TR Property Investment Trust plc

Report & Accounts for the year ended 31 March 2011

TR Property Investment Trust plc

Cautionary statement regarding forward-looking statements

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

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

Overview

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

The Trust offers investors two share classes

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

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

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

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

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

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

Independent Board The directors are all independent of the management company and meet regularly to consider investment strategy, to monitor adherence to the stated objectives and investment policies (set out on the following pages) and to review performance Details of how the board operates and fulfils its responsibilities are set out in the Directors' Report on pages 48 to 60

Further Information General shareholder information and details of how to invest in TR Property Investment Trust plc, including investment through an ISA or shareplan, can be found on pages 96 to 98 This information can also be found on the Trust's website www trproperty co uk

Statement of Investment Objective and Policy

Ordinary Shares

Objective

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

Benchmark

The benchmark is the FTSE EPRA/NAREIT Europe Index in Sterling This index, calculated by FTSE, is free-float based and currently has 83 constituent companies The benchmark website www epra com contains further details about the index and performance

Investment Policies

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

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

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

Asset Allocation Guidelines

To deliver a spread of investment risk, the maximum holding in the stock of any one issuer or of a single asset is limited to 20% of the portfolio In addition, any holdings in excess of 5% of the portfolio must not in aggregate exceed 50% of the portfolio These limits are set at the point of acquisition, however if they were materially exceeded for a significant length of time through market movements, the Manager would seek to remedy the position

The Manager currently applies the following guidelines for asset allocation

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

Gearing

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

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

Capital

Over ten years up to the end of March 2011, the share price has risen by 204% from 58 25p to 177 10p and the net asset value per share has risen by 183% from 73 18p to 207 08p Over the same period the benchmark price only index has risen by 78%

Income Growth

Over the past ten years the annual net dividend per share has grown by 4 3 times, equivalent to 15 7% pa compounded

Dividend

An interim dividend of 2 30p (2010 2 30p) per Ordinary share was paid on 11 January 2011 to shareholders on the register on 10 December 2010 A final dividend of 3 70p (2010 3 45p) per Ordinary share will be paid on 2 August 2011 to shareholders on the register on 8 July 2011 The shares will be quoted ex-dividend on 6 July 2011 (Note a second interim dividend replaced the final dividend in 2010)

Sigma Shares

Objective

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

Benchmark

The benchmark is the FTSE EPRA/NAREIT Small Cap Europe Index in Sterling This benchmark, calculated by FTSE, is the FTSE EPRA/NAREIT Europe Index in Sterling, adjusted to exclude "large cap" stocks The "large cap" threshold and constituents are adjusted annually For the year to 31 March 2011 the threshold was £1 0bn and for the year to 31 March 2012 the threshold will be £1 1bn

Investment Policies

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

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

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

Asset Allocation Guidelines

To deliver a spread of investment risk, the maximum holding in the stock of any one issuer or of a single asset is limited to 15% of the portfolio In addition, any holdings in excess of 5% of the portfolio must not in aggregate exceed 40% of the portfolio These limits are set at the point of acquisition, however if they were materially exceeded for a significant length of time through market movements, the Manager would seek to remedy the position

The Fund Manager currently applies the following guidelines for asset allocation

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

Gearing

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

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

Capital

Since launch in July 2007, the share price has fallen by 21 5% from 106 25p to 83 45p and the net asset value per share has fallen by 8 9% from 122 85p to 111 94p Over the same period the benchmark price only index has fallen by 21 4%

Dividend

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

An interim dividend of 0 90p (2010 0 90p) per Sigma share was paid on 11 January 2011 to shareholders on the register on 10 December 2010 A final dividend of 1 25p (2010 1 10p) per Sigma share will be paid on 2 August 2011 to shareholders on the register on 8 July 2011 The shares will be quoted ex-dividend on 6 July 2011 (Note a second interim dividend replaced the final dividend in 2010)

Financial Highlights and Performance

Ordinary Shares

	Year ended 31 March 2011	Year ended 31 March 2010	% Change
Revenue			
Revenue earnings per share	**6.94p**	5 18p	+34 0
Net dividend per share	**6.00p**	5 75p	+4 3

	At 31 March 2011	At 31 March 2010	% Change
Balance Sheet			
Net asset value per share	**207.08p**	185 22p	+11 8
Share price	**177.10p**	159 40p	+11 1
Net debt	**7%**	8%	
Shareholders' funds (£'000)	**530,602**	475,500	+11 6
Shares in issue at end of period (m)	**256.2**	256 7	-0 2

	Year ended 31 March 2011	Year ended 31 March 2010
Performance		
Benchmark performance (total return)	**+15.2%**	+60 6%
NAV total return	**+15.4%**	+52 6%
Share price total return	**+12.6%**	+60 5%

Sigma Shares

	Year ended 31 March 2011	Year ended 31 March 2010	% Change
Revenue			
Revenue earnings per share	**2.57p**	3 06p	-16 0
Net dividend per share	**2.15p**	2 00p	+7 5

	At 31 March 2011	At 31 March 2010	% Change
Balance Sheet			
Net asset value per share	**111.94p**	98 12p	+14 1
Share price	**83.45p**	70 50p	+18 4
Net debt	**8%**	11%	
Shareholders' funds (£'000)	**139,841**	122,577	+14 1
Shares in issue at end of period (m)	**124.9**	124 9	–

	Year ended 31 March 2011	Year ended 31 March 2010
Performance		
Benchmark performance (total return)	**+16.9%**	+70 0%
NAV total return	**+16.5%**	+64 1%
Share price total return	**+19.7%**	+90 0%

Historical Performance *for years ended 31 March*

	2001	2002	2003	2004	2005(D) (Restated)	2006(D)	2007(D)	2008(D)	2009(D)	2010(D)	2011(D)
Gross revenue(A) (£'000)	13,307	13,751	16,676	16,247	–	–	–	–	–	–	-
Total income(B) (£'000)	–	–	–	–	19,741	23,143	26,226	32,160	32,073	27,782	**29,520**
Total assets less current liabilities (£'m)	382 7	382 7	344 3	440 9	544 7	813 6	1,017 0	725 3	418 6	616 6	**688 8**
Shareholders' funds (£'m)											
Total	343	342	304	401	505	771	973	707	400	598	**670**
Ordinary shares	343	342	304	401	505	771	973	568	324	476	**531**
Sigma shares	–	–	–	–	–	–	–	139	76	123	**140**
Net revenue (pence per share)											
Earnings – Ordinary	1 58	1 86	2 30	2 51	2 85	3 44	4 09	5 79	6 49	5 18	**6 94**
Earnings – Sigma	–	–	–	–	–	–	–	0 85	2 91	3 06	**2 57**
Dividends – Ordinary	1 40	1 65	2 05	2 50	2 85	3 40	4 10	5 60	5 75	5 75	**6 00**
Dividends – Sigma	–	–	–	–	–	–	–	1 95**	2 00	2 00	**2 15**
NAV per share (pence)											
Ordinary	73 2*	78 1*	73 0	113 1	145 7	224 1	290 8	219 6	126 1	185 2	**207 1**
Sigma	–	–	–	–	–	–	–	108 6	61 3	98 1	**111 9**
Share price (pence)											
Ordinary	58 25	64 75	59 00	95 00	128 50	209 50	256 50	188 25	106 00	159 40	**177 10**
Sigma	–	–	–	–	–	–	–	92 00	39 00	70 50	**83 45**
Indices of growth Per Ordinary share											
Share price	100	111	101	163	221	360	440	323	182	274	**304**
Net Asset Value	100	107	100	155	199	306	397	300	172	253	**283**
Dividend Net	100	118	146	179	204	243	286	400	411	411	**429**
RPI	100	101	104	107	111	113	119	123	123	128	**135**
Benchmark(C)	100	102	92	130	162	233	290	216	105	161	**178**
Per Sigma share (2007 = launch date)											
Share price	–	–	–	–	–	–	100	87	37	66	**78**
Net Asset Value	–	–	–	–	–	–	100	88	50	80	**91**
Dividend Net	–	–	–	–	–	–	–	100	103	103	**110**
RPI	–	–	–	–	–	–	100	103	103	107	**113**
Benchmark(E)	–	–	–	–	–	–	100	88	43	70	**79**

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

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

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

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

(E) The benchmark for the Sigma share class was FTSE EPRA/NAREIT Europe Index in Sterling up to 31 March 2009 and FTSE EPRA/NAREIT Europe Index in Sterling, adjusted to exclude "large cap" stocks thereafter Source Thames River Capital

*fully diluted for warrant conversion

**Includes a special dividend of 1 10p

Chairman's Statement

Peter Salsbury BSc **Chairman**
10 June 2011

Introduction

In a year of sharp short term changes in Stock Market sentiment, Pan European property shares produced both a decent absolute total return and a good one relative to the major market indices In the twelve months to the end of March 2011, their average Sterling total return was 15 2%, and this beat the Sterling total returns from both the UK All Share Index (+9 3%) and the Stoxx 600 Index (+7 5%) Macro events led property share markets on a regular theme park ride Two periods of savage price declines of 18% and 17% were caused by fears for the global economy and Eurozone sovereign debt problems Each decline was followed by a strong share price recovery of 31% and 17% respectively resulting from better than expected economic numbers and by central bank action or rather inaction on lending rates

The NAV return performance for both share classes was closely in line with their benchmarks The revenue results were better than anticipated and I am pleased to report that this has enabled the Board to propose restoring growth to the dividends for both share classes

In last year's statement I announced that Chris Turner would retire on 31 March this year and paid tribute to his achievements as senior fund manager since 1995 Marcus Phayre-Mudge became senior fund manager of the Trust with direct responsibility for the Ordinary Share class, supported by James Wilkinson, fund manager of the Sigma Share Class Marcus and James have worked with Chris for 14 and 9 years respectively The execution of the transition has seen a pleasing degree of continuity, both before and after the year end

Chairman's Statement *continued*

Ordinary Share Class

In my remarks last year I thanked Chris not only for his financial results but also for his courage and judgement in making big decisions, developing a great relationship with shareholders and building an outstanding team to succeed him. I will add one further observation. Chris has a philosophy of fund management which requires that investment decisions always analyse the quality of management as well as assets to add shareholder value. There is constructive self-criticism when there are errors of judgement, and markets are not slavishly followed.

This set of principles has been consistently applied and has formed a reference point to enable significant changes of policy which respond to new opportunities and situations. Well-judged changes of policy have positively changed the shape of the Trust over the years and have added superior value to shareholders. The clear distinction between the application of principle and policy is too rarely applied in business.

I am confident that Marcus will continue to apply good judgement within the principles of good fund management and that he, James and the team will move investment policy forward, making educated decisions to add shareholder value.

NAV and Share Price Performance
The Ordinary share class showed an NAV total return of +15.40% versus its benchmark total return of 15.17%.

The Sigma share class NAV total return was 16.45% compared to its benchmark total return of 16.86%. More details of the absolute and relative returns are set out at the start of each share class report and commented on by the fund managers.

Revenue Results
As anticipated in my interim report, the revenue results for both share classes have shown a substantial improvement over our managers' original expectations for the year. The most significant change has been to the revenue tax charge which has fallen sharply due to our overseas income being taxed at source but no longer subject to UK corporation tax. Both share classes also benefited from higher than anticipated dividend receipts. More detailed comment on the revenue and taxation position is included in managers' reports for their respective share classes. In summary the Ordinary revenue earnings per share rose 34% to a record 6.94p and the Sigma revenue earnings, which were anticipated to decline by 25%, showed only a 16% decline to 2.57p.

Dividends

Ordinary Share Class Dividend
The Board is proposing to shareholders an Ordinary share class final dividend of 3.70p which compares with the second interim dividend of 3.45p paid last year. Taken together with the unchanged interim dividend of 2.30p

Chairman's Statement *continued*

already paid, this will bring the full year payout to 6 00p, an increase of 4 3% over the 5 75p per share paid last year

Sigma Share Class Dividend
The Board is proposing to shareholders a Sigma share class final dividend of 1 25p which compares with the second interim dividend of 1 10p paid last year Taken together with the unchanged interim dividend of 0 90p already paid, this will bring the full year payout to 2 15p, an increase of 7 5% over the 2 00p per share paid last year

Revenue Outlook

Details of the revenue outlook for both share classes are noted in the managers' reports In summary our managers are advising the Board that, subject to unforeseen circumstances, they expect that net revenue per share for the Ordinary share class will be in the order of 6 40p, a decline of 8% relative to the year to March 2011, and that the Sigma share class is expected to have net revenue of 2 40p, a decline of 7% relative to last year

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

Net Debt and Gearing
Throughout the year both share classes have continued to be run with modest gearing ranging from 6% to 13% The Ordinary share class started the year with £36m of net debt and finished the period with £37m The comparable figures for the Sigma share class were £13m and £11m The £50m one year variable multi-currency borrowing facility with the Royal Bank of Scotland was renewed last November on improved terms and since the year end we have signed an agreement with ING for a 2 year £30m multi-currency facility

In addition we have also started to utilise CFDs in a modest way as an additional means to access competitively priced gearing

Currencies
As in previous years the portfolios' exposure to foreign currencies was not hedged to the base currency, Sterling, at either the asset or the income level The managers also monitor currency exposure against the benchmark They have discretion to adjust currency exposure as they deem appropriate

Over the second half of the year Sterling appreciated against the Euro by some 3%, but depreciated against the Swiss Franc and the Swedish Krona by a similar amount

Discount and Share Repurchases
The Ordinary share discount to capital only net asset value averaged 10 7% over the year with a range of 2 1% to 16 9% The Sigma share discount to capital only net asset value averaged 23 7% over the year with a range of 19 2% to 27 8% A total of 500,000 Ordinary shares were repurchased in October 2010 at 164 25p per share

Outlook
In my opening paragraph, I highlighted the fact that pan-European property shares had outperformed the broader European equity markets over the year taken as a whole This relative outperformance widened in the first quarter of 2011 and has continued into the new financial year What are investors now beginning to focus on? European economic health is, at the national level, a mixture of abounding vitality (Germany and the Nordics), continuing sickness (Southern Europe) and convalescence (the remainder including the UK) Whilst those pockets of health are to be welcomed, the prescription of continued very low policy rates and the need within the Eurozone for intra regional monetary support continues to leave investors with a nagging doubt about the trajectory of economic recovery as well as the unknown longer term consequences of this exceptional remedy The central banks' strategy so far has been to keep policy rates (and bond yields) far below historical levels – with savers

Chairman's Statement *continued*

paying the price Cash deposits always offered a very low return but this has now turned negative in real terms Property, a real asset with a rental revenue stream that has traditionally exceeded inflation, looks attractive Listed companies across Europe are, in the main, well financed and expect to maintain their current levels of earnings into next year So stable and inflation-protected earnings are sought after investment attributes that provide broad support to the asset class

Whilst the consequences of the central banks' policy decisions look to be beneficial to the asset class in the broadest sense, I must sound a note of caution Real estate, with its recurring cashflow, is a strong candidate for leverage and this was its undoing in the financial crisis Whilst listed property corporates are once again on a stable footing, a healthy banking sector is a requirement for a healthy property market It is clear that much remains to be done to complete the rehabilitation and unwinding of the complex relationship between governments, central banks and the banking sector as a whole

Both the Ordinary and Sigma share classes have an element of gearing and this reflects the managers' positive stance With the economic machinery running at a multitude of different speeds across Europe, they anticipate a widening in the divergence of returns within the asset class Focusing the portfolios to capture more of the growth within healthy and convalescing markets remains the central task but always with one eye on the state of the credit cycle

Peter Salsbury
Chairman

Managers' Report

Ordinary Share Class & Sigma Share Class

Market Background and Outlook

Chris Turner MRICS
Fund Manager –
Ordinary share class

Marcus Phayre-Mudge MRICS
Fund Manager –
Sigma share class

Market indices show that European commercial property markets have continued to recover slowly throughout the last twelve months What the indices fail to show is the extreme polarity of the market It has been a year when good property rose in value and poor property declined in a manner similar in some ways to the changes in the health of European economies For investors, the principal motives remain the desire for stable income and the fear of inflation, their principal concerns have been weak occupational demand, the threat of rising interest rates and the lack of finance The current definition of what is good or poor, or prime and secondary, in market parlance, still depends principally on the length and security of the income stream Only in a few locations, Central London and Central Paris in particular, has the market yet broken out of its recessionary nervousness, and it has done so there because tenant demand has become sufficiently consistent and predictable that it has now reduced vacancy rates to a point where effective rental growth has re-emerged

The slow pace of the recovery in economic strength continued to dominate the property investment outlook. The timing of the return of broad based growth in employment and consumer confidence remains the chief indicator of future performance There have been positives for the market since last summer The threat of a double dip recession across Europe has receded Germany and Sweden are much stronger than a year ago A massive amount of globally based equity capital has been invested, especially in London, and the signs are that more is yet to be spent. Fears that the banks would withdraw support from the asset class so fast as to precipitate a run on values have not materialised More and more it seems to us that this debt burden is a banking nightmare and not a threat to the future value of most real estate

Property shares did well overall, outperforming both the All Share and the Dow Jones Stoxx 600, and this despite property regularly featuring as the least favoured sector of the Stock Market in surveys of generalist investors over the last twelve months Nevertheless, pricing followed the volatility of the markets, oscillating on macro fears The Greek crisis last May and the Irish crisis last November saw sharp price declines while better than expected economic numbers and central bank action to hold down interest rates were the factors principally underlying two prolonged rallies in the late summer and again in early spring this year For the Sector, the latter rally also reflected increased concern over inflation, principally in the UK

Within the sector, individual price performances generally mirrored variations in the vibrancy of specific property markets Balance sheet ratios were generally in order by last spring, and the number of seriously sick companies diminished further thanks to rights issues and share placings There were very few mergers or acquisitions Stocks with high dividend yields did not noticeably outperform as they had in 2009 Small and mid-cap stocks again outperformed, so that Sigma's benchmark outpaced the Ordinary Share benchmark for the second year running

Property Investment Markets

It was a year of big contrasts in the investment market caused principally by strong investor demand for high quality assets and, conversely, at the secondary level, by the lack of tenant demand and the availability of fresh debt finance As a result the yield gap between prime and secondary is very wide Prime values have risen more sharply than expected in many locations due to improvements in tenant demand, the weight of cash awaiting investment and a dearth of decent available stock By contrast there has been relatively little investment activity at the bottom end of the market

Market Background and Outlook *continued*

Swathes of secondary shopping centres, office buildings and industrial buildings, vacant or part let, litter the edges of towns and motorways across the UK and Europe These are properties that tend to be burdened with bank debt and their current value is often hard to assess They appear to have little chance of seeing any immediate recovery in price

UK

The UK investment market last year was just the tale of one city London totally dominated in terms of turnover and value growth Almost every property offered there, whether occupied or vacant, attracted multiple bids and sold for more than expected Yields fell, actual and estimated rental values rose Demand was fully international with overseas private investors, wealthy family offices and sovereign wealth funds dominant UK buyers were in a definite minority and UK investors and the banks were the most prominent sellers The causes of all this bullishness were three-fold Firstly there was rental growth both in the office and retail sector as vacancy rates fell Secondly there is the prospect of further rental growth, thanks to the dearth of new development Thirdly London continues to be a most sought after location for the world's richest The rise in commercial values mirrored the growth in London's prime residential values, indeed in the West End, conversion of office space to higher value residential is now serving to reduce the available commercial stock, so reinforcing the decline in vacancy

Outside London the market has been much less buoyant For the most part international investors did not stray outside the capital Some good prices were achieved for the best located and let property, but prime yields were generally unchanged for most of the year and rental values often drifted downwards Much of the buying interest was from opportunists hunting for decent buildings that are part empty and offered by a seller under pressure from a lender Except in the core of the major UK regional cities, office markets continue to look sickly Investors are well aware that the Government's austerity package is in its infancy in terms of job losses and will be affecting both demand and supply for the next three years in many regional towns Even in the more prosperous South East the weak state of investor demand for out of town offices does not seem to have improved at all in the last twelve months

Europe

Continental property investment demand has improved overall, but has also tended to be very city centric As a general rule if residential prices are rising in a city, then commercial property values will be as well Thus Paris and Stockholm offices led the way, with double digit gains As most leases in Europe are for five years or have a tenant's right to break at the third or fifth year, investment demand also followed tenant demand As the year progressed the strength of the German economic recovery resulted in a wave of interest for retail and residential investments there The German office and industrial markets remain patchier Across the Continent, high quality retail was rarely offered, and sold very well in most locations Italian property continued to attract private domestic investors Spanish, Greek and Irish property fell in value Elsewhere, in those European countries with high vacancy problems – notably the Netherlands and Belgium – office markets remained soft and values did not improve

Rental Values

Offices

In a select number of capital cities occupier demand has recovered sufficiently to promote a return to rental growth These locations aside, most office markets across the UK and Europe remain becalmed with high vacancy giving tenants the upper hand in rental deals We will start with the positive news In our last two background reports we have noted a recovery in demand and the decline in vacancy rates in certain capital cities, in particular London, Paris, Stockholm, Warsaw, Oslo and Geneva In these cities markets have continued to improve, but the list has not grown much longer

London remains the most strongly recovering market due to a combination of factors, of which the foremost is its status as a global financial and trading centre, so that demand for space is not linked purely to either the domestic or the Continental economy London is short of top quality new space, thanks to the paucity of development starts in the last four years, and has a lease expiry profile that implies strong relocation demand over the next four years particularly in the City Furthermore, in the West End, where the market is at its strongest, residential values are now so high that it is financially rewarding to convert quality office space into flats – so reducing the total stock and the vacancy rate still further West End vacancy is now variously reported at between 4 5% and 6% Prime rental values, which bottomed at £65 per sq ft in 2009 are now estimated to have climbed back to £90 per sq ft with £100 per sq ft being reported for isolated suites In the City, where the overall vacancy rate moved back below 10%, best prime rents were

Market Background and Outlook *continued*

probably unchanged at around £60 per foot over 2010, but average rents recorded growth

Paris saw a stronger pick up in leasing activity in 2010, spurred by corporate relocations to higher quality space Vacancy levels declined in both the central area and La Défense to around 6%, and top rental values rose by 5% to around €750 per square metre A shortage of new top quality space is also encouraging for rental trends over the next two years In Stockholm domestic demand has improved as the Swedish economy has returned to growth The overall vacancy rate is still close to 10%, but again the shortage of top quality space has resulted in an increase in peak rents and the very strong Stockholm residential market is resulting in older space being removed from supply for conversion to residential

Away from these select cities most office markets appear becalmed – saddled with a combination of high vacancy and low or nil employment growth In Germany there has been local improvement in Hamburg and Frankfurt, and in Italy the Milan and Rome markets are showing resilience, but in other cities, such as Amsterdam and Brussels, percentage vacancy rates have remained well into double figures Capital city office markets in the Eurozone countries with sovereign debt problems have been the worst performers with rental values falling again Regional and suburban markets in both the UK and Europe are almost uniformly chalking up high vacancy and limited demand, so that true rent levels are hard to ascertain Even in London, there is little sign of any ripple effect whereby growth in demand in the central area spills out to the suburbs or to regional markets, where any demand is reliant on the domestic economy

Retail

Tenant demand for retail property is still very polarised Broadly, demand is being hit both by the decline in consumer confidence and by the internet, and the outlook is clouded by the future impact of rising interest rates on personal incomes In the very best locations and in the countries where national consumer confidence is sustainably improving, notably in Germany and Sweden, vacancy rates are low or falling and rental values on the gradual increase Elsewhere, landlords are often struggling to retain retailers and rental concessions are widespread The stream of local and national retailers going into administration has abated but not ceased The internet is still increasing its share of retail sales Bookshops and record stores are disappearing fast, electrical stores and tour operators are scarce, even fashion internet sales are pushing on to 10% of turnover, so that fashion retailers want fewer units and want their remaining stores to be bigger and to be more akin to showrooms The largest shopping centres have generally maintained occupation at above 95%, but this has often been achieved by short term lettings at less than stated rental values In sub regional, neighbourhood and district centres vacancy is generally very visible and rental values are showing little or no sign of improvement Central London (along with Central Manhattan and Hong Kong) has been a special case throughout the downturn, with rental growth a persistent feature for the main West End shopping locations, due principally to an influx of international retailers

