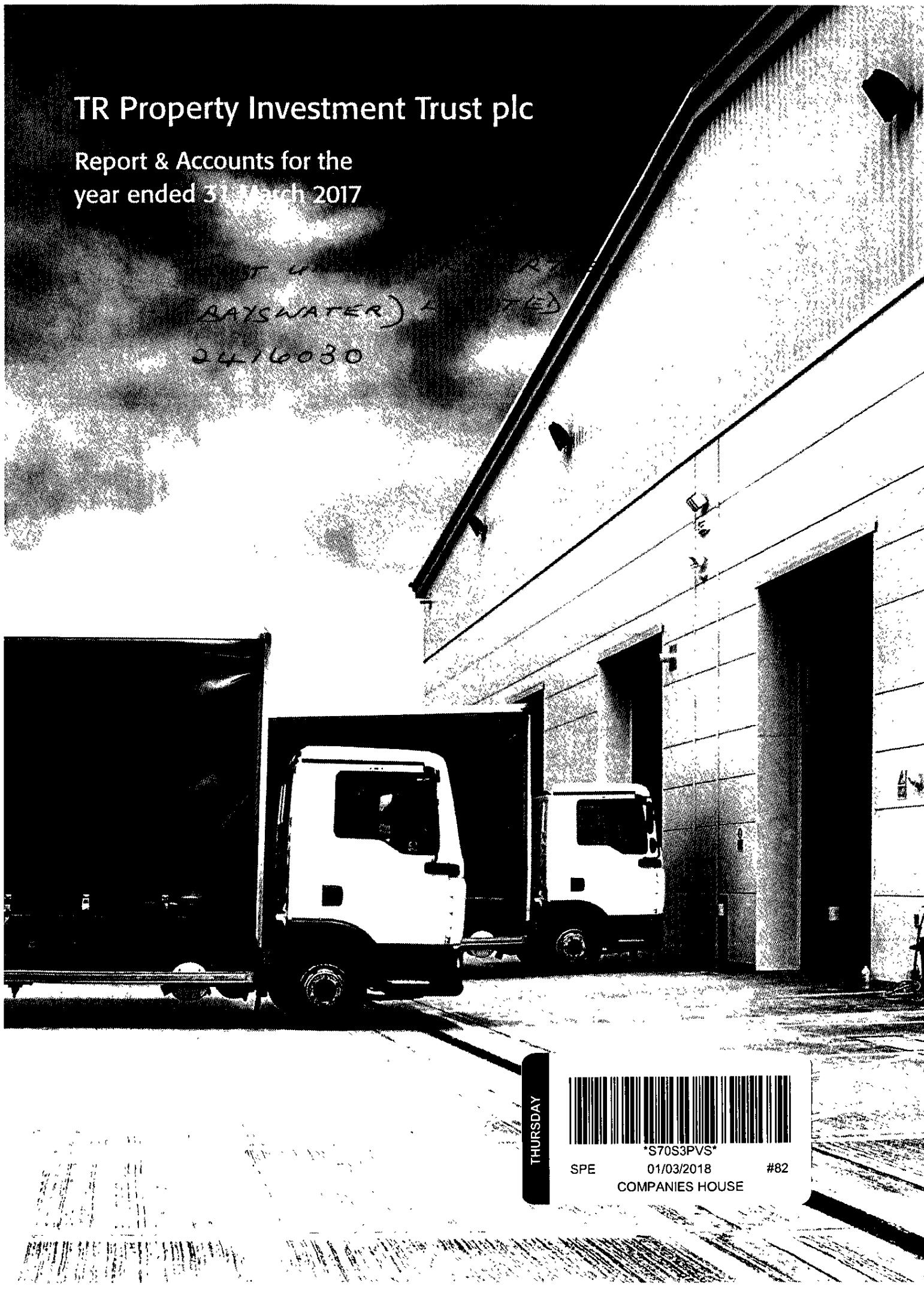


TR Property Investment Trust plc

Report & Accounts for the
year ended 31 March 2017



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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" or "the 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 Report of Directors on pages 40 and 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 99. This information can also be found on the Trust's website www.trproperty.com

Financial Highlights and Performance

	Year ended 31 March 2017	Year ended 31 March 2016	% Change
Balance Sheet			
Net asset value per share	352.42p	335.56p	+5.0%
Shareholders' funds (£'000)	1,118,424	1,065,419	+5.0%
Shares in issue at the end of the period (m)	317.4	317.5	-0.0%
Net debt ¹	13.3%	11.9%	
Share Price			
Share price	314.50p	297.50p	+5.7%
Market capitalisation	£998m	£945m	+5.7%
	Year ended 31 March 2017	Year ended 31 March 2016	% Change
Revenue			
Revenue earnings per share	11.38p	8.36p	+36.1%
Dividends²			
Net Interim dividend per share	4.10p	3.15p	+30.2%
Net Final dividend per share	6.40p	5.20p	+23.1%
Net Total dividend per share	10.50p	8.35p	+25.7%
Performance: Assets and Benchmark			
Net Asset Value total return ³	+8.0%	+8.2%	
Benchmark total return	+6.5%	+5.4%	
Share price total return ⁴	9.1%	-1.6%	
Ongoing Charges⁵			
Excluding performance fee	0.69%	0.72%	
Including performance fee	0.80%	1.06%	
Excluding performance fee and direct property costs	0.64%	0.67%	

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 2017. An interim dividend of 4.10p was paid in January 2017. A final dividend of 6.40p (2016: 5.20p) will be paid on 1 August 2017 to shareholders on the register on 23 June 2017. The shares will be quoted ex dividend on 22 June 2017.

3 The total return NAV performance for the year is calculated by reinvesting the dividends in the assets of the Company from the relevant ex-dividend date. Dividends are deemed to be reinvested on the ex-dividend date as this is the protocol used by the Company's benchmark and other indices.

4 The total return share price performance is calculated by reinvesting the dividends in the shares of the Company from the relevant ex-dividend date.

5 Ongoing charges are calculated in accordance with the AIC methodology.

Historical Performance

For the years ended 31 March

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Performance for the year:											
Total Return (%)											
NAV ^(A)	31.8	-22.9	-40.5	52.6	15.4	-8.5	21.5	22.4	28.3	8.2	8.0
Benchmark ^(B)	27.5	-23.0	-48.6	60.6	15.2	-8.9	17.8	14.9	23.3	5.4	6.5
Share Price ^(C)	24.4	-24.8	-41.2	60.3	12.6	-9.5	25.8	37.7	29.5	-1.6	9.1
Shareholders' funds											
(£'m)											
Total	973	707	400	598	670	588	684	809	1,010	1,065	1,118
Ordinary shares	973	568	324	476	531	470	684	809	1,010	1,065	1,118
Sigma shares ^(D)	–	139	76	123	140	118	–	–	–	–	–
Ordinary shares											
Net revenue											
(pence per share)											
Earnings	4.09	5.79	6.49	5.18	6.94	7.07	6.74	8.09	8.89	8.36	11.38
Dividends	4.10	5.60	5.75	5.75	6.00	6.60	7.00	7.45	7.70	8.35	10.50
NAV per share											
(pence)	290.80	219.60	126.10	185.20	207.10	183.60	215.25	254.94	318.12	335.56	352.42
Share price											
(pence)	256.50	188.25	106.00	159.40	177.10	154.50	186.30	247.50	310.50	297.50	314.50
Indices of growth											
Share price	100	73	41	62	69	60	72	96	121	116	123
Net Asset value ^(E)	100	76	43	64	71	63	74	88	109	115	121
Dividend Net	100	137	140	140	146	161	171	182	188	204	256
RPI	100	104	103	108	114	118	122	125	126	128	132
Benchmark ^(F)	100	75	36	56	61	54	61	65	77	80	83

Figures have been prepared in accordance with IFRS.

(A) The total income NAV performance for each year is calculated by reinvesting the dividends in the assets of the Company from the relevant ex-dividend date. Dividends are deemed to be reinvested at the ex-dividend date as this is the protocol used by the Company's benchmark and other indices.

(B) Benchmark Index: composite index comprising the FTSE EPRA/NAREIT Developed Europe TR Index up to March 2013, and thereafter the FTSE EPRA/NAREIT Developed Europe Capped Index. Source: Thames River Capital.

(C) The total return share price performance is calculated by reinvesting the dividends in the shares of the Company from the relevant ex-dividend date.

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

(E) Capital only values. These do not reflect dividends paid.

(F) Price only value of the indices set out in (B) above.

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Chairman's Statement



Hugh Seaborn
Chairman

Introduction

The Trust's net asset value total return for the year of 8.0% is pleasingly ahead of the benchmark as you will see below, and similar to that of the previous 12 months at 8.2%. The other similarity with the previous year is the positive impact of currency movements on the Fund's total return. When viewed in local currency terms, the total returns from pan European property equities were broadly flat over the year. The weakening of Sterling really began in June 2015, a year ahead of the Referendum last June. By our year end on 31 March, the Euro had appreciated 18% over the preceding nineteen months and this resulted in a significant appreciation of our European assets when measured in Sterling.

The last 12 months have been quite clearly dominated by geopolitical risks and their unpredicted outcomes have left markets off balance. However there has been a positive response to the most recent results in the Dutch and French elections where centrist politics have prevailed resulting in a collective reduction in the risk premium.

Physical property pricing remained remarkably robust over the period across all regions. Given the uncertainties resulting from the Brexit Referendum result, the stability in UK commercial property pricing, after an initial modest correction, has been encouraging. Indeed the MSCI/IPD Monthly index has produced a positive capital return in each of the last six months. Our own physical portfolio which is heavily exposed to London retail and distribution in London and the South, fell just 0.7% over the year due

primarily to a pending planning appeal affecting values at our largest asset, the Colonnades in Bayswater.

Income remains the dominant requirement from investors seeking exposure to this asset class and it is encouraging that the vast majority of the businesses that the Manager has invested in have continued to grow their earnings. Some sectors, notably German residential companies, have been seen as 'bond proxies' and have therefore suffered from concerns that rising yields would curtail capital growth. Our Manager has remained resolutely of the view that businesses with solid cash flows and the opportunity for earnings growth, even where modest, are appealing. At the time of writing the 10 year Bund yield to redemption was 0.4% per annum, even though this figure is higher than the 0.06% available a year earlier it remains paltry and investors continue to seek income outside of traditional bond markets.

The aim of reducing the fund's exposure to Central London, which commenced in mid-2015 and increased ahead of the Referendum, remains in place. However exposure to the rest of the UK particularly industrial and distribution has materially increased and the overweight to this asset class across Europe has been a significant contributor to performance. In general, retail property in the UK remains a challenging environment and the Manager has continued with his longstanding under exposure to the pure prime shopping centre landlords. A surprise performer was the Swiss property companies, particularly the residential development businesses which prior to 2016 had offered investors modest returns over many years. These stocks were outperformers and their absence from the portfolio negatively impacted relative performance.

NAV and Share Price Performance

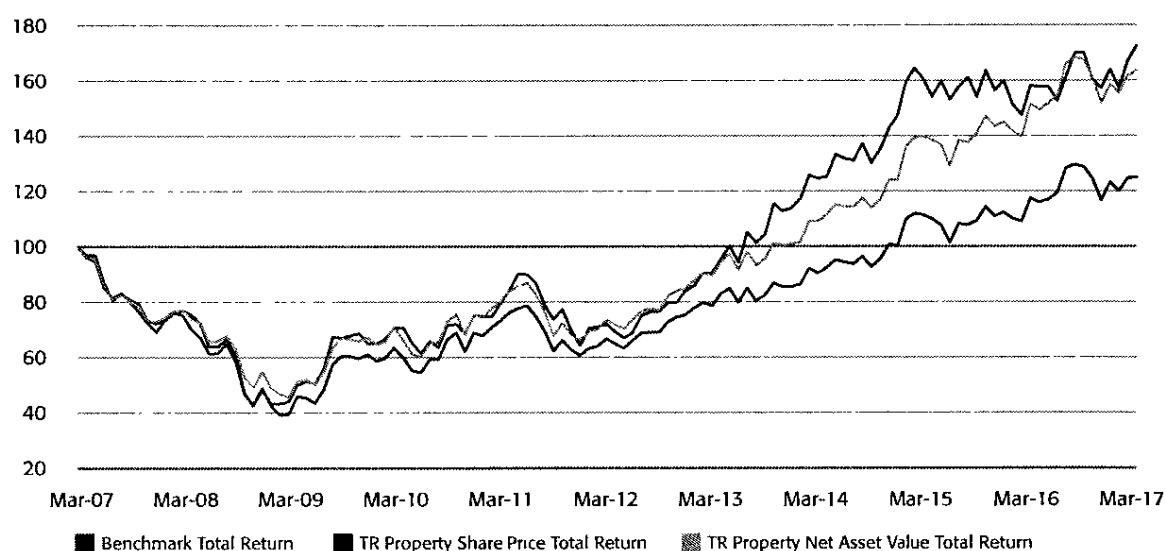
As mentioned earlier the NAV total return was 8.0% which was ahead of the benchmark at 6.5%. Encouragingly the share price total return was 9.1% as the discount between the share price and the asset value narrowed over the year. The discount at the year end at 10.8% was ahead of the 10 year year-end average of 11.6%.

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

Chairman's Statement

continued

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



Revenue Results and Dividend

Revenue for the year increased by over 36%. By far the most influential factor in this growth has been the impact of weakening Sterling on our income from Continental European stocks. This together with solid income growth from many of our investments has driven the income account to much higher levels than anticipated. Timing changes of dividends paid around our year end have also benefited the revenue account.

A final dividend of 6.40p per share results in a total dividend for the year of 10.50p, some 26% ahead of the 2016 full year dividend of 8.35p per share.

The Board has taken a cautious position on the final dividend in that whilst the increase for the full year is material, it is not fully reflective of the increase in earnings. The Board is mindful of the potential negative impact of a reversal of the sterling weakness experienced in the last financial year.

Revenue Outlook

The results announced by some of our investee companies in the first few months of the financial year have largely been positive with growth in most, but not all, the dividends paid early in the year. As in the prior year, the most significant influence will be currency changes, any strengthening in Sterling from its current position will

have a negative impact on the revenue account. Whilst the timing of dividend payments around our year end had a modest positive effect in the period just reported, it is possible that the reverse may occur in the current period.

Debt

Gearing has increased from 11.9% to 13.3% over the year, although the amounts drawn on our loan facilities are marginally lower, a higher level of gearing has been accessed through the use of CFDs, still a very cost effective means of gearing.

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 commented above, the discount narrowed during the year to a level slightly ahead of the 10 year average although wider than that seen through 2014/15. This is a trend which has been seen across the Investment Trust sector in many specialist and generalist funds.

Chairman's Statement

continued

A small number of shares (150,000) were repurchased during the year at an average discount to net asset value of 15.8%.

Awards

The Trust was a joint winner in the Property category in the Investment Week Investment Company of the Year Awards.



historically low levels. In this context the income characteristics of real estate coupled to the emergence of economic growth which provides an environment for rental growth, will remain attractive to investors. The Manager continues to seek to invest in businesses with strong cash flows and the potential for earnings growth and this combined with the mitigation of risk through a diverse portfolio invested across numerous submarkets and geographies, is reflected in their decision to maintain gearing levels

Hugh Seaborn

Chairman

8 June 2017

Board Changes

John Glen is not standing for re-election at the forthcoming AGM. I would like to thank John for his considerable contribution to the board over the past three years and wish him well for the future.

Outlook

The UK has performed better than many commentators expected but there are clear risks due to the uncertainty of the outcome of negotiations for the UK's exit from the European Union. Our concern is that businesses will be potentially less able to commit to longer term investment (such as new leases) without clarity on key aspects such as potential trade barriers and cross border supply chains. For similar reasons it is possible that there will be a deferral of the development cycle resulting in reduced speculative construction starts.

Expectations of global growth continue to improve. Although bond yields have risen as a result and there has been some inflationary response, they remain at

Manager's Report



Marcus Phayre-Mudge MRICS
Fund Manager

Performance

The Net Asset Value total return for the year of 8.0% was ahead of the benchmark total return of 6.5%. The share price total return (assuming dividend reinvestment) was 9.1% and reflects a slight reduction in the discount relative to the net asset value.

The year under review was one in which geopolitical risk and unexpected outcomes abounded. In local currencies, the collective performance of pan European property stocks over the period was virtually flat. The first half, which included the UK Referendum, saw European stocks (in Euros) rise 3.8% whilst the UK companies (in Sterling) fell -4.1% and all of this weakness was in the aftermath of the Referendum. The second half saw this reverse with Europe falling -3.8% and the UK rising 2.3% as investors began to sense that the UK economy was not about to enter a marked slowdown. Part of this optimism was caused by the positive economic effect of weakened Sterling (which was a boost to exports). Sterling fell by 7.1% against the Euro over the twelve months with all of that movement was post 24 June 2016. This currency movement was a key driver behind the growth of the Trust's Sterling denominated asset value.

We remind shareholders of the Trust's longstanding currency positioning strategy which is to maintain exposure in line with that of the benchmark. The Manager's underlying geographical exposure may of course be (and invariably is) very different and therefore we use currency forward contracts to maintain exposure broadly in line with that of the benchmark (see page 16). The relative performance of the Manager versus the benchmark is, therefore, neither aided nor diluted by such currency movements.

