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If you have sold or otherwise transferred all of your ordinary shares in TR Property Investment Trust plc (the “Company”) please forward this document and the accompanying documents to the purchaser or transferee or the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. However, this document and the accompanying documents should not be forwarded to, distributed or transmitted in or into, directly or indirectly, any jurisdiction other than the UK, the Channel Islands, the Isle of Man or New Zealand if to do so would constitute a violation of the relevant laws and regulations in such jurisdictions.

This document does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy, nor shall there be any sale of, any securities in any jurisdiction in which such offer, solicitation or sale would be unlawful or would impose any unfulfilled registration, publication or approval requirements on the Company, Winterflood Securities Limited or Cenkos Securities plc.

The Sigma Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended, and may not be offered or sold in the United States or to or for the account or benefit of US Persons (as defined in Regulation S of the U.S. Securities Act 1933). The Sigma Shares are being offered and sold outside the United States in reliance on Regulation S. The Company will not be registered under the U.S. Investment Company Act of 1940, as amended, and investors will not be entitled to the benefits of that Act.

This document relating to TR Property Investment Trust plc comprises a prospectus prepared in accordance with the Prospectus Rules made under section 84 of the Financial Services and Markets Act 2000 in order to admit the transferable securities to trading on the London Stock Exchange.

The Company, whose registered office appears on page 13 of this document, and the Directors and the Proposed Director whose names appear under the heading “Directors, Manager and Advisers” on page 13, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors and the Proposed Director (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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## **TR PROPERTY INVESTMENT TRUST PLC**

*(incorporated in England and Wales under the Companies Acts, 1862 to 1900, Registered No. 84492 and registered as an investment company under section 266 of the Companies Act 1985)*

### **Proposed creation of Sigma Shares (to be effected by way of the Conversion and Placing)**

### **Prospectus**

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An application has been made to the Financial Services Authority for all of the Sigma Shares of the Company to be admitted to the Official List and to the London Stock Exchange for all such Sigma Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities. Shareholders of the Company may take up the opportunity to convert part of their holding of Ordinary Shares into Sigma Shares through the Conversion. Certain other investors may also subscribe for Sigma Shares under the Placing but the Sigma Shares will not be made generally available or marketed to the public in the UK under the Placing. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the Sigma Shares to be created will commence on 25 July 2007.

Winterflood Securities Limited (which is authorised and regulated in the United Kingdom by the Financial Services Authority) is acting as sponsor to the Company in relation to the Transaction and for no other person and will not be responsible to any person other than the Company for providing the protections afforded to customers of Winterflood Securities Limited or for providing advice in relation to the Transaction.

No person has been authorised to give any information or to make any representations, other than those contained in this document, in connection with the Sigma Shares or Ordinary Shares and, if given or made, such information or representations must not be relied upon as having been authorised by the Company.

**The whole text of this document should be read. The attention of prospective investors is drawn in particular to the paragraph of this document entitled “Special Considerations and Risk Factors” set out on page 8.**

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## SUMMARY

*This summary should be read as an introduction to this document. Any decision to invest in the Sigma Shares either under the Placing or through the Conversion should be based on a consideration of this document as a whole. Where a claim relating to the information contained in a prospectus is brought before a court, a plaintiff investor might, under national legislation of the EEA States, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.*

### **The current structure of the Company**

The Company is an investment trust and currently has one class of share in issue. The Ordinary Shares are listed on the Official List and traded on the London Stock Exchange. As at 15 June 2007 (the latest practicable date prior to the publication of this document) the Company's market capitalisation was £769 million and its unaudited NAV per Ordinary Share was 263.2 pence (calculated in accordance with the AIC formula, excluding current financial year revenue items but including debt marked at fair value). The Company has delegated to Thames River Capital LLP (the "Manager") responsibility for day-to-day investment of the Company's assets in accordance with the Company's investment policy and objective.

### **Current investment objective and policy**

To maximise Shareholders' total returns by investing in property shares and property on an international basis.

The current 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. Generally, future growth and capital appreciation are regarded by the Manager more highly than immediate initial yield or discount to asset value. The focus is on companies with property assets predominantly located within the Pan-European geographical area, although investments are permitted on a global basis. Generally investments outside the Pan-European area are only be made if the opportunity is considered by the Manager likely to produce returns in excess of those in the benchmark.

### **Background to the Transaction**

The Company has been an investor in medium sized and smaller quoted property companies over the last decade. The size of the Company following its recent period of growth means that individual investments in property companies with smaller market capitalisation have a relatively modest influence on the overall performance of the entire portfolio. Of the current securities portfolio, roughly 74 per cent. is invested in companies with a market capitalisation exceeding £1 billion and the remaining 26 per cent. in companies with a market capitalisation below this figure.

The Board and the Manager consider that, given the size of the total assets of the Company, and the illiquid and low yielding nature of smaller real estate company equities, it is inappropriate to increase significantly the exposure of the existing portfolio to smaller real estate companies. They believe that such a move would reduce the liquidity of the Ordinary Pool and could reduce the Company's revenue and therefore its dividend paying capacity.

However, the Board and the Manager believe that some Shareholders and other investors will be attracted to a portfolio focused entirely on real estate companies with small market capitalisation and which will take advantage of the expertise of the Manager in this area.

### **Creation of Sigma Shares**

The Board has decided, subject to Shareholder approval, to create a new class of Shares called Sigma Shares. The new class of shares will have a dedicated investment portfolio, the "Sigma Pool". The Sigma Pool will invest predominantly in Pan-European property companies with market capitalisations of less than £1 billion. The initial Sigma Pool will represent a pro rata share of listed equities in the Company's portfolio at the time of Conversion plus cash raised in the Placing and will exclude direct property investments.

Sigma Shares will have rights over the capital and revenue generated by the Sigma Pool with the following principal characteristics:

### *Investment objective*

To maximise Shareholders' total returns by investing predominantly in property shares of companies with a market capitalisation of less than £1 billion, on an international basis.

### *Investment policy*

The investment selection process will seek 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 more highly than immediate initial yield or discount to asset value. The focus will be on companies with property assets located within the Pan-European geographical area, although investments will be permitted on a global basis.

The Sigma Pool may invest in unlisted companies and pre-IPO opportunities although the Manager does not expect this to comprise a significant proportion of the Sigma Pool.

### *Benchmark*

FTSE EPRA/NAREIT Europe Index in sterling.

This index, which is calculated by FTSE, is freefloat based and as at 1 May 2007 had 101 constituent companies.

### *Size of the Sigma Share Class*

The Manager has identified 591 real estate stocks in Greater Europe including Russia, the CIS States, Turkey and Israel (which the Manager refers to as "Eurovision Europe") with individual market capitalisations of less than £1 billion. The Manager believes this to be the current quoted "small cap" investment universe for the Sigma Pool. As at 1 May 2007, the total market capitalisation of these stocks was £97 billion.

In order to be selective in this marketplace where holdings can be very thinly traded and illiquid, and to ensure the impact of the performance of small investment holdings is not excessively diluted, the Manager will limit the Net Asset Value of the Sigma Pool to a maximum of £250 million at launch.

### *Dividend policy*

The Sigma Shares are expected to have a lower and more volatile dividend yield than the Ordinary Shares.

### *Borrowing restrictions*

The Company's ability to borrow funds is limited to an amount equal to 40 per cent. of the Net Asset Value of the Company. The Board's current intention is that overall gearing in respect of the Sigma Pool will be less than 15 per cent. in the short term, consistent with the Company's current policy.

### *Currency*

The base currency of the Sigma Shares will be sterling; however the Sigma Pool will hold some investments in currencies other than sterling, predominantly Euros. Sigma Shares will be exposed to the movements in these currencies although they may be hedged into sterling from time to time at the Manager's discretion. The benchmark reflects an un-hedged exposure to these currencies.

## **The Transaction**

Following implementation of the Transaction, the Company will have two classes of Shares in issue, Ordinary Shares and Sigma Shares. Each class of Share will be separately listed on the Official List and traded on the London Stock Exchange and each will have rights in relation to a discrete portfolio of investments, the "Ordinary Pool" and the "Sigma Pool":

- existing Ordinary Shares will maintain materially the same economic exposure as if the Transaction had not been implemented (which includes, and will continue to include, an exposure of approximately 26 per cent. to smaller European property companies);
- Shareholders (other than Overseas Persons) will be given the opportunity to convert some of their Ordinary Shares into new Sigma Shares. Where Shareholders have made a valid election to take part in the Conversion, each elected Ordinary Share of 25 pence each will be reclassified as, and sub-divided into, two Sigma Shares of 12.5 pence each;

- the new Sigma Pool will consist of predominantly Pan-European property companies with a market capitalisation of less than £1 billion. The Sigma Pool will not include any direct property investments; and
- certain investors may subscribe for Sigma Shares under a Placing.

**The Board has sought to minimise the impact of the Transaction on Shareholders who choose not to convert any of their existing Ordinary Shares into Sigma Shares. If Shareholders do not complete and return the Conversion Forms their position will be unchanged in all material respects.**

### **Smaller capitalised property companies**

The yield compression seen over the last few years has benefited all property companies but particularly those with high leverage.

Going forward, in a period where yields are not expected to fall further, the Manager expects capital returns to be more closely linked with rental value movements and the specific actions of management. In the Manager's experience, smaller property companies are generally more active than large capitalisation companies and tend to be more focused on a particular market sector, market or type of activity. As a result, they are often able to extract greater performance from their portfolios in markets where yields are stable.

A portfolio of smaller capitalised property companies containing a greater proportion of focused development and investment companies, as well as greater exposure to emerging markets and sectors, is likely to have a pattern of returns that differs significantly from the existing Ordinary Pool.

### **Benefits of the creation of the Sigma Share Class**

Although investment in the new Sigma Shares may not be appropriate for all existing holders of Ordinary Shares, the Board believes that the creation of the Sigma Shares will have benefits for existing holders of Ordinary Shares, as well as investors in Sigma Shares:

- The increased focus on small capitalisation property stocks will create new investment opportunities that will be enjoyed by holders of Ordinary Shares and holders of the new Sigma Shares.
- Conversion of some of the existing Ordinary Shares into Sigma Shares will reduce the overall size of the existing Ordinary Pool which will offer increased flexibility for investment of the Ordinary Pool without threatening the liquidity and trading pattern of the Ordinary Share class itself.
- The Transaction gives Shareholders increased choice:
  - Shareholders have an option to increase their exposure to a portfolio of smaller quoted property companies throughout Europe, if they wish to, by electing to convert some, or potentially all, of their Ordinary Shares into Sigma Shares.
  - Shareholders may retain their existing position by not opting to convert any of their Ordinary Shares and will not bear any of the costs of the Transaction.
- UK resident Shareholders converting Ordinary Shares to new Sigma Shares can do so in a tax efficient manner without triggering a disposal for UK capital gains tax purposes and no stamp duty or stamp duty reserve tax will be payable on Conversion.
- Shareholders converting Ordinary Shares into Sigma Shares will do so at the Net Asset Value of the Ordinary Pool less Conversion costs of 1.75 per cent. of the net asset value attributable to the Ordinary Shares which convert. This may provide Shareholders with a one-off opportunity to reallocate their investment in the Company without crystallising any difference between the price per Ordinary Share and the NAV per Ordinary Share if such difference exists at the time of the Conversion.

### **Risk factors**

Set out below is a summary of the material risk factors affecting the Sigma Shares:

- An investment in Sigma Shares is suitable only for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss (including total loss) which may result from the investment.

- The nature of the Sigma Pool's investment means the Sigma Shares are expected to pay a lower dividend (if any) than that payable on the Ordinary Shares.
- Changes in general economic conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax law, accounting practice and other factors can substantially and adversely affect equity investments and the Company's prospects.
- The price per Sigma Share is likely to fluctuate and may generally represent a discount to the NAV. This discount is itself variable as conditions for supply and demand for the Sigma Shares will change. This can mean that the price per Sigma Share can fall when the NAV rises, or vice versa. The nature of the underlying investment may make the NAV per Sigma Share and the Sigma Share price more volatile.
- Investors should be aware that a liquid secondary market in the Sigma Shares and Ordinary Shares cannot be guaranteed.
- The Sigma Share Pool will be invested in equities, returns on which can be volatile.
- If either of the Sigma Pool or Ordinary Pool has insufficient funds or assets to meet all of the debts or liabilities attributable to that Pool, on a winding up or otherwise, such a shortfall would become attributable to the other Pool.
- A significant fall in the value of the Company's assets as a whole may affect the Company's ability to pay dividends on the Ordinary Shares or Sigma Shares.
- Under the New Articles, if, following the Transaction less than 25 per cent. of the Ordinary Shares and/or Sigma Shares are held in public hands (which means, in effect, if more than 75. per cent. of either the Sigma Shares or the Ordinary Shares are held by Directors, persons connected with the Directors, or persons interested in 5 per cent. of more of the relevant Shares), the Board may require compulsory conversion of some or all Sigma Shares into Ordinary Shares, or vice versa. The Board will also have the discretion to require compulsory conversions if the Net Asset Value of the Sigma Pool or the Net Asset Value of the Ordinary Pool falls below £20 million. In the absence of unforeseen circumstances, the Board does not expect to use this power.
- The Sigma Pool may be geared up to a limit of 40 per cent. Where the Sigma Pool is geared, the performance of the NAV per Sigma Share and the price per Sigma Share may be affected to a greater extent by increases or decreases in the value of investments held in the Sigma Pool.

### **Management Agreement and Sigma Management Agreement**

The Ordinary Pool and the Sigma Pool will be managed by Thames River Capital LLP using predominantly the same team that has managed the Company for over 10 years. Chris Turner will continue to act as lead manager on the Ordinary Pool and will take an active role in the management of the Sigma Pool, however the lead Fund Manager for the Sigma Pool will be Marcus Phayre-Mudge. Marcus is currently Deputy Fund Manager of the Company.

The Company has entered into the Management Agreement with the Manager. The Management Agreement has been amended with effect from Admission to reflect the creation of the Sigma Shares, apportion the management fee and performance fee for the current period between the Ordinary Pool and Sigma Pool and to make various consequential changes. The Management Agreement will continue to govern the Manager's role as manager to the Ordinary Pool.

The Company has entered into a new Sigma Management Agreement in relation to the Sigma Pool which will become effective from Admission. The terms of the Sigma Management Agreement are based on the Ordinary Pool Management Agreement with the following principal differences:

#### *Management fee*

- a base management fee of 1.10 per cent. per annum on the Net Asset Value of the Sigma Pool payable quarterly in advance;

#### *Performance fee*

- a performance fee will be payable if the total return of the Adjusted net assets attributable to holders of Sigma Shares, at 31 March each year outperforms the total return of the Company's benchmark plus 2 per cent. (the "hurdle rate"). Any out-performance (expressed

as a percentage) is the “percentage out-performance”. Any fee payable is the amount equivalent to the Adjusted net assets attributable to holders of Sigma Shares at 31 March each year, multiplied by the percentage out-performance, multiplied by 20 per cent.;

- the maximum performance fee payable in any period will be 5 per cent. of the Adjusted net assets attributable to holders of Sigma Shares, unless the Adjusted net assets attributable to holders of Sigma Shares are lower at the end of the period than at the beginning, in which case the maximum performance fee will be limited to 1 per cent. of the Adjusted net assets attributable to holders of Sigma Shares. If the fee would otherwise exceed the applicable percentage, such excess will not be paid but will be carried forward to reduce any percentage under-performance in future periods; and
- if the total return on Adjusted net assets attributable to holders of Sigma Shares for any performance period is less than the hurdle rate for the relevant performance period, such under-performance (expressed as a percentage) will be carried forward.

## **SPECIAL CONSIDERATIONS AND RISK FACTORS**

### **General risks**

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objectives of the Company will be achieved. Investors may not get back the full amount initially invested. The market price of Ordinary Shares and Sigma Shares can go down as well as up. Past performance is not necessarily a guide to future performance.

Changes in economic conditions (including, for example, interest rates and rates of inflation), industry conditions, competition, changes in law, political and diplomatic events and trends, tax laws, accounting practices and other factors can substantially and adversely affect the value of investments and therefore the Company's performance and prospects.

Prospective investors should not construe the contents of this Prospectus as legal, taxation or financial advice. Prospective investors should consult their independent financial advisers authorised under the Financial Services and Markets Act 2000 before investing in the Sigma Shares.

### *Discounts*

The market price of a Sigma Share following the Transaction may stand at a discount to the NAV per Sigma Share. This may also apply in relation to the Ordinary Shares.

Although the Company may buy back Sigma Shares in the market as a method of enhancing shareholder value when market conditions are appropriate, there is no stated discount control level.

Where purchases are made at prices below the prevailing net asset value per Share, this will enhance the net asset value for remaining Shareholders. It is therefore intended that purchases would only be made at prices below net asset value per Share. Repurchases will at all times be carried out in accordance with the Listing Rules.