Storage and Industrial

Good quality, well located sheds have seen an improvement in take-up over the last year but much of the demand has been for relocation and upgrading rather than for business expansion Vacancy rates have fallen modestly in many locations, but still remain historically very high, and the decline may be due as much to demolition as to a spurt in net take-up Headline prime rental values appear to have stabilised but substantial incentives for letting beyond five years continue to be commonplace Rental values for older space reflect the wide choice available to tenants and are usually agreed by negotiation rather than at asking levels

Debt and Credit Markets

The proportion of UK and European debt, mostly bank debt, lent against real estate has declined very slightly over the past year, but remains at a very high level (circa £1,000 billion) relative to its historic average With a very high level of loan termination due in the 2011-2014 period fears are constantly being aired that there is no way that the industry can refinance this burden So far the banks have taken a pragmatic longer term view and extended debt repayments on a very large scale In truth there is little else they can do, and so far their actions have gradually eased the position Property values are, on average, on the rise so that more loans are becoming covered again There is interest from other credit sources, mainly insurance companies, to grow their property loan books Fresh equity capital is coming into the industry through stock markets and private placements, and sales of distressed stock are continuing at a modest pace In the US the revival of the CMBS mortgage market has been an important source of fresh debt, but in Europe and the UK this alternative window remains virtually closed The problem is that a high proportion of the

Market Background and Outlook *continued*

outstanding debt appears to be lent against secondary property of the type which is not rising in value and which is accumulating vacancy and therefore losing income with which to service the outstanding loans The level of provisions by banks against problem loans appears to be reducing, though it remains high We think there may be a lot more writedowns to come The Irish position is the worst in Europe with NAMA holding €70 billion of bad loans and pledged to reduce this by 25% by the end of 2013 So far opportunistic investors hoping to cash in on the sale of distressed assets have been largely disappointed both by the paucity of offerings and by the lack of value growth in what they have purchased to date

With overloaded loan books, the banks have continued to have little appetite for new lending There is a supply of fresh bank debt but it has not grown markedly over the past year Loan to value ratios remain low, spreads wider than normal, and loans for secondary assets are hard to obtain

Property Shares

The EPRA Pan Europe Index produced a total return in Sterling of 15 2% The year saw a wider than usual range of returns on a country by country basis, reflecting mainly the very different immediate outlook for the various Pan European economies In local currency terms the pack leaders were Sweden, Germany, Finland and Austria, with total returns over 20%, the middle group in the 10% to 20% range were France, Switzerland, and the UK The Benelux countries were between 5% and 10% Greece and Spain took the wooden spoons, along, surprisingly, with Norway Sterling's currency movement against the Euro was modest on a year by year basis It fell sharply against the Swedish Krona and Swiss Franc, boosting those countries' Sterling returns

Though actual NAV growth played an important part in individual stock price movements, it was the prospect of future NAV growth, or lack of it, which was probably the most influential factor in determining stock pricing Stocks with high dividend yields did not noticeably outperform as they had in the year to March 2010 High leverage magnified price movements mainly on the downside, though the few stocks with both high leverage and a portfolio showing above average value growth produced outstanding returns Small and mid-cap stock again outperformed so that Sigma's benchmark outpaced the Ordinary Share's benchmark for the second year running

There were disappointingly few new issues There were several aborted attempts mainly in the UK and Germany and talk of a large scale flotation of Carrefour property which has come to nothing so far Equally, there were very few mergers or acquisitions of note Capital Shopping in the UK saw off an attempted approach from Simon Property Secondary issues raised some £1 5 billion overall These were generally small scale accelerated placings often linked to a purchase of a property or a portfolio

Overall the benchmark's leverage ratio remained at close to 50% throughout the year despite the increase in property values Two specific events influenced this result – the addition to the benchmark of the giant and highly leveraged Spanish company Colonial in June 2010, and the €1 8 billion return of capital by Unibail in October 2010, which was funded by fresh debt

UK

UK property shares rose by just under 8% in the year and produced a gross total return of 12 1% Given that they were down by 3 5% in the first half, it was a very decent second half run Not surprisingly it was some of the companies with portfolios concentrated in London that did best Derwent London, Shaftesbury, CLS and Great Portland all featured amongst the best performers with total returns of between 23% and 29% However not all the London companies performed – Minerva and Songbird both fell in value, the former failed to let its major City building, and hopes that the latter would see an early move to improve its corporate structure proved misplaced Other stocks that produced negative total returns over the year included residential specialists Unite and Grainger, highly leveraged businesses such as Warner and Quintain, and industrial property specialists SEGRO and Hansteen Even Helical Bar, so long an outperformer, declined and lost most of its traditional premium rating Amongst the leaders, British Land stood out with a 22% total return, Hammerson returned 18%, Land Securities 13%, and Capital Shopping just 3% It was Capital Shopping that provided the biggest story of the year The company agreed to purchase the huge Trafford Centre in Manchester for a mixture of cash and shares Simon Property, the huge US Mall REIT, which owned 5% of Capital Shopping, so objected to the deal that it announced that it wished to bid for Capital Shopping if it was permitted to do certain due diligence This permission was refused and Simon Property eventually withdrew, but not before the purchase terms of the Trafford Centre had been altered in favour of Capital Shopping's shareholders

Market Background and Outlook *continued*

Europe

In Sterling terms European property shares (ex the UK) rose by just under 11 3% in the year and produced a gross total return of 16 8% Swedish stocks were the best performers with the Krona total return of 31% translating into a Sterling total return of 41% Fabege the largest Swedish property company returned 46% It benefited from an ideal combination of above average leverage and an obviously strengthening local economy German property stocks, of which there are very few relative to the size of the German economy, produced a Sterling total return of 21% This would have been higher had not one of the larger companies, Gagfah, seen its share price collapse in February 2011 on news of a massive potential law suit from a German local authority French stocks did well returning 16%, led by the two giants Gecina and Unibail Their performance reflected the improvement in the Paris market where most French companies hold the majority of their portfolios

There was little clear distinction between the performance of stocks by property use, though, reversing the UK trend, the residential specialists all outperformed except Gagfah Of the retail specialists, Eurocommercial and Unibail returned over 20%, while Klépierre managed only 3% and Corio 6% Office stocks were mixed up and down the list while industrial specialists underperformed except in Sweden

Outlook

Last year saw European real estate equity returns become far more polarised than they had been since 2007 The economies of Europe are running at a variety of speeds A few particular markets have virtually fully recovered from the recession, while many others may not yet have approached their nadir We expect this wide divergence of returns to continue through the next two years as European national economies sprint or stumble back to normality

It is therefore the economic background that we think will dominate real estate returns, both at a national level and at regional or city level Within the UK, London clearly has a very exciting property market thanks to its global status, while other major UK cities do not share this excitement, and in our view are not about to share it The same comments apply elsewhere, for instance to France and Paris, or to Italy and Milan

Property shares have recovered well Balance sheets are broadly in good order, fresh equity is available in good quantities when stocks are rightly priced Average discounts are at low single figures, which is in line with global real estate securities pricing The premium ratings of those stocks with the highest quality portfolios generally reflect the difficulty and cost of buying prime real estate directly

Inflation remains a greater fear than deflation for most investors Recent UK and Eurozone inflation forecasts are not consoling Most Continental leases have annual rents indexed to the cost of living, and real estate securities have a good performance record in inflationary periods, provided that central banks do not force borrowing costs to well above the level of inflation At present that would seem very unlikely The bank debt refinancing problem rumbles on In our view this is much more of a problem for the banks, and for the secondary and tertiary property markets, than for mainstream quality real estate values However the side effect, the lack of fresh finance, is beneficial for the market in curbing speculation and depressing fresh development

We firmly believe that a large number of companies in which we invest now enjoy the combination of a portfolio that is exposed to markets that will see rental and capital growth over the next 18 months, and a stable balance sheet that allows them to take advantage of investment and development opportunities as they arise For us, the expected divergence in performance across sectors and geographies will shape the exposure of the portfolios and is a welcome environment for active stock pickers like ourselves

Ordinary Shares

Financial Highlights

	Year ended 31 March 2011	Year ended 31 March 2010	% Change
Revenue			
Total revenue return (£'000)	**24,896**	22,359	+11 3
Net revenue profit before tax (£'000)	**19,016**	17,089	+11 3
Revenue earnings per share	**6.94p**	5 18p	+34 0
Net dividend per share	**6.00p**	5 75p	+4 3

	At 31 March 2011	At 31 March 2010	% Change
Balance Sheet			
Investments held at fair value (£'000)	**571,264**	512,665	+11 4
Shareholders' funds (£'000)	**530,602**	475,500	+11 6
Shares in issue at end of period (m)	**256.2**	256 7	-0 2
Net debt	**7%**	8%	
Net asset value per share[1]	**207.08p**	185 22p	+11 8

Performance

	Year ended 31 March 2011	Year ended 31 March 2010
Assets and Benchmark		
Benchmark performance (price only)	**+10.2%**	+53 0%
NAV change	**+11.8%**	+46 9%
Benchmark performance (total return)	**+15.2%**	+60 6%
NAV total return	**+15.4%**	+52 6%
IPD Monthly Index total return*	**+10.7%**	+16 3%
Total return from direct property	**+10.7%**	+13 1%

	At 31 March 2011	At 31 March 2010	% Change
Share Price			
Share price	**177.10p**	159 40p	+11 1
Share price total return	**+12.6%**	+60 5%	
Market capitalisation	**£454m**	£409m	+11 0

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

1 Net dividends per share are the dividends in respect of the financial year ended 31 March 2011 An interim dividend was paid in January 2011 and the final dividend will be paid in August 2011

Manager's Report
Ordinary Share Class

Chris Turner MRICS **Fund Manager**
10 June 2011

Performance and Background
The Ordinary share class NAV total return of +15 40% was a whisker ahead of the benchmark total return of 15 17% As the Chairman has noted, the year to the end of March 2011 was another volatile one for stock markets At times it is possible to feel overwhelmed by the rapid changes in sentiment caused by events or fears which have almost nothing to do with the day to day business of most of the companies in which we invest Active short term trading is not something I have ever been any good at, so I don't try, instead relying on picking stocks and managements I think will outperform over the medium and longer term In most years this approach has resulted in decent outperformance, but not last year

Eighteen months ago there was much discussion regarding the shape of the recession, with a V camp, a U camp and an L camp Right now, in the UK and across much of Europe, the L camp looks closest to the mark, though Germany and Sweden seem to have enjoyed a V shaped recovery, while the economies with sovereign debt problems may have further to regress Meanwhile, commercial property markets have to do battle with green issues, the increasing impact of the internet on retail sales, rising oil prices and with the potential growth, often the unwilling growth, of the population of major cities

Investment Activity
I believe Warren Buffett once remarked that "idleness bordering on lethargy" was the cornerstone of his investment philosophy Last year my investment turnover (sales and purchases together divided by two) was £74m or 13 6% of the average total assets over the year On the whole, where I made changes I think they were beneficial, though I have not run the test on this I added

Manager's Report *continued*

to our Central London weightings, buying Capital & Counties once it was split from Capital Shopping Centres last May I added modestly to the Great Portland and Derwent London holdings, and should have bought more I reopened a holding in Workspace, the Greater London industrial space owner Elsewhere in the UK I reduced the SEGRO holding taking the view that the logistics and storage market will be dull for some time, and reduced the Big Yellow investment on the outlook for residential market turnover Songbird, in which I invested in early 2010, turned out to be a poor performer with the shares almost unmoved over the year despite the 100% London portfolio weighting

As the table on page 19 shows, I increased the investment in Germany markedly after it became clear, in the autumn, that the German economy was making a more rapid recovery than the European average I have never in the past been an avid fan of German real estate stocks, as their corporate governance has been generally poor Even now the portfolio is not overweight in that country The Swedish overweight worked well, and while my venture into Norwegian Properties was mistimed in the short term, I believe that this holding will perform in due course I got rid of the remaining Greek holdings during the year and kept out of Spanish and Irish stocks

Distribution of Assets
The primary distribution of the Ordinary Share Class portfolio has shown little change over the last twelve months Continental securities rose from 56 3% to 58 3% of total assets UK equities rose from 32 9% to 33 8%, and UK directly held property changed from 9 9% to 7 7% as a result of the sale of the Cambridge property

On a see-through basis, that is to say viewing your total assets through the portfolio locations of the companies in which we hold equity and adding our direct property, 41% of the assets are retail properties, 36% office properties, 9% each are residential or industrial and storage and 5% are in other uses, mainly hotels, leisure or care homes Of the 41% retail, 3% is in Central London, 11% is in the rest of the UK, 10% in France and the rest spread over the rest of Europe Of the 36% in offices, 12% are in Central London and just 0 4% in the rest of the UK, 7% are in Paris and 4% in Stockholm Of the residential 4% is in Germany and 3% in the UK (principally at our Colonnades building in the West End of London)

See-Through Portfolio by Market* (%)

	Ordinary Share Class Portfolio	Benchmark 31 March 2011
UK		
City Offices	2 8%	3 0%
West End Offices	5 7%	4 5%
West End Retail	3 1%	2 0%
Docklands	1 6%	0 1%
GLC/SE Offices	1 8%	0 7%
Provincial Offices	0 4%	0 3%
In town Retail	4 6%	4 9%
Supermarkets	1 0%	1 0%
Retail Warehouses	3 0%	3 2%
Out of town Retail	2 1%	2 8%
SE Industrials	2 7%	2 5%
Other Industrials	0 8%	1 1%
Self Storage	1 4%	0 8%
Leisure	0 7%	0 5%
Residential	2 9%	2 6%
Other	0 6%	0 5%
Total UK	35 2%	30 7%
Austria Retail	0 8%	0 8%
Austria Offices	0 2%	0 3%
Austria Residential	0 7%	0 7%
Belgium Retail	0 7%	0 6%
Belgium Offices	0 7%	2 5%
Belgium Residential	0 2%	0 3%
Belgium Logistics	0 1%	0 5%
Central Europe Retail	1 5%	1 4%
Central Europe Offices	0 3%	0 3%
Central Europe Industrial	0 3%	0 5%
Central Europe Other	0 4%	0 1%
Denmark	0 2%	0 2%
Finland Retail	1 3%	1 2%
Finland Offices	0 5%	1 3%
Finland Other	0 1%	0 2%
France Retail	9 7%	9 6%
France Offices	8 4%	73%
France Residential	0 9%	0 9%
France Logistics	1 5%	1 4%
France Other	1 6%	1 4%
Germany Retail	1 5%	1 7%
Germany Offices	2 2%	2 0%
Germany Residential	3 9%	5 2%
Germany Logistics	0 8%	1 1%
Germany Other	0 3%	0 3%
Greece Retail	0 0%	0 1%
Greece Offices	0 0%	0 1%
Italy Retail	2 4%	2 1%
Italy Offices	2 2%	1 6%
Italy Logistics	0 1%	0 2%
Italy Other	0 0%	0 0%
Netherlands Retail	2 4%	2 8%
Netherlands Offices	0 2%	0 7%
Netherlands Other	0 2%	0 4%
Norway	1 6%	1 2%
Portugal	0 1%	0 1%
Russia	0 1%	0 1%
Spain Retail	1 9%	1 9%
Spain Other	0 2%	0 5%
Sweden Retail	2 6%	2 4%
Sweden Offices	4 6%	4 5%
Sweden Industrial	1 3%	1 4%
Sweden Other	0 8%	0 8%
Switzerland Retail	1 5%	1 7%
Switzerland Offices	2 2%	3 3%
Switzerland Other	0 5%	0 8%
Other overseas	0 8%	0 8%
Total	100 0%	100 0%

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

Manager's Report *continued*

Largest Equity Investments

The list of the top twenty investments remained very constant over the year, the only entrant being the Swedish company, Fabege, and the only exit being a long time favourite, Big Yellow The combined size of the top ten equity holdings, relative to the total portfolio, remained similar to previous years They were worth £267m (£245m last year) and they made up 47% of the total assets (48% last year)

Unibail remains by far the largest single holding The shares outperformed with a total return of 23% Even after returning almost a sixth of its capital to shareholders last autumn, the company remains by far the largest quoted property company in our investment universe with a portfolio of major shopping centres whose value exceeds that of the combined portfolios owned by Land Securities and British Land More details are given in the notes on the top twenty stocks Two points bear repetition Firstly I believe that, despite its size, this company is extremely well run, and secondly the shares are highly liquid so our entire holding represents about two days' turnover in the shares

Land Securities and British Land, the two biggest UK REITs, together represent 12% of total assets (11% last year) British Land outperformed with a total return of 22 5%, and Land Securities slightly underperformed, returning 13% They have relatively similar portfolios split between Central London offices and UK regional retail British Land's retail exposure is mainly retail warehousing and supermarkets, so that some 20% of its rental income is indexed Both have long term fixed borrowings, which have been a curse for the last three years, as lower interest rates have brought no benefit to earnings and dividends have shown no growth, but both will benefit them relative to their competitors, when, eventually, long term interest rates rise again

Amongst the remainder of the top twenty stocks, we saw strong total returns from Fabege (+46%), Castellum (+31%), Gecina (+26%), Eurocommercial and Great Portland (both +24%), Derwent London (+23%) and Hammerson (+18%) The returns from PSP Swiss Property and Swiss Prime Site (so confusing, these Swiss names) and from Icade and Silic, were all around benchmark average The underperformers in the top twenty were Corio (+6%), Capital Shopping and Klépierre (both +3%), SEGRO (+2%) and Foncière des Régions (+1%)

Revenue

This time last year I tried to explain to you why our net after tax income had fallen by over 20% in that year This year I will now try to explain to you why our net income has risen by 34% in the twelve months ending March 2011

Investment income rose by £4 9m or 31 1% to £20 6m There were lots of small changes, but by far the biggest component of the change was the dividend from Unibail, which, due to timing differences totalled some £4 2m in the year compared to £1 1m in 2009 Late on in the year the Trust became entitled to dividends from Hammerson and British Land totalling some £0 7m, both of which we had anticipated not going ex-dividend until after 1 April 2011 On the negative side, and as anticipated, other operating income, most of which was underwriting fees, declined from £1 5m to just £23,000 Following the sale of the Cambridge property and surrenders at Harlow and the Colonnades, gross rental income declined by £0 61m The surrender premiums were taken to capital Management fees were 9% higher, reflecting asset growth, other expenses were almost static and finance charges rose 26% because the Trust was geared throughout the year, whereas we had held cash in the first quarter of the previous year

At the pre tax line the net profit is ahead by just 11 3% The tax charge has fallen very significantly from 22 2% of revenue to just 6 4% This change in the tax charge is worthy of a more detailed explanation An amendment to legislation in the UK in July 2009 resulted in most overseas dividends no longer being taxable in the UK. However, in most Continental European countries, tax is still withheld locally on dividend payments, so there is still an underlying tax cost to the Trust. The tax charge for the Trust will always be variable depending upon the mix of income sources

In the year to March 2011 a further factor has come into play A number of European property companies unexpectedly distributed their dividends from capital reserves In most instances these have been treated by the Trust as income, as they represent the usual periodic distribution of earnings from regular property investment activity (i e rental income) and not a return of capital or distribution of capital profits However, because these dividends have been paid from capital reserves, withholding tax has not been applied so the dividends have been received gross As these dividends are no longer taxable in the UK, no further tax has been paid

Manager's Report *continued*

It is difficult to predict the extent to which this trend will continue into the next financial year As asset values recover and unrealised losses which have been accounted for through the revenue accounts reverse, it is expected that companies will resume paying their dividends from revenue reserves and withholding tax will be applied, increasing the Trust's overall tax charge

As referred to in last year's Annual Report, there is the prospect of challenging withholding taxes on dividends from European countries and also applying the current UK tax treatment of foreign dividends to earlier periods There is still no certainty on the outcome of these points, but we will continue to monitor the situation and to submit any claims where appropriate Revised tax returns have been submitted for earlier periods on the basis of the case currently being heard by the EU Courts in relation to applying the current UK tax treatment of foreign dividends to these periods, but at this stage the outcome of these proceedings is uncertain and accordingly no benefit has been recognised in the financial statements

Revenue Outlook

The expectation is that the underlying income from our equity portfolio will, as a whole, show a small amount of growth This outlook is predicated on the current expected profile of policy rate increases by the central banks Whilst most companies have a significant amount of interest rate hedging, rising rates will lead to greater interest bills Counterbalancing that is the expectation that indexation of leases (most Continental stocks) will inflate top line revenues and feed through to earnings and dividends

However, some of the factors described in the revenue section above which have led to greater than anticipated revenue in the year to March 2011, are likely to change in the year to March 2012 Principally these are the timing of dividend receipts (we anticipate that some of the dividends falling in March will revert to April next year) and the tax charge (will increase as companies resume dividend payments from income rather than capital accounts) and therefore we anticipate a small fall in the revenue figure for the forthcoming year

There are two additional important factors which are also hard to predict, fluctuations in the exchange rates of European currencies versus Sterling (some 65% of our predicted income is denominated in non-Sterling currencies) and the cost of our own external debt which is floating

Taking a fairly conservative view on these factors, we expect earnings for the year to March 2012 to be in the region of 6 40p per share

Ordinary Share Class
Changes in Investments

	Valuation 2010 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	**Valuation 2011 £'000**	%
Austria	7,983	3,249	(3,655)	2,448	**10,025**	1 8
Belgium	6,355	639	(836)	410	**6,568**	1 2
Finland	7,468	210	(513)	1,074	**8,239**	1 4
France	151,305	10,598	(18,094)	15,065	**158,874**	278
Germany	4,429	12,975	(1,261)	2,066	**18,209**	3 2
Greece	780	–	(374)	(406)	**-**	–
Italy	3,087	2,840	(271)	733	**6,389**	1 1
Luxembourg	6,968	786	(1,630)	(379)	**5,745**	1 0
Netherlands	48,356	7,380	(7,512)	2,161	**50,385**	8 8
Norway	4,889	1,021	(25)	(816)	**5,069**	0 9
Sweden	28,608	8,875	(8,573)	10,659	**39,569**	7 0
Switzerland	18,572	3,368	(2,230)	4,139	**23,849**	4 1
Continental Europe	288,800	51,941	(44,974)	37,154	**332,921**	58 3
UK	168,478	23,561	(13,412)	14,337	**192,964**	33 8
Fixed Interest	4,621	–	(3,525)	(42)	**1,054**	0 2
Direct Property	50,766	500	(9,634)	2,693	**44,325**	7 7
	512,665	76,002	(71,545)	54,142	**571,264**	100 0

Manager's Report *continued*

Gearing, Debt and Debentures

At the start of the year we had £47m of debt made up of £12m from the Debenture and £35m from the bank facility The cash of £9 9m shown in the balance sheet at the end of March 2010 was mostly swallowed up in paying the second interim dividend of £8 9m the day after the year started Over the summer, net debt declined slightly and was £29m at the end of September In the second half, net debt rose again so that at the year end the figure was £37m giving gearing of 7% The portfolio's see-through leverage (which adds the proportionate debt of all our equity investments on to our balance sheet net cash or net debt) started the year at 47% and remained close to that level through the first half and then rose to finish the year at 50 3% The equivalent figures for the EPRA benchmark were close to 48% at both year ends

Direct Property Portfolio

The physical property portfolio produced a positive total return for the 12 months of 10 7% made up of a capital return of 5 5% and an income return of 5 1% This return (almost) exactly matched the total return of the IPD monthly Index which returned 10 7% made up of a capital return of 3 5% and an income return of 7 0% On a like for like basis the portfolio produced a total return of 11 8% made up of a capital return of 6 1% and an income return of 5 7% Over the 12 month period we sold one property, in Cambridge, for £6 7m which was reported at the September interim results