As always, blanket annual statistics hide a wide range of performance both intra period and at the individual stock

level. The large number of national elections across Continental Europe in 2017 led to increased volatility given the collective difficulty in predicting results with any certainty. Dutch and French property companies were amongst the worst performers in the second half of the financial year as investors fretted about their respective elections and the risk of political gains by nationalistic parties. At the same time the traditional safe haven of domestic Swiss stocks performed well, particularly the residential businesses of Allreal and Mobimo both returning over 20% in the year.

German property companies have again proved robust; collectively delivering over 5% total return over the period but the valuation movements were not smooth. The Trust has considerable exposure to both residential and commercial property in Germany and performance suffered last Autumn as investors moved aggressively away from defensives and into cyclical as the 'reflation' tidal wave of the Trump election washed through European as well as US markets. German residential businesses with partially regulated rents and little exposure to the development cycle were viewed as 'bond proxies' and sold off heavily between June and December as the 10 year Bund redemption yield moved from -0.1% to +0.3%. Even after this rise in yields (which was painful for existing holders), the yield on offer still guarantees a negative real return to maturity if there is inflation over the decade. Such small returns remind us of the ongoing distortions created by the central banks' determination to assist in keeping borrowing costs at a minimum. We remain firmly committed to the view that these large, liquid listed German residential businesses offering both earnings growth and income stability with dividend yields over 3.5% are attractive.

Income remains a crucial consideration and as investors' appetite for risk has waned so has the appetite for stocks or sectors which are seen as being ex growth or where the

Manager's Report

continued

cycle has peaked. Having reduced our exposure to Central London offices and prime UK retail during 2015 and early 2016 we maintained that underweight position throughout the year generating positive performance. Likewise our overweight to industrial/logistics across Europe has continued to expand and exposure to this asset class was the largest driver of performance. As both continental Europe and the UK experienced improving economic conditions we continued to add to our most cyclical sectors, hotels and self storage. Hispania which owns a €1.3bn portfolio of hotels situated on mainland Spain, the Balearics and Canaries returned 17% over the year whilst Safestore, the UK and French self storage operator, returned 16.3%

Alongside the reduced exposure to London offices there has been an increased exposure to a small number of Continental cities, Paris, Stockholm, Madrid and Berlin. The positioning in Paris is a useful illustration of the divergence of returns across stocks even when they are focused on (broadly) similar markets. Terreis, our favoured Paris small cap focuses entirely on prime Central Paris locations, the stock returned 28.1% whilst the much larger competitors, Gecina and Icade who both own more diverse office portfolios rose 9.3% and 7.5% respectively.

Property Investment Markets

UK commercial property transaction volumes were, unsurprisingly, considerably lower in 2016 at £46.5bn than the record year of 2015 (£66.3bn). What was encouraging was the pace of recovery post the summer. In fact Q4 2016 volumes were 31% ahead of Q3 and the highest quarterly figure of 2016. Investors had clearly been reluctant to engage prior to June but even with the uncertainty created by the outcome they have subsequently committed. The weakness of Sterling has played its part, particularly in Central London where transaction volumes doubled between Q3 and Q4 and international investors accounted for more than 80% of volume. However the slowdown ahead of June did drag overall London transaction volumes down to 16% below the five year average

UK institutions have been net sellers, particularly the open-ended funds whose combined portfolios are significant at c.£35bn (this compares to the entire UK listed sector's value of c.£65bn). The post Referendum redemption 'debacle' resulted in forced sales in the

immediate aftermath. Collectively these funds have continued to be net sellers, building substantial cash positions to cope with their structural liquidity concerns. Such high cash positions are a drag on performance but it is encouraging that the FCA have recently published a paper with recommendations on potential investor safeguards within these structures.

Regional markets were encouragingly busy with volumes ahead of the five year average. We also saw international investment in regional markets at an all time high with £5.3bn of single asset deals. Another significant cohort of buyers has been the UK local authorities. Fuelled by access to cheap finance from HM Treasury through the Public Works Loan Board they have been attracted by the high margins providing them with a valuable income stream. Investment by English public sector bodies reached £1.2bn in 2016 alone.

The capital movement of the IPD All Property Monthly Index saw a fall of 3.7% in the six months to the end of September. However this correction reversed with a gain of 2% in the six months to March 2017. The initial yield has moved modestly from 4.9% in March 2016 to 5.3% in March 2017 and this reflects the ongoing demand for the asset class. Although transaction volumes are lower overall than last year, the pick up post the Referendum is crucial evidence as to the health of the market.

Although we don't have the same depth of transaction data for much of Europe, we do see clear evidence of yields tightening in core city centre office markets, prime shopping centres and logistics. Funding remains liquid and at attractive rates ensuring that acquisitions are highly cash flow generative. With rents recovering in so many of these markets the ability to buy rental growth coupled with a cushion of initial income is an attractive proposition. Bond yields are rising but from extremely low levels and remain historically subdued. The ECB has reduced its bond buying programme and will undoubtedly reduce it further in the coming months but stable bank margins and bond spreads illustrate the appetite to lend to high quality real estate even in these politically charged times.

Offices

Take up of space in Central London was, as expected, lower than in 2015. The City saw total take up of 5.8m sq ft which was 21% below the previous year but still 6% ahead of the ten year average. The West End was more

Manager's Report

continued

positive at 4.0m sq ft, just 9% below 2015 but 7% ahead of the ten year average. Tech and Media firms continue to dominate and this is set to continue as the financial services sector grapples with its post Brexit location requirements. Our concerns remain focused on the City as opposed to the West End or Midtown. It should be noted that the largest single acquirer of space in the City in both 2015 and 2016 was WeWork, a new entrant to the UK serviced office market with a successful track record in the US. In 2016, they acquired 345,000 sq ft (6% of all take up) on top of 550,000 sq ft in 2015. Serviced office occupiers have always been a key part of any core office market providing flexibility but when they are the single largest driver of demand we see that as a risk. The better news remains the lack of supply and the pre-let status of the development pipeline. This theme of benign supply runs through most markets and the City is no exception. The good news is that over 30% of the 2017-2020 pipeline is already pre-let with new build completions of c2.5m sq ft for the next three years. We maintain our position of reduced exposure to the City market because of risk to demand rather than over expansion of supply.

The dynamics in the West End remain stronger, both in the context of a broader tenant base which is less exposed to the regulatory difficulties of doing business outside of the European Union but also from a net supply perspective. Although supply rose in Q4 2016 with some high profile completions and vacancy reaching 3.9%, (its highest since 2013) over 50% of all completions set for 2017/18 are pre-let. The recent commitments by global tech giants, such as Facebook and Apple as well as newly listed Snapchat, continues to reinforce London's dominance for Tech and Media who accounted for 35% of all take up.

Most commentary on UK office markets is directed towards Central London but the health of both London's hinterland and the big 6 key regional cities are crucial national indicators. For the fourth year in a row office take up, ex Central London, has surpassed the long term average. An impressive statistic given the political uncertainties. Importantly, supply levels have continued to fall with speculative development unable to match take up particularly when combined with the impact of Permitted Development Rights (PDR). PDR allows owners of commercial property (principally offices) to convert their buildings into residential regardless of the local planning authority's stance. The continuing demand for new, state

of the art office space has driven pre-lets to an all time high across the regions, 44% of the 3.6m sq ft is pre-let and rents are responding with Cardiff now over £25 per sq ft and Birmingham exceeding £32 per sq ft.

Investors have also taken note and 28% of the UK's total office investment turnover was regional, well ahead of the 10 year average of 23%. International investors are not confining their interest to London and high profile purchases such as Green Park in Reading acquired by Mapletree (Singaporean based) for £560m and HSBC buying parts of Brindley Place, Birmingham's premier city centre office location for £260m are testament to this.

It is fair to point out that access to regional office markets through the listed sector is difficult as so few companies have exposure. Where we do get exposure is the western quadrants of the M25 and the London suburban markets through McKay Securities and CLS Holdings. Take up has remained in line with the ten year average and encouragingly Q1 2017 has seen an upturn when compared with a year earlier. Vacancy has risen slightly to 6.1% (M25) and supply is up 8% on the previous year but crucially still well below long run averages. Both these companies have reported new lettings and renewals comfortably ahead of ERV which reinforces our commitment to these markets.

Paris continues to see robust activity with the 2016 Ile-de-France lettings reaching 25m sq ft, 7% ahead of 2015. Within such a large geographical area as Paris there are always huge variations in performance and 2016 was no exception. The core central market (Paris Centre West) where we are invested through Terreis (total return 28.1% year to March 2017) performed very well with vacancy now at record low levels (3.1%). The most encouraging statistics were from Southern Paris and La Défense where a number of large transactions (defined as over 50,000 sq ft) were crucial. Although vacancy remains over 9% in La Défense the amount of new build space is much smaller and we are confident that this will support rents near term. Madrid is a good example of a recovering market. Take up was slightly lower in 2016 than 2015 but the political environment must shoulder at least partial responsibility and therefore we are positive that 2017 will see an improvement given greater political stability. Whilst we are confident about the improving Spanish economic outlook which will directly impact the Madrid office market, our concern is supply. The city has an overall vacancy rate of 12.5%, there is

Manager's Report

continued

over 10m sq ft of space available for immediate occupation. A significant amount is in tertiary locations but even in the core we need to see strong take up to reduce availability. The worry is growth in supply with five high quality refurbished buildings amounting to another 330,000 sq ft. coming onto the market in Q4 2016 alone.

Stockholm continues to astonish with MSCI data showing capital growth of over 13% for the central markets driven by both rental growth and yield compression. Vacancy remains below 7% with new build a tiny proportion of that, hence our ongoing overweight to this market through Fabega and Kungsladen.

Retail

The retail sector continues to be buffeted by the structural headwinds of multi channel retailing, a subject which has been aired many times in previous reports and will, no doubt, continue to feature for many years to come. Quite simply the way we all shop is now constantly evolving as technology and fulfilment offers increasing ways of satisfying our retail demand without venturing to a shop – unless we want to. Increasing those visits is the sole aim of shopping centre landlords as they seek to persuade retailers that a physical presence in multiple locations is an economically sound strategy.

The UK continues to have the highest penetration of online sales as a percentage of total sales (ex food and fuel) at 15%, it is also growing at 15% per annum when total sales are growing at 2%. Online is therefore continuing to take overall market share from physical stores. As identified in the interim report the rest of Europe's online market share is much lower than the UK. That is not to say they won't catch up, we think that is inevitable but that landlords appear to have more time to develop strategies with tenants. The other safety net for European landlords is that overall costs for tenants (the occupancy cost ratio) is lower across much of Europe than the UK.

Another rapidly pressing issue which is impacting UK retailers (and therefore shopping centre landlords) is the burden of consumer credit which has been growing at over 10% over the last year (BoE) and stands at a record £196bn. With interest rates at historically low levels and the resumption of real wage growth such amounts, whilst huge, are sustainable. However, inflation caused by rising food prices and the rising costs of imports due to

weakened Sterling will mean that real as opposed to nominal wage growth will be negative over the near term. In addition, house prices (ex Central London) have risen consistently since 2011 and the UK house price to income ratio is almost back to the 2007 peak of 4.5x. None of this is good news for retailing.

Across Continental Europe the average level of personal indebtedness is much lower and whilst real wages are not rising fast, we have seen dramatic reductions (albeit from a poor starting point) in levels of unemployment particularly in Southern Europe which is clearly helping consumption. Germany and Sweden have both experienced consistent real wage inflation as their economies continue to improve.

The focus has not changed from that reported at the interim, our UK exposure remains concentrated on higher yielding local shopping where, crucially, rents are affordable for tenants and where incremental asset management improvements add value. We continue to hold Capital & Regional (12 month total return -9.3%) and NewRiver Retail (12 month total return 8.2%). We remain concerned that whilst the larger UK companies own the best and dominant centres, the affordability for retailers is an ongoing issue and the lack of overall deal transparency is also an issue. We therefore view Hammerson (12 month return 2.8%) expanding their outlet centres and Intu's (12 month return -6.7%) buying Spanish centres as positive initiatives. However we think that this diversification is recognition that further large scale investment in their existing core portfolios has become increasingly unattractive.

The exception in the UK has been Central London where the mix of leisure, retailing and dining has proved highly resilient. The weakness of Sterling has turbocharged tourism. London hotels, retailers and restaurants have all been beneficiaries.

One strong positive for retail landlords has been the dramatic reduction in supply of additional shopping centre space. The market is always eventually self correcting and speculative development dries up in response to weak demand. This year the only two new centres to open are Oxford and Bracknell. Both have large wealthy catchments in need of good quality in town retail offerings. Land Securities is developing Oxford and we are confident it will let up quickly, even so their estimated yield on cost of

Manager's Report

continued

5.9% reflects the low returns even when there is demand from retailers to open new stores

Distribution and Industrial

MSCI's UK Monthly index recorded capital growth of 3.3% in the Industrial/Logistics sector for 2016 compared to – 3.2% for offices. We fully expect this performance gap to continue as rental growth accelerates for distribution assets. Investors are chasing the asset class and yields are falling particularly where there is a perceived shortage of sites as well as snapping up large sheds on the principal distribution networks/hubs. Drilling into the data in more detail reveals that capital growth for London industrial/distribution rose 8% and for the South East was 6.2%.

As I wrote last year, the growth in online retailing continues to drive a reorganisation of the distribution landscape. Amazon alone has been responsible for 23% of the entire take up in UK distribution space in 2016 helping to drive a surge which reached 34.6m sq ft. Online retailers directly accounted for 29% of this as we witness the transformation of retailing from 'shops to sheds'. Supply continues to struggle with the pace of demand and it reached its lowest ever level of 22.7m sq ft in Q4 2016. Although new speculative supply has pushed this figure back up to 27.6m sq ft in Q1 2017 we still see a market where rents continue to rise particularly for units offering proximity to larger conurbations. Segro was the outstanding performer amongst the Big Five UK property companies, returning 20.5% in the year to March 2017. In hindsight no real surprise given its portfolio of 22.3m sq ft in the UK and 27.3m sq ft in Europe of high quality logistics and industrial space.

The picture across Continental Europe is much the same. Our preferred French logistics developer Argan, returned 32.7% on the back of their portfolio of 25m sq ft of Class A logistics property. Elsewhere, our exposure to Southern German logistics and industrial space is through VIB Vermogen which returned 26.9% again on the back of strong rental and capital growth.

Residential

The performance of the residential sector in the UK needs to be separated into Central London and remainder. The change in stamp duty thresholds combined with

Osborne's efforts to remove the tax shield for higher rate payers owning 'buy to lets' has impacted growth particularly in higher value markets. The Referendum result compounded concerns about demand from EU nationals employed in financial services just as the new build Central London market experiences a spike in supply. Whilst we continue to have no exposure to luxury apartments (£1,000 per sq ft and above) we do remain confident about the ability of house builders to sell in more affordable locations. Our investment in Telford Homes, a South East London focused developer who's average lot size is less than £600,000 has been profitable with a 12 month total return of 12.5%. Through our holdings in St Modwen and CLS we did retain exposure to the regeneration of Nine Elms. However, CLS announced (just post our year end) the sale of their entire Nine Elms site for £148m, 40% premium to the December 2016 valuation. The purchaser was a Hong Kong listed developer and the deal provides a useful reminder that, particularly when viewed from afar, the break from Europe may not be viewed quite so negatively.

Outside of London residential markets continue to be robust but with real wages stagnating and the elevated level of consumer indebtedness we remain cautious and have very little exposure. The private rented sector (PRS) remains a market which will grow but we prefer to own those firms creating the product such as Telford Homes (who recently sold two blocks to an institutional PRS operator) rather than the underlying asset which by its nature is very low yielding.

German residential has been a firm favourite for many years and at the underlying asset level performance remains robust with occupational demand remaining firm, continuing to be buoyed by both domestic household growth and net migration (1.2 million people in 2015). Investor demand has also remained strong and prime Berlin has set a new record price level of 30x the gross rent (a year ago the level was closer to 26x). The average capital value per sq ft has risen 35% in the last year but it still remains relatively affordable when compared with other major European cities.

Elsewhere in Europe we see continuing growth in residential values. Sweden has shown impressive capital growth, particularly in the metropolitan areas in spite of the introduction of macro-prudential tools by the central bank (aiming to restrict borrowing availability).

Manager's Report

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Hotels and Self Storage

With the ongoing recovery in many European economies we have focused our attention on the more cyclical sectors particularly hotels and self-storage. In the hotel sector we are not seeking exposure to pure operators but businesses which blend ownership and management. Focusing on where they have the ability to manage and improve a hotel but also where the bulk of the income is from leased assets. Our largest exposure is Hispania, which has 65% of its assets in hotels and we expect that to increase further following non core disposals and further acquisitions. This business is focused on tourist destinations in both mainland coastal markets and the islands. A consequence of the rise in terrorist atrocities has been the collapse of tourism in North Africa and Turkey. Foreign visitors to Turkey are down 30% in the twelve months to February and the statistics for Egypt are even worse. Northern Europeans are not abandoning their summer sun but instead 'safecationing' with bookings massively ahead of last year in Greece, France, and Spain. Hispania's 12 month total return was 18.4%.

