**	(1,117)	(41)	(1,158)
Total operating expenses		**(4,031)**	**(7,523)**	**(11,554)**	(4,282)	(11,520)	(15,802)
Operating profit		**30,659**	**54,875**	**85,534**	32,407	197,554	229,961
Finance costs	7	**(894)**	**(2,682)**	**(3,576)**	(1,013)	(3,039)	(4,052)
Profit from operations before tax		**29,765**	**52,193**	**81,958**	31,394	194,515	225,909
Taxation	8	**(3,221)**	**1,720**	**(1,501)**	(3,180)	1,849	(1,331)
Total comprehensive income		**26,544**	**53,913**	**80,457**	28,214	196,364	224,578
Earnings per Ordinary share	9	**8.36p**	**16.98p**	**25.34p**	8 89p	61 85p	70 74p

The Total column of this statement represents the Group's Statement of Comprehensive Income, prepared in accordance with IFRS The Revenue Return and Capital Return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies All items in the above statement derive from continuing operations

The Group does not have any other income or expense that is not included in the above statement therefore "Total comprehensive income" is also the profit for the year

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

The notes on pages 64 to 87 form part of these accounts

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Group and Company Statement of Changes in Equity

For the year ended 31 March 2016	Notes	**Share Capital Ordinary £'000**	**Share Premium Account £'000**	**Capital Redemption Reserve £'000**	**Retained Earnings Ordinary £'000**	**Total £'000**
At 31 March 2015		**79,375**	**43,162**	**43,934**	**843,574**	**1,010,045**
Net profit for the period		**–**	**–**	**–**	**80,457**	**80,457**
Dividends paid	17	**–**	**–**	**–**	**(25,083)**	**(25,083)**
At 31 March 2016		**79,375**	**43,162**	**43,934**	**898,948**	**1,065,419**

For the year ended 31 March 2015		Share Capital Ordinary £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Retained Earnings Ordinary £'000	Total £'000
At 31 March 2014		79,375	43,162	43,934	642,967	809,438
Net profit for the period		–	–	–	224,578	224,578
Dividends paid	17	–	–	–	(23,971)	(23,971)
At 31 March 2015		79,375	43,162	43,934	843,574	1,010,045

FINANCIAL STATEMENTS

The notes on pages 64 to 87 form part of these accounts

Group and Company Balance Sheets

as at 31 March 2016

	Notes	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Non-current assets					
Investments held at fair value	10	**1,098,560**	**1,098,560**	1,055,988	1,055,988
Investments in subsidiaries	10	**–**	**53,052**	–	53,517
		1,098,560	**1,151,612**	1,055,988	1,109,505
Deferred taxation asset	12	**243**	**243**	237	237
		1,098,803	**1,151,855**	1,056,225	1,109,742
Current assets					
Debtors	12	**28,978**	**28,579**	20,882	20,484
Cash and cash equivalents		**22,754**	**22,741**	21,427	21,411
		51,732	**51,320**	42,309	41,895
Current liabilities	13	**(30,473)**	**(83,113)**	(88,489)	(141,592)
Net current assets/(liabilities)		**21,259**	**(31,793)**	(46,180)	(99,697)
Total assets less current liabilities		**1,120,062**	**1,120,062**	1,010,045	1,010,045
Non-current liabilities	13	**(54,643)**	**(54,643)**	–	–
Net assets		**1,065,419**	**1,065,419**	1,010,045	1,010,045
Capital and reserves					
Called up share capital	14	**79,375**	**79,375**	79,375	79,375
Share premium account	15	**43,162**	**43,162**	43,162	43,162
Capital redemption reserve	15	**43,934**	**43,934**	43,934	43,934
Retained earnings	16	**898,948**	**898,948**	843,574	843,574
Equity shareholders' funds		**1,065,419**	**1,065,419**	1,010,045	1,010,045
Net Asset Value per:					
Ordinary share	19	**335.56p**	**335.56p**	318 12p	318 12p

These accounts were approved by the directors of TR Property Investment Trust plc (Company No 84492) and authorised for issue on 13 June 2016

Carol.B.L

C Burton

Director

The notes on pages 64 to 87 form part of these accounts

Group and Company Cash Flow Statements

as at 31 March 2016

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Reconciliation of profit from operations before tax to net cash inflow from operating activities				
Profit from operations before tax	**81,958**	**81,958**	225,909	225,944
Finance costs	**3,752**	**3,140**	4,052	3,860
Gains on investments and derivatives held at fair value through profit or loss	**(59,921)**	**(59,456)**	(213,292)	(213,029)
Net movement on foreign exchange, cash and cash equivalents and loan notes	**223**	**223**	1,585	1,585
Decrease/(increase) in accrued income	**645**	**646**	(1,197)	(814)
Net sales of investments	**28,848**	**28,848**	31,737	31,262
Increase in sales settlement debtor	**(415)**	**(415)**	(1,622)	(1,622)
Increase in purchase settlement creditor	**523**	**523**	5,448	5,448
Increase in other debtors	**(18,631)**	**(18,631)**	(242)	(247)
Decrease in other creditors	**(5,634)**	**(21,097)**	(566)	(1,227)
Scrip dividends included in investment income	**(1,223)**	**(1,223)**	(1,203)	(1,203)
Net cash inflow from operating activities before interest and taxation	**30,125**	**14,516**	50,609	49,957
Interest paid	**(3,752)**	**(3,140)**	(4,052)	(3,860)
Taxation paid	**(1,383)**	**(1,383)**	(1,314)	(729)
Net cash inflow from operating activities	**24,990**	**9,993**	45,243	45,368
Financing activities				
Equity dividends paid	**(25,083)**	**(25,083)**	(23,971)	(23,971)
Repayment of loans	**(38,000)**	**(38,000)**	(8,000)	(8,000)
Repayment of debenture stock	**(15,000)**	**–**	–	–
Issue of loan notes	**53,711**	**53,711**	–	–
Net cash used in financing activities	**(24,372)**	**(9,372)**	(31,971)	(31,971)
Increase in cash	**618**	**621**	13,272	13,397
Cash and cash equivalents at start of year	**21,427**	**21,411**	9,740	9,599
Net movement on foreign exchange, cash and cash equivalents	**709**	**709**	(1,585)	(1,585)
Cash and cash equivalents at end of year	**22,754**	**22,741**	21,427	21,411
Note				
Dividends received	30,199	30,199	29,919	29,919
Interest received	194	194	407	407

The notes on pages 64 to 87 form part of these accounts

Notes to the Financial Statements

1 Accounting policies

The financial statements for the year ended 31 March 2016 have been prepared on a going concern basis, in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee (IASC) that remain in effect, to the extent that they have been adopted by the European Union and as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006 The financial statements have also been prepared in accordance with the Statement of Recommended Practice (SORP), "Financial Statements of Investment Trust Companies and Venture Capital Trusts," to the extent that it is consistent with IFRS

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

The preparation of the financial statements necessarily requires the exercise of judgement, both in application of accounting policies, which are set out below, and in the selection of assumptions used in the calculation of estimates These estimates and judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors However, actual results may differ from these estimates Such judgements are discussed further in section (f) of this note

a) Basis of consolidation

The Group accounts consolidate the financial statements of the Company and its subsidiaries to 31 March 2016 All the subsidiaries of the Company have been consolidated in these financial statements

In accordance with IFRS10 the Company has been designated as an investment entity on the basis that

- It obtains funds from investors and provides those investors with investment management services,
- It commits to its investors that its business purpose is to invest solely for returns from capital appreciation and investment income, and
- It measures and evaluates performance of substantially all of its investments on a fair value basis

Each of the subsidiaries of the Company was established for the sole purpose of operating or supporting the investment operations of the Company (including raising additional financing), and is not itself an investment entity IFRS 10 sets out that in the case of controlled entities that support the investment activity of the investment entity, those entities should be consolidated rather than presented as investments at fair value Accordingly the Company has consolidated the results and financial positions of those subsidiaries

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases The financial statements of subsidiaries used in the preparation of the consolidated financial statements are based on consistent accounting policies All intra-group balances and transactions, including unrealised profits arising therefrom, are eliminated This is consistent with the presentation in previous years

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 Statement of Comprehensive Income The fixed returns on debt securities are recognised on a time apportionment basis so as to reflect the effective yield on each such security Interest receivable from cash and short term deposits is accrued to the end of the year Stock lending income is recognised on an accruals basis

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 16 In arriving at this breakdown, expenses have been presented as revenue items except as follows

- Expenses which are incidental to the acquisition or disposal of an investment,
- Expenses are presented as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated,
- One quarter of the base management fee is charged to revenue, with three quarters allocated to capital return to reflect the Board's expectations of long term investment returns All performance fees are charged to capital return,