At our largest property, the Colonnades in Bayswater W2, we took the surrender of the car park from NCP whose lease was due to end in 2014 We received a reverse premium and have subsequently invested part in the car park, improving the security and general parking environment The new management contract with a car park operator gives the Trust much more control of this space There has already been a positive impact on both the retail and residential components of the property through the provision of a safe, secure parking environment for residents and shoppers During the year we completed 15 residential lease extensions receiving over £900,000 in premiums We have now extended c.20% of the residential leases and the pace of renewals is increasing

In Harlow we completed the surrender of the over-riding lease to Admin Re Limited (whose lease was due to expire in December 2012) for a reverse premium and have simultaneously relet 50% of the space Teva UK Ltd have taken a 10 year lease at above the previous passing rent Following the surrender, we have become landlord to the subtenants who occupy a further 35% of the building, leaving us to relet the remaining 15% We now plan to invest a proportion of the surrender premium in upgrading the building's air-conditioning system This repositions the building from a short-term income investment into a modernised, multi-let property with a longer-term income stream and has resulted in the value of the property increasing by 15% at the year end valuation The vacancy rate, by rental value, including the space at Harlow, is now 6 9% compared with 4 9% at March 2010

Postscript

This is my last manager's report, and if it reads the same as most of the previous reports, I apologise Now it's time to go before my wits shrivel any further and the performance suffers accordingly A shrewd man once told me that running a decent sized long-only investment trust is the best job in fund management He was right I have loved doing this work, not the least because I have had a succession of top quality Chairmen and non-executives who have been there with help and support, but who have let me run the portfolio without interference I owe a lot to my younger colleagues, especially Marcus, James and Joanne, all of whom have been with the Trust for so many years already, both at Henderson and now at Thames River I'm confident your capital will be in safe hands

Last but not least I would like to thank the shareholders, particularly the many individual shareholders who have taken the time to e-mail me their questions or views or have come to the AGMs over the years Your continued interest has been of more value to me than you realise

Chris Turner
Fund Manager – Ordinary Share Class

Ordinary Share Class Portfolio

Distribution of Investments
as at 31 March

	2011 £'000	**2011 %**	2010 £ 000	2010 %
UK Securities – quoted	192,964	33 8	168,478	32 9
– fixed interest	1,054	0 2	1,077	0 2
UK Investment properties	44,325	7 7	50,766	9 9
UK Total	238,343	41 7	220,321	43 0
European Securities				
– quoted	332,921	58 3	288,800	56 3
– fixed interest	–	–	3,544	0 7
Investments held at fair value	571,264	100 0	512,665	100 0
– CFD debtor/(creditor)	(22)	0 0	–	–
Total investments	**571,242**	**100.0**	**512,665**	**100 0**

Investment Exposure
as at 31 March

	2011 £'000	**2011 %**	2010 £'000	2010 %
UK Securities – quoted	192,964	33 8	168,478	32 9
– fixed interest	1,054	0 2	1,077	0 2
UK Investment Properties	44,325	7 7	50,766	9 9
UK Total	238,343	41 7	220,321	43 0
European Securities				
– quoted	332,921	58 2	288,800	56 3
– fixed interest	–	–	3,544	0 7
– CFD exposure[2]	674	0 1	–	–
Total investment exposure[3]	**571,938**	**100 0**	**512,665**	**100.0**

Portfolio Summary
as at 31 March

	2011 £'000	2010 £'000	2009 £'000	2008 £ 000	2007 £'000
Total investments	£571m	£513m	£278m	£565m	£1,082m
Net assets	£531m	£476m	£324m	£568m	£973m
UK quoted property shares	34%	33%	32%	46%	55%
Overseas quoted property shares	58%	56%	51%	41%	38%
Overseas fixed interest	0%	1%	0%	0%	0%
Direct property (externally valued)	8%	10%	17%	13%	7%

[1]Net unrealised gain/(loss) on CFD contract held as balance sheet debtor/(creditor)
[2]Gross value of CFD positions
[3]Total investments illustrating market exposure including the gross value of CFD positions

Ordinary Share Class Investment Portfolio by country *as at 31 March 2011*

	£'000	Market value %
Austria		
Conwert Immobilien	5,561	1.0
CA Immobilien	4,464	0.8
	10,025	**1.8**
Belgium		
Cofinimmo	5,002	0.9
Retail Estates	1,194	0.2
Wereldhave	372	0.1
	6,568	**1.2**
Finland		
Citycon	4,689	0.8
Sponda	3,550	0.6
	8,239	**1.4**
France		
Unibail-Rodamco	83,560	14.6
Klepierre	18,934	3.3
Foncière des Régions	15,597	2.7
Icade	12,720	2.2
Gecina	11,618	2.0
Silic	8,055	1.4
Tour Eiffel	2,690	0.5
CFI	1,695	0.3
Terreis	780	0.2
Foncière Lyonnaise	756	0.1
Mercialys	746	0.1
Altarea	597	0.1
Affine	493	0.1
Foncière Paris France	399	0.1
Foncière Europe Logistique	234	0.1
	158,874	**27.8**
Germany		
Deutsche Euroshop	6,681	1.2
Alstria Office	5,543	1.0
Deutsche Wohnen	3,445	0.6
TAG	1,913	0.3
DIC Asset	426	0.1
Hahn	201	0.0
	18,209	**3.2**
Italy		
Beni Stabili	5,298	0.9
Grande Distribuzione	1,091	0.2
	6,389	**1.1**
Luxembourg		
Prologis European Properties	3,291	0.6
Gagfah	2,454	0.4
	5,745	**1.0**
Netherlands		
Corio	22,506	3.9
Eurocommercial Properties	12,204	2.1
Wereldhave	8,406	1.5
Vastned Retail	5,484	1.0
Kardan	1,020	0.2
Nieuwe Steen	765	0.1
	50,385	**8.8**
Norway		
Norwegian Property	5,069	0.9
	5,069	**0.9**

	£'000	Market value %
Sweden		
Castellum	13,603	2.4
Fabege	7,419	1.3
Hufvudstaden	6,309	1.1
Wihlborgs	2,733	0.5
JM	2,650	0.5
Kungsleden	2,637	0.5
Klovern	2,473	0.4
Wallenstam	1,745	0.3
	39,569	**7.0**
Switzerland		
Swiss Prime Site	13,330	2.3
PSP Swiss Property	10,519	1.8
	23,849	**4.1**
United Kingdom		
Land Securities	37,409	6.6
British Land	32,598	5.7
Derwent London	14,541	2.5
Hammerson	14,301	2.5
Great Portland Estates	13,985	2.4
SEGRO	13,182	2.3
Capital Shopping Centres	11,490	2.0
Capital and Counties	7,246	1.3
Big Yellow Group	6,945	1.2
Shaftesbury	6,769	1.2
Songbird Estates	4,421	0.8
Helical Bar	3,921	0.7
Grainger	3,112	0.5
Development Securities	2,593	0.5
CLS Holdings	2,580	0.5
Max Property	2,541	0.4
Hansteen Holdings	2,338	0.4
Quintain Estates & Developments	1,936	0.3
St Modwen	1,807	0.3
Workspace Group	1,703	0.3
Safestore Holdings	1,285	0.2
Unite Group	756	0.1
Capital & Regional	722	0.1
Conygar Investment	579	0.1
Rugby Estates	552	0.1
Primary Health Properties	517	0.1
Wichford	502	0.1
Town Centre Securities	449	0.1
Local Shopping REIT	411	0.1
Orchid Developments	391	0.1
Terra Catalyst	383	0.1
McKay Securities	357	0.1
Trinity Capital	280	0.1
Unitech Corporate Parks	274	0.0
Nanette Real Estate	88	0.0
	192,964	**33.8**
Fixed Interest		
Segro 6.75%	1,054	0.2
	1,054	**0.2**
Direct Property	44,325	7.7
	44,325	**7.7**
CFD Positions (included in current assets/liabilities)		
Fabege CFD	(22)	(0)
	(22)	**(0)**
Total Investment Positions	**571,242**	**100.0**

Twenty Largest Equity Investments – Ordinary Portfolio

		Shareholding Value % of investment portfolio† % of equity owned Share price at 31 March 2011 (2010)	**Comment** Note Market caps, yields and share price returns all at end March 2011
1	Unibail-Rodamco (France)	£83 56m (£80 23m) 14 6% (15 6%) 0 7% (0 7%) €152 85 (€149 90)	Europe's largest quoted property company by both market cap and gross assets, following the June 2007 merger with Rodamco Its €21bn portfolio is located in France (62%), the Netherlands (11%), Scandinavia (8%), Spain (9%), Austria (5%) and Eastern Europe (5%) The asset focus rests on very large dominant shopping centres in the main European cities (76% of assets) which generate higher sales density/footfall and lower structural vacancy The group also runs exhibition/convention centres (8%) and pursues an opportunistic strategy (buy/build and sell) on offices (18%) mostly located in Paris CBD and La Défense It has a solid capital recycling track record (exceptional dividend of €23 or 26% of NAV after the sale of Coeur Défense in 2004 followed by €20 paid in Sept 2010) The current loan to value is 37% Despite its size and low gearing over the cycle the company has managed to deliver a stunning growth in both NAV (+6% p a) and recurring EPS (+12% p a) over the past 5 years while its dividend per share doubled to €8 This translates into a stellar five-year total shareholder return of 44 8%
2	Land Securities (UK)	£37 41m (£34 58m) 6 6% (6 7%) 0 7% (0 7%) 733 5p (678 0p)	The UK's largest real estate investment trust (REIT) by market cap and portfolio value, with a portfolio of £9 7bn including share of joint ventures The company is exposed to Central London Offices (44%), Shopping Centres (37%) and Retail Warehouses and Supermarkets (12%) The Central London Office market is likely to remain a supply constrained ahead of a significant lease expiry concentration in 2014 The company is poised to benefit from this imbalance given its c 1 3m sqft of developments underway or in planning The recently completed One New Change (the City's first dedicated Shopping Centre) is 81% let (100% Retail, 71% Offices) Last reported loan to value was 38 6% The five year total shareholder return has been -45 9%
3	British Land (UK)	£32 60m (£25 02m) 5 7% (4 9%) 0 7% (0 6%) 552 5p (481 0p)	With a £9 3bn portfolio covering Central London Offices (32%), Retail (51%) and Supermarkets (14%) in the UK, British Land is the UK's second largest REIT The portfolio has an above-average lease profile (Weighted Average Lease Length to first break of 12 1years) and exposure to higher quality Retail Warehouses and Supermarkets The group is currently on site at over 2m sqft of central London developments The last reported loan to value ratio was 46 4% The five year total shareholder return has been -31 7%
4	Corio (Netherlands)	£22 51m (£22 60m) 3 9% (4 4%) 0 6% (0 6%) €49 36 (€49 44)	Corio is the fourth largest Pan-European property company (weighted by market cap within the EPRA benchmark) with a €72bn portfolio concentrated on the retail sector (95%) After an eventful year in which it has successfully completed two share issues (raising a total €710m) Corio has entered the German retail market through an exclusive deal with Dutch developer Multi Corp Corio acquired a €1 3bn retail portfolio comprising of four operational assets and five developments predominately located in Germany The portfolio split is now Netherlands (28%), France (26%), Italy (20%), Iberia (10%) Germany (8%) and Turkey (8%) In addition the company has a €3bn development pipeline (39% committed) with a 6 6% yield on cost which should drive earnings and NAV growth Leverage is at 40% The five year total shareholder return has been 20 6%
5	Klépierre (France)	£18 93m (£15 30m) 3 3% (3 0%) 0 4% (0 3%) €28 64 (€29 08)	Klepierre owns a Pan European shopping centre portfolio valued at €15bn located in France/Belgium (52%), Scandinavia (16%), Italy (12%), Iberia (10%) and Central Europe (9%) The acquisition of the Steen & Strom €2 7bn portfolio in 2008 together (JV with pension fund ABP) has increased diversification in a strong retail property market Klepierre has a €3 7bn development pipeline (32% committed) mostly on France and Scandinavia with a 77% yield on cost Klepierre is a subsidiary of BNP Paribas (50% owned) This controlling stake is beneficial for minority shareholders in that it provides Klepierre with a superior access to debt financing and enabled them to avoid a deeply discounted rights issue in 2009 through the renegotiation of debt covenants The five year total shareholder return has been 5 3%
6	Foncière des Regions (France)	£15 60m (£16 16m) 2 7% (3 2%) 0 4% (1 0%) €75 19 (€81 55)	Foncière des Régions is a diversified European property company with a consolidated portfolio of €14bn of assets (€8 6bn in group share) The asset focus rests on French and Italian offices (74% group share) let on long term lease contracts to tenants such as France Telecom, EDF, IBM, Suez Environment and Telecom Italia The Italian office exposure is held through Beni Stabili which has become a SIIQ (Italian REIT) in January 2011 In addition Foncière des Régions has strategic stakes in sector specialist REITs Foncière des Murs (French lodging and leisure assets/25% owned), Foncière Développements Logements (French and German residential, Foncière Europe Logistique (French and German industrials/82% owned) and Parcs GFR (French car parks/60% owned) The recent years have been a transition period during which the strategy focused on de-leveraging the balance sheet (LTV down to 49% from 59%) without carrying out a deeply dilutive rights issue The five year total shareholder return has been -5 0%

†Investment portfolio excluding cash on deposit

Twenty Largest Equity Investments – Ordinary Portfolio *continued*

		Shareholding Value % of investment portfolio† % of equity owned Share price at 31 March 2011 (2010)	**Comment** Note Market caps, yields and share price returns all at end March 2011
7	Derwent London (UK)	£14 54m (£11 75m) 2 5% (2 3%) 0 9% (0 9%) 1643p (1366p)	This group is a specialist London REIT operating a £2 4bn portfolio with a specific focus on Offices in the West End and areas bordering the City of London In contrast to the larger UK REITs, the group is aiming to exploit the supply/demand imbalance in London through refurbishments rather than new developments, with 3 1m sqft of total space (1 1m of net new space) planned for delivery pre-2015 The group retains a strong balance sheet with a loan-to-value ratio of only 36 6% While vacancy rates increased to 9 4% during the year, this was due to delivery of the newly built Angel Building The five year total shareholder return has been 10 5%
8	Hammerson (UK)	£14 30m (£12 59m) 2 5% (2 5%) 0 5% (0 5%) 446 9p (393 0p)	This UK-based REIT is active in both the UK and France as an investor and developer The £5 2bn portfolio is split 43% UK Shopping Centres 20% UK Retail Parks 26% French Shopping Centres and 10% City Offices Since becoming a REIT the group has increasingly focused on income over developments While the success of this strategy is, as yet, unknown, the group's significant retail exposure is a concern in these austere times The development pipeline is currently focused on the large (c 600,000 sqft) Les Terrasses du Port Shopping Centre in Marseille While other projects are available, management is unlikely to proceed without sufficient pre-lets The balance sheet remains strong with an LTV of only 33 7% The five year total shareholder return has been -35 8%
9	Great Portland Estates (UK)	£13 99m (£11 00m) 2 4% (2 1%) 1 2% (1 1%) 385 8p (314 0p)	This Central London office investor and developer operates £1 5bn of property with exposure to West End and City Offices and Retail (77% and 23% respectively) Similarly to other West End focused companies, the group is mainly exposed to refurbishment activity, although it does have a large City office tower in the pipeline In total, the group has 1 9m sqft of near term developments and a further 1 2m sqft of longer term space Despite a competitive investment environment the company has made £320m of commitments since the rights issue in May 2009 These acquisitions are up 17 9% in value in 7 8 month average hold period The group remains committed to recycling capital and the strong balance sheet (33 8% LTV) provides firepower for future acquisitions The five year total shareholder return has been 22 0%
10	Castellum (Sweden)	£13 60m (£10 29m) 2 4% (2 0%) 0 9% (0 9%) SEK 91 80 (SEK 72 50)	Based in Gothenburg, Castellum owns a SK 32bn mixed portfolio of high yielding assets located in Central and Southern Sweden The property portfolio per type consists of 66% offices/retail, 31% logistics/industrial and 3% development/land Castellum manages its properties actively through six local subsidiaries At 50%, leverage is relatively low by Swedish standards We applaud the company's pragmatic approach to fixing part of their floating debt (which benefited the P&L greatly as interest rates were falling) as interest rates are now expected to increase markedly for 2011/12 The five year shareholder total return has been 39 0%
11	Swiss Prime Site (Switzerland)	£13 33m (£10 95m) 2 3% (2 1%) 0 5% (0 5%) CHF 72 45 (CHF 65 95)	Following the merger with Jelmoli last year SPS has become the largest Swiss investment property company both by market cap and portfolio size (CHF 8bn) The group – still externally managed by Credit Suisse – is now predominantly invested in retail (40%) and office (36%) assets throughout Switzerland SPS holds an attractive exposure to the supply-constrained Geneva market (23% by value) The yield on the stock is above 4 8% which compares favourably to the Swiss wider equity index (2 2%) The five year total shareholder return has been 41 4%
12	SEGRO (UK)	£13 18m (£14 38m) 2 3% (2 8%) 0 6% (0 6%) 321 5p (320 0p)	Segro is the largest operator of industrial property listed in the UK, with a total portfolio of £4 8bn split 72% in the UK and 28% in Continental Europe The vacancy rate remains high at 12 1% and while a reduction could drive future cash-flow growth, we remain concerned with the group's ability to execute this strategy Although there has been a level of corporate activity in the European Logistics space, we do not feel this will filter to activity in Segro given its relatively small exposure to European Logistics (12%) The 49 5% loan-to-value ratio, while low, is at the upper end of the peer group The five year total shareholder return has been -56 6%
13	Icade (France)	£12 72m (£12 48m) 2 2% (2 4%) 0 3% (0 3%) €87 08 (€82 29)	Icade is a diversified real estate company involved in house building, property management and commercial property rental activity with a €5 7bn portfolio The latter is split between offices and business parks (71%), PPE and healthcare (18%), shopping centres (6%) and logistics (5%) Caisse des Dépôts (effectively the French government) is the largest shareholder (56%) In 2010 ICADE completed the sale of its social housing portfolio (€2bn) at a low yield of 4% and acquired Companie La Lucette on an implied asset yield of 8% from Morgan Stanley REF (5% discount to NAV) La Lucette's portfolio is concentrated on Paris offices and should re-weight and further improve the quality of ICADE's commercial property portfolio Current leverage is low at 37% and the five year total shareholder return has been 42 4%

Twenty Largest Equity Investments – Ordinary Portfolio *continued*

	Shareholding Value % of investment portfolio† % of equity owned Share price at 31 March 2011 (2010)	**Comment** Note Market caps, yields and share price returns all at end March 2011
14 Eurocommercial Properties (Netherlands)	£12 20m (£8 45m) 2 1% (1 6%) 1 0% (0 8%) €34 96 (€29 61)	Based in London and listed in Amsterdam, with Dutch REIT status, the company is a specialist shopping centre investor operating in Northern Italy (38%), France (37%) and Sweden (25%) The management team is well-regarded in the sector and owns a meaningful shareholding ECP raised €98 8m through an accelerated equity offering in November 2009 successfully using the proceeds for two acquisitions (in France and Northern Italy) and the Växjö development in Sweden The loan to value ratio is 41% and the five year total shareholder return has been 43 7%
15 Gecina (France)	£11 62m (£10 96m) 2 0% (2 1%) 0 2% (0 2%) €97 32 (€81 91)	Gecina has a €10 6bn French high-quality portfolio of offices (54%), prime residential (32%) logistics (5%) and healthcare/hotels (9%) 80% of these assets are concentrated in Paris and the Paris Region Despite the low yielding nature of the residential assets (c 4 5% net yield) it provides a very resilient cash flow thanks to high occupancy rate (stubbornly above 98% over the past 10 years) and above inflation LFL rental growth (above 3% p a since 2005) The struggle for power between the controlling Spanish shareholders has now been partly resolved and the corporate governance has improved dramatically These changes have led credit rating agencies to adopt a more positive stance on the company The loan-to-value is 44% The five year total shareholder return has been 19 7%
16 Capital Shopping Centres (UK)	£11 49m (£8 56m) 2 0% (1 7%) 0 3% (0 3%) 383 0p (388 7p)	Capital Shopping Centres emerged from Liberty International as the largest UK Shopping Centre focused REIT following the spin off of Capital and Counties The group operates a £6 8bn portfolio following its acquisition of the Trafford Centre in January from the Peel Group While the portfolio has some reversion potential and operates with very low vacancy rates, recent short term leases have skewed these figures and the 50% loan-to-value limits financial flexibility We also are concerned by the group's 100% exposure to the UK consumer The five year total shareholder return has been -47 9%
17 PSP Swiss Property (Switzerland)	£10 52m (£7 63m) 1 8% (1 5%) 0 4% (0 4%) CHF 75 65 (CHF 67 65)	Based in Zurich, PSP is a real estate investment company owning a portfolio valued at over CHF 5bn at the end of 2010 63% of assets by value are located in Zurich, with the remaining properties split mainly between Geneva (14%), Basel (6%) and Bern (4%) Two thirds of rent comes from offices with the majority of the rest from retail and parking fees The internally-managed company has been successful in reducing the vacancy to 7 4% in 2010 from 13 9% in 2006 The loan to value ratio has remained stable at around 35% The five year total shareholder return has been 40 9%
18 Wereldhave (Netherlands)	£8 41m (£9 50m) 1 5% (1 9%) 0 6% (0 7%) €75 36 (€70 96)	Wereldhave is a diversified Dutch-based REIT with investments throughout Europe (76%) and the United States (24%) Its €2 4bn portfolio is dominated by the office and retail sectors, which represents over 92% of assets Under the new leadership of CEO Pars, Wereldhave has acquired €250m of Dutch mid-size shopping centres and €100m UK retail These earnings-accretive acquisitions lifted the leverage from a low 28% to 39% The cost of debt remains very low at 2 6% (due to 43% of the debt being floating) but together with some unhedged FX exposure tends to undermine the visibility on future earnings This seems factored in the stock valuation which yields over 6 7% The five year total shareholder return has been 9 7%
19 Silic (France)	£8 06m (£8.32m) 1 4% (1 6%) 0 5% (0 6%) €98 90 (€93 25)	Silic is an investor in and developer of office and light industrial space in the Paris Its 1 2 million sqm portfolio (valued at €3 5bn) is clustered in business parks Orly-Rungis, Roissy and La Défense-Nanterre The company has €175m developments with a projected 8% yield on cost and some land bank reserves valued at €175m Indeed Silic has one of the largest privately-owned land banks in the Paris region, representing an additional building potential of over 1 2 million sqm on their 63-hectare park, which currently houses 396 200 sqm of space The loan to value ratio stands 39% The 44% controlling stake of French insurance group Groupama has become subject to increasing speculation as we enter the final consultative period of the Solvency II regulation The five year total shareholder return has been 36 9%
20 Fabege (Sweden)	£7 42m (£6 47m) 1 3% (1 31%) 0 7% (0 9%) SEK 68 25 (SEK 48 80)	Fabege is a Swedish real estate investment company focused on the Stockholm office market which should benefit from a strong rental outlook Following the sale of non-core assets some 60% of the SEK 27bn portfolio is now located in the central part of Stockholm and the remaining 44% in the nearby suburbs Solna and Hammarby Sjöstad The loan to value stands at 62% with an average debt duration of 5 years which is deemed long by Swedish standards In addition, Fabege appears to benefit from strong banking relationships as evidenced by new credit facilities secured at a 100bp margin The sub-optimal interest rate hedging ratio (47%) should be offset by increasing revenues from indexation, uplifts on rent renegotiations and newly delivered development schemes The five year total shareholder return has been 15 7%

Five year share price total returns are from Bloomberg using the period ended 31 March 2011, are expressed in local currency and assume the reinvestment of net dividends

Ordinary Portfolio Investment Properties *as at 31 March 2011*

Value in excess of £10 million

Property	Sector	Tenure	Size (sq ft)	Principal tenants
The Colonnades Bishops Bridge Road London W2	**Mixed Use**	**Freehold**	**44,000 200 space car park 242 residential units**	**Waitrose Ltd Velmore Ltd**

The property comprises a large mixed-use block in Bayswater, constructed in the mid-1970s The site extends to approximately 2 acres on the north east corner of the junction of Bishops Bridge Road and Porchester Road, close to Bayswater tube station and the Whiteleys Shopping Centre