The Company is prohibited from purchasing its own Shares in a close period (being the period of 60 days immediately preceding the publication of the annual or interim results or, if shorter the period from the end of the relevant financial period up to and including the time of such publication) or in any other prohibited period. This may result in the widening of the discount in such periods. The Company seeks to reduce the duration of the close period by applying to the UKLA for a dispensation in relation to specific close periods on a case by case basis. However there is no certainty that this will be granted.

### *Investment objective*

There is no guarantee that the Company's investment objective in respect of the Sigma Pool, as described under the headings "Investment objective" and "Investment policy" on page 17 of this Prospectus, will be achieved or provide the returns sought by the Company.

### *Investments*

The Sigma Pool will be invested in equities. Returns on equities can be volatile and equity performance will generally be based on, amongst other things, the underlying strength of the cashflows, balance sheets and management of the relevant company as well as general stock market trends.

The investment objectives and policies of the equity investments, which may form part of the Ordinary Pool or the Sigma Pool, involve varying degrees of risk and volatility.

### *Unquoted investments*

The Company invests in quoted and unquoted companies. The shares in unquoted companies are not publicly traded or freely marketable and therefore may be difficult to realise. Unquoted investments are generally subject to higher valuation uncertainties since there is no market for the shares.

### *Small capitalisation investments*

The Sigma Pool will focus on investments in small market capitalisation companies, which may be difficult to value accurately and the liquidity of shares in such companies cannot be guaranteed.



### *Property markets*

There are specific risks associated with investment in securities of companies engaged in property markets. These include the cyclical nature of property values, increases in property taxes, changes to property law, regulatory limits on rents, environmental risks, depreciation in the value of buildings over time, and increases in interest rates.

### *Less developed markets*

In addition to investments in established economies or securities markets, the Sigma Pool may comprise investments based in less well developed markets. Investments in less well developed markets involve certain risks and special considerations not typically associated with investing in more established economies. Such risks may include: (a) nationalisation or expropriation of assets or confiscatory taxation; (b) social, economic and political uncertainty; (c) dependence on exports and corresponding importance of international trade and commodities prices; (d) less liquid securities; (e) currency exchange rate fluctuations; (f) potentially higher rates of inflation (including hyper-inflation); (g) a higher degree of governmental involvement in and control over the economies; (h) government decisions to discontinue support for economic reform programmes and to impose centrally planned economies; (i) differences in auditing and financial reporting standards, which may result in the unavailability of material information about economies and issuers; (j) less extensive, or no, regulatory oversight of securities markets; (k) longer settlement periods for securities transactions; (l) less stringent laws regarding the fiduciary duties of officers and directors and protection of investors; and (m) certain consequences regarding the maintenance of portfolio securities and cash with sub-custodians and securities depositories in less developed markets.

### *Investment trust status*

Although it is intended that the Company will continue to conduct its affairs so as to qualify as an investment trust, there is no guarantee that such status will be maintained. If the Company fails to meet the qualifying requirements for an investment trust, this would result in loss of tax relief in relation to corporation tax on capital gains made by the Company.

### *Currency risk*

The Sigma Pool will be invested in certain assets that are denominated in currencies other than sterling. Exchange rate movements may cause the sterling value of the underlying assets to rise or fall independently of their local currency values. In particular, it is possible for an underlying asset to appreciate in local currency terms but to decline in sterling value.

### *Dividends and income*

The Company will only pay dividends on the Sigma Shares to the extent that it has profits available for that purpose from the Sigma Pool. A reduction of income from the investments in the Sigma Pool will adversely affect the ability of the Company to pay dividends to holders of Sigma Shares. Such a reduction could arise, for example, from lower dividends or rates of interest paid on underlying investments. The nature of the Sigma Pool's investments means the Sigma Shares are expected to pay a lower dividend (if any) than that payable on the Ordinary Shares.

### *Accounting policies*

Without any capital growth in the Company's assets, the Company's policy of charging (i) one third of the management fees and half of the finance expenses which relate to the Sigma Pool; and (ii) any performance fees payable to the Manager in respect of the Sigma Pool, to the capital account of the Sigma Pool will result in a diminution in the NAV per Sigma Share. The Company's policy of charging the remaining two thirds of the management fees and half of finance expenses which relate to the Sigma Pool, to the revenue account of the Sigma Pool will result in a reduction of the potential dividend payable to holders of the Sigma Shares.

The Company operates the same accounting policy in respect of the fees and expenses due to the Ordinary Pool.

### *Taxation*

Representations in this document concerning the taxation of Shareholders are based upon current UK tax law and HMRC published practice. These are subject to change, possibly with retrospective effect, and investors and prospective investors should be aware that such changes may affect the Company's ability to generate returns to Shareholders and/or the taxation of any such returns to

Shareholders and/or Shareholders' liabilities to taxation on conversion of their Ordinary Shares to Sigma Shares.

#### *Requirements of the Listing Rules*

The listing of the Sigma Shares on the Official List is dependent on at least 25 per cent. of the Sigma Shares being held in public hands. The concept of "public hands" is defined in the Listing Rules and the broad effect of the definition is that if 75 per cent. or more of the Sigma Shares are held by, *inter alia*, the Directors, persons connected with the Directors, or persons interested in 5 per cent. or more of the Sigma Shares, the listing of the Sigma Shares may be suspended or cancelled. The Listing Rules state that the UK Listing Authority will allow a reasonable period of time for the Company to restore the appropriate percentage if this rule is breached.

In the event that the listing of the Sigma Shares or the Ordinary Shares was cancelled, the Company would lose its investment trust status and would be subject to corporation tax on gains arising from investment disposals.

If at the Extraordinary General Meeting elections were such that, following the Transaction less than 25 per cent. of the Ordinary Shares and/or Sigma Shares would be held in public hands, the Transaction will not proceed.

#### *Circumstances in which Sigma Shares may cease to exist*

If, following the Transaction less than 25 per cent. of the Ordinary Shares and/or Sigma Shares are held in public hands (i.e. more than 75 per cent. of either the Sigma Shares or the Ordinary Shares are held by the Directors, persons connected with the Directors, or persons interested in 5 per cent. or more of the relevant Shares), the New Articles will provide the Board with the power to require the compulsory conversion of some or all of the Sigma Shares into Ordinary Shares or vice versa.

The New Articles will also provide the Board with the discretion to require compulsory conversion of some or all of the Ordinary Shares into Sigma Shares or vice versa, if the Net Asset Value of the Sigma Pool or the Net Asset Value of the Ordinary Pool falls below £20 million.

#### *Capital structure*

Following the Transaction the Company will have two classes of Share but it will not become a "split capital trust" since neither the Ordinary Shares nor Sigma Shares will represent gearing for the other class. In the absence of unforeseen circumstances, the Directors intend that each of the Sigma Pool and the Ordinary Pool will (other than in respect of accounting policies in respect of certain taxation matters as set out in Part III of this document) effectively operate as if each were a stand-alone company. However, Shareholders and prospective investors should be aware of the following factors:

- As a matter of law, the Company will remain a single entity following the Transaction. Therefore, if the Ordinary Pool has insufficient funds or assets to meet all of the debts or liabilities attributable to it, on a winding up or otherwise, such a shortfall would become attributable to the Sigma Pool and would be payable out of its funds, in accordance with the New Articles. If the Sigma Pool has insufficient funds or assets to meet all of the debts or liabilities attributable to it, on a winding up or otherwise, such a shortfall would be attributable to the Ordinary Pool and would be payable out of its funds, in accordance with the New Articles.
- The Companies Act prohibits the Directors from declaring any dividends in circumstances where the Company's assets represent less than one-and-a-half times the aggregate of its liabilities. If the Company were to incur material liabilities in the future (contrary to the Directors' current expectations or intentions), a significant fall in the value of the Company's assets as a whole may affect the Company's ability to pay dividends on the Sigma Shares or the Ordinary Shares.
- The Company will have a single board of directors and Manager; each will have an overview of both the Sigma Pool and the Ordinary Pool and their financial positions, as well as the financial position of the Company. Therefore factors regarding capital structure can be closely monitored.

#### *Risks associated with borrowings*

The Board's current intention is that overall gearing will be below 15 per cent. over the short term.

Overdraft facilities may also be used to meet short-term settlement requirements in respect of the Sigma Pool. Where the Sigma Pool is geared, the NAV per Sigma Share and price per Sigma Share may be affected to a greater extent by increases or decreases in the value of investments held in the Sigma Pool.

*Key personnel*

The Company's success is significantly dependent upon the expertise of the Manager and upon its ability to attract and retain suitable staff.

*Liquidity of shares in the Company*

Investment in Sigma Shares should be viewed as a long-term investment. Although application has been made for Sigma Shares to be admitted to trading on the London Stock Exchange to facilitate transfers by Shareholders, investors should be aware that a liquid secondary market in the Sigma Shares and Ordinary Shares cannot be guaranteed.

## EXPECTED TIMETABLE

*2007*

Latest time and date for receipt of Plan Conversion Forms	3 p.m. on 17 July
Latest time and date for receipt of Letters of Direction	3 p.m. on 17 July
Latest time and date for receipt of Conversion Forms	3 p.m. on 20 July
Record date for elections and Company's register of members closes	6 p.m. on 20 July
Calculation Date	Close of business on 20 July
Latest time and date for receipt of Forms of Proxy	12:15 p.m. on 22 July
Annual General Meeting	12 noon on 24 July
Extraordinary General Meeting	12:15 p.m.* on 24 July
Announcement of results of EGM and details of the Net Asset Value of the Ordinary Pool on the Calculation Date	24 July
Sigma Shares in uncertificated form credited to CREST accounts	8 a.m. on 25 July
Dealings commence in Sigma Shares	8 a.m. on 25 July
Share certificates despatched in respect of Sigma Shares in certificated form	Week commencing 30 July

\* or so soon thereafter as the Annual General Meeting may be concluded or adjourned.

## **DIRECTORS, MANAGER AND ADVISERS**

Directors	Peter Salisbury (Chairman) Richard Stone Caroline Burton Jeremy Newsum Peter Wolton
Proposed Director	Hugh Seaborn  all of:
Registered Office	51 Berkeley Square London W1J 5BB Telephone: 020 7360 1200
Manager	Thames River Capital LLP 51 Berkeley Square London W1J 5BB Telephone: 020 7360 1200
Secretary	Capita Company Secretarial Services Ltd. 7th Floor Phoenix House 18 King William Street London EC4N 7HE
Sponsor, financial adviser in respect of the Transaction and Joint Placing Agent	Winterflood Securities Limited The Atrium Building Cannon Bridge 25 Dowgate Hill London EC4R 2GA
Broker, financial adviser to the Company and Joint Placing Agent	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS
Legal advisers to the Company	Slaughter and May One Bunhill Row London EC1Y 8YY
Legal advisers to the Placing Agents	Norton Rose 3 More London Riverside London SE1 2AQ
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Registrar	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS99 3FB Telephone: 0870 707 1355
Custodian	JPMorgan Chase Bank, NA 125 London Wall London EC2Y 5AJ

## **PART I:**

### **INFORMATION ON THE COMPANY**

#### **Introduction**

On 24 April 2007 the Board announced that it was investigating the creation of a new class of Share concentrated on investment in smaller capitalisation quoted property companies throughout Europe. These investigations have now been completed and this document explains in detail what is proposed.

Holders of existing Ordinary Shares will be given a basic entitlement to convert 20 per cent. of their Ordinary Shares into Sigma Shares and investors will be offered the opportunity to subscribe for Sigma Shares on a non-pre-emptive basis under the Placing, as described in this Prospectus.

#### **Background**

Incorporated in 1905, the Company is a UK-based investment company which is listed on the London Stock Exchange and is a component of the FTSE 250 index and which invests in Pan European property companies and UK direct property on behalf of Shareholders.

Investment in the Company has offered a good proxy for the Pan-European real estate securities market. Over the five years to 31 March 2007 the Net Asset Value of the Company has grown from £342 million to £933 million and the NAV per Ordinary Share has risen from 78.1p to 290.8p. Over the same period the net dividend has risen from 1.65p to 4.10p per Ordinary Share. The Company's Shares are actively traded and offer good liquidity relative to other investment trusts.

The Company has been an investor in medium sized and smaller quoted property companies over the last decade. The size of the Company following its recent period of growth means that individual investments in property companies with smaller market capitalisation have a relatively modest influence on the overall performance of the entire portfolio. Of the current securities portfolio, roughly 74 per cent. is invested in companies with a market capitalisation exceeding £1 billion and the remaining 26 per cent. is invested in companies with a market capitalisation below this figure.

The Board and the Manager consider that, given the size of the total assets of the Company, and the illiquid and low yielding nature of smaller real estate company equities, it is inappropriate to increase significantly the exposure of the existing portfolio to smaller real estate companies. They believe that such a move could reduce the liquidity of the Company's portfolio and reduce the Company's revenue and therefore its dividend paying capacity.

However, the Board and the Manager believe that some Shareholders and other investors may be attracted to a new investment pool focused entirely on real estate companies with small market capitalisation and which will take advantage of the expertise of the Manager in this area.

#### **Summary**

##### *The Transaction*

Following implementation of the Transaction, the Company will have two classes of shares in issue, Ordinary Shares and Sigma Shares. Each Share class will be separately listed on the Official List and traded on the London Stock Exchange and each will have rights in relation to a discrete portfolio of investments, the "Ordinary Pool" and the "Sigma Pool":

##### *The Ordinary Pool*

- Ordinary Shares will remain designed to maximise Shareholders' returns by investing in property shares and direct property on an international basis;
- holders of existing Ordinary Shares will maintain materially the same economic exposure as if the Transaction had not been implemented (which includes, and will continue to include, an exposure of approximately 26 per cent. to smaller Pan-European property companies);
- the investment objective, investment policy, benchmark, dividend policy and Board composition for the Ordinary Shares will remain the same;
- the Manager will continue to manage the Ordinary Pool in accordance with the existing Management Agreement and management fee arrangements will not change;

### *The Sigma Pool*

- shareholders will be given the opportunity to convert some of their existing Ordinary Shares into new Sigma Shares;
- where Shareholders have made a valid election to take part in the Conversion, each elected Ordinary Share will be reclassified as, and sub-divided into, two Sigma Shares of 12.5 pence each;
- certain investors may subscribe for Sigma Shares under a Placing;
- the Sigma Pool will consist predominantly of shares in Pan-European property companies with a market capitalisation of less than £1 billion; this will be a specialist investment in a small part of the property securities sector; and
- the Sigma Pool will not include any direct property investments.

### *Shareholders who do not fill in the Conversion Forms*

**The Board recognises that some Shareholders will not wish to increase their exposure to companies with small market capitalisation and has therefore sought to minimise the impact of the Transaction on Shareholders who do not elect to convert any Ordinary Shares. Those Shareholders will be, in all material respects, in the same position as if the Transaction had not been implemented.**

### **Ordinary Shares: before and after the Transaction**

#### *Investment objective*

To maximise shareholders' total returns by investing in property shares and property on an international basis.

#### *Investment policy*

The investment selection process seeks to identify well-managed companies of all sizes, especially those with a focus on a particular type of real estate business. The Manager generally regards future growth and capital appreciation more highly than immediate initial yield or discount to asset value. The focus is on companies with property assets predominately located within the Pan-European geographical area, although investments are permitted on a global basis.

The Ordinary Pool also holds some direct property investments. The type of assets in which the Company seeks to invest are those where the Manager believes there may be the potential to generate returns greater than the IPD (Investment Property Databank) Index in the longer term.

#### *Benchmark*

FTSE EPRA/NAREIT Europe Index in sterling.

This index, which is calculated by FTSE, is freefloat based and as at 1 May 2007 had 101 constituent companies.

#### *Portfolio*

Following the Transaction, the new Ordinary Pool portfolio will be materially the same as the current Ordinary Pool. There will be a small increase in the direct property exposure as a result of Conversion. The allocation of the Ordinary Pool as at 15 June 2007 is:

UK quoted property companies	53.0%
European quoted property companies	38.0%
Direct property	9.0%
	<hr/>
	100.0%
	<hr/>

Assuming the maximum Net Asset Value of the Sigma Pool of £250 million is raised through conversion of 20 per cent. of the Ordinary Shares and the Placing:

UK quoted property companies	51.7%
European quoted property companies	37.1%
Direct property	11.2%
	<hr/>
	100.0%
	<hr/>

Currently (at 15 June 2007) small capitalisation stocks, being those companies with a market capitalisation of less than £1 billion, comprise approximately 26 per cent. of the Ordinary Pool. The Ordinary Shares will continue to invest in companies of all sizes in line with the Company's current strategy.