FINANCIAL STATEMENTS

1 Accounting policies *continued*

- The fund administration, depositary, custody and company secretarial services are charged directly to the Company and are included within 'Other administrative expenses' in note 6 These expenses are charged on the same basis as the base management fee, one quarter to income and three quarters to capital

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 quarter of the finance cost is charged to revenue and three quarters to capital return

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

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

The tax effect of different items of expenditure is allocated between capital and revenue 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 temporary differences between the treatment of certain items for taxation and accounting purposes

In accordance with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the "marginal basis" Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Statement of Comprehensive Income, then no tax relief is transferred to the capital column

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Balance Sheet and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised

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

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

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

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

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

Revaluation of Investment Properties
The Group carries its investment properties at fair value in accordance with IFRS 13, revalued twice a year, with changes in fair values being recognised in the Group Statement of Comprehensive Income The Group engaged Deloitte as independent valuation specialists to determine fair value as at 31 March 2016

Valuations of Investment Properties
Determination of the fair 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"

1 Accounting policies *continued*

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

In arriving at their estimates of fair values as at 31 March 2016, the valuers have used their market knowledge and professional judgement and have not only relied solely on historical transactional comparables Examples of inputs to the valuation can be seen in the sensitivity analysis disclosed in note 10 (f)

Rental income

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

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

Service charges and expenses recoverable from tenants

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

g) Investments

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

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

All investments are designated upon initial recognition as held at fair value, and are measured at subsequent reporting dates at fair value, which, for quoted investments, is deemed to be closing prices for stocks sourced from European stock exchanges and for SETS stocks sourced from the London Stock Exchange SETS is the London Stock Exchange electronic trading service covering most of the market including all the FTSE All -Share and the most liquid AIM constituents 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, which is deemed to be cost adjusted for movements in net asset value since establishment.

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

Derivatives

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

Contracts for Difference ("CFDs") are synthetic equities and are valued by reference to the investments' underlying market values

The sources of the returns under the derivative contract (e g notional dividends, financing costs, interest returns and capital changes) are allocated to the revenue and capital accounts in alignment with the nature of the underlying source of income and in accordance with the guidance given in the AIC SORP Notional dividend income or expenses arising on long or short positions are apportioned wholly to the revenue account Notional interest expense on long positions is apportioned between revenue and capital in accordance with the Board's long term expected returns of the Company (currently determined to be 25% to the revenue account and 75% to capital reserves) Changes in value relating to underlying price movements of securities in relation to CFD exposures are allocated wholly to capital reserves

1 Accounting policies *continued*

h) Borrowings, loan notes and debentures

All loans and debentures are initially recognised at cost, being the fair value of the consideration received, less issue costs where applicable After initial recognition, all interest bearing loans and borrowings are subsequently measured at amortised cost

Amortised cost is calculated by taking into account any discount or premium on settlement The costs of arranging any interest bearing loans are capitalised and amortised over the life of the loan on an effective interest rate basis

i) Foreign currency translation

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

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

j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits

k) Dividends payable to shareholders

Interim and final dividends payable to shareholders are recognised in the period in which they are paid

l) Adoption of new and revised Standards

Standards and Interpretations effective in the current period

The accounting policies adopted are consistent with those of the previous consolidated financial statements

Early adoption of standards and interpretations

The standards issued before the reporting date that become effective after 31 March 2016 will not have a material effect on equity or profit for the subsequent period The Group has not early adopted any new International Financial Reporting Standard or Interpretation

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

IFRS 9 – Financial Instruments (2014) replaces IAS 39 and deals with a package of improvements including principally a revised model for classification and measurement of financial instruments, a forward looking expected loss impairment model and a revised framework for hedge accounting In terms of classification and measurement the revised standard is principles based depending on the business model and nature of cash flows Under this approach, instruments are measured at either amortised cost or fair value, though the standard retains the fair value option allowing designation of debt instruments at initial recognition to be measured at fair value The standard is effective from 1 January 2018 with earlier application permitted but has not yet been endorsed by the European Commission The Group does not plan to early adopt this standard and expects the eventual impact to be insignificant for its current investment portfolio, which is substantially comprised of quoted equities

Amendments to IFRS 10, IFRS 12 and IAS 28 (effective 1 January 2016) are in relation to applying the consolidation exception for investment entities The Group does not expect the eventual impact of these amendments to be significant

Amendments to IAS 1 (effective 1 January 2016) require changes to the presentation of financial instruments The amendment is not expected to have a significant effect on the measurement of amounts recognised in the financial statements of the Group

Amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses (effective 1 January 2017) The amendment is not expected to have a significant effect on the measurement of amounts recognised in the financial statements of the Group

IFRS 14 – Regulatory Deferral Accounts (effective 1 January 2016) allows first time IFRS adopters to continue to account for 'regulatory deferral account balances' in accordance with previous GAAP The Group has no such accounts and, therefore, the provisions of the standard are not applicable

IFRS 15 – Revenue from Contracts with Customers (effective 1 January 2018) specifies how and when an entity should recognise revenue and enhances the nature of revenue disclosures Given the nature of the Group's revenue streams from financial instruments, the provisions of this standard are not expected to have a material impact

IFRS 16 – Leases (effective 1 January 2019) The Group does not expect the financial impact of this standard on the financial statements to be material

2 Investment income

	2016 £'000	2015 £'000
Dividends from UK listed investments	**2,025**	1,550
Dividends from overseas listed investments	**18,063**	20,646
Scrip dividends from listed investments	**1,223**	1,203
Interest from listed investments	**109**	369
Property income distributions	**5,938**	5,547
	27,358	29,315

3 Net rental income

	2016 £'000	2015 £'000
Gross rental income	**3,330**	3,065
Service charge income	**1,023**	1,413
Direct property expenses, rent payable and service charge costs	**(1,533)**	(1,920)
	2,820	2,558

Operating leases

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

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

	2016 £'000	2015 £'000
Within 1 year	**3,100**	2,200
After 1 year but not more than 5 years	**9,700**	5,900
More than 5 years	**14,900**	3,500
	27,700	11,600

4 Other operating income

	2016 £'000	2015 £'000
Interest receivable	**24**	33
Stock lending income	**50**	315
	74	348

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

All securities lent under these arrangements were fully secured against collateral At 31 March 2016, there were no securities on loan

The maximum aggregate value of securities on loan during the year was £74,809,000 (2015 £69,663,000)

Notes to the Financial Statements

continued

5 Management and performance fees

	2016 Revenue Return £'000	2016 Capital Return £'000	2016 Total £'000	2015 Revenue Return £'000	2015 Capital Return £'000	2015 Total £'000
Management fee	**1,229**	**3,688**	**4,917**	1,245	3,734	4,979
Performance fee	**–**	**3,354**	**3,354**	–	7,745	7,745
	1,229	**7,042**	**8,271**	1,245	11,479	12,724

In 2015 the management fee included sums paid to third parties for custody, administration and company secretarial services In 2016 and going forward these are charged directly to the Company and included in "Other Administrative Expenses" in note 6

A summary of the terms of the management agreement is given on pages 43 to 45

6 Other administrative expenses

	2016 £'000	2015 £'000
Directors' fees (Directors' Remuneration Report on pages 48 to 49)		**230**
230		
Auditors' remuneration		
– for audit of the consolidated and parent company financial statements	**75**	72
– for audit of the financial statements of subsidiaries pursuant to legislation	**17**	10
– for other assurance services (interim accounts and Trustee letters)	**5**	5
Legal fees	**16**	54
Taxation fees	**65**	69
Other administrative expenses	**161**	–
Other expenses	**531**	476
Irrecoverable VAT	**169**	201
Expenses charged to Revenue	**1,269**	1,117
Expenses charged to Capital	**481**	41
	1,750	1,158

Other administrative expenses include depositary, custody and company secretarial services These expenses are charged on the same basis as the base management fee, one quarter to income and three quarters to capital

VAT on costs incurred in connection with the extension of the residential leases on The Colonnades are charged to the income account

7 Finance costs

	2016 £'000	2015 £'000
Bank loans and overdrafts repayable within 1 year	**1,793**	2,279
Debentures repaid in February 2016	**1,601**	1,773
Loan notes repayable after 5 years	**182**	–
	3,576	4,052
Amount allocated to capital return	**(2,682)**	(3,039)
	894	1,013