Value less than £10 million

Property	Sector	Tenure	Size (sq ft)	Principal tenants
Field House Station Approach Harlow	**Offices**	**Freehold**	**66,000**	**Teva UK Ltd Close Brothers Ltd**

Located next to Harlow Town railway station, the building was constructed in the late 1980s and comprises a 66,000 sq ft office building on a site of 3 5 acres The building is multi-let to a variety of tenants with 50% of the property's income expiring in 2021

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

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

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

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

Spread of Direct Portfolio by Capital Value (%)
as at 31 March 2011

	Office and mixed use	Retail	Industrial and business space	Residential Ground Rents	Total
West End of London	15 3	24 9	20 2	13 6	74 0%
Around the M25	16 2	–	–	–	16 2%
Other South East	9 8	–	–	–	9 8%
Total	**41.3**	**24.9**	**20.2**	**13 6**	**100 0%**

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

Lease Lengths within the Direct Property Portfolio

as at 31 March	Gross rental income
less than 1 year (including voids)	16 8%
1 to 3 years	31 4%
4 to 5 years	15 3%
6 to 10 years	35 4%
11 to 15 years	–
Over 15 years	1 1%
	100%

Ordinary Share Class Statement of Comprehensive Income

for the year ended 31 March 2011

	Year ended 31 March 2011 Revenue Return £'000	Year ended 31 March 2011 Capital Return £'000	Year ended 31 March 2011 Total £'000	Year ended 31 March 2010 Revenue Return £'000	Year ended 31 March 2010 Capital Return £'000	Year ended 31 March 2010 Total £'000
Investment income						
Investment income	**20,581**	**-**	**20,581**	15,696	–	15,696
Other operating income	**23**	**-**	**23**	1,502	–	1,502
Gross rental income	**3,041**	**-**	**3,041**	3,655	–	3,655
Service charge income	**1,222**	**-**	**1,222**	1,506	–	1,506
Gains on investments held at fair value	**-**	**54,475**	**54,475**	–	154,504	154,504
Net returns on contracts for difference	**29**	**(22)**	**7**	–	-	-
Total income	**24,896**	**54,453**	**79,349**	22,359	154,504	176,863
Expenses						
Management and performance fees	**(2,494)**	**(1,247)**	**(3,741)**	(2,288)	(1,144)	(3,432)
Repayment of prior years' VAT	**59**	**30**	**89**	443	292	735
Direct property expenses, rent payable and service charge costs	**(1,577)**	**-**	**(1,577)**	(1,792)	–	(1,792)
Other expenses	**(689)**	**-**	**(689)**	(696)	–	(696)
Total operating expenses	**(4,701)**	**(1,217)**	**(5,918)**	(4,333)	(852)	(5,185)
Operating profit	**20,195**	**53,236**	**73,431**	18,026	153,652	171,678
Finance costs	**(1,179)**	**(1,179)**	**(2,358)**	(937)	(937)	(1,874)
Profit from operations before tax	**19,016**	**52,057**	**71,073**	17,089	152,715	169,804
Taxation	**(1,223)**	**828**	**(395)**	(3,797)	589	(3,208)
Total comprehensive income	**17,793**	**52,885**	**70,678**	13,292	153,304	166,596
Earnings per Ordinary share (note 9 on pages 75 and 76)	**6.94p**	**20.61p**	**27.55p**	5 18p	59 71p	64 89p

Ordinary Share Class Balance Sheet

as at 31 March 2011

	2011 £'000	2010 £'000
Non-current assets		
Investments held at fair value	**571,264**	512,665
Current assets		
Debtors	**5,707**	9,286
Cash and cash equivalents	**3,012**	9,863
	8,719	19,149
Current liabilities	**(33,840)**	(40,614)
Net current liabilities	**(25,121)**	(21,465)
Total assets less current liabilities	**546,143**	491,200
Non-current liabilities	**(15,541)**	(15,700)
Net assets	**530,602**	475,500
Net asset value per Ordinary share (note 20a on page 88)	**207.08p**	185 22p

Sigma Shares

Financial Highlights

	Year ended 31 March 2011	Year ended 31 March 2010	% Change
Revenue			
Total revenue return (£'000)	**4,624**	5,423	-14.7
Net revenue profit before tax (£'000)	**3,485**	4,533	-23.1
Revenue earnings per share	**2.57p**	3.06p	-16.0
Net dividend per share[1]	**2.15p**	2.00p	+7.5

	At 31 March 2011	At 31 March 2010	% Change
Balance Sheet			
Investments held at fair value (£'000)	**150,308**	133,557	+12.5
Shareholders' funds (£'000)	**139,841**	122,577	+14.1
Shares in issue at end of period (m)	**124.9**	124.9	–
Net debt	**8%**	11%	
Net asset value per share[1]	**111.94p**	98.12p	+14.1

Performance

	Year ended 31 March 2011	Year ended 31 March 2010
Assets and Benchmark		
Benchmark performance (price only)	**+13.1%**	+61.1%
NAV change	**+14.1%**	+60.0%
Benchmark performance (total return)	**+16.9%**	+70.0%
NAV total return	**+16.5%**	+64.1%

	Year ended 31 March 2011	Year ended 31 March 2010	% Change
Share Price			
Share price	**83.45p**	70.50p	+18.4
Share price total return	**+19.7%**	+90.0%	
Market capitalisation	**£104m**	£88m	+18.2

Source Thames River Capital

[1]Net dividends per share are the dividends in respect of the financial year ended 31 March 2011. Interim dividends were paid in January 2011 and the final dividend will be paid in August 2011

SIGMA SHARES

Manager's Report

Sigma Share Class

Marcus Phayre-Mudge MRICS **Fund Manager**
10 June 2011

Introduction

Sigma's performance has been measured against a small cap index, the FTSE EPRA/NAREIT Small Cap Europe Index since 1 April 2009 I am able to report that this index has outperformed the FTSE EPRA/NAREIT Developed Europe Index (the EPRA index that includes both large and small cap stocks) over each subsequent 6 month reporting period Over the last year, the small cap index returned 16 9% whilst the all-cap total return index rose 15 2% This was broadly the same differential as that reported at the half year stage Amongst general equities, smaller companies have generally underperformed their larger competitors over the last year, however the reverse has been true of smaller property companies

Indeed since the launch of the share class in July 2007, Sigma's NAV total return has been -1 4%, whilst the all-cap EPRA index has returned -11 8% In the same period, the FTSE Smaller Companies Index returned -19 8% whilst the All Share was down -8 7% Size has clearly been a handicap to performance outside the real estate equity market. We believe that there are few economies of scale in real estate businesses (once a business is large enough to attract competitive financing) In fact outperformance is generated through focused, proactive

Manager's Report *continued*

management of both the underlying assets as well as the balance sheet The ability to be 'fleet of foot' has certainly been critical through the financial crisis This doesn't mean that all managements of smaller companies achieved this but as a broad statement we believe that small and mid sized property companies will continue to outperform their larger peers Our experience in the last twelve months has continued to reinforce this view It is important to note that there are always exceptions and this is not a hard and fast rule Some larger companies do display a number of the key qualities that we consider drive relative outperformance in smaller companies Unibail, the largest property company in the sector continues to surprise on the upside with a clarity of strategy, rapid response to changing market conditions and opportunistic deployment of capital (investing in their business as well as returning to shareholders when deemed appropriate)

Performance

In the year to March 2011, the Sigma share class total return NAV rose 16 5% and this compares with a total return from the FTSE EPRA/NAREIT Small Cap Europe Index of +16 9% As outlined in the interim report, the first quarter was dominated by the crisis that enveloped the Eurozone Between the beginning of the financial year (31 March) and the low point of the year (end of May) the benchmark index fell over 17% The Euro continued to weaken and fell 6 2% in May and June to €1 22 to £1 In local currency terms, there was little difference in performance across the Eurozone and UK property stocks In a period of dramatic risk aversion by investors, there was precious little stock differentiation Real estate stocks across the piece were tarred with the same brush Exceptions were driven by geography or currency, viz Sweden and Switzerland However, the second quarter of the financial year up to the end of September saw a strong yet steady recovery in real estate equity prices Investors responded to the robust political dialogue as well as the concrete proposals surrounding the European Financial Stability Facility and its proposed successor the European Stability Mechanism (which will take effect from 2013) Central to the recovery in prices were two expectations that there was now a real political impetus to reinforce the regulatory and economic surveillance framework and that policy rates would remain 'lower for longer', with the consequence of stronger earnings from those businesses with floating rate debt

See-Through Portfolio by Market (%)

	Sigma Share Class Portfolio	Benchmark 31 March 2011
UK		
City Offices	0 5%	1 4%
West End Offices	2 7%	2 8%
West End Retail	2 9%	3 5%
Docklands	1 3%	0 1%
GLC/SE Offices	1 2%	1 0%
Provincial Offices	1 2%	0 7%
In town Retail	3 0%	1 1%
Supermarkets	0 0%	0 1%
Retail Warehouses	0 3%	0 6%
Out of town Retail	0 1%	0 4%
SE Industrials	1 8%	1 9%
Other Industrials	0 7%	1 9%
Self Storage	2 6%	2 2%
Leisure	0 4%	0 6%
Residential	5 3%	6 9%
Other	0 5%	1 0%
Total UK	24 5%	26 2%
Austria Retail	0 2%	0 3%
Austria Offices	0 9%	0 8%
Austria Residential	1 7%	1 8%
Belgium Retail	0 3%	0 6%
Belgium Offices	2 0%	4 0%
Belgium Residential	0 0%	0 0%
Belgium Logistics	0 5%	1 1%
Central Europe Retail	0 8%	0 7%
Central Europe Offices	0 7%	0 7%
Central Europe Industrial	0 5%	0 8%
Central Europe Other	0 9%	0 2%
Denmark	0 0%	0 0%
Finland Retail	2 9%	2 5%
Finland Offices	1 9%	3 4%
Finland Other	0 5%	0 7%
France Retail	4 2%	1 8%
France Offices	4 4%	2 2%
France Residential	0 2%	0 0%
France Logistics	3 6%	1 6%
France Other	1 4%	0 1%
Germany Retail	2 5%	3 7%
Germany Offices	5 7%	5 3%
Germany Residential	5 2%	8 3%
Germany Logistics	1 8%	2 1%
Germany Other	0 9%	0 8%
Greece Retail	0 0%	0 3%
Greece Offices	0 0%	0 3%
Italy Retail	4 5%	2 6%
Italy Offices	3 2%	2 8%
Italy Logistics	0 1%	0 3%
Italy Other	0 1%	0 1%
Netherlands Retail	1 0%	1 9%
Netherlands Offices	0 7%	1 5%
Netherlands Other	0 6%	0 9%
Norway	4 6%	2 7%
Portugal	0 0%	0 0%
Russia	0 2%	0 3%
Spain Retail	0 4%	0 6%
Spain Other	0 1%	0 3%
Sweden Retail	3 8%	2 5%
Sweden Offices	7 9%	6 8%
Sweden Industrial	2 4%	2 1%
Sweden Other	1 9%	2 1%
Switzerland Retail	0 1%	0 3%
Switzerland Offices	0 1%	1 3%
Switzerland Other	0 1%	0 6%
Other overseas	0 1%	0 3%
Total	100 0%	100 0%

Manager's Report *continued*

This pattern of a dramatic, macro event driven sell off followed by an even stronger recovery was to repeat itself twice more before the year end In November, as the Irish debt crisis took hold, small cap property stocks sold off -8 7% in the month, only to recover +13 3% in December More recently, events in Japan, North Africa and the Middle East resulted initially in sell offs followed by stronger recoveries Over the last two months of the financial year, small cap property stocks rose +5 8% In summary, the investment backdrop for the fund over the year was a steadily appreciating underlying real estate asset class (reflected in equity prices) punctured by intermittent and quite violent sell offs Valuable lessons were learned from the May 2010 correction and the appropriate strategy was to remain flexible, particularly in relation to gearing both on balance sheet and on a see-through basis

Investment Activity

Investment turnover (purchases and sales divided by two) was £58 5m which equates to 41 2% of the average investments (over the year) of £141 9m This figure is much lower than that reported for the twelve months to March 2010 (over 90%) and reflects in particular the Board's decision that the small cap index constituents review was conducted annually as opposed to quarterly A summary of the benchmark constituent methodology is contained in the Report of the Directors As stated in the performance section above, the period was one dominated by improving investor appetite for the asset class but one punctured by brief periods of great volatility My response was to maintain a modest level of gearing throughout the period which fluctuated between 5%-13% The reduced levels of turnover also reflect the fact that there were far fewer new investment opportunities in the period Whilst 2008 saw a tremendous number of rescue rights issues (to repair balance sheets), these continued on into the first half of 2009 but then evolved into proactive (rather than reactive) capital raisings for opportunistic acquisitions In the year to March 2011 we saw none of the former and only a handful of the latter This was partly investment indigestion (the need to get the capital raised out to work) but also investor reluctance to fund 'blind' cash pools particularly after such a record breaking reflationary period for asset values Development Securities, Shaftesbury and Helical Bar all raised opportunistic capital through rights issues or placings In the case of Development Securities and Helical Bar, share prices have subsequently performed poorly reflecting the paucity of attractive investment opportunities in which to deploy the capital The other side of this coin is of course that distressed sellers were (and still are) fewer than expected In all other instances, raisings have had a clear purpose, Songbird (to repay expensive debt), Deutsche Euroshop (buying a shopping centre in Hamburg), Conwert (to buy its partially owned subsidiary ECO) and TAG (acquiring a larger competitor Colonia) Interestingly, what we did see was several examples of private equity investors placing their holdings in listed companies In June and October, Oaktree placed 23% of Deutsche Wohnen (their entire position in the stock) We participated in the placings, believing that the perceived stock overhang had been lifted In the UK, Safestore, the self storage operator's share price benefited from the placing of Bridgepoint's final 18% stake Again we participated for the same reason

Our periods of greatest activity surrounded the volatility spikes in May, November and more recently in March this year Whilst we were nimble enough to reduce gearing appropriately, the recoveries in sentiment were even faster and opportunities to buy on share price weakness were often brief windows The December rally being a case in point

Largest Equity Investments

The table on page 37, shows the top 20 holdings as at the year end For comparative purposes the same table for the previous year is included As flagged in Investment Activity, turnover has fallen and hence the broad shape of the portfolio has been maintained over the period Last year I identified the Scandinavian region as likely to be an economic outperformer and that has been the case with GDP growth of 5 5% in 2010 (source OECD) As importantly, there are a significant number of property companies in the region operating with above average leverage and a higher proportion of floating rate debt, ideal beneficiaries of improving economic conditions with low (for the moment anyway) policy rates Exposure to Sweden, Norway and Finland collectively increased to over 25% of the portfolio and 7 individual stocks feature in the top 20 holdings Particular increases in exposure were to Norwegian Properties (prime CBD offices in Oslo and Stavanger) and Sponda (Helsinki focused portfolio)

Given the ongoing issues across much of the Eurozone, it will come as little surprise that I increased the exposure,

Manager's Report *continued*

where possible, to German assets Germany's economic performance continues to drive forward at an impressive pace (particularly when compared to the Club Med group of southern European countries) However, very little German commercial property is owned by listed companies (it remains dominated by open-ended funds) Our 10th largest position is now Deutsche Euroshop and this is a stock in which we had a nil position twelve months earlier Whilst there have been no changes to the overly conservative strategy (and management) of this business over the year, I increasingly wanted access to improving German consumer confidence and this company owns 15 shopping centres in Germany (and 3 in Poland) Although just outside the top 20 positions, our holding in Deutsche Wohnen, Germany's largest listed residential landlord, equates to 1 9% of net assets and is a new holding this year Together with our longstanding position in Alstria (primarily Hamburg offices), our German holdings total around 9% of net assets Added to this, on a 'see-through' geographical exposure basis, would be Hansteen's portfolio of German industrial (which account for 70% of their assets) and a key reason for holding that stock. The large increase in exposure to our only Italian listed company, Beni Stabili was also partially 'top down' driven Again, we began to feel more comfortable with Italy's expected economic performance and this company primarily owns very good quality retail and office property focused on Milan and Northern Italy – the submarkets we wanted to get access to

Whilst the overall UK exposure dropped from 34% to 30% of the portfolio over the year, the focus on the Greater London area increased There was additional investment in our core London holdings, Great Portland Estates and Shaftesbury (our second and third largest investments) together with new positions opened in Workspace and Capital & Counties Workspace which owns a 5 5 million sq ft portfolio of business space across the capital has undertaken impressive corporate rehabilitation over the last 18 months We last owned the stock in December 2007 A rights issue in December 2009 coupled with a (partial) change of senior management and more recently a restructuring of their largest joint venture pointed to a stabilised business focused exclusively in Greater London business space The holding grew rapidly and is now 1 9% of assets Capital & Counties, spun off from Liberty International, owns both the Earls Court and Olympia exhibition venues as well as being the largest retail landlord in Covent Garden We expect progress on the development plans at Earls Court to be announced later in 2011 Residential values in London continue to rise and this site would have strong international investor appeal However, UK residential prices are generally only rising in London and the South East and over the year we have reduced our broad UK residential exposure with the Grainger position more than halved

Distibution of Assets

The table on page 31 explains the 'see-through' by country and sub-market and is set against the equivalent for the benchmark. Whilst exposure to the UK has dropped over the year, the portfolio remains overweight where expected West End office and retail, Docklands (our holding in Songbird), South East industrial and self storage Our UK residential exposure has dropped sharply from 12 8% last year to 5 3% In town, retail (outside of London) has fallen from 3 6% to 3 0%, again reflecting our concerns over consumer behaviour as public sector employment falls, whilst taxes, food and petrol prices rise However, on the Continent, our retail exposure has increased and the fund remains overweight retail versus the index

In the office sector, the only geographical submarkets in which we are overweight are the UK (just London), France (almost entirely Paris), Norway and Italy (virtually all Milan) I mentioned last year the reduction in exposure to the Brussels office market and this strategy has continued

The Central European exposure which was heavily reduced in 2008, remains limited today Whilst we are beginning to see improving underlying tenant demand in certain markets (Polish retail), we are yet to see appropriate vehicles through which we can get suitable exposure Investors are still smarting from the inappropriate structures and balance sheets of the multitude of AIM listed property vehicles launched between 2005 and 2007

Revenue

I noted in the interim report that I had advised the Board that revenue earnings for the year would be in the region of 2 3p per Sigma share I am pleased to report that we exceeded that forecast with earnings of 2 57p The revenue within the Sigma share class is more evenly spread over the year than the Ordinary share class and a

Manager's Report *continued*

number of companies surprised us positively in the second half Of particular note was our largest holding, Eurocommercial Properties who pay an annual dividend in November They increased the dividend by 2 25% which was greater than we had anticipated in our forecast In fact, within the portfolio, there were very few companies that disappointed us with their income statements or dividend distributions As noted in last year's report, cashflows, particularly amongst our Continental holdings were aided by high levels of floating rate debt which led to reduced interest rate bills as central banks kept policy rates artificially low over the period The other significant contributing factor in the second half of the year was the impact of a number of our Swedish holdings These companies are generally amongst the first to distribute between late March and early April thus crossing the 'cusp' of our year end The strength of the Swedish Krona made a positive contribution with dividend income worth 7% more in Sterling than twelve months previously

Whilst our expectations were exceeded, an explanation as to why the earnings of 2 57p per share were lower than the previous twelve month period (3 06p per share) is required Please note that the reasons were flagged in the Revenue Expectations section in last year's Report but are worthy of repetition In the year to March 2010, earnings were flattered by several items which were not expected to recur The first was that a number of UK property companies chose to pay a second interim dividend (in lieu of a final dividend) ahead of that new tax year and the change in personal income tax thresholds in April 2010 This had the effect of pulling income from 2010/11 back into 2009/10 This amounted to approximately 0 2p per share of post tax income Of greater importance to the income in that period was the successful VAT reclaim on management fees as well as underwriting income These non-recurring items added just under 0 5p per share to income in that year Combined, this 0 7p is close to the difference this year

Revenue Expectations

The earnings for the last financial year were better than expected The reasons behind those improved figures, such as base rates remaining lower for longer than anticipated, will continue to flatter the income statements of many property companies – if such low interest rates persist However, with more than 60% of the income of the fund coming from the Eurozone and Scandanavia where the interest rate tightening cycles are already underway we must reflect that impact in our earnings expectations Set against that potential negative impact is the fact that almost every Continental holding enjoys the benefit of annual indexation of underlying rents The levels of indexation vary hugely across subsectors and markets but we remain confident that this will be a positive contribution The greatest unknown is the impact of currency volatility Unlike the Ordinary share class, Sigma's income is spread more evenly across the year (as opposed to being predominantly earned in the first quarter of the financial year) and with the majority coming in the form of non Sterling dividends, accurate forecasts are harder to make On balance, we expect dividend payments to be broadly in line with the current year but with the substantial caveat that currency levels (which helped boost our Sterling earnings in the last quarter of the year just past) could have the opposite effect in the future

As flagged earlier in the manager's statement we continue to hunt for those markets which are exhibiting signs of rental growth and equilibrium in the balance of supply and tenant demand In the event that the transmission of estimated rental values into hard cashflow exceeds our expectations then this will of course ultimately boost earnings

The payout ratio reached 84% this year The cautious approach of previous years has ensured a stable but growing dividend This payout ratio has the capacity to increase further if our confidence in underlying rental markets continues to improve

Cash, Gearing and Debentures

Sigma has a £10m share of the Group facility with RBS and a £2 85m share of the remaining debenture The total debt availability is therefore currently £12 85m Based on shareholders' funds of £139 8m, these facilities represent a maximum external gearing of around 9% The gearing was 8% at the full year and ranged between 13% in April to 5% in August The debt position has been actively managed

Post the year end, a two-year £30m borrowing facility has been agreed with ING, the Sigma share of this facility is £6 0m

Manager's Report *continued*

Alongside the gearing figure on the balance sheet we also calculate the 'see-through loan to value' which adds the proportionate debt of all our equity investments to our own balance sheet net debt This figure is 56 3% and the equivalent figure for the benchmark is 52 5% These statistics highlight that as the fund continues to hold a number of lower beta small companies, which have less than average gearing, this reduces our overall 'see-through' gearing

Management Changes

On a personal note, I would like to thank Chris for all his help and guidance over the last fourteen years His depth of knowledge and experience is unparalleled The Chairman has commented on the continuity of your management team James joined Chris and I in 2002 He has worked extremely closely with me on Sigma since launch in 2007 I am delighted that he will become the lead manager on the Sigma share class

Marcus Phayre-Mudge
Fund Manager – Sigma Share Class

SIGMA SHARES

Sigma Share Class Portfolio

Distribution of investments as at 31 March 2011	**2011 £'000**	**2011 %**	2010 £'000	2010 %
UK Securities				
– Quoted	**45,141**	**30 0**	45,795	34 3
European Securities				
– Quoted				
France	**16,085**	**10.7**	14,831	11 1
Netherlands	**15,928**	**10.6**	15,464	11 6
Sweden	**24,129**	**16.1**	21,016	15 7
Germany	**12,915**	**8.6**	6,237	4 7
Other	**35,276**	**23.4**	30,214	22 6
– Fixed interest	**834**	**0 6**	–	–
Total investments	**150,308**	**100 0**	**133,557**	**100 0**

Changes in Investments as at 31 March	Valuation 2010 £'000	Purchases £'000	Sales £'000	Appreciation/ (depreciation) £'000	**Valuation 2011 £'000**	%
Austria	9,461	1,758	(3,152)	1,690	**9,757**	6 5
Belgium	4,200	3,578	(3,844)	325	**4,259**	2 8
Finland*	7,420	2,710	(2,123)	536	**8,543**	5 7
France	14,831	2,549	(3,469)	2,174	**16,085**	10 7
Germany*	6,237	13,810	(9,143)	2,715	**13,619**	9 1
Greece	793	–	(564)	(229)	**–**	–
Italy	1,626	4,191	(233)	348	**5,932**	3 9
Luxembourg	3,064	293	(1,917)	(283)	**1,157**	0 8
Netherlands	15,464	4,849	(6,320)	1,935	**15,928**	10 6
Norway	3,650	2,773	(530)	(571)	**5,322**	3 5
Sweden	21,016	10,467	(15,209)	7,855	**24,129**	16 1
Switzerland	–	218	(48)	266	**436**	0 3
Continental Europe	87,762	47,196	(46,552)	16,761	**105,167**	70 0
UK – equities	45,795	10,954	(12,221)	613	**45,141**	30 0
	133,557	58,150	(58,773)	17,374	**150,308**	100 0