#### *Borrowing restrictions*

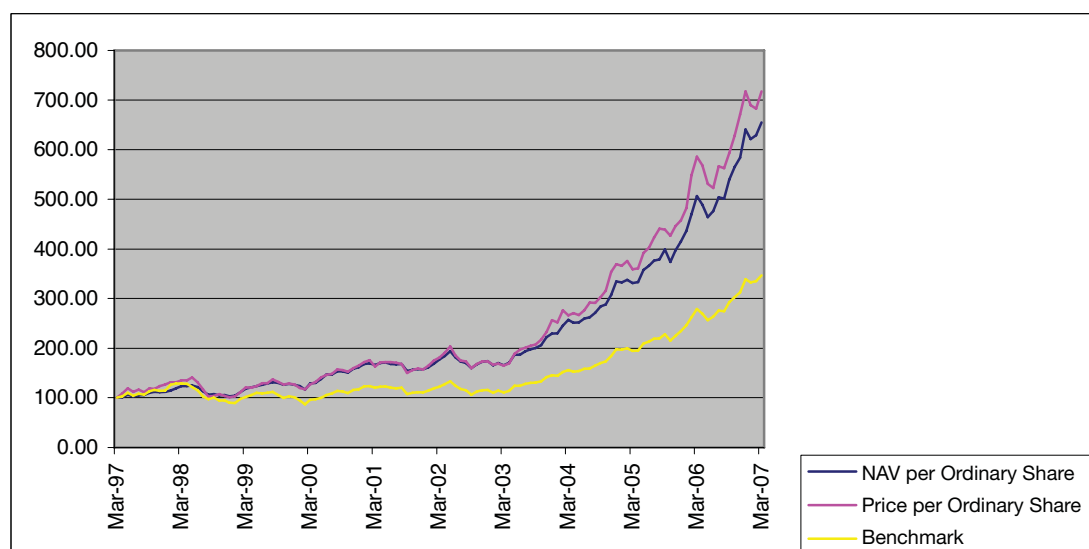
The Company's ability to borrow funds is limited to an amount equal to 40 per cent. of the Net Asset Value of the Company, in accordance with the terms of the Company's borrowing facility. The Board's current intention is that overall gearing is less than 15 per cent. of the Net Asset Value of the Ordinary Pool over the short term, consistent with the current policy.

#### *Accounting*

In accordance with the established accounting policy and the Board's expectations of long term investment returns, finance costs are allocated 50 per cent. to the revenue account and 50 per cent. to capital. One third of the management fee is deemed to relate to the administration of the Company and charged to revenue. The remainder is split on the same basis as the finance costs and 50 per cent. charged to capital. 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.

#### *Performance record*

The following chart illustrates the ten year performance of the Company to March 2007.



Index of NAV per Ordinary Share and price per Ordinary Share compared with a composite benchmark index comprising the FTSE Real Estate Index (for the period 31 March 1997 to 30 September 2001) and the S&P/Citigroup European Property Index (for the period 1 October 2001 to 31 March 2007) sourced from Datastream

#### *Dividend Policy*

As the focus of the Company is on total return, the Ordinary Shares currently yield less than the benchmark, which had a yield of 2.2 per cent. as at 31 May 2007. However, the dividend on the Ordinary Shares has grown at a rate of 19.4 per cent. per annum over the five years to 31 March 2007, which exceeds the growth rate of the benchmark yield over the same period. The Directors intend to continue to follow a progressive dividend policy for the Ordinary Shares.



### *Currency*

The base currency of the Ordinary Shares is sterling; however the Company holds some investments in a number of currencies other than sterling, predominantly Euros. The Ordinary Shares are exposed to the movements in these currencies although the currencies may be hedged into sterling from time to time at the Manager's discretion. The benchmark maintains an un-hedged exposure to these currencies.

### *Management*

The Ordinary Pool will continue to be managed by Thames River Capital LLP using predominantly the same team that has managed the Ordinary Share portfolio for over 10 years. Chris Turner will continue to act as lead manager on the Ordinary Pool. Biographies of Chris and the rest of the team are set out on page 46.

### *Management fee and performance fee*

Under the Management Agreement (as more particularly described in paragraph 14.2 of part IV), the Manager is entitled to a basic management fee of 0.70 per cent. per annum on the Net Asset Value of the Ordinary Pool payable quarterly in advance. For the period up to 31 March 2009 the basic management fee is reduced to 0.40 per cent. per annum on that portion of the Net Asset Value of the Ordinary Pool which exceeds £450 million. The fee is based on the Net Asset Value of the Ordinary Pool (determined in accordance with the AIC method of valuation) on the last day of March, June, September and December respectively.

The management fee includes fees for a number of services such as fund administration and company secretarial services that are provided by third parties. The Company has direct contractual relationships with the third parties providing these services and the fees incurred are deducted from the gross fee due to the Manager. This affords the Company a high degree of transparency and control in respect of its overall costs.

A performance fee will become payable if the total return on Adjusted net assets attributable to holders of Ordinary Shares at 31 March each year out-performs the total return of the Company's benchmark plus 2 per cent. (the "hurdle rate") in the previous 12 months. Any out-performance (expressed as a percentage) is the "percentage out-performance". Any fee payable is the amount equivalent to the Adjusted net assets attributable to holders of Ordinary Shares at 31 March each year, multiplied by the percentage out-performance, multiplied by 15 per cent.

The performance fee payable in any year is capped and there are arrangements to carry forward any performance in excess of the cap and any under-performance in any period to subsequent periods, as described in more detail in paragraph 14.2 of Part IV.

## **Sigma Shares**

### *Investment objective*

To maximise Shareholders' total returns by investing predominantly in shares of property companies with a market capitalisation of less than £1 billion, on an international basis. Sigma Shares will have rights over the capital and revenue generated by the Sigma Pool.

### *Investment policy*

The investment selection process will seek 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 more highly than immediate initial yield or discount to asset value. The focus will be on companies with property assets located within the Pan-European geographical area, although investments are permitted on a global basis.

The Sigma Pool will not hold direct property investments. The Sigma Pool may invest in unlisted companies and pre-IPO opportunities although the Manager does not expect this to comprise a significant proportion of the Sigma Pool.

### *Benchmark*

The benchmark index will be the FTSE EPRA/NAREIT Europe Index in sterling. This index, which is calculated by FTSE, is freefloat based and as at 1 May 2007 had 101 constituent companies.

### *Size of the Sigma Share class*

The Manager has identified 591 real estate stocks in Greater Europe including Russia, the CIS States, Turkey and Israel (which the Manager refers to as “Eurovision Europe”) with individual market capitalisations of less than £1 billion. The Manager considers this to be the current “small cap” investment universe for the Sigma Pool. As at 1 May 2007, the total market capitalisation of these stocks was £97 billion.

In order to be selective in this marketplace where holdings can be very thinly traded and illiquid, and to ensure that the impact of the performance of small investment holdings is not excessively diluted, the Manager will limit the size of the Sigma Share class to a maximum of £250 million at launch.

### *Portfolio*

The initial Sigma Pool will represent a *pro rata* share of listed equities in the Company’s portfolio at the time of the Conversion in respect of elections to convert Ordinary Shares into Sigma Shares, plus cash raised in the Placing, but will exclude direct property investments. Assuming the Net Asset Value of the Sigma Pool is of £250 million at launch and existing Shareholders elect to convert their full basic entitlement, the allocation of the initial Sigma Pool based on 15 June valuations will be approximately:

UK quoted property companies	41.2%
European quoted property companies	29.5%
Cash	29.3%
	<hr/>
	100.0%
	<hr/>

As approximately 74 per cent. of the equity holdings will be in companies with a market capitalisation of more than £1 billion, the Sigma Pool will be repositioned over time. It is expected that, subject to market conditions, the Sigma Pool will be substantially invested in accordance with its investment objective within three months of the date of Conversion. It is anticipated that, subject to market conditions, the cash element of the initial Sigma Pool, raised through the Placing, will be substantially invested within six weeks of the date of Conversion.

### *Borrowing restrictions*

The Company’s ability to borrow funds is limited to an amount equal to 40 per cent. of the Net Assets Value of the Company, in accordance with the terms of the Company’s borrowing facility. The Board’s current intention is that overall gearing in respect of the Sigma Pool will be less than 15 per cent. of the Net Assets Value of the Sigma Pool over the short term, consistent with the Company’s current policy.

### *Dividend policy*

The Sigma Shares are expected to have a lower dividend yield than the Ordinary Shares. In addition, the dividend yield of the Sigma Shares may have an increased volatility because the underlying investments in the Sigma Pool will be focused on companies with smaller market capitalisations, which are likely to comprise development companies and less mature companies with lower or no dividend yields.

### *Currency*

The base currency of the Sigma Shares will be sterling, however the Sigma Pool will hold some investments in a number of currencies other than sterling, predominantly Euros. The Sigma Shares will be exposed to the movements in these currencies although they may be hedged into sterling from time to time at the Manager’s discretion. The benchmark maintains an un-hedged exposure to these currencies.

### *Management*

The Sigma Pool will be managed by Thames River Capital LLP using predominantly the same team that has managed the Company for over 10 years. Chris Turner, will continue to act as lead manager of the Ordinary Pool and will take an active role in the management of Sigma Pool; however the lead Fund Manager for the Sigma Pool will be Marcus Phayre-Mudge, Marcus is

currently Deputy Fund Manager of the Company. Biographies of Chris, Marcus and the rest of the team are set out on page 46.

#### *Management fee and performance fee*

In accordance with the Sigma Management Agreement (as more particularly described in paragraph 14.3 of part IV), the Manager will be entitled to a base management fee of 1.10 per cent. per annum on the Net Asset Value of the Sigma Pool, payable quarterly in advance. The fee is based on the Net Asset Value of the Sigma Pool (determined in accordance with the AIC method of valuation) on the last day of March, June, September and December respectively.

The management fee under the Sigma Management Agreement includes fees for a number of services such as fund administration, custody and company secretarial services that are provided by third parties. The Company will have direct contractual relationships with the third parties providing these services and the fees incurred will be deducted from the gross fee due to the Manager. This will afford the Company a high degree of transparency and control in respect of these services.

A performance fee will become payable under the Sigma Management Agreement if the total return on Adjusted net assets attributable to holders of Sigma Shares, at 31 March each year outperforms the total return of the Company's benchmark plus 2 per cent. (the "hurdle rate") in the previous 12 months. Any out-performance (expressed as a percentage) is the "percentage out-performance". Any fee payable is the amount equivalent to the Adjusted net assets attributable to holders of Sigma Shares at 31 March each year, multiplied by the percentage out-performance, then multiplied by 20 per cent.

The maximum performance fee payable in any period will be 5 per cent. of the Adjusted net assets attributable to holders of Sigma Shares. Unless the Adjusted net assets attributable to holders of Sigma Shares are lower at the end of the period than at the beginning, in which case the maximum performance fee will be limited to 1 per cent. of the Adjusted net assets attributable to holders of Sigma Shares. There are arrangements to carry forward any performance in excess of the cap and any under-performance in any period to subsequent periods, as described in more detail in paragraph 14.3 of Part IV.

#### *Accounting*

In accordance with the Board's current accounting policy for Ordinary Shares and the expected long-term split of returns, it is proposed finance costs are allocated 50 per cent. to the revenue account and 50 per cent. to capital. Of the management fee, two thirds will be charged to revenue and one third to capital. Performance fees will be charged wholly to the capital account.

#### **Investment trends and outlook**

Major European commercial property markets (with the exception of Germany) have performed well over the last three years. In the UK, the largest of the European markets, ungeared commercial property has out-performed bonds and general equities over the same period.

*Annualised direct property total return  
vs govt. bonds and FTSE UK All  
Share index for the 3 years from 1 Jan  
2004 to 31 Dec 2006*

#### *Country or market*

UK	18.5%
France	15.6%
Spain	15.2%
Italy	8.4%
Germany	1%
UK 15 year Gilt total return	5.1%
FTSE All Share total return	17.4%

Source: Investment Property Databank, Thomson Financial Datastream, Bloomberg

Property as an asset class has enjoyed a re-rating relative to equities and bonds as investors have reassessed the benefits of an asset class that provides diversification, a relatively high income return, income growth and a hedge against inflation (due to its correlation with rental growth).

The sector has attracted very high levels of investor demand and due to the structural constraints on commercial property supply (due to planning controls and construction timetables), at the same time initial rental income yields have been driven downwards, while capital values have moved upwards across all sectors and markets (so-called “yield compression”).

The Manager believes that continuing capital inflows combined with historically low long term borrowing rates are likely to continue to support current real estate valuations but that the re-rating of the sector and the consequent high rates of capital growth through yield compression has come to an end in the UK and is slowing across Europe. Direct property returns are slowing in the UK, and the Manager believes that they are likely to follow suit in continental Europe over the next 18 months.

The Manager considers that the FTSE EPRA/NAREIT European Property Index is representative of the institutional investment universe of listed property companies in Europe and as at 1 May 2007 comprised 101 stocks with a total market capitalisation of approximately £151 billion. Returns for the 3 years to March 2007 were as follows:

<i>Year to:</i>	<i>EPRA Total Return</i>
31 March 2005	26.7%
31 March 2006	46.7%
31 March 2007	29.5%

Source: Bloomberg

The EPRA index is dominated by larger companies. As at 1 May 2007 thirty-seven companies with total market capitalisations in excess of £1 billion made up 79 per cent. of the total index.

### **Outlook for smaller capitalised property companies**

The Manager considers that there are significant differences between real estate businesses and businesses in other sectors. Furthermore, in the Manager’s opinion there are few economies of scale available to real estate investors and developers and in some respects large size can be more of an impediment than a benefit. It is the Manager’s experience that quoted property companies contend with each other at the margin rather than at the core of their business. Smaller property companies are therefore not only able to compete with their larger peers on more level terms than in many industries, but are often able to out-manoeuvre them managerially and operationally.

The yield compression seen over the last few years has benefited all property companies but particularly those with high leverage. Going forward, in a period where yields are not expected to fall further, the Manager expects capital returns to be more closely linked with rental value movements and the specific actions of management. It is the Manager’s experience that smaller property companies are generally more active than large cap companies and tend to be more focused on a particular sector, market or type of activity. As a result, they are often able to extract greater performance from their portfolios in markets where yields are stable.

A portfolio of smaller capitalised property companies containing a greater proportion of focused development and investment companies, as well as greater exposure to emerging markets and sectors, is likely to have a pattern of returns that differs significantly from the existing Ordinary Pool.

The Manager has identified 591 real estate stocks in Greater Europe including Russia, the CIS States, Turkey and Israel (which the Manager refers to as “Eurovision Europe”) with individual market capitalisations of less than £1 billion. The Manager considers this to be the current quoted “small cap” investment universe for the Sigma Share class. As at 1 May 2007, the total market capitalisation of these stocks was £97 billion. While 67 of them were EPRA constituents they made up only 32 per cent. of the EPRA index.

### **Benefits of the creation of the Sigma Share Class**

Although investment in the new Sigma Shares will not be appropriate for all existing holders of Ordinary Shares, the Board believes that the creation of the Sigma Shares will have benefits for existing holders of Ordinary Shares as well as investors in Sigma Shares:

- As a result of the creation of the Sigma Shares the Manager will be recruiting additional resources with specialist knowledge in the smaller companies sector. It is expected that the increased focus on small capitalisation property stocks will create new investment opportunities that will be enjoyed by holders of Ordinary Shares and Sigma Shares.
- Conversion of some of the existing Ordinary Shares into Sigma Shares may reduce the current size of the Ordinary Pool which will offer increased flexibility for investment of the Ordinary Pool.
- The Transaction gives Shareholders increased choice:
  - Shareholders have an option to increase their exposure to a portfolio of smaller quoted property companies throughout Europe, if they wish, to by opting to convert some, or potentially all, of their existing Ordinary Shares into Sigma Shares.
  - Shareholders may retain their existing position by not electing to convert any of their existing Ordinary Shares and will not bear any of the cost of the Transaction. These Shareholders will, in all material respects, retain their existing exposure to a portfolio of international listed property securities and directly owned UK real estate without any amendment to the existing investment objective, investment policy, management fee and gearing strategy (i.e. as if the Transaction had not been implemented).
- UK resident Shareholders converting Ordinary Shares to new Sigma Shares can do so (under current law) in a tax efficient manner without triggering a disposal for UK capital gains tax purposes; and no stamp duty or stamp duty reserve tax will be payable on Conversion.
- Shareholders converting Ordinary Shares into Sigma Shares will do so at the underlying Net Asset Value of the Ordinary Pool as at the Calculation Date less conversion costs of 1.75 per cent. This may provide Shareholders with a one-off opportunity to reallocate their investment in the Company without crystallising any difference between the price per Ordinary Share and the NAV per Ordinary Share if such a difference exists at the time of conversion.