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8 Taxation

a) Analysis of charge in the year

	2016 Revenue Return £'000	2016 Capital Return £'000	2016 Total £'000	2015 Revenue Return £'000	2015 Capital Return £'000	2015 Total £'000
UK corporation tax at 20% (2015 21%)	**1,799**	**(1,702)**	**97**	1,707	(1,707)	–
Overseas taxation	**1,399**	**–**	**1,399**	1,472	15	1,487
	3,198	**(1,702)**	**1,496**	3,179	(1,692)	1,487
Under/(over) provision in respect of prior years	**29**	**(18)**	**11**	3	(122)	(119)
Current tax charge for the year	**3,227**	**(1,720)**	**1,507**	3,182	(1,814)	1,368
Deferred taxation	**(6)**	**–**	**(6)**	(2)	(35)	(37)
	3,221	**(1,720)**	**1,501**	3,180	(1,849)	1,331

b) Factors affecting total tax charge for the year

The tax assessed for the period is lower than the standard rate of corporate tax in the UK for a large company of 20% (2015 21%) The difference is explained below

	2016 Revenue Return £'000	2016 Capital Return £'000	2016 Total £'000	2015 Revenue Return £'000	2015 Capital Return £'000	2015 Total £'000
Net profit on ordinary activities before taxation	**29,765**	**52,193**	**81,958**	31,394	194,515	225,909
Corporation tax charge at 20% (2015 21%)	**5,953**	**10,439**	**16,392**	6,593	40,848	47,441
Effects of						
Non taxable gains on investments	**–**	**(12,817)**	**(12,817)**	–	(39,742)	(39,742)
Currency movements not taxable	**–**	**(496)**	**(496)**	–	886	886
Tax relief on expenses charged to capital	**–**	**339**	**339**	–	1,351	1,351
Non-taxable income	**–**	**833**	**833**		(5,050)	(5,050)
Non-taxable UK dividends	**(650)**	**–**	**(650)**	(578)	–	(578)
Non-taxable overseas dividends	**(3,659)**	**–**	**(3,659)**	(4,336)	–	(4,336)
Overseas withholding taxes	**1,399**	**–**	**1,399**	1,472	15	1,487
Under/(over) provision in respect of prior years	**29**	**(18)**	**11**	3	(122)	(119)
Losses utilised not charged for	**(66)**	**–**	**(66)**	(39)	–	(39)
Disallowable expenses	**32**	**–**	**32**	22	–	22
Deferred tax not provided	**93**	**–**	**93**	45	–	45
Rate change on deferred tax	**(6)**	**–**	**(6)**	(2)	–	(2)
Tax expenses charged to revenue account	**96**		**96**	–	–	–
Capital gain on Colonnades	**–**	**–**	**–**	–	(35)	(35)
	3,221	**(1,720)**	**1,501**	3,180	(1,849)	1,331

The Group has not recognised deferred tax assets of £1,714,000 (2015 £1,966,000) arising as a result of losses carried forward It is considered too uncertain that the Group will generate profits in the relevant companies that the losses would be available to offset against and, on this basis, the deferred tax asset in respect of these expenses has not been recognised

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

8 Taxation *continued*

c) Provision for deferred taxation

The amounts for deferred taxation provided at 19% (2015 20%) comprise

Group	2016 Revenue Return £'000	2016 Capital Return £'000	2016 Total £'000	2015 Revenue Return £'000	2015 Capital Return £'000	2015 Total £'000
Accelerated capital allowances	**107**	**–**	**107**	113	–	113
Unutilised losses carried forward	**–**	**(350)**	**(350)**	–	(350)	(350)
Shown as						
Deferred tax liability/(asset)	**107**	**(350)**	**(243)**	113	(350)	(237)

Company	2016 Revenue Return £'000	2016 Capital Return £'000	2016 Total £'000	2015 Revenue Return £'000	2015 Capital Return £'000	2015 Total £'000
Accelerated capital allowances	**107**	**–**	**107**	113	–	113
Unutilised losses carried forward	**–**	**(350)**	**(350)**	–	(350)	(350)
Shown as						
Deferred tax liability/(asset)	**107**	**(350)**	**(243)**	113	(350)	(237)

The movement in provision in the year is as follows

Group	2016 Revenue Return £'000	2016 Capital Return £'000	2016 Total £'000	2015 Revenue Return £'000	2015 Capital Return £'000	2015 Total £'000
Provision at the start of the year	**113**	**(350)**	**(237)**	115	(315)	(200)
Accelerated capital allowances	**(6)**	**–**	**(6)**	(2)	–	(2)
Capital gains	**–**	**–**	**–**	–	(35)	(35)
Provision at the end of the year	**107**	**(350)**	**(243)**	113	(350)	(237)

Company	2016 Revenue Return £'000	2016 Capital Return £'000	2016 Total £'000	2015 Revenue Return £'000	2015 Capital Return £'000	2015 Total £'000
Provision at the start of the year	**113**	**(350)**	**(237)**	115	(350)	(235)
Accelerated capital allowances	**(6)**	**–**	**(6)**	(2)	–	(2)
Provision at the end of the year	**107**	**(350)**	**(243)**	113	(350)	(237)

9 Earnings per share

Earnings per Ordinary share

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

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Net revenue profit	**26,544**	28,214
Net capital profit	**53,913**	196,364
Net total profit	**80,457**	224,578
Weighted average number of shares in issue during the year	**317,500,980**	317,500,980

	pence	pence
Revenue earnings per share	**8.36**	8 89
Capital earnings per share	**16 98**	61 85
Earnings per Ordinary share	**25 34**	70 74

10 Investments held at fair value

a) Analysis of investments

	Group 2016 £'000	**Company 2016 £'000**	Group 2015 £'000	Company 2015 £'000
Listed in the United Kingdom	**336,663**	**336,663**	440,679	440,679
Listed Overseas	**664,133**	**664,133**	539,875	539,875
Investment Properties	**97,764**	**97,764**	75,434	75,434
Investments held at fair value	**1,098,560**	**1,098,560**	1,055,988	1,055,988
Investments in subsidiaries at fair value	**–**	**53,052**	–	53,517
	1,098,560	**1,151,612**	1,055,988	1,109,505

b) Gains on investments held at fair value

	31 March 2016 £'000	31 March 2015 £'000
Gains on sale of investments	**83,271**	76,072
Movement in investment holding gains	**(19,184)**	113,174
Gains on investments held at fair value	**64,087**	189,246

10 Investments held at fair value *continued*

c) Business segment reporting

	Valuation 31 March 2015 £'000	Net additions/ (disposals) £'000	Net appreciation/ (depreciation) £'000	**Valuation 31 March 2016 £'000**	**Gross revenue 31 March 2016 £'000**
Listed investments	980,554	(31,550)	51,792	**1,000,796**	**27,358**
Direct property[2]	75,434	10,035	12,295	**97,764**	**3,330**
	1,055,988	(21,515)	64,087	**1,098,560**	**30,688**
Contracts for difference[3]	10,604	(6,109)	(4,166)	**329**	**2,905**
	1,066,592	(27,624)	59,921	**1,098,889**	**33,593**

d) Geographical segment reporting

	Valuation 31 March 2015 £'000	Net additions/ (disposals) £'000	Net appreciation/ (depreciation) £'000	**Valuation 31 March 2016 £'000**	**Gross revenue 31 March 2016 £'000**
UK listed equities and convertibles[1]	434,549	(75,386)	(22,500)	**336,663**	**7,963**
UK direct property[2]	75,434	10,035	12,295	**97,764**	**3,330**
UK fixed interest	6,130	(6,480)	350	**–**	**73**
Continental European listed equities	539,007	50,316	73,859	**663,182**	**19,286**
European fixed interest	868	–	83	**951**	**36**
	1,055,988	(21,515)	64,087	**1,098,560**	**30,688**
UK contracts for difference[3]	5,167	(4,164)	(1,101)	**(98)**	**1,505**
European contracts for difference[3]	5,437	(1,945)	(3,065)	**427**	**1,400**
	1,066,592	(27,624)	59,921	**1,098,889**	**33,593**

Included in the above figures are purchase costs of £437,000 (2015 £331,000) and sales costs of £278,000 (2015 £185,000) These comprise mainly stamp duty and commission

[1] Included within UK listed equities and convertibles is a holding in NewRiver which is listed on the Alternative Investment Market (AIM) with a fair value of £12,366,000 (2015 £7,246,000)

[2] Net additions/(disposals) includes £4,765,000 (2015 £3,776,000) of capital expenditure Net appreciation/(depreciation) includes amounts in respect of rent free periods.