*Includes fixed interest investments

Sigma Share Class

Top 20 Holdings at 31 March 2011

Security	Holding value in £'000	% of total equity portfolio value
Eurocommercial Properties	11,155	7 4
Great Portland Estates	8,227	5 5
Shaftesbury	6,436	4 3
CA Immobilien	5,667	3 8
Hufvudstaden	5,335	3 6
Norwegian Property	5,322	3 5
Fabege	5,127	3 4
Alstria Office	4,933	3 3
Sponda	4,508	3 0
Deutsche Euroshop	4,334	2 9
Kungsleden	4,221	2 8
Conwert Immobilien	4,090	2 7
Castellum	4,073	2 7
Beni Stabili	3,937	2 6
Citycon	3,905	2 6
Tour Eiffel	3,545	2 4
Foncière Paris France	3,228	2 2
Befimmo	2,976	2 0
Vastned Retail	2,881	1 9
Workspace	2,830	1 9

The value of the largest twenty holdings at 31 March 2011 totalled £97m and represented 65% of the portfolio

Top 20 Holdings at 31 March 2010

Security	Holding value in £'000	% of total equity portfolio value
Eurocommercial Properties	9,137	6 8
Great Portland Estates	7,204	5 4
Conwert Immobilien	6,376	4 8
Fabege	5,900	4 4
Citycon	5,344	4 0
Vastned Retail	5,241	3 9
Grainger	5,013	3 8
Hufvudstaden	4,737	3 6
Alstria Office	4,109	3 1
Hansteen Holdings	3,891	2 9
Unite Group	3,705	2 8
Norwegian Property	3,650	2 7
Castellum	3,474	2 6
Big Yellow	3,347	2 5
CA Immoblien Anlagen	3,085	2 3
Prologis European Properties	3,064	2 3
Foncière Paris France	3,011	2 3
Shaftesbury	2,744	2 1
Foncière des Murs	2,420	1 8
Kungsleden	2,236	1 7

The value of the largest twenty holdings at 31 March 2010 totalled £88m and represented 64% of the portfolio

Sigma Share Class Investment Portfolio by country

as at 31 March 2011

	Market value £'000	Market value %
Austria		
CA Immobilien	5,667	3.8
Conwert Immobilien	4,090	2.7
	9,757	**6.5**
Belgium		
Befimmo	2,976	2.0
Warehousing & Distribution	920	0.6
Wereldhave Belgium	363	0.2
	4,259	**2.8**
Finland		
Sponda	4,508	3.0
Citycon	3,905	2.6
	8,413	**5.6**
France		
Tour Eiffel	3,545	2.4
Foncière Paris France	3,228	2.2
Foncière des Murs Managers	2,442	1.6
Argan	1,990	1.3
CFI Compagnie Foncière	1,706	1.1
ANF	1,569	1.1
Terreis	779	0.5
Altarea	507	0.3
Foncière Europe Logistique	319	0.2
	16,085	**10.7**
Germany		
Alstria Office	4,933	3.3
Deutsche Euroshop	4,334	2.9
Deutsche Wohnen	2,631	1.7
TAG	759	0.5
Hahn	258	0.2
	12,915	**8.6**
Italy		
Beni Stabili	3,937	2.6
Immobiliare Grande Distribuzione	1,995	1.3
	5,932	**3.9**
Luxembourg		
Prologis European Properties	1,157	0.8
	1,157	**0.8**
Netherlands		
Eurocommercial Properties	11,155	7.4
Vastned Retail	2,881	1.9
Nieuwe Steen	1,115	0.8
Vastned Offices Industrial	777	0.5
	15,928	**10.6**
Norway		
Norwegian Property	5,322	3.5
	5,322	**3.5**
Sweden		
Hufvudstaden	5,335	3.6
Fabege	5,127	3.4
Kungsleden	4,221	2.8
Castellum	4,073	2.7
Klovern	2,426	1.6
Ljungberggruppen	1,589	1.1
Wihlborgs	1,358	0.9
	24,129	**16.1**
Switzerland		
Allreal	436	0.3
	436	**0.3**
United Kingdom		
Great Portland Estates	8,227	5.5
Shaftesbury	6,436	4.3
Workspace	2,830	1.9
Capital & Counties	2,779	1.8
Hansteen Holdings	2,524	1.7
Big Yellow	2,384	1.6
Safestore Holdings	2,380	1.6
Grainger	2,289	1.5
Helical Bar	1,886	1.2
Development Securities	1,630	1.1
Quintain Estates & Developments	1,507	1.0
Local Shopping REIT	1,320	0.9
Conygar Investment	1,202	0.8
CLS Holdings	1,027	0.7
Songbird Estates	1,018	0.7
Town Centre Securities	948	0.6
Unite Group	768	0.5
St Modwen Props	737	0.5
Wichford	719	0.5
Max Property Group	363	0.2
Terra Catalyst	347	0.2
Rugby Estates	328	0.2
Capital & Regional	320	0.2
Orchid Developments	272	0.2
Trinity Capital	258	0.2
Primary Health Properties	257	0.2
Pactolus Hungarian	198	0.1
McKay Securities	125	0.1
Nanette Real Estate	62	0.0
	45,141	**30.0**
Fixed Interest		
TAG 6.5% 10/12/15	704	0.5
Citycon 4.5% 02/08/13	130	0.1
	834	**0.6**
Total portfolio	**150,308**	**100.0**

Twenty Largest Equity Investments – Sigma Portfolio

		Shareholding Value % of investment portfolio† % of equity owned Share price at 31 March 2011 (2010)	**Comment** Note Market caps, yields and share price returns all at end March 2011
1	Eurocommercial Properties (France)	€11 16m (£9 14m) 7 4% (6 9%) 0 9% (0 9%) €34 96 (€29 61)	Based in London and listed in Amsterdam, with Dutch REIT status, the company is a specialist shopping centre investor operating in Northern Italy (38%), France (37%) and Sweden (25%) The company management team is well-regarded in the sector and owns a meaningful shareholding ECP raised €98 8m through an accelerated equity offering in November 2009 successfully using the proceeds for two acquisitions (in France and Northern Italy) and the Växjö development in Sweden The loan to value ratio is 41% and the five year total shareholder return has been 43 7%
2	Great Portland Estates (UK)	£8 23m (£7 20m) 5 5% (5 4%) 0 7% (0 7%) 385 8p (314 0p)	This Central London office investor and developer, operates £1 5bn of property with exposure to West End and City Offices and Retail (77% and 23% respectively) Similarly to other West End focused companies, the group is mainly exposed to refurbishment activity, although it does have a large City office tower in the pipeline In total, the group has 1 9m sq ft of near term developments and a further 1 2m sqft of longer term space Despite a competitive investment environment the company has made £320m of commitments since the rights issue in May 2009 These acquisitions are up 17 9% in value in 7 8 month average hold period The group remains committed to recycling capital and the strong balance sheet (33 8% LTV) provides firepower for future acquisitions The five year total shareholder return has been 22 0%
3	Shaftesbury (UK)	£6 44m (£2 74m) 4 3% (2 1%) 0 5% (0 3%) 473 1p (385 0p)	A specialist investor in the West End of London with a £1 5bn portfolio split across Retail/Restaurant (70%), Offices (20%) and Residential (10%) The group continues to benefit from weak Sterling which is enticing foreign consumers to the iconic West End As a result, vacancy of 4 5% remains low The group s largest development, Longmartin, completed in Q4 2010 and was 87% let as of 31/01/11 Following the recent £102m placing, the group has c £160m of available resources for future acquisitions and a very low 32 3% loan-to-value ratio The five year total shareholder return is 29 0%
4	CA Immobilien (Austria)	£5 67m (£3 09m) 3 8% (2 3%) 0 6% (0 4%) €13 00 (€8 90)	Vienna listed commercial property investor and developer with a €5bn portfolio located in Austria (15%), Germany 42%) and Eastern Europe (43%) In March 2010, it launched a takeover on the 37% minority shareholders in CA Immo International (listed subsidiary holding the Eastern European portfolio) at a 30% discount to NAV A few months later it successfully acquired Europolis, an Eastern European property group at an attractive price Europolis has a good quality portfolio valued at €1 5bn and has secured strong partnerships with EBRD AXA and Union Invest These transactions have been earnings and NAV accretive and rebalanced the portfolio towards more income producing assets (90%) and offer cost synergies potential The loan-to-value is 56% Five year total shareholder return has been -37 1%
5	Hufvudstaden (Sweden)	£5 34m (£4 74m) 3 6% (3 5%) 0 4% (0 4%) SEK 75 05 (SEK 61 25)	A focused Swedish property group with a SEK 20bn portfolio of prime assets located in Stockholm (90%) and Gothenburg (10%) Hufvustaden is principally exposed to retail stores (45%) and office buildings (48%) The portfolio is prime by nature with a limited 5% vacancy rate and has experienced a sustained rental growth over the past few years The group remains financially robust with a very low net loan-to-value ratio of 18% and interest coverage ratio multiple of 8 5x The five year total shareholder return is 52 1%
6	Norwegian Property (Norway)	£5 32m (£3 65m) 3 5% (2 7%) 0 9% (0 5%) NOK 10 15 (NOK 12 40)	Following the sale of its hotel division (38% of the portfolio) in 2010 Norwegian Property has become a pure play on the attractive Norwegian office market The company has a portfolio of high-quality centrally located properties in Oslo (85% of the portfolio value) and Stavanger The disposal of the hotel portfolio in combination with rising property values have de risked the balance sheet structure, reducing the LTV from 77% to a more conservative 61% With a solid occupational market and growing rents NPRO can now focus on value-creating refurbishing projects The total shareholder return since listing has been -75 9%
7	Fabege (Sweden)	£5 13m (£5 9m) 3 4% (4 4%) 0 5% (0 8%) SEK 68 20 (SEK 48 80)	Fabege is a Swedish real estate investment company focused on the Stockholm office market which should benefit from a strong rental outlook Folowing the sale of non-core assets some 60% of the SEK 27bn portfolio is now located in the central part of Stockholm, and the remaining 44% in the nearby suburbs Solna and Hammarby Sjöstad The loan to value stands at 62% with an average debt duration of 5 years which is deemed long by Swedish standards In addition Fabege appears to benefit from strong banking relationships as evidenced by new credit facilities secured at a 100bp margin The sub-optimal interest rate hedging ratio (47%) should be offset by increasing revenues from indexation, uplifts on rent renegotiations and newly delivered development schemes The five year total shareholder return has been 15 7%

Twenty Largest Equity Investments – Sigma Portfolio *continued*

		Shareholding Value % of investment portfolio† % of equity owned Share price at 31 March 2011 (2010)	**Comment** Note Market caps, yields and share price returns all at end March 2011
8	Alstria Office REIT (Germany)	£4 93m (£4 11m) 3 3% (3 1%) 0 8% (1 0%) €9 81 (€8 26)	Alstria is the largest REIT in Germany It owns a high-quality office portfolio of 73 properties valued at €1 4bn 50% of the portfolio is located in Hamburg (mostly let to the City of Hamburg) and benefits from an average lease length of 8 years In the first quarter 2011 the majority shareholder Natixis Activa substantially reduced its shareholding in Alstria thereby increasing the company free float to 77% The company also used the relative strength of its share price to raise €95m fresh equity for value-add asset acquisitions (€67m already invested at a 7% yield) The loan to value rate now stands at 56% The total shareholder return has been 28 2% since the IPO in April 2007
9	Sponda (Finland)	£4 51m (£2 08m) 3 0% (1 6%) 0 5% (0 3%) €4 01 (€3 09)	A property group with a €2 7bn portfolio in Finland (93%), Moscow (6%) and St Petersburg (1%) across retail, logistics and offices assets After strengthening its balance sheet over the past 3 years Sponda has returned on the buy-side in Q1 2011 with the acquisition of the Fennia Quarter (€122m) 85% of Sponda portfolio is now located in the Helsinki Metropolitan Area In November 2010 the Finnish state sold down part of their stake to 14% (from 33%) which increased the investable market capitalisation of the company The loan to value is at 54% The five year total shareholder return has been -2 7%
10	Deutsche Euroshop (Germany)	£4 33m (£1 77m) 2 9% (1 3%) 0 4% (0 2%) €26 95 (€23 85)	A pure shopping centre owner (18 assets valued at €3 3bn) in Germany and Central Europe The company is externally by the well-regarded ECE group has a prudent investment strategy Deutsche Euroshop is defensively positioned thanks to a prudent balance sheet structure (LTV 47%), long lease contracts (7 years) and a sub-1% vacancy rate The five year total shareholder return has been 20 3%
11	Kungsleden (Sweden)	£4 22m (£2 24m) 2 8% (1 7%) 0 5% (0 3%) SEK 62 00 (SEK 56 25)	A Swedish property company with a SEK 21 5bn portfolio of 592 properties The portfolio is split between commercial property (45%), public buildings (such as retirement homes and schools) and 7% modular buildings The lease maturity on the portfolio of 7 years is longer than most Swedish peers In 2010 the company reinforced its asset trading strategy by selling SEK 3bn assets and buying SEK 6bn (including the Nordic & Russia portfolio yielding north of 10%) The loan-to-value ratio is 65% and the five year total shareholder return is 4 4%
12	Conwert Immobilien (Austria)	£4 09m (£6 38m) 2 7% (4 8%) 0 5% (0 9%) €11 66 (€9 16)	Vienna listed residential investor with a €3 3bn portfolio located in Austria (50%) Germany (45%) and concentrated on the residential (56%), Office (33%) sectors The company focuses on capturing a significant rent reversionary potential and disposing mature assets mainly on a unit-by-unit basis (€686m disposals were carried out in total in 2009/10 at 11% premium to fair value) In 2010 Conwert successfully completed a mandatory offer on their 25%-owned subsidiary Eco Business in a NAV-accretive transaction The loan to value is at 59% but with a notably long-dated debt (11 year average maturity), mostly in the form of mortgage loans with local banks The five year total shareholder return has been -17 3%
13	Castellum (Sweden)	£4 07m (£3 47m) 2 7% (2 6%) 0 3% (0 3%) SEK 91 80 (SEK 72 50)	Based in Gothenburg, Castellum owns a SEK 32bn mixed portfolio of high yielding assets located in Central and Southern Sweden The property portfolio per type consists of 66% offices/retail, 31% logistics/industrial and 3% development/land Castellum manages its properties actively through six local subsidiaries At 50%, leverage is relatively low by Swedish standards We applaud the company's pragmatic approach to fixing part of their floating debt (which has benefited the P&L greatly as interest rates were falling) as interest rates are now expected to increase markedly for 2011/12 The five year shareholder total return has been 39 0%

Twenty Largest Equity Investments – Sigma Portfolio *continued*

	Shareholding Value % of investment portfolio† % of equity owned Share price at 31 March 2011 (2010)	**Comment** Note Market caps, yields and share price returns all at end March 2011
14 Beni Stabili (Italy)	£3 94m (£1 62m) 2 6% (1 2%) 0 3% (0 1%) €0 73 (€0 72)	A pure Italian office player with a €4 5bn portfolio in Milan (38%) and Rome (10%) The group was historically a passive real estate owner but this changed with the take-over from Foncière des Regions (which controls 51% of Beni Stabili) The group now embraces a more cash flow focussed model and has become a SIIQ (Italian REIT) in January 2011 The adoption of the tax-transparent regime should boost BNS recurring earnings by 50% in 2011 This new model includes a more systematic disposal of low-yielding assets and €330m development pipeline which should drive higher property returns The portfolio is deemed to be low risk with good quality assets and nearly half of the rents secured through long leases to Telecom Italia The loan-to-value is 49% The five year total shareholder return has been -9 9%
15 Citycon (Finland)	£3 91m (£5 34m) 2 6% (4 0%) 0 6% (0 9%) €3 23 (€2 94)	Citycon is a specialist Nordic shopping centre investor with a €2 2bn portfolio in Finland (66%), Sweden (27%) and the Baltics (7%) The company has a dominant position in Finland, owning 22% of the Finnish shopping mall market Citycon's portfolio is mainly exposed to the resilient food retail sector through its Kesko tenant accounting for 23 2% of rental income The loan to value rate is 61% Citycon is 48%-owned by Gazit-Globe, an active global shopping centre investor which adds a speculative upside risk to the company The five year total shareholder return has been 4 2%
16 Tour Eiffel (France)	£3 55m (£2 09m) 2 4% (1 6%) 1 1% (0 7%) €65 00 (€62 01)	Tour Eiffel has a portfolio valued at €1bn equally split between the Greater Paris region and French provincial cities The asset mix is Offices (52%), Business parks (30%) and light industrials (18%) The high yielding nature of the portfolio together with a moderate cost of debt makes Tour Eiffel an attractive dividend play The quality of the portfolio has improved (62% of buildings are new or delivered over the past 10 years) The company is 10% owned by its management team which is a positive The loan to value is 60% The five year total shareholder return has been 2 5%
17 Foncière Paris France (France)	£3 23m (£3 01m) 2 2% (2 2%) 1 9% (1 9%) €107 89 (€102 40)	Commercial property investor and developer focused on the Ile de France region of France The management team – headed by JP Dumortier, the Chairman of the French REIT federation – is highly regarded 2010 was a transformational year as FPF acquired the SAGI portfolio (€160m) in Central Paris on very attractive terms (yield north of 8%) and raised €100m of equity to maintain a reasonable LTV level (35%) The portfolio now comprises 49 assets valued at €631m generating a gross yield of 8 2% Since IPO in March 2006 the total shareholder return has been 9 2%
18 Befimmo (Belgium)	£2 98m (£1 90m) 2 0% (1 4%) 0 3% (0 2%) €61 64 (€62 21)	Befimmo's portfolio of €1 9bn is focused mostly on offices in Brussels and has a sizeable development and refurbishment pipeline with a total cost of €183m over the next three years One of the main attributes is the long lease duration of 9 1 years and the strong exposure to public tenants (Belgian state and European commission) The loan to value stands at 41% and the yield is 6 3% The five year total shareholder return has been 10 9%
19 Vastned Retail (Netherlands)	£2 88m (£5 24m) 1 9% (3 9%) 0 3% (0 7%) €51 65 (€49 39)	Pan-European retail real estate investor with Dutch REIT status Its €1 9bn high-yielding portfolio is concentrated in the Netherlands (38%) Spain (21%), France (21%) and Belgium (16%) The company also has exposure to Turkey and Portugal As opposed to listed pure Pan-European shopping centre owners Vastned Retail has 43% of its portfolio invested in high street shops The merger of sister company Vastned Office/Industrial means that Vastned Retail will now become internally managed and potentially benefit from a stronger corporate governance The loan to value rate is 41% and the five year total shareholder return has been 12 2%
20 Workspace (UK)	£2 83m (£0 0m) 1 9% (0 0%) 0 9% (0 0%) 27 25p (–)	Workspace provides small-unit light industrial, studio and office space for rent to new and small/medium businesses The group operates a c £710m portfolio split 75% in Business Centres, 23% Industrial and 2% Storage Although vacancy of 15 6% is high, it provides the potential for income growth as management reduces this to the c 10% trend level on the back of a continued UK recovery In addition, the low average rents significant London focus and recent Blackrock JV further support the outlook for income growth With a number of residential conversions coming on stream the group is delivering on its value-adding change-of-use strategy However, the loan-to-value ratio of 53 6% is high and the five year total shareholder return has been -87 6%

Five year share price total returns are from Bloomberg using the period ended 31 March 2011, are expressed in local currency and assume the reinvestment of net dividends

Sigma Share Class Statement of Comprehensive Income

for the year ended 31 March 2011

	Year ended 31 March 2011 Revenue Return £'000	Year ended 31 March 2011 Capital Return £'000	Year ended 31 March 2011 Total £'000	Year ended 31 March 2010 Revenue Return £'000	Year ended 31 March 2010 Capital Return £'000	Year ended 31 March 2010 Total £'000
Investment income						
Investment income	**4,610**	**-**	**4,610**	4,940	–	4,940
Other operating income	**14**	**-**	**14**	483	–	483
Gains on investments held at fair value	**-**	**17,190**	**17,190**	–	44,260	44,260
Total income	**4,624**	**17,190**	**21,814**	5,423	44,260	49,683
Expenses						
Management and performance fees	**(692)**	**(346)**	**(1,038)**	(626)	(313)	(939)
Repayment of prior years' VAT	**14**	**7**	**21**	104	68	172
Other expenses	**(161)**	**-**	**(161)**	(162)	–	(162)
Total operating expenses	**(839)**	**(339)**	**(1,178)**	(684)	(245)	(929)
Operating profit	**3,785**	**16,851**	**20,636**	4,739	44,015	48,754
Finance costs	**(300)**	**(300)**	**(600)**	(206)	(206)	(412)
Profit from operations before tax	**3,485**	**16,551**	**20,036**	4,533	43,809	48,342
Taxation	**(274)**	**-**	**(274)**	(707)	817	110
Total comprehensive income	**3,211**	**16,551**	**19,762**	3,826	44,626	48,452
Earnings per Sigma share (note 9 on pages 75 and 76)	**2.57p**	**13.25p**	**15.82p**	3 06p	35 73p	38 79p

Sigma Share Class Balance Sheet

as at 31 March 2011

	2011 £'000	2010 £'000
Non-current assets		
Investments held at fair value	**150,308**	133,557
Current assets		
Debtors	**7,295**	4,674
Cash and cash equivalents	**1,176**	1,582
	8,471	6,256
Current liabilities	**(16,089)**	(14,387)
Net current liabilities	**(7,618)**	(8,131)
Total assets less current liabilities	**142,690**	125,426
Non-current liabilities	**(2,849)**	(2,849)
Net assets	**139,841**	122,577
Net asset value per Sigma share (see note 20b on page 88)	**111.94p**	98 12p

Directors

Peter Salsbury, age 61, retired in 2000 as Chief Executive of Marks & Spencer plc ("M&S") He now has a Management Consultancy practice specialising in Executive Coaching and Strategy and is Chairman of Molten Consultancy During his 10 years on the Board at M&S his responsibilities included Commercial Estates, Retail Operations, HR, as well as Sales and Marketing He also served on the Board of M&S Financial Services for 5 years He joined the Board of TRPIT in 1997, and succeeded as Chairman on 26 July 2004

Peter Salsbury – Chairman

Caroline Burton, age 61, joined the Board of TRPIT in June 2002 She joined Guardian Royal Exchange plc's Investment Department in 1973 and remained with the group until 1999 From 1987 she was Managing Director of Guardian Asset Management, and, from 1990 to 1999, Executive Director – Investments of the parent company She is a non-executive director of Rathbone Brothers plc She is also a Member of the Management Committee of Hermes Property Unit Trust She advises a number of pension funds and charities

Caroline Burton

Hugh Seaborn, age 49, joined the Board of TRPIT on 24 July 2007 Mr Seaborn is a Chartered Surveyor and has considerable experience in the property arena, he is currently the Chief Executive Officer of the Cadogan Estate and a member of the Council and Audit Committee of the Duchy of Lancaster From 2000 to 2009, Mr Seaborn was Chief Executive Officer of the Portman Estate and he is a past Chairman of the Westminster Property Association

Hugh Seaborn

Paul Spencer CBE, age 61, joined the Board of TRPIT on 1 August 2007 Mr Spencer is Chairman of State Street Managed Pension Funds Ltd, the Rolls-Royce Group plc Pension Fund, the BT Pension Fund and the BA Pension Funds He also sits on the Boards of WPP Group plc (where he chairs the Audit Committee) and Nipponkoa Insurance Group (Europe) Ltd He is Chairman of the TRPIT Audit Committee

Paul Spencer

Richard Stone, age 68, was Deputy Chairman of Coopers and Lybrand ("C&L") and in 1998 became a member of the Global Board of PricewaterhouseCoopers until he joined the TRPIT Board in 2000 He headed up C&L's Corporate Finance Practice in the UK and Europe, and was also an Insolvency Practitioner He brings a broad base of business, financial and property experience to the TRPIT Board He is now a Senior Independent Director of Halma plc, a non-executive director of Candover Investments plc and a non-executive director of Gartmore Global Trust plc He is the Senior Independent Director for TRPIT

Richard Stone

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

Managers

Chris Turner, Fund Manager – Ordinary Share Class up to 31 March 2011, age 65, has been the Fund Manager since 1995 first at Henderson Global Investors then, since October 2004, at Thames River Capital, when he joined as head of property investment. Between 1969 and 1977 he worked in the investment property division of Strutt & Parker qualifying as a Chartered Surveyor in 1970. He was a property share analyst and subsequently a Director of UK Equities with Laing & Cruickshank from 1977 to 1988 and held similar roles with BZW from 1988 to 1995. In 1995 Chris joined Henderson as a Director of the Investment Management division and was appointed the fund manager of the Trust. In 1999 he was also appointed head of Henderson's Public Property Markets Team. During his period as fund manager, the Trust won numerous investment trust performance awards from Bloomberg, Money Observer, What Investment, Moneywise and Property Week.