## Conversion

Holders of existing Ordinary Shares (other than Overseas Persons) will have a basic entitlement to convert 20 per cent. of their holding of existing Ordinary Shares into Sigma Shares on the basis that Shareholders will receive two new Sigma Shares of 12.5 pence each for every Ordinary Share converted. If a Shareholder who holds 1,000 Ordinary Shares were to convert 200 of these Ordinary Shares to Sigma Shares, the Shareholder would hold 400 Sigma Shares and 800 Ordinary Shares immediately following Conversion. The Conversion calculation will be based on the Net Asset Value of the Ordinary Pool as at the Calculation Date less the costs of Conversion of 1.75 per cent. of the net assets of the Ordinary Shares which convert. Therefore the total net asset value attributable to the two new Sigma Shares received for each converting Ordinary Share will be equal to the NAV per Ordinary Share less 1.75 per cent. of the net asset value per Ordinary Share elected for Conversion.

**The option to convert is a “one off” event. It is not the Directors’ intention to offer any future opportunities to convert Ordinary Shares into Sigma Shares or vice versa.**

The Conversion will take effect on 25 July 2007, the business day following the EGM. Any Ordinary Shares which Shareholders do not wish to convert into Sigma Shares will be unaffected.

**Accordingly, existing Shareholders who wish to retain their current investment exposure should not return the Conversion Forms.**

Although Shareholders (other than Overseas Persons) will have a basic entitlement to convert 20 per cent. of their holding of Ordinary Shares into Sigma Shares, Shareholders will be able to elect to convert additional Ordinary Shares, but such elections will only be satisfied, on a *pro rata* basis, to the extent that other Shareholders do not elect to use their basic entitlement or to the extent that the Net Asset Value of the Sigma Pool immediately following the Transaction, taking account of net proceeds of the Placing, does not exceed £250 million.

Under current law, the Conversion will not be treated as a disposal for UK capital gains tax purposes; and no stamp duty or stamp duty reserve tax will be payable on Conversion. A guide to the general taxation position, as at the date of this document, of UK resident Shareholders is set out in Part III of this document.

Once lodged, an election to convert may not be withdrawn without the consent in writing of the Board. The Board may permit different arrangements to apply to Plan Participants or other holders at its discretion.

However, in order to protect the Shareholders if, following the Transaction, less than 25 per cent. of the Ordinary Shares and/or Sigma Shares are held in public hands (i.e. more than 75 per cent. of either the Sigma Shares or the Ordinary Shares are held by Directors, persons connected with the Directors, or persons interested in 5 per cent. or more of the relevant Shares), the Board may, in accordance with its powers under the New Articles require compulsory conversion of some or all of the Sigma Shares into Ordinary Shares or vice versa. The New Articles will also give the Board the discretion to require compulsory conversions if the Net Asset Value of the Ordinary Pool or the Net Asset Value of the Sigma Pool falls below £20 million. The Board may also put forward alternative proposals to Shareholders which Directors consider in the Shareholders' best interests. In the absence of unforeseen circumstances, the Board does not anticipate using its power to require compulsory conversion of Sigma Shares or Ordinary Shares.

### **The Placing**

Under the Placing Agreement (the terms of which are summarised in paragraph 14.1 of Part IV of this document), Winterflood Securities and Cenkos Securities have agreed to use their reasonable endeavours to procure subscribers on a non-pre-emptive basis for Sigma Shares at a price per Sigma Share representing a premium of 1.75 per cent. to the NAV per Sigma Share as at the Calculation Date (expected to be 20 July 2007).

If the total net asset value attributable to the Sigma Shares committed under the Placing, taken together with the total net asset value attributable to the Sigma Shares arising under the Conversion (assuming full satisfaction of the basic entitlement), exceeds £250 million, then such commitments under the Placing will be scaled back and the basis of allocation will be agreed by Winterflood Securities, Cenkos Securities and the Company, such that the Net Asset Value of the Sigma Pool immediately following the Conversion and Placing equals £250 million.

As at 15 June 2007 (the latest practicable date prior to the publication of this document), the total net asset value attributable to the Sigma Shares arising under the Conversion (calculated on the basis that each Shareholder will take up the basic entitlement), would have been approximately £170 million. On that basis, the net proceeds of the Placing would be approximately £80 million. The net proceeds of the Placing will be invested in accordance with the investment objectives and policies applicable to the Sigma Shares, which are described on page 17.

The Placing will introduce new shareholders to the Company. This means that existing Shareholders who elect to convert their Ordinary Shares into Sigma Shares under the Conversion will not retain the same percentage holding in each of the Ordinary Shares and the Sigma Shares as they currently hold in Ordinary Shares.

The Placing is conditional on, (i) the passing of the resolutions to be proposed at the Extraordinary General Meeting (see further paragraph 3 of Part IV of this document); (ii) sufficient elections to convert under the Conversion and commitments under Placing such that, on Admission, the Net Asset Value of the Sigma Pool would be in excess of £75 million; and (iii) on Admission becoming effective.

The Placing is not being underwritten by either Winterflood Securities or Cenkos Securities. No commissions are payable to investors under the Placing.

### **Costs of the Transaction**

The costs of the Transaction (including all advisers' fees, printing and other ancillary costs) are, based on the maximum Net Asset Value of the Sigma Pool of £250 million, expected to be approximately £4.4 million (inclusive of VAT), which represents 1.75 per cent. of the expected Net Asset Value of the Sigma Pool.

These costs will be borne by the holders of Sigma Shares and will be shared *pro rata* by those Shareholders electing to take part in Conversion and those investors subscribing for Sigma Shares under the Placing. Shareholders converting some or all of their Ordinary Shares into Sigma Shares will bear the costs of such Conversion by an adjustment to the Net Asset Value of the Sigma Pool by allocating the expenses of the Transaction to the Sigma Pool. New investors in Sigma Shares under the Placing will bear these costs through the issue of Sigma Shares at a premium to NAV per Sigma Share.

## Results

The Company will notify investors of the price per Sigma Share, the number of Sigma Shares allocated under the Placing and the number of Sigma Shares arising on Conversion will be announced by the Company through a Regulatory Information Service on 24 July 2007.

## Voting Rights

To create the Sigma Shares the Company is required to make changes to its Articles. It therefore proposes to adopt the New Articles, details of which are set out further in paragraph 5.4 of Part IV. The New Articles state that at a general meeting of the Company every holder of Sigma Shares and every holder of Ordinary Shares will have (a) one vote upon a show of hands; and (b) upon a poll in a general meeting, a weighted vote determined in accordance with the NAV per Sigma Share and the NAV per Ordinary Share, in accordance with the procedure described in the New Articles.

Holders of Sigma Shares will not, however, have the right to vote at a general meeting of the Company on resolutions which relate only to Ordinary Shares, other than where the Board determines that such 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. Similarly, holders of Ordinary Shares will not have the right to vote at a general meeting of the Company on resolutions which relate only to Sigma Shares, other than where the Board determines that such resolution will have a substantial adverse impact on the holders of Ordinary Shares and/or where the Listing Rules require it.

## Discount control

The Company is currently authorised to make market purchases of its shares in respect of up to 14.99 per cent. of its current issued ordinary share capital (the Company will seek to renew this authority at the AGM). If the second Resolution is approved at the EGM, the Board will also have immediate authority to make market repurchases of Sigma Shares representing 14.99 per cent. of the number of Sigma Shares in issue following the Transaction.

The Board believes that to make 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 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 remaining Shareholders. It is therefore intended that purchases would only be made at prices below net asset value. Repurchases will at all times be carried out in accordance with the Listing Rules.

## Gearing

As at 15 June 2007 (the latest practicable date prior to the publication of this document), net debt was £80 million which represented gearing of approximately 9.3 per cent. on unaudited net assets of £861 million. The Company is geared through a combination of two debentures totalling £40 million with coupons of 8.125 per cent. and 11.5 per cent. repayable in 2008 and 2016 respectively. The balance of the gearing is represented by short term floating rate bank facilities. All of the Company's floating rate debt is multi-currency. The debentures are sterling denominated.

Existing debt will be allocated between the Ordinary Pool and the Sigma Pool *pro rata*, according to the relative Net Asset Value of the Ordinary Pool and Net Asset Value of the Sigma Pool as at the Calculation Date. Following the Transaction, gearing ratios between the Ordinary Pool and the Sigma Pool may vary over time according to the level of borrowing in each of the Ordinary Pool and the Sigma Pool. Therefore, after the Transaction, the Sigma Pool and the Ordinary Pool can be geared to different levels.

The Board's current policy is that the Company's overall gearing level, and the gearing level within each of the Sigma Pool and Ordinary Pool, will be below 15 per cent. over the short term.

## Dividend

Subject to Shareholder approval at the Annual General Meeting on 24 July 2007, a final dividend of 2.40p per Ordinary Share will be paid on 31 July 2007 to Shareholders on the register on 29 June 2007. The record date for this dividend falls before the effective date of the Transaction and,

accordingly, all Shareholders on the shareholder register on that date will receive this dividend, regardless of whether they have elected to take part in Conversion.

### **Conditions to implementation**

The Transaction is conditional upon:

- (a) the passing of the first special resolution to be proposed at the Extraordinary General Meeting (see further paragraph 3 of Part IV of this Prospectus);
- (b) sufficient elections under the Conversion and commitments under the Placing being received such that on Admission the Net Asset Value of the Sigma Pool would be in excess of £75 million; and
- (c) Admission.

If Shareholders do not approve the Transaction by voting in favour of it at the Extraordinary General Meeting or if the Company receives insufficient elections to convert and commitments under the Placing, such that the Sigma Shares fail to exceed £75 million of the Net Asset Value of the Sigma Pool, the Company will not create the new Sigma Shares. The Board may, with the agreement of the Placing Agents, waive the condition regarding the minimum size of the Sigma Share class in part or whole.

An application has been made for the Admission of the Sigma Shares to be created in connection with the Transaction. It is not possible to determine the exact number of Sigma Shares that will be created. The Company has therefore applied to list up to 350,000,000 Sigma Shares.

It is expected that Admission will become effective on 25 July 2007.

### **Corporate governance**

The Board is accountable to shareholders for the governance of the Company's affairs and considers that the Company complies with the best practice provisions of the AIC's Code of Corporate Governance issued in February 2006, insofar as they are relevant to the Company's business.

The Board, chaired by Peter Salsbury, consists of five non-executive Directors, including the Chairman, all of whom are regarded by the Board as independent of the Manager. The Chairman's independence was assessed upon his appointment.

#### **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. 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.

#### **Audit Committee**

The Audit Committee comprises all the members of the Board. The chair of the Audit Committee is Mr Stone. The Board has satisfied itself that at least one Audit Committee member has recent and relevant financial experience. The Committee has written terms of reference, which clearly define its responsibilities and duties. These can be found on the Company's website and are available on request. The Audit 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 Audit 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 Manager, reviews the Company's compliance with financial reporting and regulatory requirements.

#### **Management Engagement Committee**

The Management Engagement Committee was formed in November 2006 comprising the Chairman and the Directors. The Committee meets at least on an annual basis, towards the end of the financial year.

The Management Engagement Committee reviews, on an annual basis, the performance of the Manager and its continued suitability to manage the Company's portfolio. It also reviews the terms of the 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 Management Engagement



Committee meeting in March 2007, the Committee confirmed that the Manager should be retained as the Investment Manager for the financial year ending 31 March 2008.

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 Management Engagement Committee.

In addition to the reviews by the Management Engagement Committee the Board reviews and considers performance reports from the Manager at each Board meeting. The Board also receives regular reports from the Administrator and Company secretary and the Manager also reports to the Board on the performance of all other third party service providers.

The Management Engagement Committee also reviews, on an annual basis, Directors' remuneration. The Management Engagement Committee 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 Committees responsibilities and the time committed to the Company's affairs. In the recent review external advice was also taken.

The Articles limit the aggregate fees payable to the Board to a total of £150,000 per annum. This limit has not been changed for many years. The Directors are proposing a resolution at the forthcoming AGM to increase this aggregate amount to £250,000 per annum. Detailed information on the remuneration arrangements for the Directors of the Company can be found in the Annual Report and Accounts for the year ended 31 March 2007 on page 24.

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.

### **Risk Factors**

The attention of prospective investors is drawn to the paragraph headed "Special Considerations and Risk Factors" on page 8 of this document.

### **Dealings and settlement**

In respect of the Conversion the Company's register of members in respect of the Ordinary Shares will be closed from 6 p.m. on 20 July 2007 and the last date for dealings on the London Stock Exchange on a normal rolling three day settlement basis will be 17 July 2007. As from 18 July 2007, dealings should be for cash settlement only and will be registered in the normal way if the transfer, accompanied by the documents of title, is received by the Registrar by 6 p.m. on 20 July 2007. Transfers received after that time will be retained by the Registrar and registered on the opening of the registers in respect of Ordinary Shares and Sigma Shares. The Company's register of members in respect of the Ordinary Shares and Sigma Shares are expected to open at 8.00 a.m. on 25 July 2007. It is expected that dealings in the Sigma Shares created pursuant to the Transaction will commence on 25 July 2007.

Dealings in the Ordinary Shares will not be required to be suspended during implementation of the Transaction.

Sigma Shares will be in registered form and may be created either in certificated or uncertificated form. No temporary documents of title will be issued. Pending despatch of definitive certificates, transfers of Sigma Shares in certificated form will be certified against the register of Shareholders of the Company.

All documents or remittances sent by or to an applicant (or his agent as appropriate) in connection with the Transaction will be sent through the post at the risk of the applicant.

Shareholders who hold Ordinary Shares in certificated form and elect to take part in the Conversion will be issued with new certificates in respect of Ordinary Shares and Sigma Shares following Conversion. Such certificates are expected to be despatched during the week

commencing 30 July 2007. Existing Ordinary Share certificates which represent Ordinary Shares converted into Sigma Shares will cease to be of value for any purpose following Conversion.

Ordinary Shares held in CREST and validly elected will be converted into Sigma Shares within CREST. Such reclassification is expected to take place on 25 July 2007.

## PART II:

### FINANCIAL INFORMATION ON THE COMPANY

#### 1. Nature of the financial information

The information set out in this Part II has been extracted without material adjustment from the statutory accounts of the Company for the three financial years ended 31 March 2007.

#### 2. Statutory accounts for three financial years ended 31 March 2007

For the three financial years ended 31 March 2007, the Company's auditors, Ernst & Young LLP (registered auditors) have given unqualified opinions that the statutory accounts of the Group give a true and fair view of the state of affairs of the Group for the three financial years ended 31 March 2007.

Since 1 April 2005, the Group has prepared its financial statements under IFRS, as adopted for use in the European Union.

#### 3. Published annual reports and accounts for three financial years ended 31 March 2007

##### 3.1 Historical financial information

The published annual report and audited accounts for the Company for the three financial years ended 31 March 2007, which have been incorporated in this document by reference, included, on the pages specified in the table below, the following information:

The accounts for 2005 were prepared under UK GAAP. The accounts for 2006 onwards were prepared under IFRS. Restated unaudited 2005 figures prepared under IFRS are shown in the 2006 accounts.

<i>Nature of Information</i>	<i>Annual report and accounts for the year ended 31 March</i>		
	<i>2005 Page No(s)</i>	<i>2006 Page No(s)</i>	<i>2007 Page No(s)</i>
Statement of total return (incorporating profit and loss account)	32	n/a	n/a
Group income statement	n/a	35	37
Balance sheet	33	36	39
Cash flow statement	34	38	40
Accounting policies	35	39	41
Notes to the financial statements (incorporating summary of principal accounting policies)	35	39	41
Audit report	31	32	36

### 3.2 Selected financial information

The key audited figures that summarise the Group's financial condition in respect of the three financial years ended 31 March 2007, which have been extracted without material adjustment from the historical financial information referred to in paragraph 3.1 of this Part II (unless otherwise indicated in the notes below the following table), are set out in the following table:

	<i>Selected financial information for the year ended 31 March</i>			
	<i>2005</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
	<i>UK GAAP</i>	<i>IFRS</i> <i>(Restated)</i>	<i>IFRS</i>	<i>IFRS</i>
	<i>audited</i>	<i>unaudited</i>	<i>audited</i>	<i>audited</i>
<i>Capital (Group)</i>				
Total assets less current liabilities (£'000)	542,617	547,602	813,554	1,017,016
Net assets attributable to holders of Ordinary Shares (£'000)	502,665	504,705	770,593	972,944
NAV per Ordinary Share	145.13p	145.71p	224.11p	290.78p
<i>Revenue Return</i>				
Total Income (£'000)	17,499	19,741	23,143	26,226
Net Profit (£'000)	9,998	9,998	11,838	14,054
Earnings per Ordinary Share	2.85p	2.85p	3.44p	4.09p
Net Dividend per Ordinary Share	2.85p	2.85p	3.40p	4.10p
<i>Total Return</i>				
Total Income (£'000)	133,473	135,710	303,963	262,895
Net Profit (£'000)	120,819	119,216	279,715	237,798
Earnings per Ordinary Share	34.48p	34.02p	81.29p	69.25p

### 3.3 Operating and financial review

The Group's published annual reports and accounts for the three financial years ended 31 March 2007 included, on the pages specified in the table below, descriptions of the Company's financial condition (in both capital and revenue terms); details of the Group's investment activity and portfolio exposure; and changes in its financial condition for each of those years.