[3] Gross revenue for contracts for difference relates to dividends receivable, on an ex dividend basis, on the underlying positions held

e) Substantial share interests

The Group held interests in 3% or more of any class of capital in 6 companies we invest in None of these investments is considered significant in the context of these financial statements See note 21 on page 86 for further details of subsidiary investments

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10 Investments held at fair value *continued*

f) Fair value of financial assets and financial liabilities

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

Fair value hierarchy disclosures

The table below sets out fair value measurements using IFRS 13 fair value hierarchy

Financial assets at fair value through profit or loss

At 31 March 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	**999,843**	**-**	**2**	**999,845**
Investment Properties	**-**	**-**	**97,764**	**97,764**
Fixed interest investments	**951**	**-**	**-**	**951**
Contracts for difference	**-**	**329**	**-**	**329**
Foreign exchange forward contracts	**-**	**809**	**-**	**809**
	1,000,794	**1,138**	**97,766**	**1,099,698**

At 31 March 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	973,470	-	86	973,556
Investment Properties	-	-	75,434	75,434
Fixed interest investments	868	6,130	-	6,998
Contracts for difference	-	10,604	-	10,604
Foreign exchange forward contracts	-	1,432	-	1,432
	974,338	18,166	75,520	1,068,024

The table above represents the Group's fair value hierarchy The Company's fair value hierarchy is identical except for the inclusion of the fair value of the investment in Subsidiaries which at 31 March 2016 was £53,052,000 (2015 £53,517,000) these have been categorised as level 3 in both years The total financial assets at fair value for the Company at 31 March 2016 was £1,152,750,000 (2015 £1,121,541,000)

The movement from 31 March 2015 of £465,000 is the depreciation (2015 £212,000 appreciation) in the period

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

Level 1 – valued using quoted prices in an active market for identical assets

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices within Level 1

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data

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

Reconciliation of movements in financial assets categorised as level 3

At 31 March 2016	31 March 2015 £'000	Purchases £'000	Sales £'000	Appreciation / (Depreciation) £'000	31 March 2016 £'000
Unlisted equity investments	86	–	–	(84)	**2**
Investment Properties					
– Mixed use	42,250	4,335	(1,010)	8,577	**54,152**
– Industrial	20,587	6,685	–	3,018	**30,290**
– Offices	12,597	25	–	700	**13,322**
	75,434	11,045	(1,010)	12,295	**97,764**
	75,520	11,045	(1,010)	12,211	**97,766**

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10 Investments held at fair value *continued*

All appreciation/(depreciation) as stated above relates to unlisted equity investments and investment properties held at 31 March 2016

Transfers between hierarchy levels

There were no transfers during the year between level 1 and level 2 nor between levels 1 or 2 and level 3

Key assumptions used in value in use calculations are explained in the accounting policies in note 1 (f)

f) Fair value of financial assets and financial liabilities *continued*

Sensitivity information

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of investment properties are

- Estimated rental value £4-£50 per sq ft (2015 same)
- Capitalisation rates 4%-9% (2015 same)

Significant increases (decreases) in estimated rental value in isolation would result in a significantly higher (lower) fair value measurement A significant increase (decrease) in Capitalisation Rates in isolation would result in a significantly lower (higher) fair value measurement

11 Financial Instruments

Risk management policies and procedures

The Group invests in equities and other instruments for the long term in the pursuit of the Investment Objective set out on page 24 The Group is exposed to a variety of risks that could result in either a reduction or an increase in the profits available for distribution by way of dividends

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

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

The Manager's policies and processes for managing these risks are summarised on pages 28 to 30 and have been applied throughout the year

11 1 Market Price Risk

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

Management of the risk

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

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

	2016 £'000	2015 £'000
Investments held at fair value	**1,098,560**	1,055,988
CFD long gross exposure	**99,476**	82,793

Concentration of exposure to price risks

As set out in the Investment Policies on page 25, there are guidelines to the amount of exposure to a single company, geographical region or direct property These guidelines ensure an appropriate spread of exposure to individual or sector price risks As an investment company dedicated to investment in the property sector, the Group is exposed to price movements across the property asset class as a whole

11 Financial Instruments *continued*

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, fixed interest, CFD and direct property investments The level of change is consistent with the illustration shown in the previous year The sensitivity based on the Group's equity, fixed interest, CFD and direct property exposure at each balance sheet date, with all other variables held constant.

	2016 Increase in fair value £'000	**2016 Decrease in fair value £'000**	2015 Increase in fair value £'000	2015 Decrease in fair value £'000
Statement of Comprehensive Income – profit after tax				
Revenue return	**(73)**	**73**	(72)	72
Capital return	**164,635**	**(164,635)**	159,799	(159,799)
Change to the profit after tax for the year/shareholders' funds	**164,562**	**(164,562)**	159,727	(159,727)
Change to total earnings per Ordinary share	**51 82p**	**(51.82)p**	50 29p	(50 29)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 or through forward currency contracts

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

Foreign currency exposure

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

Currency	**2016**	2015
Sterling	**34 0%**	41 4%
Euro	**53 6%**	46 7%
Swedish Krona	**6 7%**	6 2%
Other	**5.7%**	5 7%

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

2016	**Sterling £'000**	**Euro £'000**	**Swedish Krona £'000**	**Other £'000**
Receivables (due from brokers, dividends and other income receivable)	**26,334**	**2,073**	**5**	**-**
Cash at bank and on deposit	**14,015**	**8,320**	**21**	**398**
Bank loans, loan notes and overdrafts	**(30,000)**	**(39,643)**	**-**	**-**
Payables (due to brokers, accruals and other creditors)	**(12,567)**	**(2,439)**	**(467)**	**-**
FX forwards	**(79,729)**	**48,079**	**7,730**	**24,729**
CFD Positions (Gross exposure)	**43,567**	**55,909**	**-**	**-**
Total foreign currency exposure on net monetary items	**(38,380)**	**72,299**	**7,289**	**25,127**
Investments held at fair value	**434,427**	**552,182**	**70,806**	**41,145**
Non-current assets	**243**	**-**	**-**	**-**
Total currency exposure	**396,290**	**624,481**	**78,095**	**66,272**

11 Financial Instruments *continued*

11 2 Currency Risk *continued*

2015	Sterling £'000	Euro £'000	Krona £'000	Swedish Other £'000
Receivables (due from brokers, dividends and other income receivable)	16,796	1,846	807	-
Cash at bank and on deposit	15,653	5,706	–	68
Bank loans, debentures and overdrafts	(68,000)	–	–	-
Payables (due to brokers, accruals and other creditors)	(20,489)	–	–	–
FX forwards	(55,013)	59,626	(9,650)	6,470
CFD positions (Gross exposure)	46,791	36,002	–	–
Total foreign currency exposure on net monetary items	(64,262)	103,180	(8,843)	6,538
Investments held at fair value	516,113	406,767	77,028	56,080
Non-current assets	237	–	–	-
Total currency exposure	452,088	509,947	68,185	62,618

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% (2015 15%)
Sterling/Swedish Krona +/- 15% (2015 15%)
Sterling/Other +/- 15% (2015 15%)

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

	Year ended March 2016			Year ended March 2015		
	Euro £'000	**Swedish Krona £'000**	**Other £'000**	Euro £'000	Swedish Krona £'000	Other £'000
Statement of Comprehensive Income – profit after tax						
Revenue return	**(1,906)**	**(203)**	**(241)**	(1,986)	(250)	(173)
Capital return	**(55,362)**	**(9,222)**	**(5,358)**	(53,682)	(10,032)	(7,304)
Change to the profit after tax for the year/shareholders' funds	**(57,268)**	**(9,425)**	**(5,599)**	(55,668)	(10,282)	(7,477)

	2016	2015
Change to total earnings per Ordinary share	**(22 77)p**	(23 13)p

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

	Year ended March 2016			Year ended March 2015		
	Euro £'000	**Swedish Krona £'000**	**Other £'000**	Euro £'000	Swedish Krona £'000	Other £'000
Statement of Comprehensive Income – profit after tax						
Revenue return	**2,335**	**249**	**317**	2,523	311	219
Capital return	**101,015**	**12,485**	**7,253**	72,661	13,581	9,887
Change to the profit after tax for the year/shareholders' funds	**103,350**	**12,734**	**7,570**	75,184	13,892	10,106

	2016	2015
Change to total earnings per Ordinary share	**38 95p**	31 24p

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11 Financial Instruments *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 loan notes
- 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 rates on the loan notes is fixed, details are set out in note 13 At 31 March 2016, in addition to the loan notes the Group had unsecured, multi-currency revolving loan facilities which carry variable rates of interest based on the currencies drawn, plus a margin These facilities totalled £80,000,000 (2015 £80,000,000)

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

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

Interest rate exposure

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

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

The Group's exposure to floating interest rates on assets £42,146,000 (2015 £21,427,000)

The Group's exposure to fixed interest rates on assets £951,000 (2015 £6,998,000)

The Group's exposure to fixed interest rates on liabilities £54,643,000 (2015 £15,000,000)

The Group's exposure to floating interest rates on liabilities £15,000,000 (2015 £53,000,000)

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 (2015 same)
- Interest paid on borrowings under the multi-currency loan facilities, is at a margin over LIBOR or its foreign currency equivalent for the type of loan
- The finance charges on the €50m and £15m loan notes are at interest rates of 1 92% and 3 59% respectively
- The finance charge on the debenture stock (repaid in February 2016) was at an interest rate of 11 85% (2015 11 86%)