Our self storage focus remains very UK centric due to a lack of opportunity in Continental Europe. Our preferred stock, Safestore have comfortably beaten the broader benchmark this year with total return of 16.6% and its mix of UK and Paris assets remains attractive. Our positive view is driven by an expectation of a steady increase in business usage of short term storage space for 'last mile' distribution purposes. The irreplaceable network of urban and suburban locations for both Safestore and Big Yellow bodes well for demand as online fulfilment delivery times shorten further.

Debt and Equity Capital Markets

The era of unorthodox stimulus by all European central banks continued throughout the period. Whilst markets have anticipated a continuing reduction in the amount of asset purchases by the ECB through 2017 the current level of support has allowed many companies to continue to issue debt at record low cost. Not surprisingly the period saw record debt issuance in our sector. However much of this was debt restructuring as companies, particularly European ones, took the opportunity to retire existing bonds and fix for longer periods at these historic low levels. A strategy we applaud wholeheartedly and one which some of the larger UK companies should heed

before it becomes more expensive. In total pan European property companies raised €19.3bn in the twelve months to March 2017 compared to €13.7bn in the previous period. The average LTV, as calculated by EPRA, the industry trade body, has continued to fall over the period which is reassuring.

In previous reports we have sought to provide one clear example of how the cost of debt was still falling in the period. In November last year, Unibail Rodamco, the largest property company in Europe announced a €500m 8 year bond with a fixed coupon of 0.85%, the lowest ever achieved by a listed property company. Convertibles have also proved popular particularly amongst the residential businesses. Buwog issued a €300m five year convertible bond with a zero coupon whilst Deutsche Wohnen placed convertible bonds totalling €800m with an aggregate coupon of 0.325%.

Unsurprisingly given the geopolitical risks of multiple elections across Europe and the Referendum in the UK, equity capital markets were more subdued with €5.7bn raised through rights issues and placings but without a single new IPO into the benchmark index. Germany dominated with raisings from ADO and Deutsche Wohnen in the residential space. We also saw issuance from Deutsche Euroshop, Hamborner and TLG. In the UK the raisings were dominated by companies focused on either industrial/logistics, student housing or healthcare. Tritax Bigbox were once again on the roster raising £250m in October bringing their total raised since IPO to £1.3bn. Post the year end they have announced a further raising of up to £350m.

Property Shares

As highlighted in the Interim, the first half of the year saw a very sharp divergence in the performance of the UK and Continental Europe. The 6.5% return from UK property companies between the beginning of the financial year and 23 June 2016 sums up the optimism and expectation of a Remain vote. Over that period, Continental Europe returned just 2.2% in EUR terms. From 23 June to the end of the first half, 30 September, UK stocks fell -8.2% whilst the Continental names rose 3.9% in EUR terms. These summary figures mask a period of extraordinary volatility in the aftermath of the Referendum result.

The second half of the year saw property shares experiencing an autumnal sell off as investors rotated from

Manager's Report

continued

defensives and companies seen as 'bond proxies' into cyclical offering greater exposure to an improving global recovery. This rotation gathered pace post the US presidential election as markets priced in a tailwind of fiscal support. Bond yields across all developed markets rose and sub sectors such as German residential which are perceived as stable income streams with restricted growth due to regulated rents fared very poorly in the last quarter of the year. The German element of the benchmark fell over 15% between September and November.

The last quarter of the financial year saw a stabilising of share prices after a strong recovery in December. Investors began to realise that the US had not only embarked on an interest rate normalisation phase but may well now receive an injection of fiscal largesse with the potential lowering of tax rates. However, Europe is not travelling at the same speed and there is no expectation that the ECB is going to lift the base rate soon. Longer dated bond yields have continued to rise modestly, the 10 year Bund rose from -10 bps to +34 bps in the second half of the financial year, but they remain at historic low levels. Investors continue to seek alternative sources of (higher) income than the miserable returns from fixed income. The last quarter of the financial year coincides with the reporting season for companies with a December year end and share prices responded to a steady stream of results which matched or exceeded earnings expectations. The message from companies was one of continued focus on revenue and a broad expectation that the improvements in the underlying economic environment would translate into tenant demand and rental growth. One important distinction between the UK and Continental Europe was the direction of capitalisation rates. The UK listed sector, dominated by exposure to London and large shopping centres is now experiencing rising capitalisation rates as rental growth prospects recede, whilst much of the Continent is still reporting yield compression particularly in prime office markets reflecting the prospect of rental growth.

Investment Activity

Investment turnover (purchases and sales divided by two) equated to 31.6% of the average assets over the period. Whilst investment activity reflected a heightened level of tactical repositioning due to a range of macro factors, the strategic positioning particularly at the asset and sub-sector level saw a continuation of a number of themes which

have been running for a while. Our approach to retail exposure is a case in point. We no longer hold either of the UK's largest pure retail landlords, Intu and Hammerson. Our exposure is through Capital & Regional and New RiverRetail, where we increased the former but decreased the latter. We continue to focus on stocks where rents have rebased to affordable levels and where investors are being rewarded through higher income returns in an area of the market which is suffering huge structural headwinds. Asset management gains are a key part of the overall returns from these businesses and a small number of initiatives can make a large difference in these smaller companies. In the case of the larger stocks, they both have large development and repositioning pipelines but we don't believe the returns offered justify the risk on such large schemes.

We remain more confident about retail in Europe and our exposure has consolidated into four names, Unibail and Klépierre focused on prime and Mercialis and Eurocommercial in the sub-regional space. We have therefore exited (or are close to completing our exit) from Citycon (Finland), Wereldhave (Netherlands, Finland and France), Vastned Retail (Netherlands, France and Spain) and Deutsche Euroshop (Germany and Central Eastern Europe).

As discussed earlier in the report, the winners in the game of omni channel retailing are the warehouse landlords and developers. We have been increasing our exposure to this sector for several years (as the other side of the reduction in retail) and this accelerated both in the UK and Continental Europe. Segro is now the second largest UK position and the capital raises in September 2016 and March 2017 enabled significant expansion in our position. The stock was the top performing UK large cap in the period, returning 20.5%. Hansteen has been a stock we have traded in over many years and undue share price weakness early last year enabled us to rebuild the position. We were pleased with the announcement of the sale of the entire European portfolio allowing management to concentrate on the UK. Londonmetric announced their intention to exit over time from retail warehousing and focus on distribution and the company is now 2% of our assets. Tritax Bigbox gives us exposure to this sector but their addiction to raising equity will result in a cash drag and sub par earnings growth hence our modest position. This is not the issue at Argon, our preferred logistics play in France, where the CEO and his

Manager's Report

continued

family own half the business and are focused on organic growth. The stock returned 32.7% in the period

In last year's report I commented on the reduced London exposure and that strategic move continued up to the Referendum. However we were still exposed into June and that resulted in some weak relative performance in the aftermath. The London office specialists, Derwent London, Great Portland Estates and Workspace are well run businesses with solid balance sheets and low leverage. As a group we did not reduce exposure further post the result. The surprising weakness was in both St Modwen and CLS Holdings, two large holdings. We reduced exposure in the former but the subsequent resilience of the UK regional markets and the appointment of a well regarded new CEO led to a strong recovery in the share price. On a happier note, we held the CLS position and then added to it. Alongside the Vauxhall site (now sold), the business had one of the highest cashflows per share in the sector with a portfolio of edge of city centre and suburban offices in the UK, France and Germany. The total return for the year was 18.4%.

With bond yields across Europe set to rise further as the Eurozone economies improve we have rotated our residential focus to the higher yielding businesses, (Vonovia and LEG) and those with development pipelines (Buwog).

Our renewed interest in Spain evolved further with additional investment in Hispania. The business will be wound up by 2020 and importantly management's carried interest is paid only on the exit.

Revenue and Revenue Outlook

As highlighted in the Chairman's Statement revenue for the year is up by over 36% with currency being a significant factor as our European earnings became worth more in Sterling terms.

Other factors did play a part, with some ex-dividend date changes around the year end being brought forward and some companies moving from annual to more regular dividends in the period. We expect most of these dates to be maintained for the current year but companies will not commit to ex-dividend dates until they make their individual announcements, so these can always change again.

This step change in the level of earnings can be expected to be maintained whilst Sterling remains at current levels. Results announced year to date have been positive in the main with dividend growth in many of the stocks in which we invest. As expressed earlier, strength of income is an important part of our investment decision process and we remain upbeat about the income account. The big caveat is currencies, if Sterling begins to strengthen from current levels this could have a significant negative impact depending on timing and quantum.

Gearing and Debt

Gearing increased from 11.9% to 13.3% over the year. With our private placement long-term debt in place and funding levels through CFDs still providing very competitively priced gearing, we reduced the amount available under one of our revolving credit facilities which renewed in January, from £50m to £40m. This is a modest reduction but undrawn debt under these facilities does carry a non-utilisation fee, as we have sufficient capacity to gear with this reduced facility level we opted to make the small saving.

Under new legislation effective from the beginning of April 2017, the amount of interest deductible when calculating tax payable has been restricted. Even at low levels of gearing, we will be caught by this to a small extent and the result will be a modest increase in the tax charge. This will be evaluated as a cost of debt when considering gearing levels but is not likely to influence gearing decisions when interest rates remain at current low levels. There are exemptions to these restrictions for some categories of business and Real Estate Investment Trusts are one example, so most of our investee companies will not suffer the restriction, however some non-REIT businesses may and they are engaging with their advisers. The Investment Trust industry lobbied HMRC through the AIC to extend the exemptions to regular Investment Trusts, but this was rejected.

Direct Physical Portfolio

The physical property portfolio produced a total return of 2.6% for the twelve months to March 2017 with an income return of 3.4% and a capital return of -0.7%.

At our industrial estate in Wandsworth, London we have completed our programme of lease renewals, extending the

Manager's Report

continued

expiry profile for the estate so all leases now expire in 2019. This facilitates a redevelopment of the estate at that time. Overall 11 leases were extended and one new letting was concluded with the rents received on those units increasing by 25%. Only two units are vacant and one of those is under offer. Our other industrial assets in Gloucester, Bristol and Plymouth have performed well over the year with the new lettings in Gloucester delivering further rental growth with a void period of only two months.

At the Colonnades in Bayswater, we have experienced a delay in the letting of the ground floor retail units. Our planning application merging two units to facilitate the letting to Babaji, the restaurant operator, was turned down by the City of Westminster planning committee. We believe that Babaji would be an excellent restaurant operator and we have therefore made an appeal to the Planning Inspectorate with a decision expected in late September. At the time of writing we have strong interest in the two remaining units from a range of occupiers. We are keen to ensure that the tenant mix is complementary as this will be essential to the success of the overall development and therefore we are not rushing to secure the first possible party. The number of residential lease extensions was modest with only five flats extending their tenure. This is not a surprise and reflects the uncertainty generated by the Referendum result. We are in no rush to complete lease extensions as the effluxion of time towards each lease expiry merely increases the landlord's residual value and the ultimate extension premium which must be paid.

Outlook

Property is a pro-cyclical asset class, without economic growth market rents can't rise. Whilst that is an obvious point it is worth reiterating as investors have become overly (in our view) concerned about the threat of rising bond yields. Given the improving economic backdrop across Europe, bond yields need to begin the slow path to normalisation following the almost decade long effort by central banks to reduce the cost of debt through ultra loose monetary policy. The economic survey data amongst the major euro-zone economies has converged, they are all benefiting from low borrowing costs, good debt availability, a competitive Euro/Dollar rate, a pick up in global demand and improving labour markets. Headline inflation has ticked up but core consumer prices and broad money growth remain muted. If core inflation remains below 2% then the ECB have the latitude to

elongate the 'glide path' of reducing their bond buying programme. Few are predicting an increase in the base rate before late 2018 or even into 2019. Meanwhile the gap between property yields and real interest rates remains at an all time high. The combination of the improving economic outlook within Continental Europe, the reduction in short term political risk and the modest performance of property equities (they are not overvalued) reinforces our positive outlook.

The UK has performed much better than many observers expected since the Referendum. Values of commercial property as measured by the MSCI/IPD data remain robust. The very high proportion of international buyers in the Central London office investment market is both a positive (they see an opportunity) and a negative (how far is currency weakness the driver). We are concerned that demand, particularly from financial services, will weaken further as negotiations with Brussels drag on. The good news is that equity prices have quickly adjusted and now represent fair value. The outperformance of the UK economy versus most European economies over the last nine months has been strong but that gap will narrow. The UK has experienced a credit boom and the UK consumers remain far more indebted than their Continental counterpart. We think stagnating real wage growth will be an additional headwind for retail sales growth.

Property will continue to be a valuable source of income for so many investors and whilst we see risks to some sub-sectors capital growth prospects, there are many parts of the market both in the UK and Continental Europe which we view as attractive opportunities for growth. Underpinning the vast majority of markets is the benign backdrop of low levels of speculative construction in commercial property markets and coupled with the strong financial position of most listed property companies leads us to feel confident that the asset class will remain a relative outperformer.

Marcus Phayre-Mudge

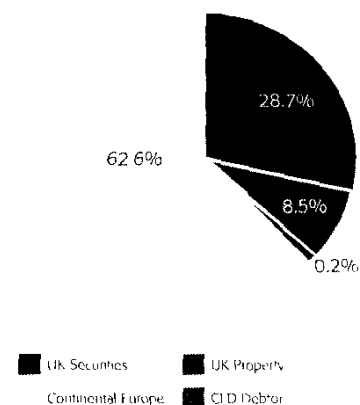
Fund Manager

8 June 2017

Portfolio

Distribution of Investments

as at 31 March



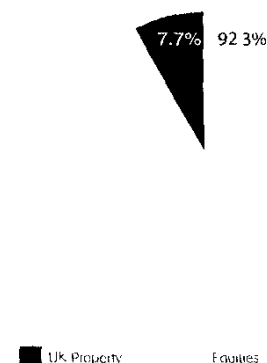
Distribution of Investments

as at 31 March

	2017 £'000	2017 %	2016 £'000	2016 %
UK Securities				
– quoted	329,153	28.7	336,663	30.6
UK Investment Properties	97,304	8.5	97,764	8.9
UK Total	426,457	37.2	434,427	39.5
Continental Europe Securities				
– quoted	718,319	62.6	663,182	60.4
– fixed interest	–	–	951	0.1
Investments held at fair value	1,144,776	99.8	1,098,560	100.0
– CFD debtor	2,146	0.2	329	–
Total Investment Positions	1,146,922	100.0	1,098,889	100.0

Investment Exposure

as at 31 March



Investment Exposure

as at 31 March

	2017 £'000	2017 %	2016 £'000	2016 %
UK Securities				
– quoted	329,153	26.1	336,663	28.1
– CFD exposure ¹	65,119	5.2	43,567	3.6
UK Investment Properties	97,304	7.7	97,764	8.2
	491,576	39.0	477,994	39.9
Continental Europe Securities				
– quoted	718,319	57.1	663,182	55.3
– fixed interest	–	–	951	0.1
– CFD exposure ²	49,067	3.9	55,909	4.7
Total Investment Exposure³	1,258,962	100.0	1,198,036	100.0

Portfolio Summary

as at 31 March

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Total investments	£1,145m	£1,099m	£1,056m	£880m	£740m
Net assets	£1,118m	£1,065m	£1,010m	£809m	£684m
UK quoted property shares	29%	31%	41%	41%	37%
UK fixed interest	0%	0%	1%	1%	0%
Overseas quoted property shares	63%	60%	51%	50%	56%
Overseas fixed interest	0%	0%	0%	0%	0%
Direct property (externally valued)	8%	9%	7%	8%	7%

Net Currency Exposures

as at 31 March

	Fund %	Benchmark %
GBP	30.91	31.15
EUR	54.76	54.67
CHF	5.79	5.92
SEK	7.96	7.67
NOK	0.57	0.58

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 2017

	Market value €'000	%		Market value €'000	%
Austria			Sweden		
Buwog	32,497	2.8	Fabege	24,242	2.1
CA Immobilien	8,933	0.8	Fastighets Balder	15,538	1.4
	41,430	3.6	Wihlborgs	13,779	1.2
Belgium			Kungsliden	13,738	1.2
Warehousing and Distribution de Pauw	10,867	0.9	Castellum	11,321	1.0
Befimmo	3,331	0.3	Kloven	3,551	0.3
Wereldhave	561	0.1	Pandox	3,228	0.3
	14,759	1.3	Kungsliden - Rights	2,653	0.2
Finland			Fastighets Balder (Pref)	785	0.1
Sponda	4,979	0.4	Kungsliden – Over Subscription	96	–
	4,979	0.4		88,931	7.8
France			Switzerland		
Unibail-Rodamco	108,908	9.4	PSP Swiss Property	19,666	1.7
Klépierre	40,787	3.6	Swiss Prime Site	13,785	1.2
Foncière des Régions	23,038	2.0		33,451	2.9
Terreis	15,610	1.4	United Kingdom		
Gecina	12,804	1.1	Land Securities	63,121	5.5
Argan	11,085	1.0	Great Portland Estates	33,103	2.9
Mercialys	10,898	1.0	SEGRO	27,652	2.4
Altea	1,601	0.1	Unite Group	23,524	2.1
ANF Immobilier	851	0.1	CLS Holdings	22,704	2.0
	225,582	19.7	Londonmetric Property	17,485	1.5
Germany			Shaftesbury	16,878	1.5
LEG	68,363	6.0	McKay Securities	16,767	1.5
Vonovia	66,842	5.8	Safestore Holdings	13,276	1.1
Deutsche Wohnen	21,348	1.9	Hanstee Holdings	11,015	1.0
ADO Properties	20,927	1.8	Capital & Regional	9,382	0.8
VIB Vermoegen	15,518	1.3	Derwent London	9,154	0.8
TLG	13,290	1.2	NewRiver	8,530	0.7
Alstria Office	3,187	0.3	St Modwen	8,374	0.7
	209,475	18.3	Workspace Group	6,908	0.6
Ireland			Telford Homes	5,474	0.5
Green Reit	8,405	0.7	Kennedy Wilson	5,017	0.4
	8,405	0.7	Tritax Big Box	4,684	0.4
Netherlands			Big Yellow Group	4,369	0.4
Eurocommercial Properties	15,464	1.3	Secure Income Reit	4,366	0.4
Wereldhave	4,320	0.4	Primary Health Properties	4,316	0.4
Invest Offices & Warehouses	2,073	0.2	Picton	3,658	0.3
NSI	19	–	Target Healthcare	2,605	0.2
	21,876	1.9	Hammerson	2,113	0.2
Norway			Redefine	1,426	0.1
Entra	16,101	1.4	Grainger	1,340	0.1
Norwegian Property	1,527	0.1	Local Shopping Reit	962	0.1
	17,628	1.5	Helical Bar	948	0.1
Spain			Nanette Real Estate	2	–
Hispania Activos	55,559	3.1		329,153	28.7
Merlin	10,779	0.9	Direct Property	97,304	8.5
Axiare Patrimonio	3,837	0.3	CFD Positions (included in current assets)	2,146	0.2
Inmobiliaria Colonial	1,628	0.2	Total Investment Positions	1,146,922	100.0
	51,803	4.5			

Twelve Largest Equity Investments

unibail-rodamco

LandSecurities

LEG
gewohnt gut.