Chris Turner

Marcus Phayre-Mudge, Fund Manager – Sigma Share Class up to 31 March 2011 – Fund Manager Ordinary Share Class from 1 April 2011, age 43. He joined Chris at Henderson Global Investors in January 1997, initially managing the direct property portfolio within the Trust and latterly focusing on real estate equities, managing a number of UK and Pan European real estate equity funds in addition to activities in the Trust. Marcus moved with Chris to Thames River Capital in October 2004 where he is also fund manager of Thames River Property Growth & Income Fund Limited. Prior to joining Henderson, Marcus was an investment surveyor at Knight Frank (1990) and was made an Associate Partner in the fund management division (1995). He qualified as a Chartered Surveyor in 1992 and has a BSc (Hons) in Land Management from Reading University.

Marcus Phayre-Mudge

James Wilkinson, Fund Manager – Sigma Share Class from 1 April 2011, age 38. James joined the Trust's team at Henderson in October 2002, taking responsibility for the direct property investments. He was also a portfolio manager and member of the property securities team at Henderson. James moved with Chris and Marcus to Thames River Capital in October 2004 gradually increasing his involvement in the equities component of the Trust. James was appointed deputy fund manager of the Thames River Property Growth & Income Fund in 2007 and is currently the lead fund manager for the Thames River Real Estate Securities Fund. Prior to joining Henderson he was Associate Partner at Healey & Baker Investment Managers where he spent six years. James qualified as a Chartered Surveyor in 1998. He has a BA (Hons) in Philosophy from University of East Anglia and an MA in Property Valuation and Law from City University Business School.

James Wilkinson

Jo Elliott, Finance Manager, age 49, has been Finance Manager since 1995, first at Henderson Global Investors then since January 2005, at Thames River Capital, when she joined as CFO for the property team. She joined Henderson Investors in 1995, where she most recently held the position of Director of Property, Finance & Operations, Europe. Previously she was Corporate Finance Manager with London and Edinburgh Trust plc and prior to that was an investment/treasury analyst with Heron Corporation plc. Joanne has a BSc (Hons) in Zoology from the University of Nottingham and qualified as a Chartered Accountant with Ernst & Young in 1989.

Jo Elliott

George Gay, Direct Property Fund Manager, age 30, has been the direct property fund manager since 2008. He joined Thames River Capital in 2005 as assistant direct property manager and qualified as a Chartered Surveyor in 2006. George was previously at niche City investment agent, Morgan Pepper where as an investment graduate he gained considerable industry experience. He has an MA in Property Valuation and Law from City University.

George Gay

Angelique Ello, Investor Relations, age 28, joined Thames River Capital in November 2007 as an administration assistant. She joined from Girlguiding UK, where she was PA to the Head of Finance & Business Development. She graduated from Middlesex University in 2004 with a BA Hons in Political & International Studies with German. She is a fluent German speaker. She deals with investor enquiries for the Trust in addition to wider portfolio administration matters.

Angelique Ello

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

Directors' Remuneration Report

Introduction

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

Consideration by the Directors of Matters relating to Directors' Remuneration

Directors' remuneration is reviewed annually by the Management Engagement Committee which was formed in November 2006 and comprises the Chairman and all directors of the Trust The Management Engagement Committee last met in March 2011 At this meeting it was agreed that there would be no change to Directors' remuneration for 2011/12

Statement of the Company's Policy on Directors' Remuneration

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

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

For the year ended 31 March 2011, directors' fees were paid at the annual rates of Chairman £70,000 (2010 £65,000), Audit Committee Chairman and Senior Independent Director £35,000 (2010 £30,000) and Directors £30,000 (2010 £25,000) The actual amounts paid to the directors during the financial year under review are as shown in the table below

Retirement of Directors

All of the Trust's Directors are subject to retirement by rotation in accordance with the Trust's articles of association

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 2011 £	31 March 2010 £
C M Burton	**30,000**	25,000
P L Salsbury	**70,000**	65,000
H Seaborn	**30,000**	25,000
P Spencer	**35,000**	28,333
R A Stone	**35,000**	30,000
P H Wolton (retired on 31 January 2011)	**25,083**	25,000
TOTAL	**225,083**	198,333

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

Directors' Remuneration Report *continued*

Performance Graph (total return)
for Ordinary Share Class

Performance Graph (total return)
for Sigma Share Class

By order of the Board
John Crehan
For and on behalf of
Capita Company Secretarial Services
Secretary
10 June 2011

Report of the Directors

The directors present the audited accounts of the Group and their report for the year ended 31 March 2011 The Group comprises TR Property Investment Trust plc ("the Company" and or "the Trust") and its subsidiaries The Company has two share classes, the Ordinary share class and the Sigma share class The review of the business of the Company, recent events and outlook are contained within the Chairman's Statement, on pages 6 to 9, which forms part of this Report of the Directors by reference

Status

The Company is an investment company, as defined in Section 833 of the Companies Act 2006, and operates as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 It is required to seek HM Revenue & Customs' ("HMRC") approval of its status as an investment trust under the above-mentioned Section 1158 every year, and this approval will continue to be sought HMRC approval of the Company's status as an investment trust has been received in respect of the year ended 31 March 2010 The directors are of the opinion that the Trust has subsequently conducted its affairs in a manner which will enable it to continue to gain such approval The Trust has no employees and the 'close company' provisions do not apply

Share capital

At 31 March 2011, the Company has two classes of share Ordinary shares of 25 pence each and Sigma shares of 12 5 pence each The Ordinary shares represent 80 4% and the Sigma shares represent 19 6% of equity shareholders' funds The shares are in registered form

Business Review

The following review is designed to provide information primarily about the Group's business and results for the year ended 31 March 2011 and covers

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

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

Ordinary share class

Objective and Strategy

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

As at 31 March 2011, 92 3% of the Ordinary share class net assets were invested in Pan-European listed property securities and 7 7% in directly owned UK real estate

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

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

Revenue and Dividends

	2011	2010	Change
Revenue earnings per share	**6.94p**	5 18p	+34 0%
Dividends per share	**6.00p**	5 75p	+4 3%

Total returns per Ordinary share, which include capital gains on investments, amounted to 27 55p per share

The capital return of 20 61p per share was reflective of the performance of the property equity market through the period which is covered in detail in the Manager's Report

Revenue earnings increased by 34 0% In the prior year a significant number of companies suspended or reduced dividend payments through the period while they re-built their balance sheets The majority of these companies resumed dividend payments in the year to March 2011

Report of the Directors *continued*

The directors recommend the payment of a final dividend of 3 70p per Ordinary share Subject to approval at the AGM, the dividend will be paid on 2 August 2011 to shareholders on the register on 8 July 2011 The Ordinary shares will be quoted ex-dividend from 6 July 2011 The total dividend in respect of the year is, therefore, 6 00p per Ordinary share

With earnings of 6 94p, the dividend for the year of 6 00p is fully covered In arriving at this decision the Directors also reviewed the income forecasts for the year to March 2012 Revenue is expected to decline marginally in the forthcoming period and the Manager has indicated revenue earnings of 6 40p per share in his statement on page 19

The dividends shown in the Group Statement of Changes in Equity for the year are those dividends which have actually been paid in the period, i e the second interim dividend relating to the financial year ended 31 March 2010 (3 45p per share) and the interim dividend for this period (2 30p per share)

Capital Return

	2011	2010	Change
NAV per share	**207.08p**	185 22p	+11 8%
Share price	**177.10p**	159 40p	+11 1%

Shareholders' funds increased by 11 6% The Benchmark returned 10 2% on a price only basis

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

Property Valuation
Valuations of all the Group's properties as at 31 March 2011 have been carried out by an external independent valuer These valuations have been adopted in the accounts Details of the values and changes in fixed assets are shown in note 10 to the financial statements

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

For the year to 31 March 2011 the Benchmark was the FTSE EPRA/NAREIT Europe Index in Sterling This index, calculated by FTSE, is free float based and currently has 83 constituent companies

On a total return basis the share class returned 15 4% against the benchmark total return of 15 2%

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

Share Buy-back Activity
The Board has not set a specific discount at which shares will be repurchased However, there has been considerable activity in recent years and around 171 million Ordinary shares have been repurchased since the Board first took the decision to buy back shares in 1999 During the year to 31 March 2011, the Company repurchased 500,000 Ordinary shares

Sigma Share Class

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

As at 31 March 2011 the portfolio was invested in Pan European property shares

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

Revenue and Dividends

	2011	2010	Change
Revenue earnings per Sigma share	**2.57p**	3 06p	−16 0%
Dividends per Sigma share	**2.15p**	2 00p	+7 5%

Total earnings per Sigma share, which include capital gains on investments, amounted to 15 82p per share

Revenue earnings for the period amounted to 2 57p per Sigma share

The dividends shown in the Group Statement of Changes in Equity for the year are those dividends which have actually been paid in the period, i e the second interim dividend relating to the financial year ended 31 March 2010 (1 10p per share) and the interim dividend for this period (0 90p per share)

The directors recommend the payment of a final dividend of 1 25p per Sigma share Subject to approval at the AGM, the dividend will be paid on 2 August 2011 to shareholders on the register on 8 July 2011 The Sigma shares will be quoted ex-dividend from 6 July 2011

Report of the Directors *continued*

The total dividend in respect of the year is, therefore, 2 15p per Sigma share

Capital Return

	2011	2010	Change
NAV per Sigma share	**111.94p**	98 12p	+14 1%
Sigma share price	**83.45p**	70 50p	+18 4%

Rises in property equity prices resulted in an increase in shareholders' funds of 14 1% per Sigma share Over the same period the price only element of the benchmark increased by 13 1%

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

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

The benchmark, provided by FTSE, is FTSE EPRA/NAREIT Small Cap Europe Index in Sterling This is the FTSE EPRA/NAREIT Europe Index in Sterling adjusted to exclude those stocks with a market cap exceeding a defined level or "Cap" The Cap is redefined each year by reference to the overall capital movement of the Small Cap Index over the preceeding Financial Year For the year to 31 March 2011 the Cap was £1 0bn For the year to 31 March 2012, the Cap is £1 126bn

The constituents are reviewed annually In order to avoid volatility, at the annual review, only companies with a Sterling equivalent market capitalisation of 20% or more in excess of the revised Cap will leave the benchmark. Existing EPRA Developed Europe constituents join only if their Sterling equivalent market capitalisation is 20% or more less than the revised Cap During the year, any company joining the FTSE EPRA/NAREIT Europe Index will also join the small cap index if the Sterling equivalent of their market capitalisation is less than the defined Cap at the time of entry

On a total return basis the Sigma share class returned 16 5% against a Benchmark total return of 16 9%

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

Share Buy-back Activity
During the year to 31 March 2011, the Company did not repurchase any Sigma shares Since 1 April 2011, and up to the date of this document, the Company repurchased 200,000 Sigma shares

Financial Instruments and the Management of Risk
By its nature as an investment trust, the portfolios of both share classes are exposed to market price risk, foreign currency risk and interest rate risk The Company's policies for managing these risks are outlined in note 11 to the financial statements Further information on the management of risk and internal controls is contained in the Corporate Governance Report on pages 55 to 60

Management Arrangements and Fees
Throughout the period investment management services have been provided by Thames River Capital LLP ("Thames River" or "the Manager"), accounting, custodial and administrative services by BNP Paribas Securities Services, and company secretarial services by Capita Company Secretarial Services

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

- Notice Period
  The investment management agreements ("IMAs") provide for termination of the agreements by either party without compensation on the provision of not less than 12 months' written notice
- Management Fees
  Ordinary share class
  The fee for the Ordinary share class for the period under review was a fixed fee of £2 78m plus an ad valorem fee of 0 20% pa based on the net asset value (determined in accordance with the Association of Investment Companies ("AIC") method of valuation) of the Ordinary share class on the last day of March, June, September and December, payable quarterly in advance

  The fee arrangements were reviewed at the end of the financial year, and for the year to March 2012 the fixed fee element will remain at £2 78m The fee arrangements will be reviewed once again at the end of the financial year

  Sigma share class
  The fee for the Sigma share class for the period under review was a fixed fee of £0 68m plus an ad

Report of the Directors *continued*

valorem fee of 0 30% pa based on the net asset value (determined in accordance with the AIC method of valuation) of the Sigma share class on the last day of March, June, September and December, payable quarterly in advance

The fee arrangements were reviewed at the end of the financial year, and for the year to March 2012 the fixed fee element will remain at £0 68m The fee arrangements will be reviewed once again at the end of the financial year

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

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

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

The maximum performance fee payable for the period is capped at 2% of the adjusted net assets attributable to Ordinary shareholders However, if the adjusted net assets at the end of the period are less than at the beginning of the period, the maximum performance fee payable will be limited to 1% of the adjusted net assets attributable to the Ordinary shareholders

If any fee exceeds the relevant cap (2% or 1% as applicable), such excess will be carried forward and applied to reduce any percentage underperformance in future periods If the total return of Ordinary equity shareholders' funds for any performance period is less than the hurdle rate for the relevant performance periods, such underperformance (expressed as a percentage) will be carried forward No fee will be payable unless the Group equity shareholders' funds for the particular share class outperforms the hurdle rate, after taking into account any accumulated percentage underperformance for previous periods to the extent it is not offset by the overperformance offsets described above There were no performance fees payable in the year ended 31 March 2011 (2010 nil) At 31 March 2011, 3 4% of underperformance is being carried forward

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

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

If the total return of Sigma equity shareholders' funds for any performance period is less than the hurdle rate for the relevant performance periods, such underperformance (expressed as a percentage) will be carried forward No fee will be payable unless the Group equity shareholders' funds for the particular share class outperforms the hurdle rate, after taking into account any accumulated percentage underperformance for previous periods to the extent it is not offset by the overperformance offsets described above There were no performance fees payable in the year ended 31 March 2011 (2010 nil) At 31 March 2011 8 1% of underperformance is being carried forward

Report of the Directors *continued*

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

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

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

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

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

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

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

Annual General Meeting (the "AGM")
The AGM will be held on Tuesday, 26 July 2011 at 12 noon The Notice of Meeting is set out on pages 89 to 92, and an explanation of the business to be conducted is given on pages 93 and 94

Resolutions 12 and 13 will be proposed as special resolutions which requires a majority of at least 75% of those present and voting to be passed

Resolution 12 – Disapplication of statutory pre-emption rights

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

Resolution 13 – Authority to Purchase Own Shares

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

The current authority which permits the Company to purchase up to 14 99% of its issued Ordinary and Sigma shares expires at the conclusion of the forthcoming AGM The Board believes that the Company should continue to have authority to make market purchases of its own Ordinary and Sigma shares for cancellation The Board is therefore seeking to renew its power to make market purchases of Ordinary and Sigma shares Accordingly, a special resolution to authorise the Company to make market purchases of up to 14 99% of the Company's issued Ordinary and Sigma share capital at the date of the AGM is proposed, with the shares purchased to be cancelled Based on the number of shares in issue at the date of this Report, 14 99% of the Company's issued Ordinary share capital is equivalent to 38,408,128 Ordinary shares and 14 99% of the Company's issued Sigma share capital is equivalent to 18,695,828 Sigma shares These figures have been calculated on the basis that there is no change in the issued share capital between the date of this Report and the AGM to be held on 26 July 2011

Report of the Directors *continued*

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

Recommendation

The directors consider that all the resolutions are in the interests of the Company and shareholders taken as a whole and recommend that all shareholders vote in favour of the resolutions, as the directors intend to, in respect of their own beneficial holdings of Ordinary and Sigma shares amounting, in aggregate, to 441,860 shares

Ordinary share class	**31 March 2011 Ordinary shares of 25p**	31 March 2010 Ordinary shares of 25p
With beneficial interest		
C M Burton	**18,700**	18,700
P L Salsbury	**32,500**	32,500
R A Stone	**115,000**	115,000
H Seaborn	**15,486**	15,486
P Spencer	**15,000**	15,000

Sigma share class	**31 March 2011 Sigma shares of 12 5p**	31 March 2010 Sigma shares of 12 5p
With beneficial interest		
C M Burton	**6,600**	6,600
P L Salsbury	**115,000**	65,000
R A Stone	**60,000**	60,000
H Seaborn	**38,574**	38,574
P Spencer	**25,000**	25,000

Other Statutory Information

Directors' Interests in Shares

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

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

Payment of Suppliers

It is the Company's payment policy for the current financial year to obtain the best possible terms for all business The Company agrees with its suppliers the terms on which business will take place and it abides by these terms There were no trade creditors at 31 March 2011 (2010 same)

Donations

The Company made no political or charitable donations during the year (2010 nil)

Share Capital Changes

At 1 April 2011 the Company had 256,225,000 Ordinary shares and 124,922,000 Sigma shares in issue

Since 1 April 2011, and up to the date of this document, the Company has made no market purchases for cancellation of Ordinary shares and has repurchased 200,000 Sigma shares

At the AGM in 2010 the directors were given power to buy back 38,483,078 Ordinary shares Since the AGM the directors have bought back 500,000 Ordinary shares under this authority The outstanding authority is therefore 37,983,078 This authority will expire at the 2011 AGM Also at the AGM in 2010, the directors were given power to buy back 18,725,808 Sigma shares of 12 5 pence each Since the AGM the directors have bought back 200,000 Sigma shares under this authority The outstanding authority is therefore 18,525,808 This authority will also expire at the 2011 AGM The Company will seek to renew the power to make market purchases of Ordinary and Sigma shares at this year's AGM

Rights and obligations attaching to shares

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

Report of the Directors *continued*

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

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

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

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

The Board may decline to register a transfer of any of the Company's certificated shares by a person with a 0 25% interest (as defined in the Articles) if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act 2006, unless the transfer is shown to the Board to be pursuant to an arm's length sale (as defined in the Articles)

Significant Voting Rights – Ordinary shares

Shareholder	**% of Ordinary share voting rights***
Legal & General Investment Management Limited (UK)	**3 47**

Declarations of interests in voting rights of the Company, at 28 April 2011, are set out above

Report of the Directors *continued*

In addition, at 28 April 2011 the following shareholders held over 3% of the voting rights on a non-discretionary basis

Shareholder	% of Ordinary share voting rights*
Brewin Dolphin Securities Limited	6 70
Rensburg Sheppards Investment Management Limited	6 59
TR Property ISA/PEP and Shareplan Schemes	6 10
HSBC Global Asset Management (UK) Limited	5 32
Rathbone Investment Management Limited	4 33
Quilter	4 06
Collins Stewart Wealth Management	4 03
F&C Investment Management Limited	3 28

Significant Voting Rights – Sigma shares

Shareholder	% of Sigma share voting rights*
Legal & General Investment Management Ltd. (UK)	**3 58**

Declarations of interests in voting rights of the Company at 28 April 2011, are set out above

In addition at 28 April 2011 the following shareholders held over 3% of the voting rights on a non-discretionary basis

Shareholder	% of Sigma share voting rights*
Reliance Mutual Insurance Society Ltd	6 55
Scottish Widows Investment Partnership Ltd	6 46
F&C Asset Management plc	4 33
GC Asset Management Ltd	3 83
Derbyshire County Council Pension Fund	3 40
Merseyside Pension Fund	3 23
Laxey Partners Ltd	3 18
Henderson Global Investors	3 13

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

ISAs

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

Directors' Indemnity

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

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

Shareholder Information

Further information on the Company can be found on pages 96 to 98

Going Concern

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

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

Corporate Governance

Corporate Governance Report

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

Application of the AIC Code's Principles

This statement describes how the principles of the Combined Code on Corporate Governance ("the Code") issued by the Financial Reporting Council (the "FRC") in June 2008 have been applied to the affairs of the Company The Code can be viewed at www frc org uk

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

Report of the Directors *continued*

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

In May 2010 the FRC published the new UK Corporate Governance Code ("the new Code"), which is effective for accounting periods commencing on or after 29 June 2010 The AIC revised its Code of Corporate Governance in October 2010, which has been endorsed by the FRC The Company will report against the new code in its annual report to 31 March 2012

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

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

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

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

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

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

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

After 6 years on the Board, Mr Wolton retired at the end of January 2011 in order to concentrate on other business commitments

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

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

Report of the Directors *continued*

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

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

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

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

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

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

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

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

The MEC meets at least on an annual basis, towards the end of the financial year The MEC met in March 2011

The MEC reviews, on an annual basis, the performance of Thames River and its continued suitability to manage the Company's portfolio It also reviews the terms of the Investment Management Agreement, to ensure they are competitive and fair and in the best interests of the shareholders, and to negotiate terms where appropriate At the MEC meeting in March 2011, the MEC confirmed that Thames River should be retained as the Investment Manager for the financial year ending 31 March 2012

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

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

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

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

Performance Evaluation
In order to review the effectiveness of the Board and its Committees and of the individual directors, the Chairman has put in place, and carried out, an appraisal process This was implemented by way of a questionnaire and interviews with the Chairman In respect of the Chairman, the interview was conducted by the Senior Independent Director The process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and the Committees, the contribution of individual directors, as well as building on and developing individual and collective strengths

The Chairman confirms that, in the light of the formal performance evaluation, the performance of each of the

Report of the Directors *continued*

directors continues to be effective and to demonstrate commitment to his or her role, including commitment of time for Board and Committee meetings and any other duties The Board believes it has a good balance of skills, experience, ages and length of service to ensure it operates effectively

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

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

An independent evaluation of the effectiveness of the Board, its committees and the performance of each director was undertaken by the JCA Group ("JCA") in 2010 During this process the most Senior members of the Fund Management and Investment Management teams were interviewed in addition to the Directors

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

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

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

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

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

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

Meetings

	Board	Audit	MEC
No. of meetings in the year	**6**	**2**	**1**
Peter Salsbury	6	2	1
Caroline Burton	6	2	1
Richard Stone	5	2	1
Peter Wolton*	5	2	0
Hugh Seaborn	6	2	1
Paul Spencer	6	2	1

*Peter Wolton retired from the Board on 31 January 2011

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

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

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

The Board has responsibility for the approval of unquoted investments and any investments in in-house funds

Report of the Directors *continued*

managed or advised by the Investment Manager It has also adopted a procedure for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company

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

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

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

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

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

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

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

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

The exercise of voting rights attached to the Trust's portfolio has been delegated to Thames River who takes a global approach to engagement with issuers and their management in all of the jurisdictions in which it invests Thames River are required to include on their website a disclosure about the nature of their commitment to the FRC's Stewardship Code and details may be found at www thamesriver co uk

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

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

Report of the Directors *continued*

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

It is the intention of the Board that the Annual Report and Accounts and Notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of the AGM Shareholders wishing to lodge questions in advance of the AGM, or to contact the Board at any other time, are invited to do so by writing to the Company Secretary at the registered address given on page 95