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

	2016 2% Increase £'000	**2016 2% Decrease £'000**	2015 2% Increase £'000	2015 2% Decrease £'000
Change to shareholders' funds	**(440)**	**440**	(499)	499
Change to total earnings per Ordinary share	**(0 14)p**	**0 14p**	(0 16)p	0 16p

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

11 Financial Instruments *continued*

11.4 Liquidity Risk

Unquoted investments in the portfolio are subject to liquidity risk The Group held one unquoted investment at the year end (see 11 6 below)

In certain market conditions, the liquidity of direct property investments may be reduced At 31 March 2016, 9% (2015 7%) of the Group's investment portfolio was held in direct property investments

At March 2016, 91% (2015 93%) of the Group's investment portfolio is held in listed securities which are predominantly readily realisable

The debenture loan of £15m was repaid in February 2016 Bank loan facilities are short term revolving loans which it is intended are renewed or replaced but renewal cannot be certain Loan notes of €50m and £15m are repayable in February 2026 and 2031 respectively

The table shows the timing of cash outflows to settle the Group's current liabilities together with anticipated interest costs

Debt and Financing maturity profile

At 31 March 2016	**Within 1 year £'000**	**Within 1-2 years £'000**	**Within 2-3 years £'000**	**Within 3-4 years £'000**	**Within 4-5 years £'000**	**More than 5 years £'000**	**Total £'000**
Bank loans*	**15,000**	–	–	–	–	–	**15,000**
Loan notes	–	–	–	–	–	**54,643**	**54,643**
Projected interest cash flows on bank and loan notes	**1,496**	**1,300**	**1,300**	**1,300**	**1,300**	**9,009**	**15,705**
Securities and properties purchased for future settlement	**9,085**	–	–	–	–	–	**9,085**
Tax payable	**1,601**	–	–	–	–	–	**1,601**
Accruals and deferred income	**4,330**	–	–	–	–	–	**4,330**
Other creditors	**457**	–	–	–	–	–	**457**
	31,969	**1,300**	**1,300**	**1,300**	**1,300**	**63,652**	**100,821**

At 31 March 2015	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000	Total £'000
Bank loans*	53,000	–	–	–	–	–	53,000
Debenture loan	15,000	–	–	–	–	–	15,000
Projected interest cash flows on bank and debenture loans	2,452	–	–	–	–	–	2,452
Securities and properties purchased for future settlement	8,562	–	–	–	–	–	8,562
Tax payable	–	1,506	–	–	–	–	1,506
Accruals and deferred income	9,745	–	–	–	–	–	9,745
Other creditors	676	–	–	–	–	–	676
	89,435	1,506	–	–	–	–	90,941

* A £50m one year facility with RBS which expired in January 2016 has been renewed until January 2017 £15m was drawn on this facility at the balance sheet date A £30m one year facility with ING, London, expired in May 2016 There was no draw down on this facility at the balance sheet date or at the expiry date A £30m facility with ING Luxembourg has been agreed and the agreement is expected to be signed at the end of June 2016

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11 Financial Instruments *continued*

11 4 Liquidity Risk *continued*

Management of the risk

The Manager sets guidelines for the maximum exposure of the portfolio to unquoted and direct property investments These are set out in the Investment Policies on page 25 All unquoted investments and direct property investments with a value over £5 million must be approved by the Board for purchase

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

11 5 Credit Risk

The failure of a counterparty to a transaction to discharge its obligations under that transaction could result in the Group suffering a loss At the period end the largest counterparty risk, which the Group was exposed to was within Debtors and Cash and cash equivalents where the total bank balances held with one counterparty was £22,094,000 (2015 £11,711,000)

Management of the risk

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

Credit risk exposure

In summary, compared to the amounts in the Balance Sheet, the maximum exposure to credit risk at 31 March was as follows

	2016 Balance Sheet £'000	**2016 Maximum exposure £'000**	2015 Balance Sheet £'000	2015 Maximum exposure £'000
Debtors	**28,978**	**28,978**	20,882	20,882
Cash and cash equivalents	**22,754**	**22,754**	21,427	21,427
Fixed interest investments	**951**	**951**	6,998	6,998
	52,683	**52,683**	49,307	49,307

Offsetting disclosures

In order to better define its contractual rights and to secure rights that will help the Group mitigate its counterparty risk, the Group may enter into an ISDA Master Agreement or similar agreement with its OTC derivative contract counterparties An ISDA Master Agreement is an agreement between the Group and the counterparty that governs OTC derivatives and foreign exchange contracts and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event Under an ISDA Master Agreement, the Group has a contractual right to offset with the counterparty certain derivative financial instruments payables and/or receivables with collateral held and/or posted and create one single net payment in the event of default including the bankruptcy or insolvency of the counterparty However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events

The disclosures set out in the following tables include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement

11 Financial Instruments *continued*

At 31 March 2016 and 2015, the Group's derivative assets and liabilities (by type) are as follows

	Year ended 2016 Gross amounts of recognised financial assets £'000	Year ended 2016 Gross amounts of recognised financial liabilities set off in the Balance Sheet £'000	Year ended 2016 Net amounts of financial assets presented in the Balance Sheet £'000	Year ended 2015 Gross amounts of recognised financial assets £'000	Year ended 2015 Gross amounts of recognised financial liabilities set off in the Balance Sheet £'000	Year ended 2015 Net amounts of financial assets presented in the Balance Sheet £'000
Description						
CFD positions	**911**	**(582)**	**329**	11,176	(572)	10,604
FX forward contracts	**80,539**	**(79,730)**	**809**	70,347	(68,915)	1,432
	81,450	**(80,312)**	**1,138**	81,523	(69,487)	12,036

	Year ended 2016 Net amounts of financial assets presented in the Balance Sheet £'000	Year ended 2016 Cash collateral pledged £'000	Year ended 2015 Net amounts of financial assets presented in the Balance Sheet £'000	Year ended 2015 Cash collateral pledged £'000
Counterparties				
ING	**329**	**22,094**	10,604	11,711
BNP Paribas	**809**	**–**	1,435	–
	1,138	**22,094**	12,039	11,711

11 6 Fair values of financial assets and financial liabilities

Except for the loan notes 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 closing price or last traded price at which the securities are quoted on the London Stock Exchange and other recognised exchanges

The fair value of contracts for difference are based on the underlying listed investment value as set out above and the amount due from or to the counterparty under the contract is recorded as an asset or liability accordingly

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

There was one unquoted investment at the Balance Sheet date, Nanette Real Estate, with a total value of £2,000 (2015 £86,000)

The amounts of change in fair value for investments recognised in the profit or loss for the year was a profit of £59,921,000 (2015 profit of £213,292,000)

11 Financial Instruments *continued*

11 7 Capital management policies and procedures

The Group's capital management objectives are

- to ensure that it will be able to continue as a going concern, and
- to maximise the total return to its equity shareholders through an appropriate balance of equity capital and debt

The equity capital of the Group at 31 March 2016 consisted of called up share capital, share premium, capital redemption and revenue reserves totalling £1,065,419,000 (2015 £1,010,045,000) The Group does not regard the loan notes and loans as permanent capital

The loan notes agreement requires compliance with a set of financial covenants, including

- Total Borrowings shall not exceed 33% of Adjusted Net Asset Value,
- the Adjusted Total Assets shall at all times be equivalent to a minimum of 300% of Total Borrowings, and
- the Adjusted NAV shall not be less than £260,000,000

12 Debtors

	Group 2016 £'000	**Company 2016 £'000**	Group 2015 £'000	Company 2015 £'000
Amounts falling due within one year				
Securities and properties sold for future settlement	**2,966**	**2,966**	2,551	2,551
Tax recoverable	**524**	**524**	554	554
Prepayments and accrued income[1]	**4,131**	**3,739**	4,153	3,762
Foreign exchange forward contracts for settlement	**809**	**809**	1,432	1,432
Amounts receivable in respect of Contracts for Difference	**329**	**329**	10,604	10,604
Other debtors[2]	**20,219**	**20,212**	1,588	1,581
	28,978	**28,579**	20,882	20,484
Non-current assets				
Deferred taxation asset	**243**	**243**	237	237

[1]Includes amounts in respect of rent free periods
[2]Includes CFD margin cash

FINANCIAL STATEMENTS

13 Current and non-current liabilities

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Amounts falling due within one year				
Bank loans and overdrafts	**15,000**	**15,000**	53,000	53,000
Securities and properties purchased for future settlement	**9,085**	**9,085**	8,562	8,562
Amounts due to subsidiaries	**–**	**52,807**	–	68,279
Tax payable	**1,601**	**1,601**	1,506	1,506
Accruals and deferred income	**4,330**	**4,330**	9,745	9,569
Other creditors	**457**	**290**	676	676
Debenture loan	**–**	**–**	15,000	–
	30,473	**83,113**	88,489	141,592
Non-current liabilities				
1 92% Euro Loan Notes 2026	**39,643**	**39,643**	–	–
3 59% GBP Loan Notes 2031	**15,000**	**15,000**	–	–
	54,643	**54,643**	–	–