1 Unibail-Rodamco (France)

	31 March 2017	31 March 2016
Shareholding value	£1,125.3m	£1,055.8m
% of investment portfolio [†]	10.7%	9.6%
% of equity owned	0.7%	0.5%
Share price	€219.1	€241.8

Europe's largest quoted property company by both market cap and gross assets with an €41bn portfolio located in France (53%), Central Europe (11%), Scandinavia (9%), Spain (9%), Germany and Austria (13%) and the Netherlands (4%). The focus is on large dominant shopping centers 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 (9%) mostly located in Paris CBD and La Défense. The company is guiding for 6% EPS growth in 2017 and 6-8% for the medium term. Earnings should increase on the back of further rental growth and delivery of larger development projects like Wroclavia (Poland), Carré Sénart (France) and Trinity (France). The company is conservatively financed with a loan to value of 33% and low 1.6% cost of debt.

2 Land Securities (UK)

	31 March 2017	31 March 2016
Shareholding value	£90.6m	£88.6m
% of investment portfolio [†]	7.8%	8.1%
% of equity owned	1.0%	1.0%
Share price	1,059.0p	1,100.0p

The UK's largest real estate investment trust (REIT) by market cap and portfolio value, with a portfolio of £14.2bn including share of joint ventures and developments. The company is exposed to Central London Offices and Retail (57%), Shopping Centres (26%), Retail Warehouses & Supermarkets (6%) and other investments (predominantly Accor hotels and leisure-focused assets) (11%). The group has maintained its debt neutral strategy and invested in development assets through disposing mature ex-growth assets. This has reduced LTV dramatically, with last reported loan to value only 23%. Management hold a negative outlook for the UK real estate market and especially Central London Offices. As a result management are remaining cautious and waiting for a correction before becoming active. Westgate Shopping Centre in Oxford is now the group's only remaining development exposure and this limited development exposure combined with the aforementioned low LTV provides support. The five year total shareholder return has been 72.2%.

3 LEG (Germany)

	31 March 2017	31 March 2016
Shareholding value	£68.4m	£65.1m
% of investment portfolio [†]	5.8%	5.9%
% of equity owned	1.7%	1.2%
Share price	€76.84	€82.85

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 130,000 units under management with a combined value of €8.0bn. LEG is characterised by a strong balance sheet with a net LTV of just under 45%, an average debt maturity of more than 10 years and an average cost of debt of 1.9%. The company is run by a well-regarded management team, and has a well maintained portfolio with 97.4% occupancy and an efficient platform from which it intends to grow further. The total shareholder return since listing in February 2013 has been 93.9%.

[†]Percentage of Investment Portfolio: positions include exposure through CFDs

Twelve Largest Equity Investments

continued

VONOVIA

4 Vonovia (Germany)

	31 March 2017	31 March 2016
Shareholding value	£66.9m	£84.4m
% of investment portfolio [†]	5.7%	7.7%
% of equity owned	0.5%	0.7%
Share price	€33.03	€31.63

Vonovia is the largest German residential landlord following the acquisition of Gagfah in 2014 and Sudewo portfolio in 2015, with more than 330,000 units under management. Vonovia runs a large in-house craftsman organisation which enables the company to run an innovative strategy focusing on improving and modernising its €27bn portfolio, whilst offering further economies of scale by acquiring additional portfolios and modular construction. It recently acquired another publicly listed company Conwert in a cash deal which is expected to close in Q2 2017. Vonovia reported an LTV below 42% as of December, in-line with its longer term target, and a cost of debt at 2.1% following the refinancing of legacy CMBS bonds. The total shareholder return since listing in July 2013 has been 109%.

KLEPIERRE

5 Klépierre (France)

	31 March 2017	31 March 2016
Shareholding value	£50.1m	£60.2m
% of investment portfolio [†]	4.3%	5.5%
% of equity owned	0.5%	0.6%
Share price	€36.5	€42.10

Klépierre owns a Pan-European shopping centre portfolio valued at €22.4bn mainly located in France (38%), Scandinavia (16%), Italy (17%), Central Europe (10%) and Iberia (9%). Klépierre has an attractive €3.3bn development pipeline (of which €0.7bn committed) at an average expected yield of 6.7%. Simon Property Group, the largest global shopping centre REIT, remains its largest shareholder with a 20% stake. Klépierre has been able to increase like-for-like net rental income in its shopping centres by 3.5%, and is targeting a conservative 4% cash flow growth for 2017. The five year total shareholder return has been 777%.

SEGRO

WHERE BUSINESS WORKS

6 Segro (UK)

	31 March 2017	31 March 2016
Shareholding value	£38.4m	£22.2m
% of investment portfolio [†]	3.5%	1.9%
% of equity owned	0.8%	0.4%
Share price	456p	392p

Segro is the largest operator of logistics and industrial property listed in the UK, with a total portfolio of £6.4bn split 68% in the UK and 32% in Continental Europe. In the UK, the group is exposed to Greater London industrial and logistics space and national logistics space. Rental growth in these markets is running at record levels as there remains an acute supply-demand imbalance. In Europe, Germany and France are the group's largest markets with Poland in third, these markets have a flat rental outlook but are continuing to experience yield compression as investors continue to chase income. The group raised equity twice within the year as it has materially increased its development exposure to capitalise on the insatiable tenant demand for logistics and industrial real estate. We expect this to drive strong earnings growth over the short to medium term and high shareholder total returns. The loan-to-value ratio post the recent capital raise is c. 30% and will increase slightly on the back of development expenditure. The five year total shareholder return has been 152.4%.

[†]Percentage of Investment Exposure, positions include exposure through CFDs

Twelve Largest Equity Investments

continued



7 Foncière des Régions (France)

	31 March 2017	31 March 2016
Shareholding value	£57.0m	£25.7m
% of investment portfolio ¹	3.2%	2.2%
% of equity owned	0.8%	0.5%
Share price	€78.3	€83.1

Foncière des Régions is a diversified European property company with a consolidated portfolio of €19.3bn of assets (€12.0bn in group share). The company is mainly invested in French and Italian offices (60% group share), German Residential exposure (21% group share) and hotels (16%). The Italian office exposure is held through its 52% stake in listed real estate operator Beni Stabili (BNS), which managed to sell a significant portion of its Telecom Italia portfolio for €700m and will be reinvesting the proceeds in the development pipeline and new acquisitions. Foncière des Régions also holds a strategic stake in Foncière des Murs, a French and German leisure and lodging business of which it owns 49.9%. The company saw on average a 4.8% uplift in valuation over the year, mainly driven by strong revaluations in its German Residential portfolio (+8.4%). The group has a 44.6% LTV, with an average cost of debt of 2.2%, down from 2.8% a year ago, with an average maturity of 5.7 years. The five year shareholder total return has been 80.7%.



8 Hispania Activos (Spain)

	31 March 2017	31 March 2016
Shareholding value	£55.6m	£4.7m
% of investment portfolio ¹	3.0%	0.4%
% of equity owned	2.8%	0.9%
Share price	€13.47	€11.65

Hispania is a Spanish socimi (REIT) that is invested in hotels in the Canary and Balearic Islands (60%), office (26%) and residential (14%). The company is benefitting from strong tourism numbers as traditional travel destinations in the middle east are out of favour due to continued threat of terrorist attacks. Unlike traditional triple net hotel leases, Hispania is benefitting from this favourable trend as the majority of the contracts have a substantial variable element. In March 2017 the company decided to crystallize the value of the portfolio by the end of 2020, in-line with its original proposal at the time of the IPO in 2014, and return all proceeds back to shareholders. In the mean-time, the company will be upgrading and refurbishing existing hotels which will drive further revenue growth. The total shareholder return since listing in March 2014 has been 48.2%.



9 Great Portland Estates (UK)

	31 March 2017	31 March 2016
Shareholding value	£53.1m	£28.9m
% of investment portfolio ¹	3.0%	2.8%
% of equity owned	1.5%	1.2%
Share price	651.5p	728.0p

This Central London office investor and developer manages £3.8bn of property with exposure to West End and City Offices and Retail (77% and 23% respectively). The group has a cautious view on the outlook for London commercial property and has been actively reducing leverage in response. The group's extensive development programme started after the financial crisis has now completed and future schemes are not planned to start until 2018 at the earliest. It recently disposed of its largest development, Rathbone Square, ahead of completion and has decided to return capital to investors through a special dividend and share cancellation. The group is keeping its powder dry and is ready to deploy capital in properties offering short-term income with medium term development potential as and when these opportunities present themselves. Post the disposal of Rathbone, special dividend and receipt of residential sales proceeds at Rathbone later in 2017 the group's LTV will decline to mid-single digit from an already low, proforma of 16% at the half-year results. The five year total shareholder return has been 95.0%.

¹Percentage of Shareholding Value and Equity Investment Portfolio, positions include exposure through CFDs

Twelve Largest Equity Investments

continued



10 Buwog (Austria)

	31 March 2017	31 March 2016
Shareholding value	£52.5m	£12.6m
% of investment portfolio [†]	2.8%	1.1%
% of equity owned	1.6%	0.6%
Share price	€23.65	€18.88

Buwog is an Austrian-listed residential company, with residential holdings in both Austria (47%) and Germany (53%). The company was originally spun off by Immofinanz in 2013, yet Immofinanz continued to hold a significant stake in Buwog up until July 2016, after which Immofinanz had disposed virtually all its Buwog shares in the public market. The company clarified its corporate strategy after the appointment of Andreas Segal in January 2016 (former CFO of GSW and Deutsche Wohnen) as Deputy CEO and CFO. The company set itself ambitious growth targets and earnings should be boosted in the near and medium term, mainly driven by its highly profitable €3bn residential development pipeline in Vienna, Berlin and Hamburg. The total shareholder return since listing in April 2013 has been 90.3%.



11 Unite Group (UK)

	31 March 2017	31 March 2016
Shareholding value	£27.9m	£24.5m
% of investment portfolio [†]	2.9%	2.2%
% of equity owned	2.0%	1.7%
Share price	636.5p	636.5p

Unite is the UK's largest purpose-built student housing developer, owner and operator. The group manages just over 48,700 student beds either wholly-owned or within joint ventures. Over 2016/17 the asset class has remained attractive for institutional investment. While yield compression has slowed rental growth has remained strong. Unite offers a strong development pipeline funded through retained resources and active portfolio recycling. This, alongside continued 3-4% rental growth, is expected to drive 18.4% compound annual growth in earnings per share over the next three years. Despite concerns over EU students post the EU referendum in the UK, the demand-supply dynamic remains strongly in landlords' favour, with excessive applications vs. acceptances to university and EU students making up less than 10% of total student numbers. The LTV of 34% continues to decline and provides the group with sufficient firepower to continue its development activity. The five year total shareholder return has been 255.1%.



12 Fabege (Sweden)

	31 March 2017	31 March 2016
Shareholding value	£24.2m	£16.2m
% of investment portfolio [†]	2.1%	1.5%
% of equity owned	1.2%	0.8%
Share price	SEK 142.5	SEK 136.7

Fabege owns a c. SEK 51bn high quality portfolio (including investment property and development) exposed to the strong fundamentals within Stockholm – 43% in the inner city, 49% in Solna to the North of the city and 8% in Hammarby Sjöstad to the South. Recent renegotiated leases have been at levels 20%+ above prior rents and the market continues to benefit from an extremely advantageous supply-demand imbalance – low new supply, reduction in space due to conversion to residential, low vacancy rates, high economic growth and high demand for space. Fabege has an active development exposure and strong pipeline of future projects. Management expect these projects to generate a minimum return on invested capital (ROIC) of 20%, however, due to the strong Stockholm market, projects are currently generating a ROIC of 44%. Swedish LTVs are generally higher than the rest of Europe but Fabege, at 44%, has the second lowest in the region. The five year total shareholder return has been 193.3%.

[†]Percentage of Investment Portfolio: positions include exposure through CFDs

Investment Properties

as at 31 March 2017

Spread of Direct Portfolio by Capital Value (%)

as at 31 March 2017

	Office*	Retail	Industrial	Residential and Ground Rents	Other	Total
West End of London	—	40.5	—	13.7	0.6	54.8
Inner London	4.4	1.2	14.5	—	—	20.1
Around M25	9.2	—	—	—	—	9.2
South West	—	—	15.9	—	—	15.9
Total	13.6	41.7	30.4	13.7	0.6	100.0

*Inner London defined as inside the North and South circular

Lease Lengths within the Direct Property Portfolio

as at 31 March 2017

Gross rental income

Less than 1 yr including Voids	20.3%
1 to 5 yrs	24.7%
4-5 years	11.8%
6 to 10 yrs	15.4%
11 to 15 yrs	0.0%
Over 15 yrs	27.8%

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. The commercial element was extended and refurbished in 2015 with a new 20 year lease being agreed with Waitrose.

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

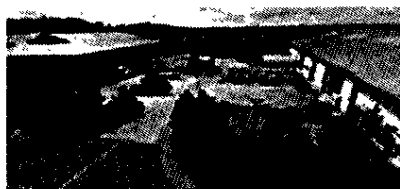
Located on the junction of the M4 and M5, this industrial building is let to Yodel, the parcel delivery company, on a lease expiring in 2019 at a low rent of £5 per sq ft. The building sits on a 5.75-acre site giving a low site density and a large yard offering a variety of alternative uses for the site.

Investment Properties

as at 31 March 2017 – continued

Value less than £10 million

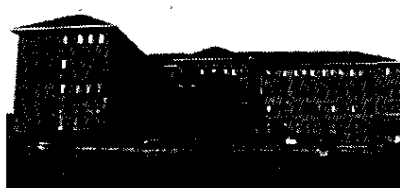
IO Centre, Gloucester Business Park, Gloucester GL3



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

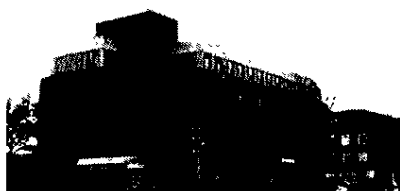
Field House, Station Approach, Harlow CM20



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.

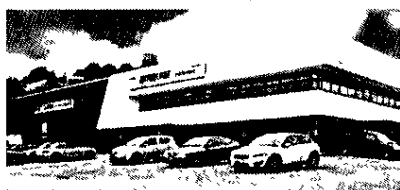
Beacon House, Wimbledon, London SW18



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. The upper parts are vacant in anticipation of a redevelopment/refurbishment, while the ground floor is let to The British Red Cross.

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.

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 103 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 five 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 45 to 46.

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 45 to 46.