<i>Section</i>	<i>Annual report and accounts for the year ended 31 March</i>		
	<i>2005 Page No(s)</i>	<i>2006 Page No(s)</i>	<i>2007 Page No(s)</i>
Chairman's statement	4-7	4-7	5-8
Investment manager's report	8-15	8-15	9-17
Performance, discount and financial record	3, 5, 22, 53	3, 5, 22, 61	3, 4, 6, 24
Portfolio analysis	10, 11, 15	10, 15	11, 16, 17

### 3.4 Availability of annual reports and accounts for inspection

Copies of the Group's annual reports and audited accounts for the three financial years ended 31 March 2007 are available for inspection at the address set out in paragraph 20 of Part IV of this document.

#### 4. Capitalisation and indebtedness

The following table shows, sourced from the Group's internal accounting records, the Group's unaudited indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 15 June 2007 (being the latest practicable date prior to the publication of this document) and the Group's audited capitalisation as at 31 March 2007 (being the last date in respect of which the Group has published financial information).

	<i>15 June 2007 £'000</i>
Current debt	
Guaranteed	
Secured	
Unguaranteed/unsecured	40,610
Total current debt	<u>40,610</u>
<i>Non-current debt</i>	
Guaranteed	39,978
Secured	
Unguaranteed/unsecured	
Total non-current debt	<u>39,978</u>
	<i>31 March 2007 £'000</i>
<i>Capital and reserves</i>	
Share capital	83,650
Share premium account	37,063
Capital Redemption Reserve	38,655
Revenue Reserve	26,329
Capital reserve – realised	174,333
Capital reserve – unrealised	612,914
Total Shareholders' funds (excluding profit and loss reserve)	<u>972,944</u>

As at 15 June 2007 (being the latest practicable date prior to the publication of this document), there has been no material change in the audited capital and reserves of the Company since 31 March 2007 (being the last date in respect of which the Company has published financial information), save for those changes to the Group's net assets value arising in the ordinary course of business including a fall in the market value of investments (net realised and unrealised losses) of around £86.8 million and the Company's purchase of 5,750,000 of its Ordinary Shares for cancellation for an aggregate consideration of £13,840,000.

The following table shows, sourced from its internal accounting records, the Group's unaudited net indebtedness as at 15 June 2007 (being the latest practicable date prior to the publication of this document).

	<i>15 June 2007 £'000</i>
A. Cash	2,333
B. Cash equivalent	—
C. Trading Securities	—
D. Liquidity (A + B + C)	<u>2,333</u>
E. Current financial receivables	1,983

	<i>15 June 2007 £'000</i>
F. Current bank debt	40,610
G. Current position of non-current debt	—
H. Other current financial debt	2,657
I. Current financial debt (F + G + H) (all unsecured)	43,267
J. Net current financial indebtedness (I – E – D)	38,951
K. Non-current bank loans unsecured	—
L. Bonds issued	—
M. Other non-current loans (unsecured)	—
N. Non-current loans (unsecured) (K + L + M)	—
O. Non-current loans (secured)	39,978
P. Interest accruals on loans (secured + unsecured)	695
Q. Net financial indebtedness (J + N + O + P)	79,624

There are no indirect or contingent liabilities.

## **5. Working capital**

In the Company's opinion, the Company has sufficient working capital for its present requirements, that is for at least the 12 months following the date of this document.

## **6. Net Asset Value calculated in accordance with AIC formula**

As at close of business on 15 June 2007 (the latest practicable date prior to publication of this document) the unaudited net asset value per share calculated in accordance with the AIC formula (excluding current financial year revenue items) was 263.7p and the net asset value per Share including debt marked at fair value was 263.2p.

## **PART III:**

### **TAXATION**

#### **Introduction**

The comments set out below are based on existing UK law and on what is understood to be current HMRC practice, both of which are subject to change, possibly with retrospective effect. They are intended only as a general guide to certain aspects of the UK tax treatment of UK resident Shareholders, and apply only to Shareholders who are resident (or, in the case of individuals, ordinarily resident) for tax purposes in, and only in, the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold Shares in the Company as an investment (rather than as securities to be realised in the course of a trade) and who are the absolute beneficial owners of those Shares. Certain categories of investors, such as traders, broker-dealers, insurance companies and authorised investment funds, and Shareholders who have (or are deemed to have) acquired their Shares by virtue of or in connection with an office or employment, may be subject to special rules, and the comments below do not apply to such Shareholders.

**Shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.**

#### **The Company**

It is the intention of the Directors to conduct the affairs of the Company so as to continue to satisfy the conditions for it to qualify as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 (“**ICTA 1988**”). The Directors consider that the Company will not be a close company immediately following the creation of the Sigma Shares pursuant to the Conversion and Placing. In respect of each accounting period for which the requirements of section 842 of ICTA 1988 are satisfied and HMRC approves the Company as an investment trust under section 842, the Company will be exempt from UK taxation on its capital gains. The Company will, however, be liable to UK corporation tax on its income in the normal way.

#### **Shareholders**

##### **Taxation of capital gains**

Depending on their personal circumstances, Shareholders who are resident or, in the case of individuals, ordinarily resident in the UK for taxation purposes may be subject to capital gains tax (or, in the case of corporate Shareholders, corporation tax on chargeable gains) in respect of any gain arising on a disposal of their Shares. Taper relief (for Shareholders who are individuals) and indexation allowance (for Shareholders within the charge to UK corporation tax, and for individual Shareholders for the period up to and including April 1998) may reduce a chargeable gain but may not create or increase any allowable loss. In addition, each individual has an annual exemption, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £9,200 for the tax year 2007-2008.

Under current UK tax law, a conversion of Shares of any class in the Company into Shares of any other class or classes in the Company will not be treated, for the purposes of UK taxation of chargeable gains, as either a disposal of the converted class of Shares or an acquisition of the other class or classes of Shares. The Shares of the latter class or classes will instead be treated, for those purposes, as having been acquired for the same consideration, and at the same time, as the class of Shares that the Shareholder has chosen to convert, so that the capital gains tax base cost of the Shares arising from the conversion will be the same as the base cost of the Shares which the Shareholder has elected to convert.

Upon a subsequent disposal of all or part of a Shareholder's holding of Ordinary Shares or (as the case may be) Sigma Shares, the Shareholder's aggregate capital gains tax base cost in his or her existing holding of Ordinary Shares will have to be apportioned between that Shareholder's Ordinary Shares and Sigma Shares, so as to ascertain that part of the base cost which is attributable to the Ordinary Shares and that part of the base cost which is attributable to the Sigma Shares. That apportionment will be made by reference to the respective market values of the Ordinary Shares and the Sigma Shares on the first day on which market values or prices are quoted or published for the Ordinary Shares and the Sigma Shares.

In addition to the Conversion, the tax treatment described in the preceding paragraph would under current UK tax law be equally applicable to a further compulsory conversion of Ordinary Shares to Sigma Shares (and any resulting Deferred Shares) or a compulsory conversion of Sigma Shares to Ordinary Shares (and any resulting Deferred Shares). In the absence of unforeseen circumstances, the Board does not anticipate using its power to require compulsory conversion of Sigma Shares or of Ordinary Shares.

Where, as a result of such a further conversion of Shares, part of a holding of Shares is converted (for technical reasons) into Deferred Shares, the tax treatment of that Shareholder would not be affected. In particular, no part of the capital gains tax base cost of any holding of Shares of the primary Share class should, in practice, be attributed to any Deferred Shares arising in these circumstances.

### **Taxation of dividends**

Under current UK law, no tax will be withheld by the Company when it pays a dividend. A Shareholder who is an individual resident (for tax purposes) in the UK and who receives a dividend from the Company will be entitled to a tax credit equal to one-ninth of the dividend. The individual will be taxable on the total of the dividend and the related tax credit (the “gross dividend”), which will be regarded as the top slice of the individual’s income. The tax credit will, however, be treated as discharging the individual’s liability to income tax in respect of the gross dividend, unless and except to the extent that the gross dividend falls above the threshold for the higher rate of income tax, in which case the individual will, to that extent, pay tax on the gross dividend calculated as 32.5 per cent. of the gross dividend less the related tax credit. So, for example, a dividend of £80 will carry a tax credit of £8.89 and the income tax payable on the dividend by an individual liable to income tax at the higher rate would be 32.5 per cent. of £88.89, namely £28.89, less the tax credit of £8.89, leaving a net tax charge of £20.

There will be no payment of the tax credit (or any part of it) to an individual Shareholder whose liability to income tax on the gross dividend is less than the amount of the tax credit, including a Shareholder who holds the Shares on which the dividend is paid through a PEP or ISA. Holders of Shares which are charities will also not be entitled to payment of the tax credit in respect of dividends which they receive from the Company.

A United Kingdom resident corporate Shareholder will not generally be liable to corporation tax on any dividend received from the Company.

Non-United Kingdom resident Shareholders will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid by the Company. Shareholders resident outside the United Kingdom (for tax purposes) may also be subject to foreign taxation on dividend income under local law. Shareholders who are not solely resident in the United Kingdom (for tax purposes) should consult their own tax advisers concerning tax liabilities on dividends received from the Company.

### **Stamp duty and stamp duty reserve tax**

No stamp duty or stamp duty reserve tax will be payable on the creation of the Sigma Shares (whether pursuant to the Conversion or the Placing) unless they are issued to persons to whom the depositary receipt or clearance service charge to stamp duty reserve tax applies. A transfer or sale of Shares (other than a transfer to a person to whom the depositary receipt or clearance service charge applies) will generally be subject to *ad valorem* stamp duty at the rate of 0.5 per cent. of the consideration paid for the transfer or sale. An unconditional agreement to transfer Shares will be subject to stamp duty reserve tax at the rate of 0.5 per cent. of the amount or value of the consideration. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the condition is satisfied) any stamp duty reserve tax paid is repayable, and otherwise the stamp duty reserve tax charge is cancelled. Liability to pay the stamp duty or stamp duty reserve tax is normally that of the purchaser or transferee.

Under the CREST system for paperless transfers, no stamp duty or stamp duty reserve tax will arise on a transfer of Shares into the system unless such a transfer is made pursuant to a sale of those Shares, in which case a liability to stamp duty or stamp duty reserve tax (usually at the rate of 0.5 per cent.) will arise. Paperless transfers of Shares within CREST are liable to stamp duty reserve tax (usually at the rate of 0.5 per cent. of the amount or value of the consideration) rather



than stamp duty, and stamp duty reserve tax on relevant transactions settled within the system or reported through it for regulatory purposes is collected by CREST.

If Shares are issued or transferred to persons to whom the depositary receipt or clearance service charge to stamp duty or stamp duty reserve tax applies, stamp duty or stamp duty reserve tax will normally be payable at the rate of 1.5 per cent. of the amount or value of the consideration.

### **ISAs**

The Shares (other than any Sigma Shares acquired directly under the Placing) should be eligible to be held in the stocks and shares component of an ISA, subject to applicable annual subscription limits (which, under the provisions of the ISA Regulations 1998, as most recently amended, are stated to be, in the case of an ISA “maxi-account”, £7,000; which the Government has proposed to increase to £7,200 from the tax year beginning 6 April 2008). Investments held in ISAs will be free of UK tax on both capital gains and income. The opportunity to invest in Shares through an ISA is restricted to certain UK resident individuals. Individuals wishing to invest in Shares through an ISA should contact their own professional advisers regarding their eligibility.

### **PEPs**

The Company’s portfolio will continue to be such that the Shares (other than any Sigma Shares acquired directly under the Placing) should be qualifying investments for general PEP purposes.

No new PEPs may now be set up and no further subscriptions can be made to existing PEPs. However, a plan manager may use cash already contributed to a PEP to acquire Shares in the market.

## PART IV:

### GENERAL INFORMATION

#### 1. History

- 1.1 The Company was incorporated and registered in England and Wales on 5 May 1905 for an unlimited life under the Companies Acts, 1862 to 1900 as a limited company with registered number 84492 under the name of "The Trust Union, Limited". The Company was re-registered as a public limited company on 7 April 1981 and, with effect from 5 April 1982, changed its name to "TR Property Investment Trust plc".
- 1.2 The principal legislation under which the Company operates is the Companies Act. The Company is domiciled in the UK and its registered office is set out on page 13 of this document together with its telephone number.
- 1.3 It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the requirements for qualification as an investment company under section 266 of the Companies Act and the Company has given notice to the Registrar of Companies of its intention to carry on business as an investment company pursuant to that section.

The Company conducts its affairs so as to enable it to qualify for approval by HRMC as an investment trust for the purposes of section 842 of the Income and Corporation Taxes Act 1988. The most recent approval was granted for the accounting period ended 31 March 2006 and it is the intention of the Directors to continue to conduct the affairs of the Company in order to continue to qualify as an investment trust.

The Company is not an authorised or regulated entity for the purposes of financial services rules in England and Wales. As the Ordinary Shares are, and the Sigma Shares will be, admitted to the Official List it is nevertheless subject to regulation by the Financial Services Authority in this capacity

- 1.4 The Group currently has the following subsidiary undertakings, all of which are registered and operating in England and Wales:

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

\* indirectly held

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.

#### 2. Share capital

- 2.1 The authorised share capital of the Company at 1 April 2004 (being the beginning of the period covered by the historical financial information incorporated into this document by reference) was £194,793,000, divided into 779,170,350 Ordinary Shares, of which £88,604,000, divided into 354,416,286 Ordinary Shares, was in issue.
- 2.2 During the year to 31 March 2005, the Company purchased 8,050,000 of its Ordinary Shares for cancellation, representing 2.3 per cent. of the number of Ordinary Shares in issue at 1 March 2004. The aggregate consideration paid by the Company for such Ordinary Shares was £9,006,000. Following the purchases, the issued share capital of the Company at 31 March 2005 was £86,591,000 divided into 346,366,286 Ordinary Shares.
- 2.3 During the year to 31 March 2006, the Company purchased a further 2,516,286 Ordinary Shares for cancellation, representing 0.7 per cent of the number of Ordinary Shares in issue at the beginning of the year on 1 April 2005. The aggregate consideration paid by the Company for the Ordinary Shares was £3,340,000. The number of Ordinary Shares in issue on 31 March 2006 was 343,850,000.

2.4 During the year to 31 March 2007, the Company made market purchases for cancellation of 9,250,000 Ordinary Shares, representing approximately 2.7 per cent. of the number of Ordinary Shares in issue at the beginning of the year on 1 April 2006. The aggregate consideration paid by the Company was £23,069,000. The number of Ordinary Shares in issue on 31 March 2007 was 334,600,000.

2.5 The share capital of the Company as at close of business on 31 March 2007 (being the date of the most recent balance sheet) is as follows:

	<i>Number of Shares</i>
Ordinary Shares of 25p each (issued and fully paid)	334,600,000
Ordinary Shares of 25p each (authorised)	779,170,350

2.6 The Ordinary Shares in issue are in registered form and capable of being held in certificated or uncertificated form. The Sigma Shares will also be in registered form and capable of being held in certificated or uncertificated form.

2.7 The Sigma Shares will be created under the Companies Act and the Ordinary Shares currently in issue have been created under the Companies Act.

2.8 Save as disclosed in this paragraph 2 and pursuant to the Transaction, no share or loan capital of the Company has been issued or agreed to be issued for the three years prior to the date of this document, or is now proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital.

2.9 No unissued share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.

2.10 As at 15 June 2007, the Company did not have any Ordinary Shares held in treasury.

### **3. Resolutions**

Together with this Prospectus, Shareholders will receive a circular containing a notice convening the Company's EGM, at which the Company will seek Shareholder approval, by means of two special resolutions, for the following items pursuant to the Transaction:

- (1) (a) to amend the Articles to set out the rights and restrictions attaching to the Sigma Shares;
- (b) to reclassify and subdivide the Company's authorised but unissued share capital into Sigma Shares of 12.5p each; and to reclassify and subdivide the Company's issued share capital into Sigma Shares of 12.5p each in accordance with the valid election of Shareholders;
- (c) to confer authority under section 80 of the Companies Act on the Directors to allot Sigma Shares pursuant to the Placing up to a maximum of 350,000,000 Sigma Shares, such authority to lapse on 31 August 2007;
- (d) to disapply statutory pre-emption rights otherwise applicable to the Sigma Shares intended to be issued under the Placing up to a maximum of 350,000,000 Sigma Shares;
- (e) to authorise the Directors to allocate the assets and liabilities of the Company between the Ordinary Shares and the Sigma Shares at their discretion, having regard to the principles set out in the New Articles.
- (2) To authorise the Company to purchase up to 14.99 per cent. of the Company's issued Sigma Share capital as at the time immediately following the creation of the Sigma Shares. Any repurchase made pursuant to this authority will be subject to the applicable maximum and minimum price per Sigma Share, as set out in the circular.