The total amount of secured creditors is £nil (2015 £15,000,000)

Debenture loan

The debenture loan of £15,000,000 of 11 5% 2016 stock was repaid in February 2016

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

Loan Notes

On the 10th February 2016, the Company issued 1 92% Unsecured Euro 50,000,000 Loan Notes and 3 59% Unsecured GBP 15,000,000 Loan Notes which are due to be redeemed at par on the 10th February 2026 and 10th February 2031 respectively The fair value of the 1 92% Euro Loan Notes was £39,797,000 and the 3 59% GBP Loan Notes was £15,301,000 at 31 March 2016 Using the IFRS 13 fair value hierarchy the Loan Notes are deemed to be categorised within Level 2

The loan notes agreement requires compliance with a set of financial covenants, including

- Total Borrowings shall not exceed 33% of Adjusted Net Asset Value,
- the Adjusted Total Assets shall at all times be equivalent to a minimum of 300% of Total Borrowings, and
- the Adjusted NAV shall not be less than £260,000,000

The Company and Group complied with the terms of the loan notes agreement throughout the year

Multi-currency revolving loan facilities

The Group also had unsecured, multi-currency, revolving short-term loan facilities totalling £80,000,000 (2015 £80,000,000) at 31 March 2016 At 31 March 2016 £15,000,000 was drawn on these facilities (2015 £53,000,000)

The maturity of these facilities and detail of their renewal is shown in notes 11 3 and 11 4

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

14 Called up share capital

Ordinary share capital

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

	Number	Issued, allotted and fully paid £'000
Ordinary shares of 25p		
At 1 April 2015	317,500,980	79,375
Shares repurchased	–	–
At 31 March 2016	317,500,980	79,375

The voting rights are disclosed in the Report of the Directors on page 38

No Ordinary shares were repurchased or cancelled during the current year (2015 zero repurchased and cancelled)

Since 31 March 2016 no Ordinary shares have been purchased and cancelled

15 Share premium account and capital redemption reserve

Share premium account

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

Capital redemption reserve

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

16 Retained earnings

	Group 2016 £'000	**Company 2016 £'000**	Group 2015 £'000	Company 2015 £'000
Investment holding gains	**365,491**	**400,573**	388,841	424,388
Realised capital reserves	**483,523**	**456,008**	406,260	378,417
	849,014	**856,581**	795,101	802,805
Revenue reserve	**49,934**	**42,367**	48,473	40,769
	898,948	**898,948**	843,574	843,574

Group investment holding gains at 31 March 2016 include a £1,348,000 loss (2015 £1,368,000 loss) relating to unlisted investments and gains of £33,978,000 (2015 £18,274,000) relating to investment properties

Company investment holding gains at 31 March 2016 include gains of £67,711,000 (2015 £52,453,000) relating to unlisted and subsidiary investments with a £32,838,000 revaluation gain (2015 £17,134,000 gain) relating to investment properties
Dividends are only distributable from the revenue reserve

Notes to the Financial Statements

continued

17 Dividends

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 March 2015 of 4 75p (2014 4 60p) per Ordinary share	**15,081**	14,605
Interim dividend for the year ended 31 March 2016 of 3 15p (2015 2 95p) per Ordinary share	**10,002**	9,366
	25,083	23,971
Amounts not recognised as distributions to equity holders in the year		
Proposed final dividend for the year ended 31 March 2016 of 5 20p (2015 4 75p) per Ordinary share	**16,510**	15,081

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

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

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Interim dividend for the year ended 31 March 2016 of 3 15p (2015 2 95p) per Ordinary share	**10,002**	9,366
Proposed final dividend for the year ended 31 March 2016 of 5 20p (2015 4 75p) per Ordinary share	**16,510**	15,081
	26,512	24,447

18 Company profit and loss account

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own Income Statement. The net profit after taxation of the Company dealt with in the accounts of the Group was £80,457,000 (2015 £224,578,000)

19 Net asset value per Ordinary share

Net asset value per Ordinary share is based on the net assets attributable to Ordinary shares of £1,065,419,000 (2015 £1,010,045,000) and on 317,500,980 (2015 317,500,980) Ordinary shares in issue at the year end

20 Commitments and contingent liabilities

At 31 March 2016 and 31 March 2015 the Group had no capital commitments or contingent liabilities

Notes to the Financial Statements

continued

21 Subsidiaries

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

Name	Reg Number	Principal activity
New England Properties Limited	788895	Non-trading company
The Colonnades Limited	2826672	Non-trading company
Showart Limited	2500726	Non-trading company
Trust Union Properties Residential Developments Limited	2365875	Non-trading company
The Property Investment Trust Ltd	2415846	Non-trading company
The Real Estate Investment Trust Limited	2416015	Non-trading company
The Terra Property Investment Trust Limited	2415843	Non-trading company
Trust Union Property Investment Trust Limited	2416017	Non-trading company
Trust Union Properties (Number Five) Limited	2415839	Non-trading company
Trust Union Properties (Number Six) Limited	2416018	Non-trading company
Trust Union Properties (Number Seven) Limited	2415836	Non-trading company
Trust Union Properties (Number Eight) Limited	2416019	Non-trading company
Trust Union Properties (Number Nine) Limited	2415833	Non-trading company
Trust Union Properties (Number Ten) Limited	2416021	Non-trading company
Trust Union Properties (Number Eleven) Limited	2415830	Non-trading company
Trust Union Properties (Number Twelve) Limited	2416022	Non-trading company
Trust Union Properties (Number Thirteen) Limited	2415818	Non-trading company
Trust Union Properties (Number Fourteen) Limited	2416024	Non-trading company
Trust Union Properties (Number Fifteen) Limited	2416026	Non-trading company
Trust Union Properties (Number Sixteen) Limited	2415806	Non-trading company
Trust Union Properties (Number Seventeen) Limited	2416027	Non-trading company
Trust Union Properties (Number Eighteen) Limited	2415768	Non-trading company
Trust Union Properties (Bayswater) Limited	2416030	Property investment
Trust Union Properties (Cardiff) Limited	2415772	Non-trading company
Trust Union Properties (Theale) Limited	2416031	Non-trading company
Trust Union Properties (Number Twenty-Two) Limited	2415765	Non-trading company
Trust Union Properties (Number Twenty-Three) Limited	2416036	Non-trading company
Skillion Finance Limited	2420758	Non-trading company
Trust Union Finance (1991) Plc	2663561	Investment financing
FGH Developments Limited	1481476	Non-trading company
FGH Developments (Aberdeen) Limited (E18030)	SC68799	Non-trading company
FGH (Newcastle) Limited	1466619	Non-trading company
NEP (1994) Limited	977481	Non-trading company
New England Developments Limited	1385909	Non-trading company
New England Investments Limited	2613905	Non-trading company
New England Retail Properties Limited	1447221	Non-trading company
New England (Southern) Limited	1787371	Non-trading company
Sapco One Limited	803940	Non-trading company
Trust Union Properties Limited	2134624	Non-trading company
Trust Union Finance Limited	1233998	Investment holding and finance company
TR Property Finance Limited	2415941	Investment holding and finance company
Trust Union Properties (South Bank) Limited	2420097	Non-trading company

All the subsidiaries are fully owned and all the holdings are ordinary shares

FINANCIAL STATEMENTS

22 Related party transactions disclosures

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

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Company for each of the relevant categories specified in IAS 24 Related Party Disclosures is provided in the audited part of the Directors' Remuneration Report on pages 48 and 49

Directors' transactions

Transactions in shares by directors are considered to be a related party transaction due to the nature of their role as directors Movements in directors' shareholdings are disclosed within the Directors' Remuneration Report on page 49 Dividends totalling £6,000 (2015 £7,000) were paid in the year in respect of shares held by the Company's directors

Investment Manager's fees

During the year ended 31 March 2016 Thames River Capital charged management fees totalling £4,917,000 (2015 £4,979,000) to the Group in the normal course of business The balance of management fees outstanding at 31 March 2016 was £75,000 (2015 £186,000) In addition a performance fee of £3,354,000 was outstanding at 31 March 2016 (2015 £7,745,000)

23 Alternative Investment Fund Managers Directive ("AIFMD")

In accordance with the AIFMD, information in relation to the Company's leverage and remuneration of the Company's AIFM, F&C Investment Business Limited, is required to be made available to investors Detailed regulatory disclosures including those on the AIFM's remuneration policy and costs are available on the F&C website or from F&C on request.