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

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

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

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

Compliance Statement
The directors acknowledge that the Company did not comply with the following provisions of the Combined Code in the year ended 31 March 2011

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

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

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

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

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

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

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

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

Responsibility statement
Each of the directors listed on page 44 confirm that to the best of their knowledge

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole, and
- the Directors' Report, includes a fair review of the development and performance of the business and the position of the Trust, together with a description of the principle risks and uncertainties that it faces

By order of the Board
John Crehan
For and on behalf of
Capita Company Secretarial Services Limited
Secretary

10 June 2011

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

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

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

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

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

By order of the Board
Peter Salsbury
Chairman

10 June 2011

The Board members are listed on page 44

Independent Auditors' Report

to the members of TR Property Investment Trust plc

We have audited the financial statements of TR Property Investment Trust plc for the year ended 31 March 2011 which comprise Group Statement of Comprehensive Income, Group and Company Statement of Changes in Equity, Group and Company Balance Sheets, Group and Company Cash Flow Statements and the related notes 1 to 22 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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

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

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

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Group's and Company's affairs as at 31 March 2011 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006
In our opinion

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following

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

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

Under the Listing Rules we are required to review

- the directors' statement, set out on page 55, in relation to going concern,
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review, and
- certain elements of the report to shareholders by the Board on directors' remuneration

Michael-John Albert

Michael-John Albert (Senior statutory auditor)

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

London

10 June 2011

Group Statement of Comprehensive Income

for the year ended 31 March 2011

Notes		Year ended 31 March 2011 Revenue Return £'000	Year ended 31 March 2011 Capital Return £'000	Year ended 31 March 2011 Total £'000	Year ended 31 March 2010 Revenue Return £'000	Year ended 31 March 2010 Capital Return £'000	Year ended 31 March 2010 Total £'000
	Investment income						
2	Investment income	**25,191**	**-**	**25,191**	20,636	–	20,636
4	Other operating income	**37**	**-**	**37**	1,985	–	1,985
3	Gross rental income	**3,041**	**-**	**3,041**	3,655	–	3,655
3	Service charge income	**1,222**	**-**	**1,222**	1,506	–	1,506
10	Gains on investments held at fair value	**-**	**71,665**	**71,665**	–	198,764	198,764
10	Net returns on contracts for difference	**29**	**(22)**	**7**	–	–	–
	Total income	**29,520**	**71,643**	**101,163**	27,782	198,764	226,546
	Expenses						
5	Management and performance fees	**(3,186)**	**(1,593)**	**(4,779)**	(2,914)	(1,457)	(4,371)
5	Repayment of prior years' VAT	**73**	**37**	**110**	547	360	907
3	Direct property expenses, rent payable and service charge costs	**(1,577)**	**-**	**(1,577)**	(1,792)	–	(1,792)
6	Other administrative expenses	**(850)**	**-**	**(850)**	(858)	–	(858)
	Total operating expenses	**(5,540)**	**(1,556)**	**(7,096)**	(5,017)	(1,097)	(6,114)
	Operating profit	**23,980**	**70,087**	**94,067**	22,765	197,667	220,432
7	Finance costs	**(1,479)**	**(1,479)**	**(2,958)**	(1,143)	(1,143)	(2,286)
	Profit from operations before tax	**22,501**	**68,608**	**91,109**	21,622	196,524	218,146
8	Taxation	**(1,497)**	**828**	**(669)**	(4,504)	1,406	(3,098)
	Total comprehensive income	**21,004**	**69,436**	**90,440**	17,118	197,930	215,048
9a	**Earnings per Ordinary share**	**6.94p**	**20.61p**	**27.55p**	5 18p	59 71p	64 89p
9b	**Earnings per Sigma share**	**2.57p**	**13.25p**	**15.82p**	3 06p	35 73p	38 79p

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

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

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

Group and Company Statement of Changes in Equity

for the year ended 31 March 2011	Share Capital Ordinary £'000	Share Capital Sigma £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Retained Earnings Ordinary £'000	Retained Earnings Sigma £'000	Total £'000
At 31 March 2010	64,181	15,615	43,162	43,513	338,641	92,965	598,077
Net profit for the period	–	–	–	–	70,678	19,762	90,440
Ordinary shares repurchased	(125)	–	–	125	(826)	–	(826)
Ordinary dividends paid	–	–	–	–	(14,750)	(2,498)	(17,248)
At 31 March 2011	**64,056**	**15,615**	**43,162**	**43,638**	**393,743**	**110,229**	**670,443**

for the year ended 31 March 2010	Share Capital Ordinary £'000	Share Capital Sigma £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Retained Earnings Ordinary £'000	Retained Earnings Sigma £'000	Total £'000
At 31 March 2009	64,181	15,615	43,162	43,513	186,807	47,011	400,289
Net profit for the period	–	–	–	–	166,596	48,452	215,048
Ordinary dividends paid	–	–	–	–	(14,762)	(2,498)	(17,260)
At 31 March 2010	64,181	15,615	43,162	43,513	338,641	92,965	598,077

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

Group and Company Balance Sheets

as at 31 March 2011

Notes		Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
	Non-current assets				
10	Investments held at fair value	**721,572**	**700,872**	646,222	626,622
10	Investments in subsidiaries	**-**	**44,753**	–	53,745
		721,572	**745,625**	646,222	680,367
	Current assets				
12	Debtors	**8,892**	**8,637**	10,325	9,644
	Cash and cash equivalents	**4,188**	**3,876**	11,445	11,402
		13,080	**12,513**	21,770	21,046
14	**Current liabilities**	**(45,819)**	**(87,547)**	(51,366)	(103,179)
	Net current liabilities	**(32,739)**	**(75,034)**	(29,596)	(82,133)
	Total assets less current liabilities	**688,833**	**670,591**	616,626	598,234
14	**Non-current liabilities**	**(18,390)**	**(148)**	(18,549)	(157)
	Net assets	**670,443**	**670,443**	598,077	598,077
	Capital and reserves				
15	Called up share capital	**79,671**	**79,671**	79,796	79,796
16	Share premium account	**43,162**	**43,162**	43,162	43,162
16	Capital redemption reserve	**43,638**	**43,638**	43,513	43,513
17	Retained earnings	**503,972**	**503,972**	431,606	431,606
	Equity shareholders' funds	**670,443**	**670,443**	598,077	598,077
	Net asset value per:				
20a	Ordinary share	**207.08p**	**207.08p**	185 22p	185 22p
20b	Sigma share	**111.94p**	**111.94p**	98 12p	98 12p

These accounts were approved by the directors of TR Property Investment Trust plc (Company No 84492) and authorised for issue on 10 June 2011

P Salsbury – Director

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

Group and Company Cash Flow Statements

as at 31 March 2011

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Reconciliation of operating revenue to net cash inflow/(outflow) from operating activities				
Profit from operations before tax	**91,109**	**90,908**	218,146	218,207
Financing activities	**2,958**	**3,774**	2,286	2,650
Gains on investments held at fair value through profit or loss	**(71,665)**	**(72,680)**	(198,764)	(196,618)
Increase in accrued income	**(349)**	**(271)**	(306)	(566)
Decrease/(increase) in other debtors	**4,056**	**3,552**	(3,250)	(3,156)
Increase/(decrease) in creditors	**224**	**15,570**	(4,116)	(5,853)
Net purchases of investments	**(4,259)**	**(18,232)**	(97,357)	(97,653)
Increase in sales settlement debtor	**(2,071)**	**(2,071)**	(775)	(775)
Increase/(decrease) in purchase settlement creditor	**4,268**	**4,268**	(274)	(274)
Scrip dividends included in investment income	**(837)**	**(837)**	(2,937)	(2,937)
Net cash inflow/(outflow) from operating activities before interest and taxation	**23,434**	**23,981**	(87,347)	(86,975)
Interest paid	**(2,958)**	**(3,774)**	(2,286)	(2,650)
Taxation paid	**(1,329)**	**(1,329)**	(1,323)	(1,323)
Net cash inflow/(outflow) from operating activities	**19,147**	**18,878**	(90,956)	(90,948)
Financing activities				
Equity dividends paid	**(17,248)**	**(17,248)**	(17,260)	(17,260)
Purchase of Ordinary shares	**(826)**	**(826)**	–	–
(Repayment)/drawdown of loans	**(8,538)**	**(8,538)**	45,250	45,250
Net cash (used in)/arising from financing activities	**(26,612)**	**(26,612)**	27,990	27,990
Decrease in cash	**(7,465)**	**(7,734)**	(62,966)	(62,958)
Cash and cash equivalents at start of the year	**11,445**	**11,402**	77,568	77,517
Exchange movements	**208**	**208**	(3,157)	(3,157)
Cash and cash equivalents at end of the year	**4,188**	**3,876**	11,445	11,402

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

Notes to the Financial Statements

1 Accounting policies

The financial statements for the year ended 31 March 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee (IASC) that remain in effect, to the extent that they have been adopted by the European Union and as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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

a Basis of consolidation

The Group accounts consolidate the financial statements of the Company and its subsidiaries to 31 March 2011 Companies, other than subsidiaries, in which the Group has an investment representing 20% or more of the voting rights and over which it exerts significant influence, are treated as associates The Group accounts include the appropriate share of the results and reserves of these companies based on the latest available accounts Other companies, in which the Group has an investment representing 20% or more of the voting rights but where the directors consider that the Group does not exert significant influence, are not treated as associates and are accounted for as investments

b Income

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

c Expenses

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

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

Expenses are allocated between the share classes as follows

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

d Finance costs

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

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

Notes to the Financial Statements *continued*

1 Accounting policies continued

e Taxation

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

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

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

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

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

The Company is an investment trust under s 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

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

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

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

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

Revaluation of Investment Properties

The Group carries its investment properties at fair value (market value) revalued twice a year, with changes in fair values being recognised in the Group Statement of Comprehensive Income The Group engaged Drivers Jonas Deloitte as independent valuation specialists to determine market value as at 31 March 2011

Valuations of Property

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

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

Notes to the Financial Statements *continued*

1 Accounting policies continued

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

In arriving at their estimates of market values as at 31 March 2011, the valuers have used their market knowledge and professional judgement and have not only relied solely on historical transactional comparables

Rental income

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

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

Service charges and expenses recoverable from tenants

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

g Investments

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

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

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

In its financial statements the Company recognises its investments in subsidiaries at fair value, being the net asset value of each subsidiary

Derivatives

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

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

The sources of the returns under the derivative contract (e g notional dividends, financing costs, interest returns and capital changes) are allocated to the revenue and capital accounts in alignment with the nature of the underlying source of income and in accordance with the guidance given in the AIC SORP Notional dividend income or expenses arising on long or short positions are apportioned wholly to the revenue account. Notional interest income on short positions is allocated wholly to the revenue account. Notional interest expense on long positions is apportioned between revenue and capital in accordance with the Board's long term expected returns of the Company (currently determined to be 50% to the revenue account and 50% to capital reserves) Changes in value relating to underlying price movements of securities in relation to CFD exposures are allocated wholly to capital reserves

Notes to the Financial Statements *continued*

1 **Accounting policies** continued

h Movements in fair value

Changes in the fair value of all investments held at 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

i Non-current liabilities

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

j Foreign currency translation

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

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

k Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits

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 except as follows

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 April 2010

- IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Arrangements, effective 1 January 2010
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended), effective 1 July 2009,
- IAS 39 Financial Instruments Recognition and Measurement – Eligible Hedged Items, effective 1 July 2009,
- IFRIC 12 Service Concession Arrangements, effective 1 April 2009,
- IFRIC 17 Distributions on Non-cash Assets to Owners, effective 1 November 2009,
- IFRIC 18 Transfers of Assets from Customers, effective 1 November 2009,
- Improvements to IFRSs (Issued May 2008), effective 1 January 2010, and
- Improvements to IFRSs (Issued April 2009), effective 1 January 2010

When the adoption of the standard or interpretation is deemed to have an impact on the consolidated financial statements or the performance of the Group, its impact is described below

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009 IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary The changes by IFRS 3 (Revised) and IAS 27 (Amended) will be applied prospectively and will affect future business combinations or loss of control of subsidiaries and transactions with non-controlling interest

Notes to the Financial Statements *continued*

1 **Accounting policies** continued

IAS 39 Financial Instruments Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item This also covers the designation of inflation as a hedged risk or portion in particular situations The Group has concluded that the amendment will have no impact on the financial position or the performance of the Group, as the Group has not entered into any such hedges

Early adoption of standards and interpretations

The standards issued before the reporting date that become effective after 31 March 2011 will not have a material effect on equity or profit for the period The Group has not early adopted any new International Financial Reporting Standard or Interpretation

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

– IFRS 9 Financial Instruments, effective 1 January 2013

2 **Investment income**

	2011 £'000	2010 £'000
Dividends from UK listed investments	**2,583**	1,933
Dividends from overseas listed investments	**18,079**	11,007
Scrip dividends from overseas listed investments	**837**	2,937
Interest from listed investments	**331**	428
Property income distributions	**3,361**	4,331
	25,191	20,636

3 **Net rental income**

	2011 £'000	2010 £'000
Gross rental income	**3,041**	3,655
Service charge income	**1,222**	1,506
Direct property expenses, rent payable and service charge costs	**(1,577)**	(1,792)
	2,686	3,369

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

Notes to the Financial Statements *continued*

3 Net rental income continued

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

	2011 £'000	2010 £'000
Within 1 year	**2,700**	3,400
After 1 year but not more than 5 years	**7,400**	10,000
More than 5 years	**2,300**	1,500
	12,400	14,900

4 Other operating income

	2011 £'000	2010 £'000
Interest receivable	**13**	142
Interest on VAT repayments	**–**	694
Underwriting commission	**24**	1,149
	37	1,985

5 Management and performance fees

	2011 Revenue Return £'000	2011 Capital Return £'000	2011 Total £'000	2010 Revenue Return £'000	2010 Capital Return £'000	2010 Total £'000
Management fee	**3,186**	**1,593**	**4,779**	2,914	1,457	4,371
Repayment of prior years' VAT	**(73)**	**(37)**	**(110)**	(547)	(360)	(907)
Performance fee	**–**	**–**	**–**	–	–	–
	3,113	**1,556**	**4,669**	2,367	1,097	3,464

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

6 Other administrative expenses
(including irrecoverable VAT)

	2011 £'000	2010 £'000
Directors' fees (Directors' Remuneration Report on pages 46 and 47)	**225**	183
Auditors' remuneration		
– for audit of the financial statements	**85**	87
– for audit of the financial statements of subsidiaries	**18**	17
– for other services	**5**	5
Other expenses	**517**	566
	850	858

7 Finance costs

	2011 £'000	2010 £'000
Bank loans and overdrafts repayable within 1 year	**1,187**	516
Debentures repayable after more than 5 years	**1,771**	1,770
	2,958	2,286
Amount allocated to capital return	**(1,479)**	(1,143)
Total allocated to revenue return	**1,479**	1,143

Notes to the Financial Statements *continued*

8 Taxation

a Analysis of charge in the year

	2011 Revenue Return £'000	2011 Capital Return £'000	2011 Total £'000	2010 Revenue Return £'000	2010 Capital Return £'000	2010 Total £'000
UK corporation tax at 28%	470	(766)	(296)	4,457	(1,515)	2,942
Overseas taxation	1,203	88	1,291	(21)	–	(21)
	1 673	(678)	995	4,436	(1,515)	2,921
Overprovision in respect of prior years	(167)	–	(167)	(89)	–	(89)
Current tax charge for the year	1,506	(678)	828	4,347	(1,515)	2,832
Deferred taxation	(9)	(150)	(159)	157	109	266
	1,497	(828)	669	4,504	(1,406)	3,098

b Factors affecting current tax charge for the year

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

	2011 Revenue Return £'000	2011 Capital Return £'000	2011 Total £'000	2010 Revenue Return £'000	2010 Capital Return £'000	2010 Total £'000
Net profit on ordinary activities before taxation	22,501	68,608	91,109	21,622	196,524	218,146
Corporation tax charge at 28%	6,300	19,210	25,510	6,054	55,027	61,081
Effects of						
Non taxable gains on investments	–	(20,060)	(20,060)	–	(55,654)	(55,654)
Tax relief on expenses (charged)/ credited to capital	–	84	84	–	(888)	(888)
Non-taxable UK dividends	(723)	–	(723)	(541)	–	(541)
Non-taxable overseas dividends	(5,305)	–	(5,305)	(1,298)	–	(1,298)
Overseas withholding taxes	1,203	88	1,291	(21)	–	(21)
Overprovision in respect of prior years	(167)	–	(167)	(89)	–	(89)
Disallowable expenses	4	–	4	23	–	23
Other short term timing differences	194	–	194	219	–	219
Current tax charge/(credit) for the year	1,506	(678)	828	4,347	(1,515)	2,832

The Group has not recognised deferred tax assets of £949,000 (2010 £576,000) arising as a result of excess management expenses and excess non-trade debits These expenses will only be utilised if the Group has profits chargeable to corporation tax in future accounting periods It is considered too uncertain that the Group will generate such profits and, on this basis, the deferred tax asset in respect of these expenses has not been recognised

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

Notes to the Financial Statements *continued*

8 Taxation continued

On 23 March 2011 as part of the 2011 Budget, the UK Government announced its intention to legislate to reduce the rate of Corporation Tax to 26% with effect from 1 April 2011, which was subsequently enacted under the provisions of the Provisional Collection of Taxes Act 1968 The effect of this reduction is reflected in the unrecognised deferred tax assets disclosed in Note 8(b) above

c Provision for deferred taxation

The amounts of deferred taxation provided at 26% (2010 28%) comprise

Group	**2011 Revenue Return £'000**	**2011 Capital Return £'000**	**2011 Total £'000**	2010 Revenue Return £'000	2010 Capital Return £'000	2010 Total £000
Capital gains	**-**	**3,242**	**3,242**	–	3,392	3,392
Accelerated capital allowances	**148**	**-**	**148**	157	–	157
Shown as						
Deferred tax liability	**148**	**3,242**	**3,390**	157	3,392	3,549

Company	**2011 Revenue Return £'000**	**2011 Capital Return £'000**	**2011 Total £'000**	2010 Revenue Return £'000	2010 Capital Return £000	2010 Total £000
Capital gains	**148**	**-**	**148**	157	-	157
Shown as						
Deferred tax liability	**148**	**-**	**148**	157	–	157

The movement in provision in the year is as follows

Group	**2011 Revenue Return £'000**	**2011 Capital Return £'000**	**2011 Total £'000**	2010 Revenue Return £'000	2010 Capital Return £'000	2010 Total £'000
Provision at the start of the year	**157**	**3,392**	**3,549**	–	3,283	3,283
Accelerated capital allowances	**(9)**	**-**	**(9)**	157	–	157
Capital gains	**-**	**(150)**	**(150)**	–	109	109
Provision at the end of the year	**148**	**3,242**	**3,390**	157	3,392	3,549

Company	**2011 Revenue Return £'000**	**2011 Capital Return £'000**	**2011 Total £'000**	2010 Revenue Return £'000	2010 Capital Return £'000	2010 Total £'000
Provision at the start of the year	**157**	**-**	**157**	-	–	-
Accelerated capital allowances	**(9)**	**-**	**(9)**	157	–	157
Provision at the end of the year	**148**	**-**	**148**	157	–	157

Notes to the Financial Statements *continued*

9 Earnings per share

a Earnings per Ordinary share

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

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Net revenue profit	**17,793**	13,292
Net capital profit	**52,885**	153,304
Net total profit	**70,678**	166,596
Weighted average number of shares in issue during the year	**256,514,041**	256,725,000

	pence	pence
Revenue earnings per share	**6.94**	5 18
Capital earnings per share	**20.61**	59 71
Earnings per Ordinary share	**27 55**	64 89

b Earnings per Sigma share

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

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Net revenue profit	**3,211**	3,826
Net capital profit	**16,551**	44,626
Net total profit	**19,762**	48,452
Weighted average number of shares in issue during the year	**124,922,000**	124,922,000

	pence	pence
Revenue earnings per share	**2 57**	3 06
Capital earnings per share	**13.25**	35 73
Earnings per Sigma share	**15.82**	38 79

Notes to the Financial Statements *continued*

9 **Earnings/(loss) per share** continued

c Reconciliation of Group and Share Class Earnings

	2011 Revenue Return £'000	2011 Capital Return £'000	2011 Total £'000
Net profit per Group Statement of Comprehensive Income	**21,004**	**69,436**	**90,440**
Net profit per Ordinary Share Class Statement of Comprehensive Income	**17,793**	**52,885**	**70,678**
Net profit per Sigma Share Class Statement of Comprehensive Income	**3,211**	**16,551**	**19,762**
	21,004	**69,436**	**90,440**
Weighted average number of Ordinary shares in issue during the year	**256,514,041**	**256,514,041**	**256,514,041**
Weighted average number of Sigma shares in issue during the year	**124,922,000**	**124,922,000**	**124,922,000**
Net earnings per Ordinary share	**6.94p**	**20.61p**	**27 55p**
Net earnings per Sigma share	**2 57p**	**13 25p**	**15 82p**

10 **Investments held at fair value**

(i) Analysis of investments

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Listed in the United Kingdom	**239,159**	**239,159**	215,350	215,350
Listed overseas	**438,088**	**438,088**	380,106	380,106
Investment properties	**44,325**	**23,625**	50,766	31,166
Investments held at fair value	**721,572**	**700,872**	646,222	626,622
Investments in subsidiaries at fair value	**–**	**44,753**	–	53,745
	721,572	**745,625**	646,222	680,367

Notes to the Financial Statements *continued*

10 Investments held at fair value continued

(ii) Gains on investments held at fair value

	31 March 2011 £'000	31 March 2010 £'000
Gains on sale of investments	**29,464**	22,534
Movement in investment holding gains	**42,052**	179,489
Net movement on foreign exchange	**149**	(3,259)
	71,665	198,764

(iii) Business segment reporting

	Valuation 31 March 2010 £'000	Net additions/ (disposals) £'000	Net appreciation/ (depreciation) £'000	Valuation 31 March 2011 £'000	Gross revenue 31 March 2011 £'000
Listed investments	595,456	12,968	68,823	**677,247**	**25,191**
Direct property	50,766	(9,134)	2,693	**44,325**	**2,904**
Contracts for difference	–	–	(22)	**(22)**	**29**
	646,222	3,834	71,494	**721,550**	**28,124**

(iv) Geographical segment reporting

	Valuation 31 March 2010 £'000	Net additions/ (disposals) £'000	Net appreciation/ (depreciation) £'000	Valuation 31 March 2011 £'000	Gross revenue 31 March 2011 £'000
UK listed equities and convertibles	214,273	8,882	14,950	**238,105**	**5,944**
UK direct property	50,766	(9,134)	2,693	**44,325**	**2,904**
Continental European listed equities	376,562	6,851	53,841	**437,254**	**18,916**
Fixed interest	4,621	(2,765)	32	**1,888**	**331**
Contracts for difference	–	–	(22)	**(22)**	**29**
	646,222	3,834	71,494	**721,550**	**28,124**

Included in the above figures are purchase costs of £282,000 (2010 £412,000) and sales costs of £135,000 (2010 £170,000) These comprise mainly stamp duty and commission

(v) Substantial share interests

The Group held interests in 3% or more of any class of capital in 7 investee companies None of these investments is considered significant in the context of these financial statements See note 22 on page 88 for further details of subsidiary investments

(vi) Fair values of financial assets and financial liabilities

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

Notes to the Financial Statements *continued*

10 Investments held at fair value continued

Fair value hierarchy disclosures

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

Financial assets at fair value through profit or loss
At 31 March 2011

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	**675,231**	**-**	**150**	**675,381**
Fixed interest investments	**1,888**	**-**	**-**	**1,888**
Contracts for difference	**-**	**(22)**	**-**	**(22)**
	677,119	**(22)**	**150**	**677,247**

At 31 March 2010

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	590,685	–	150	590,835
Fixed interest investments	4,621	–	–	4,621
	595,306	–	150	595,456