### **4. Investments**

4.1 The Company may invest in derivatives for the purposes of efficient portfolio management where the Board believes it prudent so to do, but it is not the Directors' present intention to do so.

- 4.2 As at close of business on 15 June 2007, being the latest practicable date prior to the publication of this document, the Company's largest investments representing at least 50 per cent. of its total assets and the geographic allocation of the Ordinary Pool were as follows:

			<i>Value at 15 June 2007 (£)</i>
<i>Asset</i>	<i>Type</i>	<i>Location</i>	
1 Land Securities Group	Equities	UK	111,075,250
2 British Land	Equities	UK	76,248,000
3 Rodamco Europe NV	Equities	Netherlands	42,790,157
4 Unibail SA	Equities	France	42,457,105
5 Segro Ord	Equities	UK	38,024,000
6 Big Yellow Group	Equities	UK	36,879,375
7 Hammerson	Equities	UK	35,461,500
8 St Modwen Props	Equities	UK	27,572,100
9 Fonciere des Regions	Equities	France	26,463,460
10 Castellum	Equities	Sweden	25,462,581
11 Liberty International PLC	Equities	UK	25,284,000
12 Great Portland Estates	Equities	UK	23,282,500

(Source: BNP Paribas)

The total value of the above assets is £511,000,028 which represents 53 per cent. of the investment portfolio.

The Company's interests in Land Securities Group and British Land are considered material in the context of the Net Asset Value of the Company.

## 5. Memorandum and articles of association

- 5.1 The memorandum of association of the Company provides that the principal object of the Company is to carry on business as an investment trust company. The objects of the Company are set out in full in clause 3 of the Memorandum of Association which is available for inspection at the address specified in paragraph 20 of this Part IV.

### *Existing Articles*

- 5.2 The Company's existing Articles were adopted with effect from 24 July 1997 and were last amended on 22 July 1999. If approved at the EGM, the New Articles will replace the existing Articles. The provisions contained in the New Articles are referred to in paragraph 5.4 below.
- 5.3 The Company's existing Articles contain, among others, provisions to the following effect:

#### *(A) Share rights*

Subject to the provisions of the Companies Acts and to any rights conferred on the holders of any other Shares, any Share may be issued with or have attached to it rights and restrictions as the Company may by ordinary resolution decide, or if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may decide. Subject to the provisions of the Companies Acts and to any rights conferred on the holders of any other Shares, any share may be issued which is to be redeemed at the option of the Company or the holder.

#### *(B) Voting rights*

Subject to any special terms as to voting upon which any Shares may be issued or may for the time being be held, on a show of hands every member who is present in person at a general meeting of the Company shall have one vote, and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

#### *(C) Variation of rights*

Subject to the provisions of the Companies Acts, all or any of the rights for the time being attached to any class of Shares for the time being issued may from time to time (whether or not the company is being wound up) be varied either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those Shares. All the provisions of the Articles as to general meetings of the

Company shall apply to any such separate general meeting, but so that the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued Shares of the class, (but so that at any adjourned meeting one holder present in person or by proxy (whatever the number of Shares held by him) shall be a quorum), that every holder of the Shares of the class shall be entitled on a poll to one vote for every Share of the class held by him and any holder of Shares of the class present in person or by proxy may demand a poll. The foregoing provisions set out in this paragraph apply to the variation of special rights attached to some only of the Shares of any class as if each group of Shares of the class differently treated formed a separate class and their special rights were to be varied.

The rights conferred upon the holders of any Shares shall not, unless otherwise expressly provided in the rights attaching to those Shares, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* with them.

(D) *Alteration of share capital*

The Company may by ordinary resolution:

- i. increase its share capital by such sum to be divided into Shares of such amount as the resolution shall prescribe;
- ii. consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares;
- iii. sub-divide its Shares or any of them into shares of a smaller amount and the resolution may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage or be subject to any restriction as compared with the others; and
- iv. cancel any Shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may, by special resolution, reduce its share capital or any share premium account, capital redemption reserve or any other undistributable reserve in any way.

(E) *Board's power to allot*

Subject to the provisions of the Companies Acts, all unissued Shares are at the disposal of the Board which may offer, allot, grant options over or otherwise dispose of them as the Board may decide.

(F) *Transfer of Shares*

Pursuant and subject to the Uncertificated Securities Regulations, the Board may permit title to Shares of any class to be evidenced otherwise than by a certificate and title to Shares of such a class to be transferred by means of a relevant system and may make arrangements for a class of Shares (if all Shares of that class are in all respects identical) to become a participating class. Title to Shares of a particular class may only be evidenced otherwise than by a certificate where that class of Shares is for the time being a participating class. The Board may also, subject to compliance with the Uncertificated Securities Regulations and the rules of any relevant system, determine at any time that title to any class of Shares may from a date specified by the Board no longer be evidenced otherwise than by a certificate or that title to such a class shall cease to be transferred by means of any particular relevant system. For the avoidance of doubt, Shares which are uncertificated Shares shall be treated as forming a class which is separate from certificated Shares with the same rights.

Shares of a class which is for the time being a participating class may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in accordance with and subject as provided in the Uncertificated Securities Regulations and the rules of any relevant system, and the Board shall record on the register of members that the Shares are held in certificated or uncertificated form as appropriate.

Provisions in the Articles on transfer of Shares provide that:

- (i) any member may transfer all or any of his uncertified shares by means of a relevant system in such manner provided for, and subject as provided in the Uncertified Securities Regulations and the rules of any relevant system, and accordingly no

provision of the Articles shall apply in any respect of an uncertified Share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the share to be transferred; and

- (ii) 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 of a certificated Share shall be executed by or on behalf of the transferor and (in the case of a partly paid Share) the transferee, and the transferor shall be deemed to remain the holder of the Share concerned until the name of the transferee is entered in the register in respect of it. All instruments of transfer, when registered, may be retained by the Company.

The Board may, in its absolute discretion, and without giving any reason for so doing, decline to register any transfer of any Share which is not a fully paid share provided that where such a Share is admitted to the Official List of the London Stock Exchange such discretion may not be exercised in such a way as to prevent dealings in Shares from that class taking place on an open and proper basis.

The Board may only decline to register a transfer of an uncertified Share in the circumstances set out in the Uncertified Securities Regulations and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertified Share is to be transferred exceeds four.

The Board may decline to register any transfer of a certified Share unless:-

- (i) the instrument of transfer is lodged with the Company accompanied (save in the case of a transfer by a person to whom the Company is not required by law to issue a certificate and to whom a certificate has not been issued) by the certificate for the Share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- (ii) the instrument of transfer is in respect of only one class of Share; and
- (iii) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four.

*(G) Extraordinary General Meetings*

Any general meeting of the Company other than an annual general meeting shall be called an extraordinary general meeting. The Board may convene an extraordinary general meeting whenever it thinks fit.

*(H) Annual General Meetings*

The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Companies Acts.

*(I) Separate general meetings*

The provisions of the Articles relating to general meetings apply, with any necessary modifications, to any separate general meeting of the holders of Shares in a class convened otherwise than in connection with the variation or abrogation of the rights attached to the Shares of that class. For this purpose, a general meeting at which no holder of a Share other than an Ordinary Share may, in his capacity as a member, attend or vote shall also constitute a separate general meeting of the holders of the ordinary shares.

*(J) Directors*

- (i) Number of Directors

Unless otherwise determined by ordinary resolution of the Company, the Directors (disregarding alternate directors) shall be not less than three. There shall be no maximum number of Directors.

- (ii) Directors' shareholding qualification

No shareholding qualification for Directors shall be required.

(iii) *Appointment of Directors*

The Company may by ordinary resolution appoint any person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed any maximum number fixed by or in accordance with the Articles. Any Director so appointed shall hold office only until the next following annual general meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting.

(K) *Directors' fees*

Each of the Directors shall be paid a fee at such rate as may from time to time be determined by the Board provided that the aggregate of all fees so paid to the Directors shall not exceed £150,000 per annum or such higher amount as may from time to time be decided by ordinary resolution of the Company.

Any Director who performs services which in the opinion of the Board or any committee authorised by the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board or any committee authorised by the Board may in its discretion decide in addition to any remuneration provided for by or pursuant to any other article.

(L) *Pensions and gratuities for Directors*

The Board or any committee authorised by the Board may exercise all the powers of the Company to provide benefits, either by the payment of gratuities or pensions or by insurance or in any other manner whether similar to the foregoing or not, for any Director or former director or the relations, connections or dependants of any Director or former director provided that no benefits (except such as may be provided for by any other article) may be granted to or in respect of a Director or former director who has not been employed by, or held an executive office or place of profit under, the Company or any body corporate which is or has been its subsidiary or any predecessor in business of the Company or any such body corporate without the approval of an ordinary resolution of the Company. No Director or former director shall be accountable to the Company or the members for any benefit provided pursuant to this provision and the receipt of any such benefit shall not disqualify any person from being or becoming a Director of the Company.

(M) *Retirement of Directors*

At every annual general meeting one-third of the Directors (or nearest to) shall retire from office but, if there are fewer than three Directors who are subject to retirement by rotation, they shall all retire. Subject to the provisions of the Companies Acts and of the Articles, the Directors to retire by rotation on each occasion shall be those of the Directors subject to retirement by rotation who have been longest in office since their last appointment or reappointment. In addition, any Director who would not otherwise be required to retire shall retire by rotation at the third annual general meeting after his appointment or re-appointment. Any Director who is aged seventy or over at the date of the meeting shall also retire.

At the meeting at which a Director retires the Company can pass an ordinary resolution to re-elect the Director or some other eligible person in his place.

(N) *Age limit*

No person shall be disqualified from being appointed a Director, and no Director shall be required to vacate that office by reason only of the fact that he has attained the age of seventy years or any other age. It shall not be necessary by reason of a person's age to give special notice under the Companies Acts of any resolution in connection with his appointment or election. However, any director who is the age of seventy or more shall retire in accordance with the Articles. Where the Board convenes any general meeting of the Company at which (to the knowledge of the Board) a Director will be proposed for appointment or reappointment who at the date for which the meeting is convened will have attained the age of seventy years or more, the Board shall give notice of his age in years in the notice convening the meeting or in any document accompanying the notice, but the accidental omission to do so will not invalidate proceedings at the meeting.

*(O) Removal of Directors by special resolution*

In addition to any power of removal conferred by the Companies Acts, the Company may by special resolution remove any Director before the expiration of his period of office and may by ordinary resolution appoint another person who is willing to act to be a Director in his place. Any person so appointed shall be treated, for the purpose of determining the time at which he or any other Director is to retire, as if he had become a Director on the day on which the person in whose place he is appointed was last appointed or reappointed a Director.

*(P) Vacation of office by Directors*

Without prejudice to the provisions for retirement by rotation, the office of a Director shall be vacated if:

- (i) he resigns his office by notice in writing delivered to the office or tendered at a meeting of the Board; or
- (ii) by notice in writing delivered to the office or tendered at a meeting of the Board, his resignation is requested by all of the other Directors and all of the other Directors are not less than three in number;
- (iii) he is or has been suffering from mental ill health or becomes a patient for any purpose of any statute relating to mental health and the Board resolves that his office is vacated; or
- (iv) he is absent without the permission of the Board from meetings of the Board (whether or not an alternative Director appointed by him attends) for six consecutive months and the Board resolves that his office is vacated; or
- (v) he becomes bankrupt or compounds with his credits generally; or
- (vi) he is prohibited by law from being a Director; or
- (vii) he ceases to be a Director by virtue of the Companies Acts or is removed from office pursuant to the Articles.

If the office of a Director is vacated for any reason, he shall cease to be a member of any committee or sub-committee of the Board.

*(Q) Alternate Directors*

Each Director may appoint any person to be his alternate and may at his discretion remove an alternate director so appointed. If the alternate director is not already a Director, the appointment, unless previously approved by the Board, shall have effect only upon and subject to its being so approved.

*(R) Directors' interests*

Subject to the provisions of the Companies Acts and provided that he declares the nature of his interest at the meeting of the Board at which the question of entering into the contract is first taken into consideration, a Director or proposed or intending director shall not be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place or profit or as vendor, purchaser or in any other manner whatever, nor shall any contract in which any Director is in any way interested be liable to be avoided, nor shall any Director who is so interested be liable to account to the Company or the shareholders for any remuneration, profit or other benefit realised by the contract by reason of the Director holding that office or of the fiduciary relationship thereby established.

*(S) A Director:*

- (i) may hold any other office or place of profit with the Company (except that of an auditor) in conjunction with his office of Director and may be paid extra remuneration for so doing as the Board or any committee authorised by the Board may decide;
- (ii) may be or become a Director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested or as regards which it has any power or appointment and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a Director or officer of or from his interest in the other company. The Board may also cause any voting power conferred by the shares in any other company held or owned



by the Company or any power of appointment to be exercised in such manner in all respects as it thinks fit, including the exercise of the voting power or power of appointment in favour of the appointment of the Directors or any of them as Directors or officers of the other company, or in favour of the payment of remuneration to the Directors or officers of the other company; and

- (iii) may act by himself or his firm in a professional capacity for the Company (otherwise than as an auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

*(T) Restrictions on voting*

A Director shall not be entitled to vote (and be counted in the quorum) in respect of any resolution of the Board concerning:

- (i) his own appointment, or the settlement or variation of the terms or the termination of his own appointment as the holder of any office or place of profit with the Company or any other company in which the Company is interested but, where proposals are under consideration concerning the appointment, or the settlement or variation of the terms or the termination of the appointment of two or more Directors to offices or places of profit with the Company or any other company in which the Company is interested, a separate resolution may be put in relation to each Director and in that case each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution unless it concerns his own appointment or the settlement or variation of the terms or the termination of his own appointment or the appointment of another Director to an office or place of profit with a company in which the Company is interested and the Director seeking to vote or be counted in the quorum owns one per cent. or more of it;
- (ii) any resolution of the Board in respect of any contract in which he has an interest which (taken together with any interest if any person connected to him) is to his knowledge a material interest and, if he shall do so, his vote shall not be counted, but this prohibition does not apply to any resolution where that material interest arises from:
  - (a) the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
  - (b) the giving to a third party of any guarantee, indemnity or security in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (c) where the Company or any of its subsidiary undertakings is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;
  - (d) any contract in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
  - (e) any contract concerning any other company (not being a company in which the Director owns one per cent, or more) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;
  - (f) any contract concerning the adoption, modification or operation of a pension fund or retirement death or disability benefits scheme which relates both to Directors and employees of the Company or of any of its subsidiary undertakings and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;
  - (g) any contract for the benefit of employees of the Company or of any of its subsidiary undertakings under which he benefits in a similar manner to the employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom the contract relates; and
  - (h) any contract for the purchase or maintenance for any Director or Directors of insurance against any liability.

- (iii) A Company shall be deemed to be one in which a Director owns one per cent. or more if and so long as (but only if and so long as) he, taken together with any person connected with him, is to his knowledge (either directly or indirectly) the holder of or beneficially interested in one per cent, or more of any class of the equity share capital of that company or of the voting rights available to members of that company.

(U) *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (but as regards subsidiary undertakings only in so far as by the exercise of the rights or powers of control the Board can secure) that the aggregate principal amount from time to time outstanding of all borrowings by the group (exclusive of borrowings owing by one member of the group to another member of the group) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to twice the adjusted capital and reserves.

(V) *Capital reserve*

The Board is required to establish a reserve to be called the “capital reserve” and shall either carry to the credit of that reserve from time to time, or apply in providing for depreciation or contingencies, all surpluses arising on the realisation of investments. Any expenditure charged to capital in accordance with the provision of the Articles shall be carried to the debit of the capital reserve except insofar as the Board may in its discretion decide to make good the same out of other funds of the Company. All sums carried and standing to the capital reserve shall not be treated as profits of the Company available for distribution by way of dividend but may be applied for any other purpose to which sums standing to the capital reserve are applicable including any other distributions, such as redeeming or purchasing any shares in the Company.

(W) *Dividends*

Subject to the provisions of the Companies Acts and to restrictions in the Articles preventing the distribution of surpluses arising from the realisation of investments, as required by section 842 of the Income and Corporation Taxes Act 1988, the Company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board.

Subject to the provisions of the Companies Acts, the Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it shall not incur any liability to the holders of any shares for any loss they may suffer in consequence of the payment of an interim or fixed dividend on any other class of shares ranking *pari passu* with or after those shares.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of this article as paid up on the share;
- (ii) all dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; and
- (iii) dividends may be declared or paid in any currency.