Leverage

Under the AIFM Directive, it is necessary for AIFs to disclose their leverage in accordance with prescribed calculations

Although leverage is often used as another term for gearing, under the AIFMD it leverage is specifically defined Two types of leverage calculations are defined, the gross and commitment methods These methods summarily express leverage as a ratio of the exposure of the AIF against its net asset value 'Exposure' typically includes debt, the value of any physical properties subject to mortgage, non- sterling currency, equity or currency hedging at absolute national values (even those held purely for risk reduction purposes, such as forward foreign exchange contracts held for currency hedging) and derivative exposure (converted into the equivalent underlying positions) The commitment method nets off derivative instruments, while the gross method aggregates them

The table below sets out the current maximum permitted limit and the actual level of leverage for the Company as at 31 March 2016

Leverage exposure	Gross method	Commitment method
Maximum permitted limit	200%	200%
Actual	133%	134%

The leverage limits are set by the AIFM and approved by the Board and are in line with the limits set out in the Company's Articles of Association

This should not be confused with the gearing set out in the Financial Highlights which is calculated under the traditional method set out by the Association of Investment Companies The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings

Notice of Annual General Meeting

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take you should seek your own advice from a stockbroker, solicitor, accountant or other independent professional adviser

If you have sold or otherwise transferred all of your shares, please pass this document, together with the accompanying documents to the purchaser, or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares

Notice is hereby given that the Annual General Meeting of TR Property Investment Trust plc will be held at 2pm on Tuesday 26 July 2016 at the Royal Automobile Club, 89/91 Pall Mall, London SW1Y 5HS for the purpose of transacting the following business

To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 11 will be proposed as Ordinary Resolutions and Resolutions 12 and 13 shall be proposed as Special Resolutions

1 To receive the Report of the Directors and the Audited Accounts for the year ended 31 March 2016

2 To approve the Directors' Remuneration Report for the year ended 31 March 2016

3 To declare a final dividend of 5 2 pence per Ordinary share

4 To re-elect Simon Marrison as a director

5 To re-elect David Watson as a director

6 To re-elect Hugh Seaborn as a director

7 To re-elect Suzie Procter as a director

8 To re-elect John Glen as a director

9 To appoint KPMG LLP as auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company

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

11 THAT the directors be generally and unconditionally authorised pursuant to and in accordance to Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to a nominal value of £26,193,830 (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 26 October 2017), save that the Company shall be entitled to make offers or agreements before the expiry of this authority which would or might require shares to be allotted or rights to be granted after such expiry and the directors shall be entitled to allot shares and grant rights pursuant to any such offers or agreements as if this authority had not expired

12 THAT

(a) (subject to the passing of Resolution 11 set out above) the directors be empowered pursuant to Section 570 and Section 573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 11 above and/or to sell shares held by the Company as treasury shares for cash as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to

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

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

(bb) to holders of other equity securities, as required by the rights of those securities, or as the Board otherwise considers necessary, and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, and

(ii) in the case of the authority granted under Resolution 11 and/or in the case of any sale of treasury shares for cash, to the allotment (otherwise than under paragraph (i) above) of equity securities or sale of treasury shares up to a nominal amount of £3,968,762 (being approximately 5% of the total issued share capital of the Company as at the latest practicable date prior to publication of the notice of meeting),

(b) the power given by this resolution shall expire upon the expiry of the authority conferred by Resolution 11 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired

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

(a) the maximum number of Ordinary shares hereby authorised to be purchased shall be 14 99% of the Company's Ordinary shares in issue at the date of the Annual General Meeting (equivalent to 47,593,396 Ordinary shares of 25 pence each at 13 June 2016, the date of this Notice of Annual General Meeting),

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

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

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

(c) the minimum price (exclusive of expenses) which may be paid for an Ordinary share shall be 25 pence, being the nominal value per Ordinary share,

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2017, save that the Company shall be entitled to enter into a contract to purchase Ordinary shares which will, or may, be completed or executed wholly or partly after the power expires and the Company may purchase Ordinary shares pursuant to such contract as if the power conferred hereby had not expired

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

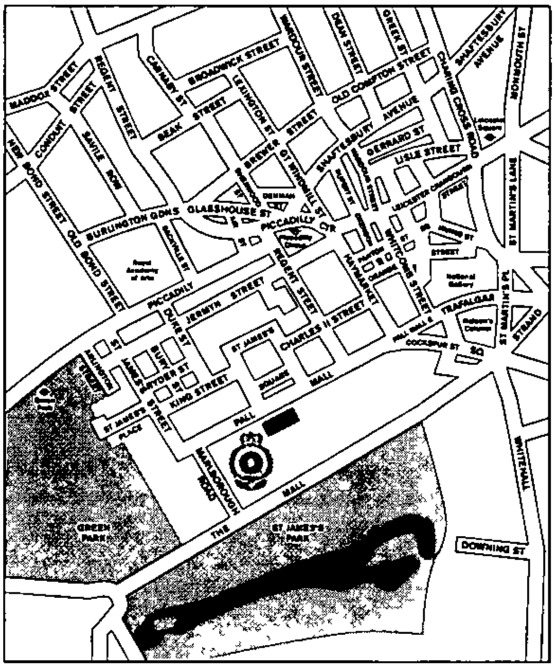
By Order of the Board

For and on behalf of
Capita Company Secretarial Services
Secretary
13 June 2016

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 24 July 2016 (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 26 July 2016 and any adjournment(s) thereof by using the procedures described in the CREST Manual CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf

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

CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages

Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001

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

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

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

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

11 Biographical details of the directors are shown on page 33 of the Annual Report & Accounts

12 As at 9 June 2016 (being the latest practicable day prior to publication of the notice of the meeting), the issued share capital of the Company is 317,500,980 Ordinary shares of 25p each Therefore, the total number of voting rights in the Company at 9 June 2016 is 317,500,980

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

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

Explanation of Notice of Annual General Meeting

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

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

Resolutions 4, 5, 6, 7 and 8 Re-election of directors

These resolutions deal with the re-election of Simon Marrison, David Watson, Hugh Seaborn, Suzie Procter and John Glen In accordance with the UK Corporate Governance Code, all directors will retire on an annual basis and have confirmed that they will offer themselves for re-election

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

Resolutions 9 and 10 Auditors

These deal with the appointment of the auditors, KPMG LLP, and the authorisation for the directors to determine their remuneration

Resolution 11 Allotment of share capital

Our Board considers it appropriate that an authority be granted to allot shares in the capital of the Company up to a maximum nominal amount of £26,193,830 (representing approximately 33% of the Company's issued share capital as at 9 June 2016, being the latest practical date prior to publication) As at the date of this notice the Company does not hold any shares in treasury

The directors have no present intention of exercising this authority and would only expect to use the authority if shares could be issued at, or at a premium to, the NAV per share

This authority will expire at the earlier of close of business on 26 October 2017 and the conclusion of the annual general meeting of the Company to be held in 2017

Resolution 12 Disapplication of statutory pre-emption rights

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

This authority would be limited to allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the board otherwise considers necessary, or otherwise up to an aggregate nominal amount of £3,968,762 This aggregate nominal amount represents 5% of the total issued share capital of the Company as at 9 June 2016, the latest practicable date prior to publication of this Notice In respect of this aggregate nominal amount, the directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling 3-year period where the Principles provide that usage in excess of 7 5% should not take place without prior consultation with shareholders

The authority will expire at the earlier of close of business on 26 October 2017 and the conclusion of the annual general meeting of the Company held in 2017

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

At the AGM held on 21 July 2015, a special resolution was proposed and passed, giving the directors authority, until the conclusion of the AGM in 2016, to make market purchases of the Company's own issued shares up to a maximum of 14 99% of the issued share capital

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

Explanation of Notice of Annual General Meeting

continued

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

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 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 as taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Company agrees to buy shares concerned, and

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

The minimum price to be paid will be 25p per Ordinary share (being the nominal value) The Listing Rules also limit a listed company to purchases of shares representing up to 15% of its issued share capital in the market pursuant to a general authority such as this For this reason, the Company is limiting its authority to make such purchases to 14 99% of the Company's Ordinary shares in issue at the date of the AGM, this is equivalent to 47,593,396 Ordinary shares of 25p each (nominal value £11,898,348) at 13 June 2016, the date of the Notice of the AGM The authority will last until the AGM of the Company to be held in 2017

Recommendation

Your Board believes that the resolutions contained in this Notice of Annual General Meeting are in the best interests of the Company and shareholders as a whole and recommends that you vote in favour of them as your Directors intend to do in respect of their beneficial shareholdings