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

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

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

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

11 Financial Instruments

Risk management policies and procedures

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

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

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

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

Notes to the Financial Statements *continued*

11 1 Market Price Risk

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

Management of the risk

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

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

	2011 £'000	2010 £'000
Investments held at fair value	**721,572**	646,222

Concentration of exposure to price risks

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

Price risk sensitivity

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

	2011 Increase in fair value £'000	**2011 Decrease in fair value £'000**	2010 Increase in fair value £'000	2010 Decrease in fair value £'000
Statement of Comprehensive Income – profit after tax				
Revenue return	**(148)**	**148**	(114)	114
Capital return	**108,178**	**(108,178)**	96,883	(96,883)
Change to the profit after tax for the year/shareholders' funds	**108,030**	**(108,030)**	96,769	(96,769)
Change to total earnings/(loss)				
per Ordinary share	**33 39p**	**(33 39)p**	29 91p	(29 91)p
per Sigma share	**18.00p**	**(18 00)p**	16 00p	(16 00)p

11.2 Currency Risk

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

Management of the risk

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

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

Notes to the Financial Statements *continued*

11 2 Currency Risk continued

Foreign currency exposure

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

Currency	**2011**	2010
Sterling	**36 2%**	36 0%
Euro	**49 6%**	51 2%
Swedish Krona	**8.8%**	8 4%
Other	**5 4%**	4 4%

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

2011	**Sterling £'000**	**Euro £'000**	**Swedish Krona £'000**	**Other £'000**
Receivables (due from brokers, dividends and other income receivable)	**2,748**	**2,320**	**3,763**	**61**
Cash at bank and on deposit	**2,512**	**1,121**	**232**	**323**
Bank loans and overdrafts	**(31,400)**	**(5,312)**	**-**	**-**
Payables (due to brokers, accruals and other creditors)	**(3,403)**	**(5,363)**	**(282)**	**-**
FFX Positions	**7,458**	**-**	**(8,896)**	**1,379**
CFD Positions (Gross Exposure)	**-**	**-**	**674**	**-**
Total foreign currency exposure on net monetary items	**(22,085)**	**(7,234)**	**(4,509)**	**1,763**
Investments held at fair value	**283,484**	**339,714**	**63,698**	**34,676**
Non-current liabilities	**(18,390)**	**-**	**-**	**-**
Total net currency exposure	**243,009**	**332,480**	**59,189**	**36,439**

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

Notes to the Financial Statements *continued*

11 2 Currency Risk continued

Foreign currency sensitivity

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

It assumes the following changes in exchange rates
Sterling/Euro +/- 15% (2010 15%)
Sterling/Swedish Krona +/- 15% (2010 15%)
Sterling/Other +/- 15% (2010 15%)

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

	Year ended 31 March 2011			Year ended 31 March 2010		
	Euro £'000	**Swedish Krona £'000**	**Other £'000**	Euro £'000	Swedish Krona £'000	Other £'000
Statement of Comprehensive Income – profit after tax						
Revenue return	**(1,743)**	**(248)**	**(111)**	(1,123)	(84)	5
Capital return	**(44,280)**	**(8,389)**	**(4,520)**	(39,540)	(6,467)	(3,686)
Change to the profit after tax for the year/shareholders' funds	**(46,023)**	**(8,637)**	**(4,631)**	(40,663)	(6,551)	(3,681)

	2011	2010
Change to total earnings		
per Ordinary share	**(17.63)p**	(15 22)p
per Sigma share	**(11.30)p**	(9 47)p

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

	Year ended 31 March 2011			Year ended 31 March 2010		
	Euro £'000	**Swedish Krona £'000**	**Other £'000**	Euro £'000	Swedish Krona £'000	Other £'000
Statement of Comprehensive Income – profit after tax						
Revenue return	**2,359**	**335**	**150**	1,520	113	(7)
Capital return	**59,899**	**11,350**	**6,115**	53,495	8,750	4,988
Change to the profit after tax for the year/shareholders' funds	**62,258**	**11,685**	**6,265**	55,015	8,863	4,981

	2011	2010
Change to total earnings		
per Ordinary share	**23.85p**	20 59p
per Sigma share	**15 28p**	12 81p

Notes to the Financial Statements *continued*

11.3 Interest rate risk

Interest rate movements may affect

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

Management of the risk

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

The Group has fixed and variable rate borrowings The interest rate on the debenture loan is fixed, details are set out in note 14 In addition to the debenture the Group has an unsecured, multi-currency revolving loan facility which carries a variable rate of interest based on the currency drawn, plus a margin This facility totals £50,000,000 (2010 £50,000,000)

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

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

Interest rate risk exposure

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

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

The Group's exposure to floating interest rates on assets is £4,188,000 (2010 £11,445,000)
The Group's exposure to fixed interest rates on assets is £1,888,000 (2010 £4,621,000)
The Group's exposure to fixed interest rates on liabilities is £51,712,000 (2010 £60,250,000)

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 (2010 same)
– Interest paid on borrowings under the multi-currency loan facility is at a margin over LIBOR or its foreign currency equivalent for the type of loan
– The finance charge on the debenture stock was at an interest rate of 11 81% (2010 11 76%)

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

	2011 2% Increase £'000	**2011 2% Decrease £'000**	2010 2% Increase £'000	2010 2% Decrease £'000
Change to shareholders' funds	**(468)**	**468**	(487)	487
Change to total earnings/(loss)				
per Ordinary share	**(0 14)p**	**0.14p**	(0 14)p	0 14p
per Sigma share	**(0 09)p**	**0.09p**	(0 10)p	0 10p

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

Notes to the Financial Statements *continued*

11 4 Liquidity risk

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

In certain market conditions, the liquidity of direct property investments may be reduced At 31 March 2011, 6% of the Group's investment portfolio was held in direct property investments

At 31 March 2011, 94% of the Group's investment portfolio is held in listed securities which are predominantly readily realisable

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 pages 2 and 3 All unquoted investments and direct property investments with a value over £1 million must be approved by the Board for purchase

11.5 Credit risk

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

Management of the risk

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

11 6 Fair values of financial assets and financial liabilities

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

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

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

There was one unquoted investment at the Balance Sheet date, Nanette Real Estate, with a value of £88,000 in the Ordinary Share Class and £62,000 in the Sigma Share Class

The amounts of change in fair value for such investments recognised in the profit or loss for the year was a gain of £71,494,000 (2010 gain of £202,023,000)

12 Debtors

	Group 2011 £'000	**Company 2011 £'000**	Group 2010 £'000	Company 2010 £'000
Amounts falling due within one year				
Securities and properties sold for future settlement	**4,366**	**4,366**	2,295	2,295
Tax recoverable	**390**	**390**	187	187
Prepayments and accrued income	**3,836**	**3,736**	3,501	3,465
Other debtors	**300**	**145**	4,342	3,697
	8,892	**8,637**	10,325	9,644

Notes to the Financial Statements *continued*

13 VAT recoveries on management fees

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

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

The allocation of the total refunds received in the financial years ended 31 March 2010 and 2011 between the two share classes across the income and capital accounts is summarised below

Ordinary share class.

	Year ended 31 March 2011			Year ended 31 March 2010		
	Revenue Return £'000	**Capital Return £'000**	**Total £'000**	Revenue Return £'000	Capital Return £'000	Total £'000
VAT refund received	**59**	**30**	**89**	443	292	735
Interest thereon	**-**	**-**	**-**	562	–	562
	59	**30**	**89**	1,005	292	1,297

Sigma share class

	Year ended 31 March 2011			Year ended 31 March 2010		
	Revenue Return £'000	**Capital Return £'000**	**Total £'000**	Revenue Return £'000	Capital Return £'000	Total £'000
VAT refund received	**14**	**7**	**21**	104	68	172
Interest thereon	**-**	**-**	**-**	132	–	132
	14	**7**	**21**	236	68	304

Notes to the Financial Statements *continued*

14 Current and non-current liabilities

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Amounts falling due within one year				
Bank loans and overdrafts	**36,712**	**36,712**	45,250	45,250
Securities and properties purchased for future settlement	**5,871**	**5,871**	1,603	1,603
Amounts due to subsidiaries	**-**	**42,301**	–	52,408
Tax payable	**1,346**	**1,346**	1,642	1,642
Accruals and deferred income	**1,109**	**629**	1,389	910
Amounts payable in respect of contracts for difference	**22**	**22**	–	–
Other creditors	**759**	**666**	1,482	1,366
	45,819	**87,547**	51,366	103,179
Non-current liabilities				
Debenture loan	**15,000**	**-**	15,000	–
Deferred taxation	**3,390**	**148**	3,549	157
	18,390	**148**	18,549	157

The total amount of secured creditors is £15,000,000 (2010 £15,000,000)

Debenture loan

£15,000,000 (2010 £15,000,000) participation by TR Property Finance Limited, a subsidiary, in 11 5% 2016 several debenture stock issued by Trustco Finance plc, which is guaranteed by the Company by a floating charge over its assets The fair value of this debenture at 31 March 2011 was £19,297,000 (2010 £20,265,000)

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

Multi-currency revolving loan facilities

The Group also has unsecured, multi-currency, revolving short-term loan facilities totalling £50,000,000 (2010 £50,000,000) £40,000,000 of this loan may be drawn by the Ordinary share class and £10,000,000 by the Sigma share class At 31 March 2011, the Ordinary share class had drawn down £27,700,000 (2010 £35,250,000) and the Sigma share class had drawn down £9,012,000 (2010 £10,000,000)

An agreement for a further unsecured multi-currency revolving loan facility of £30,000,000 available for a period of two years was entered into on 12 May 2011

Notes to the Financial Statements *continued*

15 Called up share capital

a Ordinary share capital

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

	Authorised Number	£'000	Issued, allotted and fully paid Number	£'000
Ordinary shares of 25p				
At 1 April 2010	542,287,064	135,572	256,725,000	64,181
Shares repurchased	–	–	(500,000)	(125)
At 31 March 2011	542,287,064	135,572	256,225,000	64,056

During the year, the Company made market purchases for cancellation of 500,000 Ordinary shares of 25p each, representing 0 19% of the number of shares in issue at 31 March 2010 The aggregate consideration paid by the Company for the shares was £826,000 Shares are repurchased in order to enhance shareholder value

b Sigma share capital

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

	Authorised Number	£'000	Issued, allotted and fully paid Number	£'000
Sigma shares of 12 5p				
At 1 April 2010 and 31 March 2011	473,766,572	59,221	124,922,000	15,615

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

Since 31 March 2011, 200,000 Sigma shares have been purchased for cancellation for an aggregate consideration of £180,000

16 Share premium account and capital redemption reserve

Share premium account

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

Capital redemption reserve

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

17 Retained earnings

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Investment holding gains	**190,766**	**201,106**	148,839	157,919
Realised capital reserves	**276,229**	**271,705**	249,546	245,657
	466,995	**472,811**	398,385	403,576
Revenue reserve	**36,977**	**31,161**	33,221	28,030
	503,972	**503,972**	431,606	431,606

Group investment holding gains at 31 March 2011 include £1,346,000 loss (2010 same) relating to unlisted investments and £10,816,000 (2010 £6,620,000) relating to investment properties

Company investment holding gains at 31 March 2011 include £19,810,000 (2010 £15,700,000) relating to unlisted investments and £6,766,000 revaluation loss (2010 £8,215,000) relating to investment properties Dividends are only distributable from the revenue reserve

Notes to the Financial Statements *continued*

18 Dividends

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Amounts recognised as distributions to equity holders in the year		
Second interim dividend for the year ended 31 March 2010 of 3 45p (2009 3 45p final dividend) per Ordinary share	**8,857**	8,857
Second interim dividend for the year ended 31 March 2010 of 1 10p per Sigma share (2009 1 10p final dividend)	**1,374**	1,374
Interim dividend for the year ended 31 March 2011 of 2 30p (2010 2 30p) per Ordinary share	**5,893**	5,905
Interim dividend for the year ended 31 March 2011 of 0 90p (2010 0 90p) per Sigma share	**1,124**	1,124
	17,248	17,260
Amounts not recognised as distributions to equity holders in the year		
Proposed final dividend for the year ended 31 March 2011 of 3 70p (2010 3 45p second interim dividend) per Ordinary share	**9,480**	8,857
Proposed final dividend for the year ended 31 March 2011 of 1 25p (2010 1 10p second interim dividend) per Sigma share	**1,559**	1,374

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 2011 £'000	Year ended 31 March 2010 £'000
Interim dividend for the year ended 31 March 2011 of 2 30p (2010 2 30p) per Ordinary share	**5,893**	5,905
Interim dividend for the year ended 31 March 2011 of 0 90p (2010 0 90p) per Sigma share	**1,124**	1,124
Proposed final dividend for the year ended 31 March 2011 of 3 70p (2010 3 45p second interim dividend) per Ordinary share	**9,480**	8,857
Proposed final dividend for the year ended 31 March 2011 of 1 25p (2010 1 10p second interim dividend) per Sigma share	**1,559**	1,374
	18,056	17,260

Notes to the Financial Statements *continued*

19 Company revenue account

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own revenue account. The net revenue after taxation of the Company dealt with in the accounts of the Group was £20,379,000 (2010 £19,559,000)

20 Net asset value per share

a Net asset value per Ordinary share

Net asset value per Ordinary share is based on net assets attributable to Ordinary shares of £530,602,000 (2010 £475,500,000) and on 256,225,000 (2010 256,725,000) Ordinary shares in issue at the year end

b Net asset value per Sigma share

Net asset value per Sigma share is based on net assets attributable to Sigma shares of £139,841,000 (2010 £122,577,000) and on 124,922,000 (2010 124,922,000) Sigma shares in issue at the year end

21 Commitments and contingent liabilities

At 31 March 2011 and 31 March 2010 the Group had no capital commitments or contingent liabilities

The Company has guaranteed a £15,000,000 (2010 £15,000,000) participation in 11 5% 2016 several debenture stock (see note 14)

22 Subsidiaries

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

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

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

* Indirectly held

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of TR Property Investment Trust plc will be held at 12 noon on Tuesday 26 July 2011 at the Royal Automobile Club, 89/91 Pall Mall, London SW1Y 5HS for the purpose of transacting the following business

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

Ordinary Business

1 To receive the Report of the Directors and the Audited Accounts for the year ended 31 March 2011

2 To approve the Directors' Remuneration Report for the year ended 31 March 2011

3* To declare a final dividend of 3 70 pence per Ordinary share

4** To declare a final dividend of 1 25 pence per Sigma share

5 To re-elect Paul Spencer as a Director

6 To re-elect Caroline Burton as a Director

7 To re-elect Peter Salsbury as a Director

8 To re-elect Richard Stone as a Director

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

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

Special Business

11 THAT the Directors be generally and unconditionally authorised pursuant to and in accordance to Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to a nominal value of £26,283,345 (being approximately 33% of the total issued share capital of the Company as at the latest practicable date prior to publication of the notice of the meeting) provided that this authority shall expire at the date of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 26 October 2012), 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 £3,982,325 (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 and Sigma shares of 12 5 pence each in the capital of the Company on such terms and in such manner as the Directors may from time to time determine provided that

(a) the maximum number of Ordinary shares hereby authorised to be purchased shall be 14 99% of the Company's Ordinary shares in issue at the date of the Annual General Meeting (equivalent to 38,408,128 Ordinary shares of 25 pence each at 10 June 2011, the date of this Notice of Annual General Meeting),

(b) the maximum number of Sigma shares hereby authorised to be purchased shall be 14 99% of the Company's Sigma shares in issue at the date of the Annual General Meeting (equivalent to 18,695,828 Sigma shares of 12 5 pence each at 10 June 2011, the date of this Notice of Annual General Meeting),

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

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

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

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

(e) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2012 or at any other general meeting prior to such time

*** In accordance with the Articles of Association holders of Sigma shares do not have the right to vote on a declaration of a dividend in respect of the Ordinary shares.**

**** In accordance with the Articles of Association holders of Ordinary shares do not have the right to vote on a declaration of a dividend in respect of the Sigma shares.**

***** Holders of Ordinary shares will vote on Resolution 13 only in respect of market purchases of Ordinary shares and holders of Sigma shares will vote on Resolution 13 only in respect of market purchases of Sigma shares**

Registered Office
51 Berkeley Square
London
W1J 5BB

Registered in England No 84492

By Order of the Board
John Crehan
For and on behalf of
Capita Company Secretarial Services
Secretary
10 June 2011

Notice of Annual General Meeting *continued*

Directions Pall Mall Clubhouse

The Royal Automobile Club has a dress code
Jacket and Tie

Notes to the Notice of Annual General Meeting

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

2 In order to be able to attend and vote at the AGM or any adjourned meeting, (and also for the purpose of calculating how many votes a person may cast) a person must have his/her name entered on the Register of Members of the Company by 6 00 pm on 24 July 2011 (or 6 00 pm on the date 2 days before any adjourned meeting) Changes to entries on the Register of Members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting

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

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

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

Notice of Annual General Meeting *continued*

6 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on 26 July 2011 and any adjournment(s) thereof by using the procedures described in the CREST Manual CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf

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

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

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

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

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

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

10 The issued share capital of the Company is 256,225,000 Ordinary shares of 25p each and 124,722,000 Sigma shares of 12 5p each The total number of voting rights in the Company is 380,947,000 Shareholders are reminded that on a poll vote, the total number of votes cast is calculated according to the NAV per Ordinary share and the NAV per Sigma share

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

Explanation of Notice of Annual General Meeting

Resolutions 1, 2, 3 and 4: Accounts, Directors' Remuneration Report and Dividends
These are the resolutions which deal with the presentation of the audited accounts and the approval of the directors' remuneration report and the declaration of the final dividends The vote to approve the remuneration report is advisory only and will not require the Company to alter any arrangements detailed in the report should the resolution not be passed

Resolution 5: Re-election of Director
Resolution 5 deals with the re-election of Paul Spencer as director Under the Articles of Association, Paul Spencer is required to retire by rotation at the AGM, he has confirmed he will offer himself for re-election

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

Resolution 7 Re-election of Director
Resolution 7 is for the re-election of Peter Salsbury, who has served on the Board for more than nine years In accordance with the Combined Code on Corporate Governance, which requires directors who have served for more than nine years to seek annual re-election, Peter Salsbury will retire at the forthcoming AGM and he has confirmed he will offer himself for re-election

Resolution 8: Re-election of Director
Resolution 8 is for the re-election of Richard Stone, who has served on the Board for more than nine years In accordance with the Combined Code on Corporate Governance, which requires directors who have served for more than nine years to seek annual re-election, Richard Stone will retire at the forthcoming AGM and he has confirmed he will offer himself for re-election

Resolutions 9 and 10: Auditors
These deal with the re-appointment of the auditors, Ernst & Young LLP, and the authorisation for the directors to determine their remuneration

Resolution 11. Allotment of share capital
Our Board considers it appropriate that an authority be granted to allot shares in the capital of the Company up to a maximum nominal amount of £26,283,345 (representing approximately 33% of the Company's issued share capital as at 10 June 2011, being the latest practical date prior to publication) As at the date of this notice the Company does not hold any shares in treasury The Directors have no present intention of exercising this authority and would only expect to use the authority if shares could be issued at, or at a premium to, the NAV per share of the relevant share class If the Directors were to exercise this authority, they would intend to exercise not more than two-thirds (£17,522,230) of the maximum nominal amount in respect of Ordinary shares and not more than one-third (£8,761,115) of the maximum nominal amount in respect of Sigma shares

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 £3,982,325 (representing a maximum of 15,929,300 Ordinary shares or a maximum of 31,858,600 Sigma shares) This aggregate nominal amount represents approximately 5% of the total issued share capital of the Company as at 10 June 2011, the latest practicable date prior to publication of this Notice In respect of this aggregate nominal amount, the Directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling 3-year period where the Principles provide that usage in excess of 7.5% should not take place without prior consultation with shareholders The Directors would intend not to exercise more than two-thirds (£2,654,883) of the aggregate nominal amount in respect of Ordinary shares and not to exercise more than one-third (£1,327,442) of the aggregate nominal amount in respect of Sigma shares

The authority will expire at the earlier of close of business on 26 October 2012 and the conclusion of the annual general meeting of the Company held in 2012

Resolution 13: Authority to make Market Purchases of the Company's Ordinary and Sigma shares
At the AGM held on 27 July 2010, a special resolution was proposed and passed, giving the directors authority, until the conclusion of the Annual General Meeting in 2011, to make market purchases of the Company's own issued Ordinary and Sigma shares up to a maximum of 14 99% of the issued share capital This authority will expire at this year's AGM

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

Where purchases are made at prices below the prevailing Net Asset Value per share, this will enhance the Net Asset Value for the remaining shareholders It is therefore intended that purchases would only be made at prices below Net Asset Value Your Board

Explanation of Notice of Annual General Meeting *continued*

considers that it will be most advantageous to shareholders for the Company to be able to make such purchases as and when it considers the timing to be favourable and therefore does not propose to set a timetable for making any such purchases

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

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

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

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

The minimum price to be paid will be 25p per Ordinary share and 12 5p per Sigma share (being the nominal values) The Listing Rules also limit a listed company to purchases of shares representing up to 15% of its issued share capital in the market pursuant to a general authority such as this For this reason, the Company is limiting its authority to make such purchases to 14 99% of the Company's Ordinary and Sigma shares in issue at the date of the AGM, this is equivalent to 38,408,128 Ordinary shares of 25p each (nominal value £9,602,032) and 18,695,828 Sigma shares of 12 5p each (nominal value £2,336,978) at 10 June 2011, the date of the Notice of the AGM The authority will last until the AGM of the Company to be held in 2012 or at any other general meeting

Directors and Other Information

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

Registered Office
51 Berkeley Square
London W1J 5BB

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

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

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

Fund Manager Ordinary Share Class up to 31 March 2011
C M Turner MRICS
Fund Manager Sigma Share Class up to 31 March 2011
Fund Manager Ordinary Share Class from 1 April 2011
M A Phayre-Mudge MRICS
Fund Manager Sigma Share Class from 1 April 2011
J F K Wilkinson MRICS
Finance Manager
J L Elliott ACA
Assistant Fund Manager
A Lhonneur
Direct Property Manager
G P Gay MRICS
Investor Relations
A M Ello

Secretary
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Registrar
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Solicitors
Slaughter and May
One Bunhill Row
London EC1Y 8YY

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

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

General Shareholder Information

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

Annual General Meeting
The AGM is held in London in July

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

Interim	January
Final	August

Dividend Payments
Dividends can be paid to Ordinary and Sigma shareholders by means of BACS (Bankers' Automated Clearing Services), mandate forms for this purpose are available from the Registrar Alternatively, shareholders can write to the Registrar (the address is given on page 95 of this report) to give their instructions, these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made

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

Share Price Information

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

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

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

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

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

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

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

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

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

CGT Base Cost

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

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

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

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

Investing in TR Property Investment Trust plc

Market Purchases

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

Saving Scheme and ISA

BNP Paribas Securities Services (BNP Paribas) operates and administers both a share savings scheme and an ISA scheme (the Schemes) dedicated to the shares of the Company BNP Paribas made these Schemes available at the request of the Company and they have operated since 2005 Both the share savings scheme and the ISA are subject to the Key Features document, which should be read before entering into the investment These Schemes are subject to commission, stamp duty and administration charges, which are detailed in the Key Features document. Contact details are given on page 98

Alternatively, UK residents can invest through the Alliance Trust. Alliance Trust provide and administer a range of self-select investment plans, including tax-advantaged PEPs, ISAs and SIPPs (Self-Invested Pension Plans) and also Investment Plans and First Steps, an Investment Plan for Children For more information Alliance Trust can be contacted on 08000 326 323, or visit **www alliancetrust co.uk**

Please remember that the value of your investments and any income from them may go down as well as up Past performance is not a guide to future performance You may not get back the amount that you invest If you are in any doubt as to the suitability of a plan or any investment available within a plan, please take professional advice

TR Property Share Plan

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

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

TR Property ISA

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

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

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

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

Further Information

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

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

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

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

TR Property Investment Trust plc is managed by

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