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 six 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 2017 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												
<p>Net Asset Value Total Return relative to the benchmark.</p> <p>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</p>	<ul style="list-style-type: none">The Board reviews the performance in detail at each meeting and discusses the results and outlook with the Manager. <table><tr><th></th><th colspan="2">Outcome</th></tr><tr><th></th><th>1 Year</th><th>5 Years</th></tr><tr><td>NAV Total Return*</td><td>8.0%</td><td>122.7%</td></tr><tr><td>Benchmark Total Return</td><td>6.5%</td><td>87.3%</td></tr></table> <p>* NAV Total Return is calculated by re-investing the dividends in the assets and the Company from the relevant ex-dividend date. Dividends are deemed to be re-invested on the ex-dividends date</p>		Outcome			1 Year	5 Years	NAV Total Return*	8.0%	122.7%	Benchmark Total Return	6.5%	87.3%
	Outcome												
	1 Year	5 Years											
NAV Total Return*	8.0%	122.7%											
Benchmark Total Return	6.5%	87.3%											
<p>Delivering a reliable dividend which is growing over the longer term</p> <p>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.</p>	<ul style="list-style-type: none">The Board reviews statements on income received to date and income forecasts at each meeting. <table><tr><th></th><th colspan="2">Outcome</th></tr><tr><th></th><th>1 Year</th><th>5 Years</th></tr><tr><td>Compound Annual Dividend Growth*</td><td>25.7%</td><td>9.7%</td></tr><tr><td>Compound Annual</td><td>3.1%</td><td>2.3%</td></tr></table> <p>* The final dividend in the time series dividend by the initial dividend in the period raised to the power of 1 divided by the number of years in the series</p>		Outcome			1 Year	5 Years	Compound Annual Dividend Growth*	25.7%	9.7%	Compound Annual	3.1%	2.3%
	Outcome												
	1 Year	5 Years											
Compound Annual Dividend Growth*	25.7%	9.7%											
Compound Annual	3.1%	2.3%											
<p>The Discount or Premium at which the Company's shares trade compared with Net Asset Value</p> <p>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</p>	<ul style="list-style-type: none">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. <table><tr><th></th><th colspan="2">Outcome</th></tr><tr><th></th><th>1 Year</th><th>5 Years</th></tr><tr><td>Average discount*</td><td>11.9%</td><td>6.8%</td></tr><tr><td>Total number of shares repurchased</td><td>150,000</td><td>525,000</td></tr></table> <p>* Average daily discount throughout the period of share price to capital only NAV Source: Bloomberg</p>		Outcome			1 Year	5 Years	Average discount*	11.9%	6.8%	Total number of shares repurchased	150,000	525,000
	Outcome												
	1 Year	5 Years											
Average discount*	11.9%	6.8%											
Total number of shares repurchased	150,000	525,000											

Key Performance Indicators

continued

KPI	Board monitoring and outcome								
<p>Level of Ongoing Charges</p> <p>The Board is conscious of expenses and aims to deliver a balance between strong service and costs.</p> <p>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.</p>	<ul style="list-style-type: none">Expenses are budgeted for each financial year and the Board reviews regular reports on actual and forecast expenses throughout the year. <table><tr><th rowspan="2"></th><th colspan="2">Outcome</th></tr><tr><th>1 Year</th><th>4 Years*</th></tr><tr><td>Ongoing charges excluding Performance Fees and Property Costs</td><td>0.64%</td><td>0.69%</td></tr></table> <p><i>*Ongoing charges calculation introduced in 2013 therefore this statistic has only been produced for four years</i></p>		Outcome		1 Year	4 Years*	Ongoing charges excluding Performance Fees and Property Costs	0.64%	0.69%
	Outcome								
	1 Year	4 Years*							
Ongoing charges excluding Performance Fees and Property Costs	0.64%	0.69%							
<p>Investment Trust Status</p> <p>The Company must continue to operate in order to meet the requirements for Section 1158 of the Corporation Tax Act 2010</p>	<ul style="list-style-type: none">The Board reviews financial information and forecasts at each meeting which set out the requirements outlined in Section 1158The Directors believe that the conditions and ongoing requirements have been met in respect of the year to 31 March 2017 and that the Company will continue to meet the requirements								

Principal Risks and Uncertainties

In delivering long-term returns to shareholders, the Board must also identify and monitor the risks that have 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
<p>Share price performs poorly in comparison to the underlying NAV</p> <p>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</p>	<ul style="list-style-type: none"> • 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.
<p>Poor investment performance of the portfolio relative to the benchmark.</p> <p>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.</p>	<ul style="list-style-type: none"> • 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.
<p>Market risk</p> <p>Both share prices and exchange rates may move rapidly and adversely impact the value of the Company's portfolio.</p> <p>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.</p> <p>Property companies are subject to many factors which can adversely affect their investment performance, these</p>	<ul style="list-style-type: none"> • 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.

Principal Risks and Uncertainties

continued

Risk Identified	Board monitoring and mitigation
<p>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</p> <p>The UK property market may be adversely affected by Brexit. The market will respond as the negotiations unfold and the impact on occupation across each sector and geographical location becomes clear.</p>	
<p>The Company is unable to maintain its progressive policy on dividends</p> <p>Lower earnings in the underlying portfolio may put pressure on the Company's ability to maintain a progressive dividend could result from a number of factors;</p> <ul style="list-style-type: none"> ● lower earnings and distributions in investee companies ● prolonged vacancies in the direct property portfolio ● strengthening sterling reducing the value of overseas dividend receipts in sterling terms ● adverse changes in the tax treatment of dividends or other income received by the company ● changes in the timing of dividend receipts from investee companies . <p>The Company has seen a material increase in the level of earnings in the current year and a significant factor in this has been the weakening of sterling following the Brexit decision. This may reverse in the near or medium term as the negotiations progress, leading to a fall in earnings.</p>	<ul style="list-style-type: none"> ● 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.
<p>Accounting and operational risks</p> <p>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.</p>	<ul style="list-style-type: none"> ● 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
<p>Financial risks</p> <p>The Company's investment activities expose it to a variety of financial risks which include counterparty credit risk, liquidity risk and the valuation of financial instruments.</p>	<ul style="list-style-type: none"> Details of these risks together with the policies for managing these risks are found in the Notes to the Financial Statements on pages 74 to 81.
<p>Loss of Investment Trust Status</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> 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.
<p>Legal, regulatory and reporting risks</p> <p>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</p>	<ul style="list-style-type: none"> 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.
<p>Inappropriate use of gearing</p> <p>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.</p>	<ul style="list-style-type: none"> 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.
<p>Personnel changes at Investment Manager</p> <p>Loss of portfolio manager or other key staff.</p>	<ul style="list-style-type: none"> 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, which requires the Company to assess the prospects of the Company over the longer term, the Directors have assessed the prospects of the Company over the coming five years. This period is used by the Board during the strategic planning process and the Board consider this period of time appropriate 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 making this statement the Board carried out a robust assessment of the principal risks facing the Company, including those that might threaten its business model, future performance, solvency and liquidity.

In reaching their conclusions the Directors have reviewed five-year forecasts for the Company with sensitivity analysis to a number of assumptions investee company dividend growth, interest rate, foreign exchange rate, tax rate and asset value growth.

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, 69% 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 five 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.

The Company has no greenhouse gas emissions to report from the operations of the Company, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, including those within its underlying investment portfolio.

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 Directors are also satisfied that, to the best of their knowledge, the Company's principal suppliers, comply with the provisions of the UK Modern Slavery Act 2015.

The Board currently comprises four male and one 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

Hugh Seaborn

Chairman

8 June 2017



Directors



Hugh Seaborn

Hugh Seaborn, joined the Board of the Company on 24 July 2007 and became Chairman in July 2016. 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.



Simon Marrison

Simon Marrison, joined the Board of the Company on 28 September 2011, he is CEO of Europe at LaSalle Investment Management and has responsibility for a portfolio of over €20bn across Europe. He 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 and became European CEO and member of the Global Management committee in 2007.



John Glen

John Glen, joined the Board of the Company on 17 February 2014 and is presently the Chief Executive of Buccleuch. Previously, he was based in Paris as CFO of Air Liquide and also served as the Vice Chairman of the European Financial Reporting Group (EFRAG). He is a non-executive director for BIC, and a member of the Board for Project Scotland. He 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.



Suzie Procter

Suzie Procter, joined the Board of the Company on 1 March 2013. She joined Citibank in 1982 after graduating from Bristol University with a Bachelor of Science degree in Psychology. She moved from Corporate Banking to Capital Markets in 1985, initially with Citicorp in Fixed Income Sales. She has worked in the investment markets for over 30 years of which 11 years was as a Fixed Income Portfolio Manager and as a Director of Midland Montagu Asset Management, then Pictet International Management. Since 2000 she has worked in Institutional business development in a variety of roles at Invesco (Head of Institutional Sales and Consultant Relations), Lazard Asset Management (Managing Director, Institutional) and Cantillon Capital Management (Partner and Executive Committee).



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 became the SID in July 2016. He is a Chartered Accountant and has had a distinguished career in the Financial Services Industry. He spent nine 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 Ageas (UK) Limited, 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.



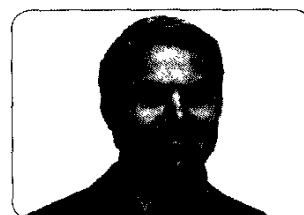
Jo Elliott

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 Reports of Directors for the year ended 31 March 2017. The Group comprises TR Property Investment Trust plc and its wholly owned subsidiaries. As permitted by legislation, some matters normally included in the Report of the Directors have been included in the Strategic Report because the Board considers them to be of strategic importance. Therefore review of the business of the Company, recent events and outlook can be found on pages 4 to 32.

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 2017 the net assets of the Company amounted to £1,118m (2016: £1,065m), on a per share basis 352.42p (2016: 335.56p) per share.

Revenue earnings for the year amounted to 11.38p (2016: 8.36p) and the Directors recommend the payment of a final dividend of 6.40p (2016: 5.20p) per share bringing the total dividend for the year to 10.50p (2016: 8.35p), an increase of 26% for the full year. In arriving at their dividend proposal, the Board also reviewed the income forecasts for the year to March 2018

Performance details are set out in the Financial Highlights on page 1 and the outcome of what the Directors 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 2017 the Company had 317,350,980 (2016: 317,500,980) Ordinary shares in issue.

At the AGM in 2016 the Directors were given power to buy back 47,593,396 Ordinary shares. Since this AGM the Directors have bought back 150,000 Ordinary shares at the nominal value of 25p each under this authority. The outstanding authority is therefore 47,443,396 shares.

This authority will expire at the 2017 AGM. The Company will seek to renew the power to make market purchases of Ordinary shares at this year's AGM

Since 1 April 2017 to the date of this report, the Company has made no market purchases for cancellation

Report of the Directors

continued

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.

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 45. 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 2017 amount to 0.6% (2016: 0.8%) of Group Equity Shareholders' Funds. Included in this were performance fees earned in the year ended 31 March 2017 of £1,148,000 (2016: £3,354,000).

Basis of Accounting and IFRS

The Group and Company financial statements for the year ended 31 March 2017 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 62 to 66.

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 2017.

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 30.

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

Report of the Directors

continued

systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage, rather than eliminate, risk of failure to achieve objectives.

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

The Board has established a process for identifying, evaluating and managing any major risks faced by the Group. The Board undertakes an annual review of the Group's system of internal controls in line with the Turnbull guidance. Business risks have also been analysed by the Board and recorded in a risk map that is reviewed regularly. Each quarter the Board receives a formal report from each of the 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 25 July 2017 at 2.00pm. The Notice of AGM is set out on pages 88 to 91. This notice contains resolutions to receive the Report of the Directors and audited financial statements, approve the directors' remuneration report and policy, re-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 44.

Donations

The Company made no political or charitable donations during the year (2016: £nil).

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 2017, no shareholders held over 3% of voting rights on a discretionary basis. However, at 31 March 2017 the following shareholders held over 3% of the voting rights on a non-discretionary basis.

Shareholder	% of Ordinary share voting rights*
Alliance Trust plc	7.72%
Brewin Dolphin Ltd	6.91%
Quilter Cheviot Investment Management Ltd	6.61%
Rathbone Investment Management Ltd	6.43%
Investec Wealth & Investment Ltd	5.98%
Hargreaves Lansdown Asset Management Ltd	3.65%

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

Since 31 March 2017 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.

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 2017.

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 five 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

Directors

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

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

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.

Re election/recruitment

Mr Glen, who has served on the Board since 2014, will not be seeking re-election and he will retire from the Board of Directors following the AGM on 25 July 2017.

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	
	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible
Hugh Seaborn	6	6	2	2	1	1	2	2
John Glen	6	6	2	2	1	1	2	2
Simon Marrison	6	6	2	2	1	1	2	2
Suzie Procter	6	6	2	2	1	1	2	2
David Watson	6	6	2	2	1	1	2	2
Caroline Burton*	2	2	1	1	0	0	1	1

* Caroline Burton retired from the Board on 26 July 2016

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

The Board

The Board is responsible for the effective stewardship of the Company's affairs. Certain strategic issues are monitored by the Board at meetings against a framework which has been agreed with the Manager. Additional meetings may be arranged as required. The Board has a formal schedule of matters specifically reserved for its decision, which are

Report of the Directors

continued

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

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

Report of the Directors

continued

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 Company'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.



By order of the Board

Hugh Seaborn

Chairman

8 June 2017

GOVERNANCE

Report of the Nomination Committee

continued

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 2020.

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. Following the resignation of Mr Glen, the Committee are currently considering future requirements of the Board and will commence a recruitment process in due course.

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.

Hugh Seaborn

Chairman of the Nomination Committee

8 June 2017

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 2017.

Composition of the Committee

The MEC comprises all Directors of the Company and is chaired by Mr Seaborn.

Activity during the year

At the MEC meeting in March 2017, 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 2018. 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

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 £3,105,000 plus an *ad valorem* fee of 0.20% pa based on the net asset value (determined in accordance with the AIC method of valuation) on the last day of March, June, September and December, payable quarterly in advance

The fee arrangements have been reviewed by the Board for the year to 31 March 2018. For this period the fixed element of the Management Fee will be £3,195,000.

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 2017 there is a carry forward of outperformance of 1.8% (2016: 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 2017 were £1,148,000 (2016: £3,354,000).

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 2017 amount to 0.6% (2016: 0.8%) 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 2017 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

Hugh Seaborn

Chairman of the Management Engagement and Remuneration Committee

8 June 2017

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. Ordinary resolutions for the approval of this report and the remuneration policy will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's Auditors, KPMG LLP, to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in the 'Independent Auditors' 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 Hugh Seaborn. 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 Director's fees, in accordance with the UK Corporate Governance Code.

The MEC met in March 2017 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. Following the MEC meeting in March 2017, it was agreed that Non-executive Director's fees would be increased from £32,000 to £33,000 with effect from 1 April 2017. 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 2018. In accordance with the regulations, an ordinary resolution to approve the Directors' remuneration policy will be put to Shareholders at the upcoming AGM on 25 July, as required every three years.

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. The Company's Articles of Association currently limit the total aggregate fees payable to the Board to £300,000 per annum.

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 98.7% of Shareholders voted for the resolution approving the Directors' Remuneration Report (1.3% against). At the 2014 AGM over 97% voted for the resolution approving the Directors' Remuneration Policy (2% against), showing significant shareholder support.

Directors' Remuneration Report

continued

Annual Remuneration Report

For the year ended 31 March 2017, Directors' fees were paid at the annual rates of Chairman: £70,000 (2016: £70,000) and all other directors: £32,000 (2016: £30,000). An additional £5,000 is paid per annum for the role of Audit Committee Chairman and Senior Independent Director. 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 2017 £	31 March 2016 £
Hugh Seaborn	59,412	35,000
John Glen	32,000	30,000
Simon Morrison	32,000	30,000
Suzie Procter	32,000	30,000
David Watson	40,315	35,000
Caroline Burton (retired 26 July 2016)	22,346	70,000

Company Performance

The graph below compares, for the eight years ended 31 March 2017, 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:

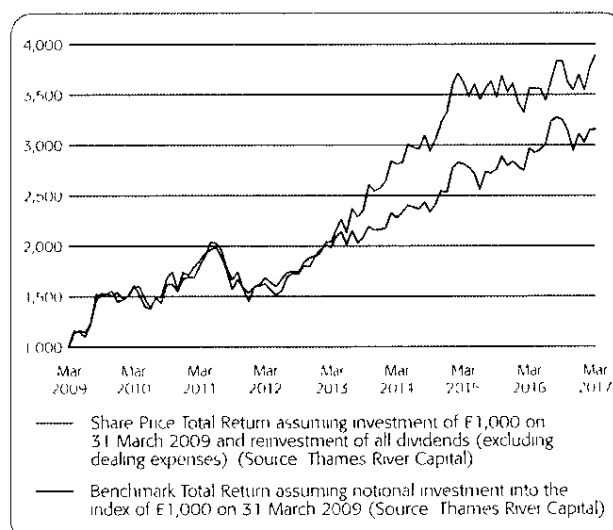
	31 March 2017 Ordinary shares of 25p	31 March 2016 Ordinary shares of 25p
C M Burton	N/A	21,982
J Glen	3,383	3,383
S Morrison	25,338	25,000
S E Procter	16,661	3,364
H Seaborn	34,668	34,668
D Watson	9,770	9,475

Since 31 March 2017 to the date of this report, there have been no subsequent changes to the Directors' interests in the shares of the Company.