The Company may cease to send any cheque, warrant or similar financial instrument through the post or employ any other means of payment, including payment by means of a relevant system, for any dividend payable on any shares in the Company which is normally paid in that manner on those shares if in respect of at least two consecutive dividends payable on those shares the cheques, warrants or similar financial instruments have been returned undelivered or remain uncashed or that means payment has failed. In addition, the Company may cease to send any cheque, warrant or similar financial instrument through the post or may cease to employ any other means of payment if, in respect of one dividend payable on those shares, the cheque, warrant or similar financial instrument has been returned undelivered or remains uncashed or that means of payment has failed and reasonable enquiries have failed to establish any new address or account of the registered holder. The Company may recommence sending cheques, warrants or similar financial instruments or employing such other means in respect of dividends payable on those shares if the holder or person entitled by transmission requests such recommencement in writing.

Any dividend unclaimed after a period of twelve years from the date when it became due for payment shall be forfeited and shall revert to the Company and the payment by the Board of any unclaimed dividend or other sum payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect of it.

Any general meeting declaring a dividend may, upon the recommendation of the Board, by ordinary resolution direct that it shall be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other Company and where any difficulty arises in regard to the distribution the Board may settle it as it thinks expedient, and in particular may authorise any person to sell and transfer any fractions or may ignore fractions altogether and may fix the value for distribution purposes of any assets to be distributed and may determine that cash shall be paid to any members upon the footing of the value so fixed in order to secure the equality of distribution and may vest any assets to be distributed in trustees as may seem expedient to the Board.

The Board may, if authorised by an ordinary resolution of the Company, offer any holders of ordinary shares the right to elect to receive ordinary shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution.

*(X) Members resident abroad*

Any member whose registered address is not within the United Kingdom and who gives to the Company an address within the United Kingdom at which notices or documents may be served upon him shall be entitled to have notices or documents served upon him at that address but, unless he does so, shall not be entitled to receive any notice or document from the Company.

**5.4 Adoption of New Articles**

The Company is proposing to adopt the New Articles in connection with the Transaction. The New Articles contain substantially similar provisions to the existing Articles summarised in paragraph 5.3 except for provisions which relate to the creation of the Sigma Shares and for the provisions summarised below:

*(A) Dividends*

The Sigma Shares will carry rights to dividends out of the profits available for distribution arising from assets attributable to the Sigma Shares. The Ordinary Shares will carry rights to dividends out of the profits available for distribution arising from assets attributable to the Ordinary Shares.

*(B) Liabilities*

Liabilities which are attributable to the assets of the Sigma Pool, or borrowings or indebtedness associated with it, will be borne by the Sigma Pool. Liabilities which are attributable to the assets of the Ordinary Pool, or borrowings or indebtedness associated with it, will be borne by the Ordinary Pool. Any other liabilities will be allocated to the Sigma Pool

and the Ordinary Pool as the Board considers fair and reasonable with regard to specific liabilities and expenses, tax effects and the Net Asset Value of the Sigma Pool and the Net Asset Value of the Ordinary Pool.

(C) *On a winding up of the Company:*

- if the assets of the Sigma Pool are insufficient to satisfy (a) the liabilities attributable to the Sigma Pool and/or (b) the Sigma Pool's *pro rata* share of the Company's general liabilities, the outstanding liabilities will be borne by the Ordinary Pool; if a debt or liability attributable to the Sigma Pool is met from the assets attributable to the Ordinary Pool then assets equivalent to the amount of the liability will be attributed to the Ordinary Pool; and
- if the assets of the Ordinary Pool are insufficient to satisfy (a) the liabilities attributable to the Ordinary Pool and/or (b) the Ordinary Pool's *pro rata* share of the Company's general liabilities, the outstanding liabilities will be borne by the Sigma Pool; if a debt or liability attributable to the Ordinary Pool is met from the assets attributable to the Sigma Pool then assets equivalent to the amount of the liability will be attributed to the Sigma Pool.

(D) *Conversion and Deferred Shares*

The New Articles will provide the Board with the discretion to require the compulsory conversion of Ordinary Shares into Sigma Shares or vice versa if the Net Asset Value of the Sigma Pool or the Net Asset Value of the Ordinary Pool falls below £20 million.

The Board may also require the compulsory conversion of some or all of Sigma Shares into Ordinary Shares or, if, following the Transaction, less than 25 per cent. of the Ordinary Shares and/or Sigma Shares are held in public hands. Shares in public hands is defined in the Listing Rules and excludes shares held by a Director of the Company (or of its subsidiaries), any person connected with such a Director (such as the Director's spouse, child or any company in which the director or any person connected with him holds one fifth of the share capital) or any person who has an interest in 5 per cent. or more of the relevant Shares. As an alternative to compulsory conversion, the Board may put forward other proposals to Shareholders which Directors consider in the best interest of Shareholders. In the absence of unforeseen circumstances, the Board does not anticipate using its power to require compulsory conversion of Sigma Shares or of Ordinary Shares.

For technical reasons, the New Articles allow for Deferred Shares to be allotted on a conversion of Ordinary Shares into Sigma Shares or vice versa, in order to ensure that conversion does not result in a reduction of the par value of the Company's issued share capital (in contravention of the Companies Act). These are economically of only nominal value and will be repurchased by the Company from time to time. The issue and repurchase of these Deferred Shares will have no effect on the NAV per Sigma Share or the NAV per Ordinary Share. The Deferred Shares have no voting rights and have limited rights on a winding up and to dividends. Deferred Shares will not arise on Conversion; the New Articles allow for the possibility of Deferred Shares only if required on any future compulsory conversion of Ordinary Shares to Sigma Shares or vice versa.

(E) *Voting*

The New Articles state that at a general meeting of the Company every holder of Sigma Shares and every holder of Ordinary Shares will have one vote upon a show of hands upon a poll in a general meeting, each holder of Sigma Shares will have a weighted vote determined in accordance with the underlying NAV per Sigma Share and each holder of Ordinary Shares will have a weighted vote determined in accordance with the underlying NAV per Ordinary Share, in accordance with the procedure described in the New Articles.

Holders of Sigma Shares will not, however, have the right to vote at a general meeting of the Company on resolutions which relate only to Ordinary Shares, other than where the Board determines that such 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. Similarly, holders of Ordinary Shares will not have the right to vote at a

general meeting of the Company on resolutions which relate only to Sigma Shares, other than where the Board determines that such resolution will have a substantial adverse impact on the holders of Ordinary Shares and/or where the Listing Rules require it.

**(F) Directors' fees**

The New Articles provide that each of the Directors shall be paid a fee at such rate as may from time to time be determined by the Board provided that the aggregate of all fees so paid to the Directors shall not exceed £250,000 per annum or such higher amount as may from time to time be decided by ordinary resolution of the Company.

**6. Valuation**

The Administrator is responsible for determining and calculating the NAV per Ordinary Share in line with AIC recommended practice and, after the Transaction, will similarly be responsible for determining and calculating the NAV per Sigma Share as well as the NAV per Ordinary Share. The NAV per Ordinary Share is currently calculated daily and is announced to a Regulatory Information Service. Once the Sigma Shares have been issued the NAV per Ordinary Share and the NAV per Sigma Share will be calculated daily and announced through a Regulatory Information Service. It should be noted that a capital only NAV per Ordinary Share is reported (and will be reported for Sigma Shares) in accordance with the AIC recommendations. It does not reflect retained earnings and is not on the same basis as the numbers reported in the Company's financial statements. Two NAVs per Ordinary Share are released, one valuing the debt at amortised cost, as in the financial statements, and the second marking the debt to fair value. Following the Transaction, the Company will calculate the NAV per Sigma Share on the same basis as it calculates the NAV per Ordinary Share.

Calculation of the NAV per Ordinary Share and/or NAV per Sigma Share will be suspended only in any circumstances in which the underlying data necessary to value the investments of the Company cannot readily or without undue expenditure be obtained. Any such suspension will be announced through a Regulatory Information Service.

**7. Management of the Company**

**7.1 Responsibility for management**

The Directors are responsible for the determination of the Company's investment objectives and policies in respect of the Company and have overall responsibility for its activities. The Company has, however, entered into the Management Agreement with the Manager under which the Manager is responsible for managing the assets of the Company on a discretionary basis, subject to the overall supervision of the Directors. Upon approval of the Transaction, the Company will amend the current Management Agreement pursuant to which the Manager will be responsible for managing the Ordinary Pool. The Company has entered into a new Sigma Management Agreement in relation to the Sigma Pool which will become effective from Admission. This is set out in detail on page 54.

In accordance with the Listing Rules, the Company will continue to include in each annual report and accounts a statement as to whether, in the opinion of the Directors, the continuing appointment of the Manager on the terms agreed is in the interests of the Shareholders of each class as a whole, together with a statement of the reasons for this view.

**7.2 Thames River Capital LLP**

The Manager, Thames River Capital LLP, was formed in 2005 in succession to TRC (UK) Ltd which had been formed by a group of senior investment professionals in 1998. The Manager offers investment management services to sophisticated and professional investors, through a number of single and multi-manager funds. Together with its affiliates the Manager employed over 125 staff and had US\$10.7 billion under management as at 31 May 2007.

The Manager is a limited liability partnership operating under the Limited Liability Partnerships Act 2000 and was registered at Companies House on 10 January 2005, with registered number OC310934.

The Manager is authorised and regulated in the UK by the Financial Services Authority. The Manager is domiciled in the UK and its registered office is set out on page 13 of this document together with its telephone number.

### 7.3 The Management team

The following individuals comprise the management team for the Company:

#### *Chris Turner – Fund Manager*

Chris joined the Manager in October 2004 as Head of Property Investment and as the Fund Manager of the Company. 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 Company. In 1999 he was also appointed head of Henderson's Public Property Markets Team. During his period as fund manager of the Company, the Company has won numerous investment trust performance awards from Bloomberg, Money Observer, What Investment, Moneywise and Property Week.

#### *Marcus Phayre-Mudge – Deputy Manager*

Marcus joined the Manager in October 2004. He is the fund manager of Thames River Property Growth & Income Fund Ltd. From January 1997, he was at Henderson Global Investors, initially managing the direct property portfolio within the Company and latterly managing a number of UK and pan European real estate equity funds, including the Henderson Horizon Pan European Property Securities Fund. He is the Deputy Fund Manager of the Company. 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). Marcus qualified as a Chartered Surveyor in 1992 and has a BSc (Hons) in Land Management from Reading University.

#### *James Wilkinson – Assistant Fund Manager*

James joined the Manager in October 2004. From October 2002 he was a portfolio manager and member of the Property Securities team at Henderson with responsibility for direct property investments of the Company. Prior to that 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 a MA in Property Valuation and Law from City University Business School.

#### *Joanne Elliott – Finance Manager*

Joanne joined the Manager in January 2005 as the CFO of 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.

#### *Karim Pabani – Direct Property Manager*

Karim joined the Manager in October 2006 as a fund manager responsible for direct property. He was previously an asset manager at both Quintain Estates & Development for three years and Legal & General Investment Management for three years. Prior to that he was a surveyor with international property advisers DTZ Debenham Tie Leung. Karim has a BSc (Econ) Hons Accounting & Finance from the London School of Economics and Political Science. He also holds an MA Property Valuation and Law from City University Business School and is a MRICS.

#### *George Gay – Assistant Direct Property Manager*

George joined the Manager in September 2005 as assistant fund manager. He was previously at niche City investment agent, Morgan Pepper, where, as an investment graduate, he gained considerable industry experience. He has a MA in Property Valuation and Law from City University and BA (Hons) degree from Newcastle University.

#### *Nicola Williamson – Investor Relations Manager*

Nicola joined the Manager in 2003. She transferred to the Company's management team in April 2005 as an investor relations manager and also provides administration support functions for the team. Nicola has BSc(Hons) in Mathematics and Philosophy from the University of Manchester.

#### **7.4 Conflicts of interest**

The Management Agreement does not prevent the Manager from carrying on any business similar to or in competition with the Company, or providing similar or any other services to other clients of the Manager. The Manager is not in any circumstances required to account to the Company for any profits earned in connection with such other services. The Company acknowledges that, whilst the Manager will endeavour to ensure that the Company has the opportunity to participate in all investment opportunities available and within its investment objectives, the Manager will be entitled to exercise its own judgment as to the basis on which to offer such opportunities amongst its clients.

As a firm regulated under FSMA the Manager has a general obligation to treat its customers fairly when allocating investment opportunities.

#### **8. Reports to Shareholders**

The annual report and accounts of the Company are made up to 31 March in each year with copies expected to be sent to Shareholders in June of that year. It is intended that the annual general meetings of the Company will be held in July of each year. Shareholders will also receive an unaudited interim report covering the first six months of each financial year of the Company. Extracts from the audited accounts of the Company for the three years ended 31 March 2007 can be found in Part II of this document.

#### **9. Accounting**

The Manager will manage the Ordinary Pool and will receive management fees and any performance fees in respect of the Ordinary Shares, in accordance with the Management Agreement. The Manager will manage the Sigma Pool and will receive management fees and any performance fees in respect of the Sigma Pool, in accordance with the Sigma Management Agreement.

In what follows, a Pool which generates taxable revenues in excess of its tax-deductible expenses will be referred to as a “taxable Pool” and a Pool which generates or brings forward tax-deductible expenses in excess of its taxable revenues will be referred to as a “tax-deductible Pool”.

Tax-deductible Pools will generally reduce the corporation tax payable by the Company, while taxable Pools will generally increase it. In order to compensate a tax-deductible Pool for its contribution in reducing the tax payable by the Company, the Board may transfer to it an amount from any taxable Pools.

#### **10. Profile of typical investor**

The typical investors for whom the Ordinary Shares and the Sigma Shares are intended are professionally advised private investors or institutional investors seeking exposure to the investment objective and policies relating to the Ordinary Shares and/or the Sigma Shares. The Ordinary Shares and the Sigma Shares may also be suitable for financially sophisticated non-advised private investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss that may result from it. However, such investors should consider consulting an independent financial adviser authorised under FSMA before investing.

#### **11. Directors**

##### **11.1 Interests of Directors**

As at 15 June 2007 (being the latest practicable date prior to the publication of this document), the interests (all of which are beneficial) of the Directors and the Proposed Director, their immediate families and (so far as is known to them or could with reasonable diligence be ascertained by them) persons connected (within the meaning of section 346 of the Companies Act) with the Directors and the Proposed Director in the issued share capital of the Company, including: (i) those arising pursuant to transactions notified to the Company pursuant to DTR 3.1.2R; or (ii) those of connected persons of the Directors or the Proposed Director, which would, if such connected person were a Director or Proposed Director, be required to be disclosed under (i) above, together with such interests as are expected to subsist immediately following Admission are set out in the following table:

<i>Director</i>	<i>No. of Ordinary Shares</i>
Peter Salsbury	65,000
Richard Stone	80,000
Caroline Burton	22,000
Jeremy Newsum	31,193
Peter Wolton	7,500
<i>Proposed Director</i>	
Hugh Seaborn	—

## 11.2 Directors' letters of appointment with the Company

At the date of this document all the Directors of the Company are non-executive. None of the Directors has been appointed pursuant to service contracts and no compensation is payable to Directors on leaving office. No Director past or present has any entitlement to pensions, share options or long-term performance incentives. The Directors have been appointed by the Company pursuant to letters of appointment, details of which are outlined in the table below:

<i>Name of Director</i>	<i>Date of Appointment</i>	<i>Remuneration for year to 31 March 2007</i>
Peter Salsbury (Chair)	29 May 1997	£35,000
Richard Stone	1 November 2000	£25,000
Caroline Burton	6 June 2002	£21,000
Jeremy Newsum	6 June 2002	£21,000
Peter Wolton	31 January 2005	£21,000

Each Director is appointed for an initial term covering the period from the date of his or her appointment until the next following annual general meeting, but the Director is not taken into account in determining the Directors to retire by rotation at that meeting. At every annual general meeting one-third of the Directors must retire and may stand for re-appointment by Shareholders at an annual general meeting in accordance with the Articles.

As announced by the Company on 23 May 2007, Hugh Seaborn (the Proposed Director) has been appointed to the Board as a non-executive director with effect from 24 July 2007. The Proposed Director will replace Jeremy Newsum who will retire from the Board. The Proposed Director's appointment is pursuant to a letter of appointment with the Company, on substantially similar terms as the letters of appointment which appoint the Directors.

## 11.3 Biographies and other interests

Biographical details and information on the current and past directorships and/or partnerships (over the five years preceding the date of this Prospectus) of each Director and the Proposed Director are set out below:

### *Peter Salsbury (Chairman)*

Peter Salsbury, age 57 joined the Board in 1997, and was appointed Chairman on 26 July 2004. Previously Peter had been a member of the board of directors at Marks & Spencer plc and was Chief Executive at Marks & Spencer plc until he retired in 2000. Currently he has a Management Consultancy practice specialising in Executive Coaching and Strategy. Additionally he serves on the Council and Strategy Committee of City and Guilds. He was appointed a director of Highway Insurance Holdings plc on 28 March 2006.