Directors and Other Information

Directors

C M Burton (Chairman)
J Glen
S Marrison
S Procter
H Seaborn
D Watson

Registered Office

3rd Floor
11–12 Hanover Street
London W1S 1YQ

Registered Number

Registered as an investment company in England and Wales No 84492

AIFM

F&C Investment Business Limited
Exchange House
Primrose Street
London EC2A 2NY

Portfolio Manager

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

Fund Manager

M A Phayre-Mudge MRICS

Finance Manager and Investor Relations

J L Elliott ACA

Deputy Fund Manager

A Lhonneur

Direct Property Manager

G P Gay MRICS

Secretary

Capita Company Secretarial Services
40 Dukes Place
London EC3A 7NH

Registrar

Computershare Investor Services PLC
The Pavilions, Bridgwater Road
Bristol BS99 6ZY
Telephone 0370 707 1355

Registered Auditor

Ernst & Young LLP
25 Churchill Place
London E14 5EY

Stockbrokers

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

Stifel Nicolaus Europe Limited
150 Cheapside
London EC2V 6ET

Solicitors

Slaughter and May
One Bunhill Row
London EC1Y 8YY

Depositary, Custodian and Fund Administrator

BNP Paribas Securities Services
55 Moorgate
London EC2R 6PA

Website

www.trproperty.com

Tax Advisers

PricewaterhouseCoopers LLP
Central Square South
Orchard Street
Newcastle upon Tyne NE1 3AZ

aic
The Association of Investment Companies

General Shareholder Information

Release of Results

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

Annual General Meeting

The AGM is held in London in July

Dividend Payment Dates

Dividends are usually paid on the Ordinary shares as follows

Interim January
Final August

Dividend Payments

Dividends can be paid to shareholders by means of BACS (Bankers' Automated Clearing Services), mandate forms for this purpose are available from the Registrar Alternatively, shareholders can write to the Registrar (the address is given on page 94 of this report) to give their instructions, these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made

Dividend Re-investment Plan ("DRIP")

TR Property Investment Trust plc now offers shareholders the opportunity to purchase further shares in the company through the DRIP DRIP forms may be obtained from Computershare Investor Services PLC through their secure website www investorcentre co uk, or by phoning 0370 707 1694 Charges do apply, dealing commission of 0 5% (subject to a minimum of £1 00) Government stamp duty of 0 5% also applies

Share Price Listings

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

Share Price Information

ISIN GB0009064097
SEDOL 0906409
Bloomberg TRY LN
Reuters TRY L
Datastream TRY

Benchmark

Details of the benchmark is given in the Strategic Report on page 24 of this Report and Accounts The benchmark index is published daily and can be found on Bloomberg,

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

Internet

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

Shareholders who hold their shares in certificated form can check their holdings with the Registrar, Computershare Investor Services PLC, via www 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

General Shareholder Information

continued

Nominee Share Code

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

CGT Base Cost

Taxation of capital gains for shareholders who formerly held Sigma shares

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

In respect of the conversion to Sigma in 2007, agreement was reached with HM Revenue & Customs ("HMRC") to base the apportionment of the capital gains tax base cost on the proportion of Ordinary shares that were converted by a shareholder into Sigma shares on 25 July 2007

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

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

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

Investing in TR Property Investment Trust plc

Market Purchases

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

Holding shares in Certificated Form

Investors may hold their investment in certificated form Our registrars, Computershare operate a dealing service which enables investors to buy and sell shares quickly and easily online without a broker or the need to open a trading account Alternatively the Investor Centre allows investors to manage portfolios quickly and securely, update details and view balances without annual charges Further details are available by contacting Computershare on 0370 707 1355 or visit www computershare com

TR Property Investment Trust plc now offers shareholders the opportunity to purchase further shares in the company through the Dividend Re-investment Plan ("DRIP") through the registrar, Computershare Shareholders can obtain further information on the DRIP through their secure website www investorcentre co uk, or by phoning 0370 707 1694 Charges do apply Please note that to gain access to your details or register for the DRIP on the Computershare site you will need the holder reference number stated on the top left hand corner of your share certificate

Saving Schemes, ISAs and other plans

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

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

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

Alliance Trust Savings

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

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

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

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

Saving Schemes and ISAs transferred from BNP Paribas

In 2012 BNP Paribas closed down the part of their business that operated Savings Schemes and ISAs Investors were given the choice of transferring their schemes to Alliance Trust Savings ("ATS") or to a provider of their own choice, or to close their accounts and sell the holdings

If investors did not respond to the letters from BNP Paribas, their accounts were transferred to ATS

Any questions regarding accounts transferred to ATS should be directed to ATS on 01382 573 737

Investing in TR Property Investment Trust plc

continued

Share Fraud and boiler room scams

Shareholders in a number of Investment Trusts have been approached as part of a share fraud where they are informed of an opportunity to sell their shares as the company is subject to a takeover bid This is not true and is an attempt to defraud shareholders The share fraud also seeks payment of a "commission" by shareholders to the parties carrying out the fraud

Shareholders should remain alert to this type of scam and treat with suspicion any contact by telephone offering an attractive investment opportunity, such as a premium price for your shares, or an attempt to convince you that payment is required in order to release a settlement for your shares These frauds may also offer to sell your shares in companies which have little or no value or may offer you bonus shares These so called "boiler room" scams can also involve an attempt to obtain your personal and/or banking information with which to commit identity fraud

The caller may be friendly and reassuring or they may take a more urgent tone, encouraging you to act quickly otherwise you could lose money or miss out on a deal

If you have been contacted by an unauthorised firm regarding your shares the FCA would like to hear from you You can report an unauthorised firm using the FCA helpline on 0800 111 6768 or by visiting their website, which also has other useful information, at www fca org uk

If you receive any unsolicited investment advice make sure you get the correct name of the person and organisation If the calls persist, hang up If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme

Please be advised that the Board or the Manager would never make unsolicited telephone calls of such a nature to shareholders.

How to Invest

One of the most convenient ways to invest in TR Property Investment Trust plc is through one of the savings plans run by F&C Investments

F&C Investment Trust ISA
You can use your ISA allowance to make an annual tax-efficient investment of up to £15,240 for the 2016/17 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. It's also easy to transfer any existing ISAs to us whilst maintaining all the tax benefits, and you can get more information on how to do this under 'Savings Plans' at www.fandc.co.uk

F&C Junior ISA (JISA)
You can invest up to £4080 for the tax year 2016/17 from £500 lump sum or £30 a month per Trust, or a combination of both. Please note, if your child already has a Child Trust Fund (CTF), then you cannot open a separate JISA, however you can transfer the existing CTF (held either with F&C or another provider) to an F&C JISA. You can get more information on how to do this under 'Savings Plans' at www.fandc.co.uk

F&C Child Trust Fund (CTF)
If you already have a CTF you can invest up to £4080 for the 2016/17 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. It's also easy to transfer a CTF from another provider to an F&C CTF - you can get more information on how to do this under 'Savings Plans' at www.fandc.co.uk[1]

F&C Private Investor Plan (PIP)
This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £500 lump sum or £50 a month per Trust. You can also make additional lump sum top-ups at any time from £250 per Trust.

F&C Children's Investment Plan (CIP)
This is a flexible way to save for a child in our range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) or kept in your name if you wish to retain control over the investment. Investments can be made from a £250 lump sum or £25 a month per Trust. You can also make additional lump sum top-ups at any time from £100 per Trust.

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

Annual management charges and other charges apply according to the type of plan.

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

Dealing charges
ISA: 0.2%
PIP/CIP/JISA postal instructions £12, online instructions £8 per Trust

Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits for the PIP, CIP and JISA.

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

Government stamp duty of 0.5% also applies on the purchase of shares (where applicable). There may be additional charges made if you transfer a plan to another provider or transfer the shares from your plan. For full details of charges, please read the Key Features and Terms and Conditions of the plan before investing - you can get more details on any of our Savings Plans by going to www.fandc.co.uk. F&C cannot give advice on the suitability of investing in our investment trust or savings plans. If you have any doubt as to the suitability of an investment, please contact a financial adviser.

How to Invest
If you're opening a new plan it's easy to apply online by going to www.fandc.com/apply[2]

New Customers
Contact our Team

Call	**0800 136 420***
Email	**info@fandc.com**

Existing Plan Holders
Contact our Team

Call	**0345 600 3030****
Email	**investor.enquiries@fandc.com**
By post	F&C Plan Administration Centre PO Box 11114 Chelmsford CM99 2DG

[1] Please note that this account is only available for investors who already hold a CTF, and no new accounts can be opened. [2] Please note that applying online is not available if you are transferring an existing plan with another provider to F&C, or if you are applying for a new plan in more than one name. *8.30am-5.30pm weekdays. **9.00am-5.00pm, weekdays. All calls may be recorded or monitored for training and quality purposes.

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