Relative Importance of Spend on Pay

	2017 £'000	2016 £'000	Percentage increase %
Dividends paid	29,521	25,083	17.7
Directors Fees	218	230	-5.6

Performance Graph – Share Price Total Return for Ordinary Share Class



For and on behalf of the Board

Hugh Seaborn

Chairman of the Management Engagement Committee

8 June 2017

[Signature]

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
- 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
- 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

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. Further details can be found on pages 28 to 30.

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 Quoted 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 2016 did not reveal any significant exceptions. The quarterly control report to the Board from BNP Paribas covering the period up to 31 March 2017 had no issues to report. In addition the Manager estimates the NAV using an alternative pricing source on a daily basis as an independent check.
- **Valuation of the Group's Direct Property Investments** – The physical property portfolio is valued every six months by professional independent valuers

Knight Frank LLP value the portfolio on the basis of Fair Value in accordance with the RICS Valuation – Professional Standards VPS4 (1.5) Fair Value and VPGA 1 Valuations for Inclusion in Financial Statements, which apply the definition of Fair Value adopted by the International Financial Reporting Standards. IFRS 13 defines Fair Value as:

"The amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction".

In undertaking their valuation of each property, Knight Frank have made their assessment on the basis of a collation and analysis of appropriate comparable investments, rental and sale transactions, together with evidence of demand within the vicinity of each property. This information has then been applied to the properties, taking into account size, location, terms, covenant and other material factors.

There has been nothing brought to the Committee's attention in respect of the financial statements for the period ended 31 March 2017, which was material or significant or that the Committee felt should be brought to shareholders' attention.

- **Existence, ownership and completeness of investments portfolio** – 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

Report of the Audit Committee

continued

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

Auditor assessment and independence

The Company's external auditor is KPMG LLP. In March 2016, the Company conducted a full audit tender process as the previous auditors, Ernst and Young, being in office for in excess of 20 years would have been required to retire under the new legislation following the 2019 audit. Four firms were invited to tender. Each firm was chosen as they offered 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 selected KPMG LLP and this appointment was approved by shareholders at the 2016 AGM.

The Committee expects to repeat a tender process in 2026 in respect of the audit for the year ended 31 March 2027, in line with the latest Corporate Governance provisions and EU Requirements

KPMG 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 KPMG's independence policies and procedures including quality assurance procedures, it was considered that these policies are fit for purpose and the Board is satisfied that KPMG are independent

Total fees payable to the Auditor for the year to 31 March 2017 were: £72,000, (2016: £97,000).

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 2017 were nil (2016: £5,000).

Full details of the Auditors' fees are provided in note 6 to the accounts on page 68.

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 2017 Audit concluded that the Committee was satisfied with the Auditors effectiveness and performance. The Committee felt the initial audit under KPMG had run well with a smooth transition from EY and an effective and efficient audit process. The Committee was extremely satisfied with the auditors' performance and a resolution to re-appoint KPMG LLP as the Company's Auditor will be put to shareholders at the forthcoming AGM.

David Watson

Chairman of the Audit Committee

8 June 2017

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

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

Under Company Law the directors must not approve the Group and Company financial statements unless they are satisfied that they present 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:

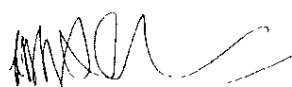
- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company and the undertakings included in the consolidation taken as a whole, and;
- the Annual Report, includes 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 position and performance, business model and strategy

By order of the Board

Hugh Seaborn

Chairman

8 June 2017





Independent auditors' report

to the members of TR Property Investment
Trust plc only

Opinions and conclusions
arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of TR Property Investment Trust plc for the year ended 31 March 2017 set out on pages 58 to 87. In our opinion

- 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 2017 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU),
- The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Overview

Materiality	Group financial statements as a whole	£11.9m 1% of Total Assets
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Risks of material misstatement

Recurring risks	Valuation of direct property investments Carrying amount of quoted investments
------------------------	---

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows

	The risk	Our response
Completeness, existence and valuation of investment properties (£97.3m, 2016 £97.8m) <i>Refer to pages 50 to 52 (Audit Committee Report), page 63 (accounting policy) and page 71 (financial disclosures).</i>	Subjective valuation 8.2% of the Group's total assets (by value) is held in property investments where no quoted market price is available Each property is unique and the fair value requires significant judgement and estimation, in particular over the key assumptions of the estimated rental value and the yield. The key assumptions will be impacted by a number of factors including location, quality and condition of the building and tenant credit rating. Whilst comparable market transactions provide good valuation evidence, the unique nature of each property means that a key factor in the property valuations are assumptions with significant judgements and the methodology applied, on which we focused our audit	Our procedures included — Assessing valuer's credentials We assessed the valuer's objectivity, professional qualifications and resources through discussions with the valuer and reading their valuation report, — Methodology choice: We held discussions with the Group's external property valuer to determine the valuation methodology used. We included our own property valuation specialist to assist us in critically assessing the results of the valuer's report by checking that the valuations were in accordance with the RICS Valuation Professional Standards 'the Red Book' and IFRS and that the methodology adopted was appropriate by reference to acceptable valuation practice , — Benchmarking assumptions With the assistance of our own property valuation specialist, we held discussions with the Group's external property valuer to understand movements in property values. For a sample of properties, we challenged the key assumptions upon which these valuations were based including those relating to forecast rents, yields, vacant periods and irrecoverable expenditure by making a comparison to our own understanding of the market and to industry benchmarks , — Test of detail: We compared a sample of key inputs used in the valuations, such as rental income and occupancy to the Group's property management system and lease contracts. — Disclosure assessment We considered the adequacy of the Group's disclosures about the degree of estimation and sensitivity to key assumptions made when valuing investment properties

	The risk	Our response
Carrying amount of quoted investments (£1,047.5m, 2016: £1,000.8m) <i>Refer to pages 50 to 52 (Audit Committee Report), page 63 (accounting policy) and page 71 (financial disclosures)</i>	Low risk, high value The Group's portfolio of quoted investments makes up 88% of the Group's total assets (by value) and is considered to be one of the key drivers of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our procedures included: <ul style="list-style-type: none"> — Control design: Documenting and assessing the processes in place to record investment transactions and to value the portfolio, — Tests of detail: Agreeing the valuation of 100 per cent of investments in the portfolio to externally quoted prices, and — Enquiry of custodians: Agreeing 100 per cent of investment holdings in the portfolio to independently received third party confirmations from investment custodians.

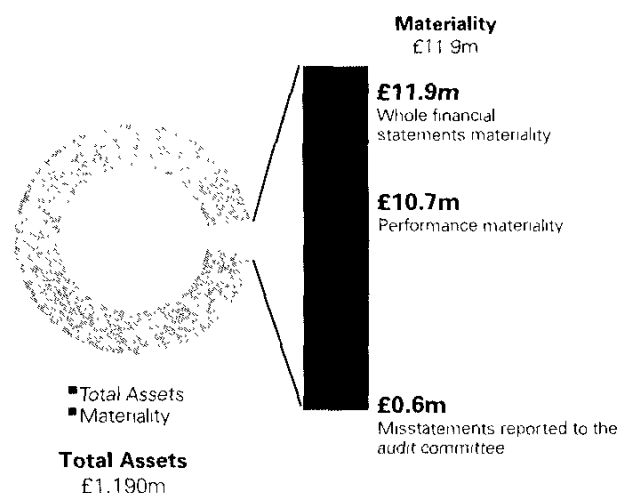
3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £11.9m, determined with reference to a benchmark of total assets, of which, it represents 1%.

In addition, we applied materiality of £2.0m (2016: £1.5m) to income from investments and rental income, for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the company's members' assessment of the financial performance of the Group.

We reported to the Audit Committee any uncorrected identified misstatements exceeding £595,000 (2016: £530,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Group was undertaken to the materiality level specified above and was performed substantially at the administrator's office.



4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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 Directors' Report for the financial year is consistent with the financial statements

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to

- the Viability Statement on page 31, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Company's continuing in operation over the five years to 31 March 2022, or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

- Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading
- In particular, we are required to report to you if:
 - we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, or

- the Report of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee
- Under the Companies Act 2006 we are required to report to you if, in our opinion:
 - adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
 - the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns, or
 - certain disclosures of Directors' remuneration specified by law are not made, or
 - we have not received all the information and explanations we require for our audit.
- Under the Listing Rules we are required to review:
 - the directors' statements, set out on pages 36 and 31, in relation to going concern and longer-term viability respectively, and
 - the part of the Corporate Governance Statement on page 39 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement 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. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Richard Kelly (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square, Canary Wharf, London, E14 5GL

8 June 2017

Group Statement of Comprehensive Income

for the year ended 31 March 2017

		Year ended 31 March 2017			Year ended 31 March 2016		
	Notes	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
Income							
Investment income	2	35,574	–	35,574	27,358	–	27,358
Other operating income	4	62	–	62	74	–	74
Gross rental income	3	3,781	–	3,781	3,330	–	3,330
Service charge income	3	1,549	–	1,549	1,023	–	1,023
Gains on investments held at fair value	10	–	52,693	52,693	–	64,087	64,087
Net movement on foreign exchange; investments and loan notes	10	–	(1,130)	(1,130)	–	1,768	1,768
Net movement on foreign exchange, cash and cash equivalents		–	2,450	2,450	–	709	709
Net returns on contracts for difference	10	4,457	(1,487)	2,970	2,905	(4,166)	(1,261)
Total Income		45,423	52,526	97,949	34,690	62,398	97,088
Expenses							
Management and performance fees	5	(1,314)	(5,092)	(6,406)	(1,229)	(7,042)	(8,271)
Direct property expenses, rent payable and service charge costs	3	(2,078)	–	(2,078)	(1,533)	–	(1,533)
Other administrative expenses	6	(1,213)	(546)	(1,759)	(1,269)	(481)	(1,750)
Total operating expenses		(4,605)	(5,638)	(10,243)	(4,031)	(7,523)	(11,554)
Operating profit		40,818	46,888	87,706	30,659	54,875	85,534
Finance costs	7	(621)	(1,842)	(2,463)	(894)	(2,682)	(3,576)
Profit from operations before tax		40,197	45,046	85,243	29,765	52,193	81,958
Taxation	8	(4,080)	1,822	(2,258)	(3,221)	1,720	(1,501)
Total comprehensive income		36,117	46,868	82,985	26,544	53,913	80,457
Earnings per Ordinary share	9	11.38p	14.76p	26.14p	8.36p	16.98p	25.34p

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 62 to 87 form part of these Financial Statements.

Group and Company Statement of Changes in Equity

Group

For the year ended 31 March 2017	Notes	Share Capital Ordinary £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Retained Earnings Ordinary £'000	Total £'000
At 31 March 2016		79,375	43,162	43,934	898,948	1,065,419
Net profit for the year		–	–	–	82,985	82,985
Shares repurchased	14	(37)	–	37	(459)	(459)
Dividends paid	17	–	–	–	(29,521)	(29,521)
At 31 March 2017		79,338	43,162	43,971	951,953	1,118,424

Company

For the year ended 31 March 2017	Notes	Share Capital Ordinary £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Retained Earnings Ordinary £'000	Total £'000
At 31 March 2016		79,375	43,162	43,934	898,948	1,065,419
Net profit for the year		–	–	–	82,985	82,985
Shares repurchased	14	(37)	–	37	(459)	(459)
Dividends paid	17	–	–	–	(29,521)	(29,521)
At 31 March 2017		79,338	43,162	43,971	951,953	1,118,424

Group

For the year ended 31 March 2016		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 year		–	–	–	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

Company

For the year ended 31 March 2016		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 year		–	–	–	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

The notes on pages 62 to 87 form part of these Financial Statements

Group and Company Balance Sheets

as at 31 March 2017

	Notes	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Non-current assets					
Investments held at fair value	10	1,144,776	1,144,776	1,098,560	1,098,560
Investments in subsidiaries	10	–	50,531	–	53,052
		1,144,776	1,195,307	1,098,560	1,151,612
Deferred taxation asset	12	243	243	243	243
		1,145,019	1,195,550	1,098,803	1,151,855
Current assets					
Debtors	12	38,809	38,687	28,978	28,579
Cash and cash equivalents		6,445	6,420	22,754	22,741
		45,254	45,107	51,732	51,320
Current liabilities	13	(14,081)	(64,465)	(30,473)	(83,113)
Net current assets/(liabilities)		31,173	(19,358)	21,259	(31,793)
Total assets less current liabilities		1,176,192	1,176,192	1,120,062	1,120,062
Non-current liabilities	13	(57,768)	(57,768)	(54,643)	(54,643)
Net assets		1,118,424	1,118,424	1,065,419	1,065,419
Capital and reserves					
Called up share capital	14	79,338	79,338	79,375	79,375
Share premium account	15	43,162	43,162	43,162	43,162
Capital redemption reserve	15	43,971	43,971	43,934	43,934
Retained earnings	16	951,953	951,953	898,948	898,948
Equity shareholders' funds		1,118,424	1,118,424	1,065,419	1,065,419
Net Asset Value per:					
Ordinary share	19	352.42p	352.42p	335.56p	335.56p

These Financial Statements were approved by the directors of TR Property Investment Trust plc (Company No 84492) and authorised for issue on 8 June 2017

H Seaborn
Director



The notes on pages 62 to 87 form part of these Financial Statements.

Group and Company Cash Flow Statements

as at 31 March 2017

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Reconciliation of profit from operations before tax to net cash inflow from operating activities				
Profit from operations before tax	85,243	85,050	81,958	81,958
Finance costs	2,463	3,455	3,752	3,140
Gains on investments and derivatives held at fair value through profit or loss	(51,206)	(48,671)	(59,921)	(59,456)
Net movement on foreign exchange; cash and cash equivalents and loan notes	669	669	223	223
(Increase)/decrease in accrued income	(624)	(1,016)	645	646
Net sales of investments	4,606	4,606	28,848	28,848
Increase in sales settlement debtor	(5,591)	(5,591)	(415)	(415)
(Decrease)/increase in purchase settlement creditor	(3,216)	(3,216)	523	523
Increase in other debtors	(1,595)	(1,602)	(18,631)	(18,631)
Decrease in other creditors	(1,575)	(4,237)	(5,634)	(21,097)
Scrip dividends included in investment income and net returns on contracts for difference	(1,450)	(1,450)	(1,223)	(1,223)
Net cash inflow from operating activities before interest and taxation	27,724	27,997	30,125	14,516
Interest paid	(2,437)	(3,042)	(3,752)	(3,140)
Taxation paid	(4,066)	(3,746)	(1,383)	(1,383)
Net cash inflow from operating activities	21,221	21,209	24,990	9,993
Financing activities				
Equity dividends paid	(29,521)	(29,521)	(25,083)	(25,083)
Repayment of loans	(10,000)	(10,000)	(38,000)	(38,000)
Repayment of debenture stock	–	–	(15,000)	–
Repurchase of shares	(459)	(459)	–	–
Issue of loan notes	–	–	53,711	53,711
Net cash used in financing activities	(39,980)	(39,980)	(24,372)	(9,372)
(Decrease)/increase in cash	(18,759)	(18,771)	618	621
Cash and cash equivalents at start of year	22,754	22,741	21,427	21,411
Net movement on foreign exchange; cash and cash equivalents	2,450	2,450	709	709
Cash and cash equivalents at end of year	6,445	6,420	22,754	22,741
Note				
Dividends received	35,834	35,820	30,199	30,199
Interest received	41	41	194	194

The notes on pages 62 to 87 form part of these Financial Statements

Notes to the Financial Statements

1 Accounting policies

The financial statements for the year ended 31 March 2017 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 Funds," 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 financial statements consolidate the financial statements of the Company and its subsidiaries to 31 March 2017. All the subsidiaries of the Company have been consolidated in these financial statements.

In accordance with IFRS 10 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. Underwriting commission is taken to revenue, unless any shares underwritten are required to be taken up, in which case the proportionate commission received is deducted from the cost of the investment.

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;

Notes to the Financial Statements

continued

1 Accounting policies *continued*

- Expenses are presented as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated, this includes irrecoverable VAT incurred on costs relating to the extension of residential leases as premiums received for extending or terminating leases are recognised in the capital account,
- 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,
- 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 Knight Frank LLP as independent valuation specialists to determine fair value as at 31 March 2017.

Notes to the Financial Statements

continued

1 Accounting policies *continued*

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"

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 2017, 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 SFTS 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 adjusted net asset value. The subsidiaries have historically been holding vehicles for direct property investment or financing vehicles. No assets are currently held through the subsidiary structure and all financing instruments are directly held by the company.

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 on traded prices. Gains and losses on derivative transactions are recognised in the Group Statement of Comprehensive Income. Gains and losses on CFDs resulting from movements in the price of the underlying stock are treated as capital. Dividends from the underlying investment and financing costs of CFDs are treated as revenue/revenue expenses.

Gains and losses on forward currency contracts used for capital hedging purposes are treated as capital.

Notes to the Financial Statements

continued

1 Accounting policies *continued*

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.

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 dividends are recognised in the period in which they are paid and final dividends are recognised when approved by shareholders.

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 2017 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. 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.

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. The standard requires more extensive disclosures than are currently required.

Notes to the Financial Statements

continued

1 Accounting policies *continued*

Amendments to IAS 7 – Disclosure Initiative (effective 1 January 2017) The amendments are part of an initiative to assist users of financial statements to better understand changes in an entity's debt. The amendment is not expected to have a material impact on the Group's Statement of Cash Flows.

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.

Amendments to IFRS 2 – Classification and Measurement of Share based Payment Transactions (effective 1 January 2018)

The amendments relate to specific areas of classification and measurement and are not expected to have a material impact on the Group's financial statements as such transactions are not undertaken.

Transfers of Investment Property (Amendments to IAS 40) (effective 1 January 2018) The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property.

The amendments are not expected to have a material impact on the Group's financial statements.

IFRIC Interpretation 22 Foreign Currency Transaction and Advance Consideration (effective 1 January 2018)

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration.

2 Investment income

	2017 £'000	2016 £'000
Dividends from UK listed investments	2,660	2,025
Dividends from overseas listed investments	26,018	18,063
Scrip dividends from listed investments	935	1,223
Interest from listed investments	21	109
Property income distributions	5,940	5,938
	35,574	27,358

3 Net rental income

	2017 £'000	2016 £'000
Gross rental income	3,781	3,330
Service charge income	1,549	1,023
Direct property expenses, rent payable and service charge costs	(2,078)	(1,533)
	3,252	2,820

Notes to the Financial Statements

continued

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

	2017 £'000	2016 £'000
Within 1 year	3,850	3,100
After 1 year but not more than 5 years	12,000	9,700
More than 5 years	15,500	14,900
	31,350	27,700

4 Other operating income

	2017 £'000	2016 £'000
Interest receivable	7	24
Stock lending income	–	50
Underwriting commission	55	–
	62	74

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 of securities ownership, 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 are fully secured against collateral. At 31 March 2017, there were no securities on loan.

The maximum aggregate value of securities on loan during the year was £nil (2016: £74,809,000).

Underwriting is part of the process of introducing new securities to the market. The Company may participate in the underwriting of investee companies' securities, as one of a number of participants, for which compensation in the form of commission is received. The Company only participates in underwriting having assessed the risks involved and in securities in which it is prepared to increase its holding should that be the outcome. The commission earned is taken to revenue unless any securities underwritten are required to be taken up in which case the proportionate commission is deducted from the cost of the investment. During the year the Company participated in one (2016: nil) underwriting and all commission earned was taken to revenue.

5 Management and performance fees

	2017 Revenue Return £'000	2017 Capital Return £'000	2017 Total £'000	2016 Revenue Return £'000	2016 Capital Return £'000	2016 Total £'000
Management fee	1,314	3,944	5,258	1,229	3,688	4,917
Performance fee	–	1,148	1,148	–	3,354	3,354
	1,314	5,092	6,406	1,229	7,042	8,271

A summary of the terms of the management agreement is given on pages 45 to 47.

Notes to the Financial Statements

continued

6 Other administrative expenses

	2017 £'000	2016 £'000
Directors' fees (Directors' Remuneration Report on pages 48 to 49)	218	230
Auditors' remuneration:		
– for audit of the consolidated and parent company financial statements	72	75
– for audit of the financial statements of subsidiaries pursuant to legislation	–	17
– for other assurance services (interim accounts and Trustee letters)	–	5
Legal fees	2	16
Taxation fees	117	65
Other administrative expenses	177	161
Other expenses	444	531
Irrecoverable VAT	183	169
Expenses charged to Revenue	1,213	1,269
Expenses charged to Capital	546	481
	1,759	1,750

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 capital account.

7 Finance costs

	2017 £'000	2016 £'000
Bank loans and overdrafts repayable within 1 year	1,094	1,793
Debentures repaid in February 2016	–	1,601
Loan notes repayable after 5 years	1,362	182
HMRC interest	7	–
	2,463	3,576
Amount allocated to capital return	(1,842)	(2,682)
	621	894

Notes to the Financial Statements

continued

8 Taxation

a) Analysis of charge in the year

	2017 Revenue Return £'000	2017 Capital Return £'000	2017 Total £'000	2016 Revenue Return £'000	2016 Capital Return £'000	2016 Total £'000
UK corporation tax at 20% (2016: 20%)	2,180	(2,180)	–	1,799	(1,702)	97
Overseas taxation	2,060	–	2,060	1,399	–	1,399
	4,240	(2,180)	2,060	3,198	(1,702)	1,496
(Over)/under provision in respect of prior years	(160)	358	198	29	(18)	11
Current tax charge for the year	4,080	(1,822)	2,258	3,227	(1,720)	1,507
Deferred taxation	–	–	–	(6)	–	(6)
	4,080	(1,822)	2,258	3,221	(1,720)	1,501

b) Factors affecting total tax charge for the year

The tax assessed for the year is lower than the standard rate of corporate tax in the UK for a large company of 20 % (2016: 20%)

The difference is explained below

	2017 Revenue Return £'000	2017 Capital Return £'000	2017 Total £'000	2016 Revenue Return £'000	2016 Capital Return £'000	2016 Total £'000
Net profit on ordinary activities before taxation	40,197	45,046	85,243	29,765	52,193	81,958
Corporation tax charge at 20% (2016: 20%)	8,039	9,009	17,048	5,953	10,439	16,392
Effects of						
Non taxable gains on investments	–	(10,539)	(10,539)	–	(12,817)	(12,817)
Currency movements not taxable	–	(264)	(264)	–	(496)	(496)
Tax relief on expenses (charged)/credited to capital	–	(683)	(683)	–	339	339
Non taxable income	–	297	297	–	833	833
Non-taxable UK dividends	(719)	–	(719)	(650)	–	(650)
Non-taxable overseas dividends	(5,208)	–	(5,208)	(3,659)	–	(3,659)
Overseas withholding taxes	2,060	–	2,060	1,399	–	1,399
(Over)/under provision in respect of prior years	(160)	358	198	29	(18)	11
Losses utilised not charged for	–	–	–	(66)	–	(66)
Disallowable expenses	23	–	23	32	–	32
Deferred tax not provided	44	–	44	93	–	93
Rate change on deferred tax	1	–	1	(6)	–	(6)
Tax expenses charged to revenue account	–	–	–	96	–	96
	4,080	(1,822)	2,258	3,221	(1,720)	1,501

The Group has not recognised deferred tax assets of £1,096,000 (2016: £1,714,000) arising as a result of losses carried forward. These losses do not have an expiry date, however, 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.

Notes to the Financial Statements

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8 Taxation *continued*

c) Provision for deferred taxation

The amounts for deferred taxation provided at 19% (2016: 19%) comprise:

Group	2017 Revenue Return £'000	2017 Capital Return £'000	2017 Total £'000	2016 Revenue Return £'000	2016 Capital Return £'000	2016 Total £'000
Accelerated capital allowances	107	–	107	107	–	107
Unutilised losses carried forward	–	(350)	(350)	–	(350)	(350)

Shown as:

Deferred tax liability/(asset)	107	(350)	(243)	107	(350)	(243)
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Company	2017 Revenue Return £'000	2017 Capital Return £'000	2017 Total £'000	2016 Revenue Return £'000	2016 Capital Return £'000	2016 Total £'000
Accelerated capital allowances	107	–	107	107	–	107
Unutilised losses carried forward	–	(350)	(350)	–	(350)	(350)

Shown as:

Deferred tax liability/(asset)	107	(350)	(243)	107	(350)	(243)
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The movement in provision in the year is as follows:

Group	2017 Revenue Return £'000	2017 Capital Return £'000	2017 Total £'000	2016 Revenue Return £'000	2016 Capital Return £'000	2016 Total £'000
Provision at the start of the year	107	(350)	(243)	113	(350)	(237)
Accelerated capital allowances	–	–	–	(6)	–	(6)
Provision at the end of the year	107	(350)	(243)	107	(350)	(243)

Company	2017 Revenue Return £'000	2017 Capital Return £'000	2017 Total £'000	2016 Revenue Return £'000	2016 Capital Return £'000	2016 Total £'000
Provision at the start of the year	107	(350)	(243)	113	(350)	(237)
Accelerated capital allowances	–	–	–	(6)	–	(6)
Provision at the end of the year	107	(350)	(243)	107	(350)	(243)

Notes to the Financial Statements

continued

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 2017 £'000	Year ended 31 March 2016 £'000
Net revenue profit	36,117	26,544
Net capital profit	46,868	53,913
Net total profit	82,985	80,457
Weighted average number of shares in issue during the year	317,435,090	317,500,980
	pence	pence
Revenue earnings per share	11.38	8.36
Capital earnings per share	14.76	16.98
Earnings per Ordinary share	26.14	25.34

10 Investments held at fair value

a) Analysis of investments

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Listed in the United Kingdom	329,153	329,153	336,663	336,663
Listed Overseas	718,319	718,319	664,133	664,133
Investment properties	97,304	97,304	97,764	97,764
Investments held at fair value	1,144,776	1,144,776	1,098,560	1,098,560
Investments in subsidiaries at fair value	–	50,531	–	53,052
	1,144,776	1,195,307	1,098,560	1,151,612

b) Gains on investments held at fair value

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Gains on sale of investments	81,756	83,271
Movement in investment holding gains	(29,063)	(19,184)
Gains on investments held at fair value	52,693	64,087

Notes to the Financial Statements

continued

10 Investments held at fair value *continued*

c) Business segment reporting

	Valuation 31 March 2016 £'000	Net additions/ (disposals) £'000	Net appreciation/ (depreciation) £'000	Valuation 31 March 2017 £'000	Gross revenue 31 March 2017 £'000	Gross revenue 31 March 2016 £'000
Listed investments	1,000,796	(7,555)	54,231	1,047,472	35,574	27,358
Direct property ¹	97,764	361	(821)	97,304	5,330	4,353
	1,098,560	(7,194)	53,410	1,144,776	40,904	31,711
Contracts for difference	329	3,304	(1,487)	2,146	4,457	2,905
	1,098,889	(3,890)	51,923	1,146,922	45,361	34,616

In seeking to achieve its investment objective, the Company invests in the shares and securities of property companies and property related businesses internationally and also in investment property located in the UK. The Company therefore considers that there are two distinct reporting segments, listed investments and direct property, which are used for evaluating performance and allocation of resources. The Board, which is the principal decision maker, receives information on the two segments on a regular basis. Whilst revenue streams and direct property costs can be attributed to the reporting segments, general administrative expenses cannot be split to allow a profit for each segment to be determined. The assets and gross revenues for each segment are shown above.

The property costs included within note 3 are £2,078 (2016: £1,533) and deducting these costs from the direct property gross revenue above would result in net income of £3,252 (2016: £2,820) for the direct property reporting segment.

d) Geographical segment reporting

	Valuation 31 March 2016 £'000	Net additions/ (disposals) £'000	Net appreciation/ (depreciation) £'000	Valuation 31 March 2017 £'000	Gross revenue 31 March 2017 £'000	Gross revenue 31 March 2016 £'000
UK listed equities and convertibles ¹	336,663	(5,452)	(2,058)	329,153	8,600	7,963
UK direct property	97,764	361	(821)	97,304	5,330	4,353
UK fixed interest	–	–	–	–	–	73
Continental European listed equities	663,182	(1,069)	56,206	718,319	26,953	19,286
European fixed interest	951	(1,034)	83	–	21	36
	1,098,560	(7,194)	53,410	1,144,776	40,904	31,711
UK contracts for difference ²	(98)	2,071	(650)	1,323	2,081	1,505
European contracts for difference ³	427	(5,375)	5,771	823	2,376	1,400
	1,098,889	(10,498)	58,531	1,146,922	45,361	34,616

Included in the above figures are purchase costs of £768,000 (2016: £437,000) and sales costs of £298,000 (2016: £278,000). 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 £8,530,000 (2016: £12,366,000).

² Net additions/(disposals) includes £1,177,000 (2016: £4,765,000) 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.

Notes to the Financial Statements

continued

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 31 March 2017				
Equity investments	1,047,470	–	2	1,047,472
Investment properties	–	–	97,304	97,304
Contracts for difference	–	2,146	–	2,146
	1,047,470	2,146	97,306	1,146,922
At 31 March 2016				
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

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 2017 was £50,531,000 (2016: £53,052,000) these have been categorised as level 3 in both years. The total financial assets at fair value for the Company at 31 March 2017 was £1,197,453,000 (2016: £1,151,941,000).

The movement from 31 March 2016 of £2,521,000 represents a reclassification of £2,100,000 to a subsidiary intercompany account together with depreciation of £421,000 (2016: £465,000 depreciation) 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)

Notes to the Financial Statements

continued

10 Investments held at fair value *continued*

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

Reconciliation of movements in financial assets categorised as level 3

At 31 March 2017	31 March 2016 £'000	Purchases £'000	Sales £'000	Appreciation / (Depreciation) £'000	31 March 2017 £'000
Unlisted equity investments	2	—	—	—	2
Investment Properties					
– Mixed use	54,152	773	(755)	(1,083)	53,087
– Industrial	30,290	15	—	964	31,269
– Offices	13,322	328	—	(702)	12,948
	97,764	1,116	(755)	(821)	97,304
	97,766	1,116	(755)	(821)	97,306

All appreciation/(depreciation) as stated above relates to unlisted equity investments and investment properties held at 31 March 2017

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)

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 (2016: same)
- Capitalisation rates: 3.5%-9.75% (2016: 4.0%-9.0%)

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.

Notes to the Financial Statements

continued

11 Financial Instruments *continued*

11.1 Market price risk

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

Management of the risk

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

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

	2017 £'000	2016 £'000
Investments held at fair value	1,144,776	1,098,560
CFD long gross exposure	114,186	99,476

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.

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

	2017 Increase in fair value £'000	2017 Decrease in fair value £'000	2016 Increase in fair value £'000	2016 Decrease in fair value £'000
Statement of Comprehensive Income – profit after tax				
Revenue return	(77)	77	(73)	73
Capital return	171,832	(171,832)	164,635	(164,635)
Change to the profit after tax for the year/shareholders' funds	171,755	(171,755)	164,562	(164,562)
Change to total earnings per Ordinary share	54.12p	(54.12)p	51.82p	(51.82)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

Notes to the Financial Statements

continued

11 Financial Instruments *continued*

11.2 Currency risk *continued*

Foreign currency exposure

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

Currency	2017	2016
Sterling	35.1%	34.0%
Euro	51.9%	53.6%
Swedish Krona	7.3%	6.7%
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

	Sterling £'000	Euro €'000	Swedish Krona £'000	Other £'000
2017				
Receivables (due from brokers, dividends and other income receivable)	30,993	7,030	786	–
Cash at bank and on deposit	3,403	2,137	446	459
Bank loans, loan notes and overdrafts	(20,000)	(42,768)	–	–
Payables (due to brokers, accruals and other creditors)	(3,617)	(1,460)	(474)	(2,736)
FX forwards	(70,277)	47,070	–	22,413
CFD Positions (Gross exposure)	65,119	49,067	–	–
Total foreign currency exposure on net monetary items	5,621	61,076	758	20,136
Investments held at fair value	426,457	578,309	88,931	51,079
Non-current assets	243	–	–	–
Total currency exposure	432,321	639,385	89,689	71,215
2016				
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

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% (2016: 15%)

Sterling/Swedish Krona +/- 15% (2016: 15%)

Sterling/Other +/- 15% (2016: 15%)

Notes to the Financial Statements

continued

11 Financial Instruments *continued*

11.2 Currency risk *continued*

Foreign currency sensitivity

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

	Year ended March 2017			Year ended March 2016		
	Euro £'000	Swedish Krona £'000	Other £'000	Euro £'000	Swedish Krona £'000	Other £'000
Statement of Comprehensive Income – profit after tax						
Revenue return	(2,454)	(288)	307	(1,906)	(203)	(241)
Capital return	(68,993)	(13,093)	(6,653)	(55,362)	(9,222)	(5,358)
Change to the profit after tax for the year/shareholders' funds	(71,447)	(13,381)	(6,346)	(57,268)	(9,425)	(5,599)
	2017			2016		
Change to total earnings per Ordinary share	(28.72)p			(22.77)p		

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

	Year ended March 2017			Year ended March 2016		
	Euro £'000	Swedish Krona £'000	Other £'000	Euro £'000	Swedish Krona £'000	Other £'000
Statement of Comprehensive Income – profit after tax						
Revenue return	3,960	354	770	2,335	249	317
Capital return	101,810	17,727	9,000	101,015	12,485	7,253
Change to the profit after tax for the year/shareholders' funds	105,770	18,081	9,770	103,350	12,734	7,570
	2017			2016		
Change to total earnings per Ordinary share	42.09p			38.95p		

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 2017, 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 £70,000,000 (2016: £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.

Notes to the Financial Statements

continued

11 Financial Instruments *continued*

11.3 Interest rate risk *continued*

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: £27,943,000 (2016: £42,146,000)

The Group's exposure to fixed interest rates on assets: £nil (2016: £951,000)

The Group's exposure to fixed interest rates on liabilities: £57,768,000 (2016: £54,643,000)

The Group's exposure to floating interest rates on liabilities: £5,000,000 (2016: £15,000,000)

Interest receivable and finance costs are at the following rates:

- Interest received on cash balances, or paid on bank overdrafts, is at a margin over LIBOR or its foreign currency equivalent (2016: 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 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.

	2017 2% Increase £'000	2017 2% Decrease £'000	2016 2% Increase £'000	2016 2% Decrease £'000
Change to shareholders' funds	(557)	557	(440)	440
Change to total earnings per Ordinary share	(0.18)p	0.18p	(0.14)p	0.14p

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

11.4 Liquidity risk

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

In certain market conditions, the liquidity of direct property investments may be reduced. At 31 March 2017, 8% (2016: 9%) of the Group's investment portfolio was held in direct property investments.

At 31 March 2017, 92% (2016: 91%) 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.

Notes to the Financial Statements

continued

11 Financial Instruments *continued*

11.4 Liquidity risk *continued*

Debt and Financing maturity profile:

At 31 March 2017	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*	5,000	–	–	–	–	–	5,000
Loan notes	–	–	–	–	–	57,768	57,768
Projected interest cash flows on bank and loan notes	1,413	1,360	1,360	1,360	1,360	8,130	14,983
Securities and properties purchased for future settlement	5,869	–	–	–	–	–	5,869
Foreign exchange forward contracts for settlement	794	–	–	–	–	–	794
Accruals and deferred income	2,090	–	–	–	–	–	2,090
Other creditors	328	–	–	–	–	–	328
	15,494	1,360	1,360	1,360	1,360	65,898	86,832

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	4,530	–	–	–	–	–	4,530
Other creditors	457	–	–	–	–	–	457
	31,969	1,300	1,300	1,300	1,300	65,652	100,821

* A £50m one year multicurrency facility with RBS expired in January 2017, £40m was renewed for one year until January 2018. This facility was undrawn at the balance sheet date. A £30m one year facility with ING Luxembourg was entered into in July 2016. Discussions for a renewal when this is due to expire in July 2017 are underway. £5m was drawn on this facility at the balance sheet date.

Management of the risk

The Manager sets guidelines for the maximum exposure of the portfolio to unquoted and direct property investments. These are set out in the Investment Policies on page 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 £22,882,000 (2016: £22,094,000).

Management of the risk

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

Notes to the Financial Statements

continued

11 Financial Instruments *continued*

11.5 Credit risk *continued*

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.

	2017 Balance Sheet £'000	2017 Maximum exposure £'000	2016 Balance Sheet £'000	2016 Maximum exposure £'000
Debtors	38,809	38,809	28,978	28,978
Cash and cash equivalents	6,445	6,445	22,754	22,754
Fixed interest investments	–	–	951	951
	45,254	45,254	52,683	52,683

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.

At 31 March 2017 and 2016, the Group's derivative assets and liabilities (by type) are as follows

Description	Year ended 2017			Year ended 2016		
	Gross amounts of recognised financial assets £'000	Net amounts of recognised financial liabilities set off in the Balance Sheet £'000	Net amounts of financial assets presented in the Balance Sheet £'000	Gross amounts of recognised financial assets £'000	Net amounts of recognised financial liabilities set off in the Balance Sheet £'000	Net amounts of financial assets presented in the Balance Sheet £'000
CFD positions	2,305	(159)	2,146	911	(582)	329
FX forward contracts	86,919	(87,713)	(794)	80,539	(79,730)	809
	89,224	(87,872)	1,352	81,450	(80,312)	1,138

Counterparties	Year ended 2017		Year ended 2016	
	Net amounts of financial assets presented in the Balance Sheet £'000	Cash collateral pledged £'000	Net amounts of financial assets presented in the Balance Sheet £'000	Cash collateral pledged £'000
ING	2,146	22,882	329	22,094
BNP Paribas	(794)	–	809	–
	1,352	22,882	1,138	22,094

Notes to the Financial Statements

continued

11 Financial Instruments *continued*

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 (Frank Knight)

There was one unquoted investment at the Balance Sheet date, Nanette Real Estate, with a total value of £2,000 (2016: £2,000)

The amounts of change in fair value for investments recognised in the profit or loss for the year was a profit of £51,192,000 (2016: profit of £59,921,000)

11.7 Capital management policies and procedures

The Group's capital management objectives are

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

The equity capital of the Group at 31 March 2017 consisted of called up share capital, share premium, capital redemption and revenue reserves totalling £1,118,424,000 (2016: £1,065,419,000). 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 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Amounts falling due within one year				
Securities and properties sold for future settlement	8,557	8,557	2,966	2,966
Tax recoverable	728	606	524	524
Prepayments and accrued income ¹	4,755	4,755	4,131	3,739
Foreign exchange forward contracts for settlement	–	–	809	809
Amounts receivable in respect of Contracts for Difference	2,146	2,146	329	329
Other debtors	22,623	22,623	20,219	20,212
	38,809	38,687	28,978	28,579
Non current assets				
Deferred taxation asset	243	243	243	243

¹Includes amounts in respect of rent free periods

²Includes CFD margin cash of £21,498,000 (2016: £19,392,000)

Notes to the Financial Statements

continued

13 Current and non-current liabilities

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Amounts falling due within one year:				
Bank loans and overdrafts	5,000	5,000	15,000	15,000
Securities and properties purchased for future settlement	5,869	5,869	9,085	9,085
Amounts due to subsidiaries	–	50,390	–	52,807
Tax payable	–	–	1,601	1,601
Accruals and deferred income	2,090	2,090	4,330	4,330
Other creditors	328	322	457	290
Foreign exchange forward contracts for settlement	794	794	–	–
	14,081	64,465	30,473	83,113
Non-current liabilities				
1.92% Euro Loan Notes 2026	42,768	42,768	39,643	39,643
3.59% GBP Loan Notes 2031	15,000	15,000	15,000	15,000
	57,768	57,768	54,643	54,643

The total amount of secured creditors is £nil (2016: £nil)

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 £42,918,000 (2016: £39,797,000) and the 3.59% GBP Loan Notes was £15,511,000 (2016: £15,301,000) at 31 March 2017. 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 £70,000,000 (2016: £80,000,000) at 31 March 2017. At 31 March 2017 £5,000,000 was drawn on these facilities (2016: £15,000,000).

The maturity of these facilities and detail of their renewal is shown in notes 11.3 and 11.4.

Notes to the Financial Statements

continued

13 Current and non-current liabilities *continued*

Net debt

Net debt includes the value of the loan notes, loans, the notional exposure to CFDs, less cash (including cash collateral held by the CFD provider which is shown as a debtor in the Financial Statements) as a proportion of equity shareholders' funds

The net gearing has been calculated as follows

	Group 2017 £'000	Group 2016 £'000
Loan notes	57,768	54,643
Loans	5,000	15,000
CFD positions (notional exposure)	114,186	99,476
Less Cash	(6,445)	(22,754)
Less Cash collateral (included within 'Other debtors' in Note 12)	(21,498)	(19,392)
	149,011	126,973
Equity shareholders' funds	1,118,424	1,065,419
Net gearing	13.3%	11.9%

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 2016	317,500,980	79,375
Shares repurchased	(150,000)	(37)
At 31 March 2017	317,350,980	79,338

The voting rights are disclosed in the Report of the Directors on page 32

During the year, the Company made market purchases for cancellation of 150,000 Ordinary shares of 25p each (2016: nil), representing 0.05% of the number of shares in issue at 31 March 2016. The aggregate consideration paid by the Company for the shares was £459,000 (2016: nil).

Since 31 March 2017 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

Notes to the Financial Statements

continued

16 Retained earnings

	Group 2017 £'000	Company 2017 £'000	Group 2016 £'000	Company 2016 £'000
Investment holding gains	335,083	367,644	365,491	400,573
Realised capital reserves	560,340	533,656	483,523	456,008
	895,423	901,300	849,014	856,581
Revenue reserve	56,530	50,653	49,934	42,367
	951,953	951,953	898,948	898,948

Group investment holding gains at 31 March 2017 include a £1,348,000 loss (2016: £1,348,000 loss) relating to unlisted investments and gains of £33,518,000 (2016: £33,978,000) relating to investment properties.

Company investment holding gains at 31 March 2017 include gains of £64,730,000 (2016: £67,711,000) relating to unlisted and subsidiary investments with a £32,378,000 revaluation gain (2016: £32,838,000 gain) relating to investment properties

Dividends are only distributable from the revenue reserve

17 Dividends

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 31 March 2016 of 5.20p (2015: 4.75p) per Ordinary share	16,510	15,081
Interim dividend for the year ended 31 March 2017 of 4.10p (2016: 3.15p) per Ordinary share	13,011	10,002
	29,521	25,083

Amounts not recognised as distributions to equity holders in the year

Proposed final dividend for the year ended 31 March 2017 of 6.40p (2016: 5.20p) per Ordinary share	20,310	16,510
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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 2017 £'000	Year ended 31 March 2016 £'000
Interim dividend for the year ended 31 March 2017 of 4.10p (2016: 3.15p) per Ordinary share	13,011	10,002
Proposed final dividend for the year ended 31 March 2017 of 6.40p (2016: 5.20p) per Ordinary share	20,310	16,510
	33,321	26,512

continued

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The net profit after taxation of the Company dealt with in the accounts of the Group was £82,985,000 (2016, £80,457,000).

Net asset value per Ordinary share is based on the net assets attributable to Ordinary shares of £1,118,424,000 (2016: £1,065,419,000) and on 317,350,980 (2016: 317,500,980) Ordinary shares in issue at the year end

At 31 March 2017 and 31 March 2016 the Group had no capital commitments or contingent liabilities.

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

FINANCIAL STATEMENTS

Notes to the Financial Statements

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21 Subsidiaries *continued*

Name	Reg. Number	Principal activity
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 ¹	2134624	Non trading company
Trust Union Finance Limited	1233998	Investment holding and finance company
TR Property Finance Limited ¹	2415941	Investment holding and finance company
Trust Union Properties (South Bank) Limited	2420097	Non-trading company

¹The Company has provided a guarantee for each of these subsidiaries in order for them to take the exemption from the requirement of an audit, in line with the requirements of S 479A of the Companies Act 2006.

All the subsidiaries are wholly owned and all the holdings are ordinary shares.

All companies have the registered office of 11-12 Hanover Street, London, W1S 1YQ with the exception of FGH Developments (Aberdeen) Limited which is registered to 50 Lothian Road, Festival Square, Edinburgh EH3 9BY.

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 £8,000 (2016: £6,000) 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 2017 Thames River Capital charged management fees totalling £5,258,000 (2016: £4,917,000) to the Group in the normal course of business. The balance of management fees outstanding at 31 March 2017 was £75,000 (2016: £75,000). In addition a performance fee of £1,148,000 was outstanding at 31 March 2017 (2016: £3,354,000).

Notes to the Financial Statements

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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 2017.

Leverage exposure	Gross method	Commitment method
Maximum permitted limit	200%	200%
Actual	123%	123%

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 (the "Company") will be held at 2.00 pm on 25 July 2017 at Grosvenor House, A JW Marriott Hotel, 86-90 Park Lane, London W1K 7TN 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 2017.
- 2** To approve the Directors' Remuneration Report for the year ended 31 March 2017.
- 3** To approve the Directors Remuneration Policy
- 4** To declare a final dividend of 6.4 pence per Ordinary share
- 5** To re-elect Simon Morrison as a director.
- 6** To re-elect David Watson as a director
- 7** To re-elect Hugh Seaborn as a director
- 8** To re-elect Suzie Procter as a director
- 9** To reappoint 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 with 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 £26,181,455 (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 25 October 2018), 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 £3,966,887 (being approximately 5% of the total issued share capital of the Company as at the latest practicable date prior to publication of the notice of meeting),

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

Notice of Annual General Meeting

continued

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

- (a) the maximum number of Ordinary shares hereby authorised to be purchased shall be 14.99% of the Company's Ordinary shares in issue at the date of the Annual General Meeting (equivalent to 47,570,911 Ordinary shares of 25 pence each at 7 June 2017, the latest practicable date prior to publication),
- (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 2018, 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

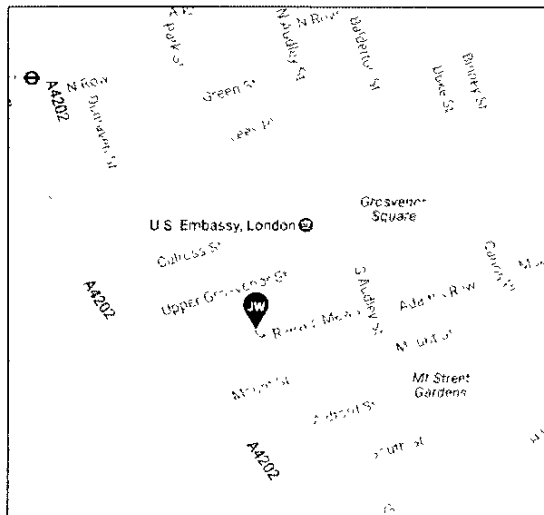
By Order of the Board

For and on behalf of
Capita Company Secretarial Services
Secretary
8 June 2017

Notice of Annual General Meeting

continued

Directions Grosvenor House



Dress code – smart casual

Please note that the hotel's main entrance is on Park Street (between upper Grosvenor Street and Mount Street) which runs parallel to Park Lane in a one way direction towards Oxford Street

Notes to the Notice of Annual General Meeting

- Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the 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.

- 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 23 July 2017 (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.

- 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.

- 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.
- 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 give instructions to the person holding the shares as to the exercise of voting rights.
- 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 25 July 2017 and any adjournment(s) thereof by using the procedures described in

Notice of Annual General Meeting

continued

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.lrproperty.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 AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM 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 AGM.
- 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 AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM. A matter may properly be included in the business at the AGM 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 AGM.
- 11** Biographical details of the directors are shown on page 33 of the Annual Report & Accounts.
- 12** As at 7 June 2017 (being the latest practicable day prior to publication of the notice of the meeting), the issued share capital of the Company is 317,350,980 Ordinary shares of 25p each. Therefore, the total number of voting rights in the Company at 7 June 2017 is 317,350,980.
- 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, 3 and 4: Accounts, Directors' Remuneration Report, Directors' Remuneration Policy and Dividend

These are the resolutions which deal with the presentation of the audited accounts, the approval of the Directors' Remuneration Report, the Directors' Remuneration Policy 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. The vote to approve the remuneration policy is binding.

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

These resolutions deal with the re-election of Simon Morrison, David Watson, Hugh Seaborn and Suzie Procter. 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 reappointment 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 £26,181,455 (representing approximately 33% of the Company's issued share capital as at 7 June 2017, being the latest practical date prior to publication of the Notice of the meeting). 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 25 October 2018 and the conclusion of the annual general meeting of the Company to be held in 2018.

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 £3,966,887. This aggregate nominal amount represents 5% of the total issued share capital of the Company as at 7 June 2017, the latest practicable date prior to publication of this Notice. In respect of this aggregate nominal amount, the directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling 3-year period where the Principles provide that usage in excess of 75% should not take place without prior consultation with shareholders.

The authority will expire at the earlier of close of business on 25 October 2018 and the conclusion of the annual general meeting of the Company to be held in 2018.

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

At the AGM held on 26 July 2016, a special resolution was proposed and passed, giving the directors authority, until the conclusion of the AGM in 2017, 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 47,570,911 Ordinary shares of 25p each (nominal value £11,892,727) at 7 June 2017, the latest practicable date prior to publication. The authority will last until the AGM of the Company to be held in 2018.

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

H Seaborn (Chairman)
J Glen
S Morrison
S Procter
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

aic

The Association of
Investment Companies

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

Auditor

KPMG LLP
15 Canada Square
London E14 5GL

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
7 Harewood Avenue
London NW1 6AA

Website

www.trproperty.com

Tax Advisers

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

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 TRYLN

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.alliancetrustsavings.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 £20,000 for the 2017/18 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. You can also transfer any existing ISAs to us whilst maintaining the tax benefits

F&C Junior ISA (JISA)*

You can invest up to £4,128 for the tax year 2017/18 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

F&C Child Trust Fund (CTF)*

If your child has a CTF you can invest up to £4,128 for the 2017/18 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. You can also transfer a CTF from another provider to an F&C CTF. Please note, the CTF has been replaced by the JISA and is only available to investors who already hold a CTF.

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

*The CTF and JISA accounts are opened in the child's name and they have access to the money at age 18. **Call's may be recorded or monitored for training and quality purposes.

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please read our Key Features Document before you invest and this can be found on our website 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 professional financial adviser.

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F&C Management Limited

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Charges

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 our savings plans and charges, please read the Key Features and Terms and Conditions of the plan – available on our website fandc.co.uk

How to Invest

To open a new F&C savings plan, apply online at fandc.com/apply

Note, this 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

New Customers

Call: **0800 136 420**** (8.30am – 5.30pm, weekdays)

Email: **info@fandc.com**

Existing Plan Holders

Call: **0345 600 3030**** (9.00am – 5.00pm, weekdays)

Email: **investor.enquiries@fandc.com**

By post: F&C Plan Administration Centre

PO Box 11114

Chelmsford

CM99 2DG

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: **Alliance Trust Savings, Barclays Stockbrokers, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, Selftrade, TD Direct Investing, The Share Centre**



TR Property Investment
Trust plc is managed by



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