<i>Current directorships and/or partnerships</i>	<i>Past directorships and/or partnerships</i>
Highway Insurance Holdings PLC	
P&S Salsbury Ltd	
Peter Wolff Theatre Trust	
Highway Group Services PLC	
Highway Insurance Company Limited	



*Caroline Burton*

Caroline Burton, age 57, joined the Board in June 2002. Caroline was previously with Guardian Royal Exchange plc's Investment Department from 1973 to 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 and Teesland Advantage Property Income Trust Limited. She is also a Member of the Management Committee of Hermes Property Unit Trust. She advises a number of pension funds and charities.

*Current directorships and/or partnerships*

Rathbone Brothers PLC  
Teesland Advantage Property Income Trust Limited  
Tapp Property Limited  
TOPP Holdings Limited  
TOPP Bletchley Limited  
TOPP Property limited

*Past directorships and/or partnerships*

Rathbone Investment Management Limited  
Martin Currie Japan Investment Trust PLC

*Richard Stone*

Richard Stone, age 64, has been a member of the Board since 2000 and is currently chairman of the Company's Audit Committee. Before joining the Company, Richard was Deputy Chairman of Coopers and Lybrand (C&L) in 1998 and a member of the Global Board of PricewaterhouseCoopers. 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 Board. He is now Chairman of Drambuie Limited, a non-executive director of Halma plc, Candover Investments plc and Gartmore Global Trust PLC.

*Current directorships and/or partnerships*

Halma Group PLC  
CSW Group Limited  
Gartmore Global Trust  
Engandscot Limited  
Drambuie Limited  
The Drambuie Liqueur Company Limited  
Candover Investments PLC  
Glaziers Hall Limited  
Agape Ministries Ltd  
Marden Enterprises Ltd

*Past directorships and/or partnerships*

British Nuclear Fuels PLC  
Shearings Group Limited  
Shearings Group Holdings Limited  
Citylife Ltd

*Peter Wolton*

Peter Wolton, age 50, joined the Board in January 2005. He qualified as a chartered surveyor and joined Schroders in 1983 to manage UK equities for institutional clients. He ran Schroders' asset management activities in Japan from 1994 to 1998 and their global retail businesses from 1998 to 2001. From 2002 to 2003 he was Chief Executive of Baring Asset Management Limited. He is a consultant to Oxford Investment Partners, a member of the Charities Aid Foundation (CAF) Investment Advisory Committee and a member of the Council of Queen Mary College, University of London. He is a director of Dunedin Income Growth Investment Trust plc and a former director of Schroder Japan Growth Fund plc.

*Current directorships and/or partnerships*

Dunedin Income Growth Investment Trust PLC  
Rectory Properties (Suffolk) Limited

*Past directorships and/or partnerships*

Baring Asset Management Holdings Limited  
Baring Asset Management Limited  
Baring Fund Managers Limited  
Baring International Investment Limited

### *Jeremy Newsum*

Jeremy Newsum, age 52, joined the Board in 2002. He is currently Group Chief Executive of Grosvenor and a Trustee of the Grosvenor Trusts. He is also a director of Sonae Sierra (Portugal). He was President of the British Property Federation for the year 2001/2002, a member of the Assets Committee of the Church Commissioners from 1993 to 2000, and a director of the French quoted property company, Société Foncière Lyonnaise, from 1997 to 2002. Other roles include Chairman of the Rector's Property Advisory Committee and a member of the Council of Imperial College, London, and a Trustee of the Urban Land Institute.

#### *Current directorships and/or partnerships*

Grosvenor Estate International Investments Limited  
Grosvenor (Insurances) Limited  
Grosvenor Investment Management Limited  
Grosvenor Westminster Holdings Limited  
Grosvenor Estate International Developments  
Grosvenor Estate International Properties  
Grosvenor Estate Investment Management Limited  
Grosvenor Overseas Holdings Limited  
Grosvenor Limited  
Grosvenor Europe Investments  
Grosvenor Fund Management UK Limited  
Grosvenor European Investment Management Limited  
Grosvenor European Asset Management Limited  
Grosvenor European Properties Limited  
Grosvenor International Properties Limited  
Grosvenor International Asset Management Limited  
Grosvenor International Investment Management Limited  
Grosvenor International Investments Limited  
Grosvenor International Developments Limited  
Grosvenor International Estate Holdings Limited  
Grosvenor Group Limited  
Deva Group Limited  
Grosvenor European Developments Limited  
Grosvenor Worldwide Investment Management Limited  
Grosvenor European Investments Limited  
Grosvenor Worldwide Asset Management Limited  
Grosvenor Worldwide Investments Limited  
Grosvenor European Estate Holdings Limited  
Grosvenor International Management Limited  
Grosvenor Strategic Investments Limited  
110 Park Street Limited  
Deva Holdings Limited  
Grosvenor Sports Club Limited  
Grosvenor Fund Management Limited  
Grosvenor Australia Asia Pacific Limited  
Fargrace Limited  
Grosvenor CE Acquisitions Limited  
Grosvenor Continental Europe Holdings Limited  
Groex Asset Management Limited  
Grosvenor Group Holdings Limited  
Landaidd Charitable Trust Limited  
Grosvenor International Fund Management Limited

#### *Past directorships and/or partnerships*

Westrata Holdings Limited  
Grosvenor Investments (Forum) PTE Ltd  
Grosvenor Holdings (Singapore) PTE Ltd  
Grosvenor Asia Holdings Limited  
Westrata Investment Limited  
Westrata Property Development Limited

*Hugh Seaborn*

As announced by the Company on 23 May 2007, Hugh Seaborn, age 45, was appointed to the Board with effect from 24 July 2007. He will replace Jeremy Newsum who retires. Hugh Seaborn has considerable experience in the property arena, he is Chief Executive Officer of the Portman Estate, Deputy Chairman of the Westminster Property Owners Association and a member of the Council and Audit Committee of the Duchy of Lancaster.

*Current directorships and/or partnerships*

*Past directorships and/or partnerships*

Portman Investments (Farnham) Ltd  
Portman Investments (Baker Street) Ltd  
Portman Settled Estates Limited  
Portman Burtley Estates Company Limited  
21 Seymour Street Limited  
Seymour Street Nominees Limited  
5 Montagu Square Limited  
Berkeley Street Nominees Ltd  
Clarktown Limited

- 11.4 None of the Directors intends to subscribe for Sigma Shares pursuant to the Placing.
- 11.5 None of the Directors nor the Proposed Director has any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which has been effected by the Company during the current or immediately preceding financial year or since its incorporation and which remains, in any respect outstanding or unperformed.
- 11.6 The total aggregate remuneration paid and benefits in kind granted to the Directors for the period ended 31 March 2007 was £123,000. At the forthcoming AGM, Shareholders will be asked to approve an increase in the maximum aggregate amount of all fees payable to the Directors from £150,000 to £250,000 per annum.
- 11.7 No loan or guarantee has been granted or provided by the Company to any Director nor to the Proposed Director.
- 11.8 In the five years before the date of this Prospectus none of the Directors nor the Proposed Director:
- (i) has any conviction in relation to fraudulent offences;
  - (ii) has been associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or company;
  - (iii) has any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and has not been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.
- 11.9 None of the Directors nor the Proposed Director has a potential conflict of interest between his duties to the Company and his private interests and/or other duties.
- 11.10 No amounts have been set aside or accrued by the Company to provide pensions retirement or similar benefits.

## 12. Major Shareholders

12.1 (A) In so far as is known to the Company, as at close of business on 15 June 2007 (the latest practicable date prior to publication of this document), the following were known to be interested in 3 per cent. or more of the Company's voting rights (being the threshold of notification under the DTR):

<i>Name</i>	<i>Ordinary Shares</i>	
	<i>Number of shares</i>	<i>%</i>
M & G Investment Management Ltd	14,495,780	4.41
Legal and General Investment Management Limited (UK)	13,439,140	4.09
TR Property ISA/PEP and Shareplan Schemes	21,694,140	6.59
Rensburg Sheppards Investment Management Limited	18,028,920	5.48
JP Morgan Asset Management (UK) Limited	17,896,840	5.44
Brewin Dolphin Securities Limited	14,066,520	4.28
F&C Investment Management Limited	11,193,780	3.40
UBS Wealth Management Limited	10,929,620	3.32

(B) The above Shareholders have the same voting rights as all other Shareholders holding Ordinary Shares. None of the major Shareholders has different voting rights.

(C) The nature of the proposals are such that the Directors are unable to determine at the date of this document the parties that will be interested in 3 per cent. or more of the Sigma Shares classes following their issue.

12.2 Save as disclosed in this paragraph 12, as at close of business on 15 June 2007 (being the latest practicable date prior to the publication of this document):

(A) the Company is not aware of any person who, directly or indirectly, exercises control over or owns the Company or of any persons who, immediately following the Transaction, could, directly or indirectly, jointly or severally, exercise control over the Company following Admission; and

(B) in so far as is known to the Company, no other person, directly or indirectly, is interested in 3 per cent. or more of the Company's Ordinary Shares.

## 13. Investment restrictions

As set out in this Prospectus, the Company directs its affairs so as to meet the conditions enabling it to seek approval from HMRC as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 in respect of each of its accounting periods.

The Company also complies with the investment restrictions that are currently contained in the Listing Rules as follows:

- save in respect of cash deposits awaiting investment, no more than 15 per cent. of the gross assets of the Company (before deducting borrowed money) will be lent to or invested in any one company or group (including loans to or shares in the Company's own subsidiaries) at the time the investment or loan is made. For this purpose any existing holding in the company or group concerned will be aggregated with the proposed investment;
- not more than 10 per cent., in aggregate, of the value of the gross assets of the Company (before deducting borrowed money) will be invested in other investment companies (including investment trusts) listed on the London Stock Exchange, except where the investment companies themselves have stated investment policies to invest no more than 15 per cent. of their gross assets in other investment companies (including investment trusts) listed on the London Stock Exchange;
- not more than 15 per cent., in aggregate, of the value of the gross assets of the Company (before deducting borrowed money) will be invested in other investment companies (including investment trusts) listed on the London Stock Exchange; and
- the Company will not take legal or management control over the companies in which it invests.

In the event of any breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Manager by an announcement issued through a Regulatory Information Service.

#### **14. Material contracts**

Save as described in sub-paragraphs 14.1 to 14.6 below, the Company has not entered into any contracts outside the ordinary course of business either (i) within the two years immediately preceding the publication of this document which are, or may be, material to the Company or (ii) which have been entered into by the Company at an earlier date and contain any provisions under which the Company has any obligation or entitlement as at the date of this document which is material to the Company.

##### **14.1 Placing Agreement**

Under the Placing Agreement (dated 20 June 2007), Winterflood and Cenkos are entitled, conditional on, amongst other things, Admission, to receive the following commission based fees (inclusive of VAT):

- (a) to Winterflood: 1.25 per cent. of the Net Asset Value of the Sigma Pool following the Placing and Conversion, less the total amount of all placing expenses (not including the commission and any placing expenses attributable to Cenkos under (b));
- (b) to Cenkos: 0.5 per cent. of the aggregate Net Asset Value of the Sigma Pool following the Placing and Conversion less the total amount of all placing expenses (not including any placing expenses attributable to Winterflood).

The Placing Agreement contains certain undertakings and warranties given by the Company in favour of Winterflood and Cenkos. The Company undertakes that it will not (and will procure that no member of its group will) between the date of the Placing Agreement and the earlier of Admission or the date of termination of the Placing Agreement, enter into or incur any obligation which is, or might be, material to the placing and conversion, without the prior written approval of Winterflood and Cenkos (not to be unreasonably withheld or delayed).

The Company's warranties include, amongst other things, warranties as to:

- the accuracy and completeness of the information in the prospectus and certain historic financial information;
- the conduct of the business since the last financial year end;
- there being sufficient working capital for the 12 months following the date of the agreement;
- there being no material default or breach under any contract, obligation or commitment; and
- there being no member of the Company's group nor any director being involved in any material litigation.

The Company is also required to give an indemnity in favour of Winterflood and Cenkos and their affiliated parties (which includes any holding company, subsidiaries, directors, officers, employees, advisers and agents) against all liabilities suffered by an indemnified party in connection with the Placing and Conversion.

Winterflood and Cenkos, acting jointly may, in their absolute discretion, terminate the Placing Agreement, before Admission, in the event of, *inter alia*, a material breach of warranty or any statement made in any of the marketing documents, breach of the Company's material obligations under the Placing Agreement and in certain force majeure circumstances (including a material adverse change in market conditions).

##### **14.2 Management Agreement relating to existing Ordinary Shares**

Under the terms of the Management Agreement (dated 30 September 2004), the Manager has agreed to act as investment manager of the Company's assets in accordance with the Company's investment objectives and restrictions. The Manager has complete discretion to purchase, sell, retain exchange or otherwise deal in investments for the account of the Company, subject to requiring formal approval of the Board for direct property investments of £1 million or more.

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

A base management fee of 0.70 per cent. per annum of the Net Asset Value of the Company is payable quarterly in advance to the Manager; it is calculated as 0.175 per cent. of the Net Asset Value of the Company (determined in accordance with the AIC method of valuation) on the last day of March, June, September and December respectively. For the period up to 31 March 2009 this is reduced to 0.40 per cent. per annum on that portion of the Net Asset Value of the Company which exceeds £450 million.

The management fee includes the cost of a number of services such as administrative services and company secretarial services which are provided by third parties. The Company has a direct contractual relationship with the parties providing these services and the fees incurred in any quarter are deducted from the management fee due to the Manager in the following quarter.

In addition to the management fee, the Board has agreed to pay the Manager a performance fee if certain performance objectives are achieved. The performance fee is payable in respect of each year from 1 April to 31 March (the "performance period"). A performance fee will become payable in respect of a performance period if the total return on Adjusted net assets attributable to holders of Ordinary Shares at 31 March each year out-performs the total return of the Company's benchmark plus 2 per cent. (the "hurdle rate"); this out-performance (expressed as a percentage) will be known as the "percentage out-performance". Any fee payable will be the amount equivalent to the Adjusted net assets attributable to holders of Ordinary Shares at 31 March each year, multiplied by the percentage out-performance, then multiplied by 15 per cent. The maximum performance fee payable in any period is 1 per cent. of the Adjusted net assets attributable to holders of Ordinary Shares. If any fee exceeds 1 per cent. of Adjusted net assets attributable to holders of Ordinary Shares, such excess is carried forward and applied to reduce any percentage underperformance in future performance periods. At 31 March 2007, an excess of £5.8 million was carried forward.

If the total return on Adjusted net assets attributable to holders of Ordinary Shares for any performance period is less than the hurdle rate for the relevant performance period, such under-performance (expressed as a percentage) will be carried forward. No performance fee will be payable unless the total return on Adjusted net assets attributable to holders of Ordinary Shares out-performs the hurdle rate, after taking into account any accumulated percentage under-performance for previous periods to the extent it is not offset by the out-performance offset described above.

Under the terms of an Amendment and Restatement Agreement dated 20 June 2007, the Management Agreement will be amended with effect from Admission to reflect the creation of the Sigma Shares and various consequential changes. The Management Agreement will continue to govern the Manager's role as manager to the Ordinary Pool following Admission.

Under the Amendment and Restatement Agreement, the management fee will be split and paid partly under the existing Management Agreement and partly under the Sigma Management Agreement. The performance fee for the current performance period will be calculated separately on the Ordinary Pool and the Sigma Pool, as if the Transaction and the Conversion had taken place before the start of the current period. The performance period for the Ordinary Pool will run for the full year to 31 March 2008. The current performance period for the Ordinary Shares converting into Sigma Shares will be calculated as at the Calculation Date and paid if applicable. Separate performance arrangements for the Sigma Shares will apply under the Sigma Management Agreement from the Calculation Date to 31 March 2008. The value of past out-performance carried forward at 31 March 2007 to offset future under-performance will be scaled back under the existing Management Agreement in proportion to the number of Ordinary Shares which convert into Sigma Shares. The amended Management Agreement will terminate if the Sigma Management Agreement is terminated, subject to limited exceptions.

#### **14.3 Sigma Management Agreement**

Subject to the Transaction becoming effective, the Company has entered into a new Sigma Management Agreement in relation to the Sigma Pool (dated 20 June 2007). The terms of this agreement are based on the Management Agreement, but with the following principal differences:

- the Manager will be entitled to a base management fee of 1.10 per cent. per annum based on the Net Asset Value of the Sigma Pool, payable quarterly in advance;
- a performance fee will become payable each year if the total return of the Adjusted net assets attributable to holders of Sigma Shares, outperforms the total return of the Company's benchmark plus 2 per cent. (the "hurdle rate"). Any out-performance (expressed as a percentage) is the "percentage out-performance". Any fee payable is the amount equivalent to the Adjusted net assets attributable to holders of Sigma Shares at 31 March each year, multiplied by the percentage out-performance, multiplied by 20 per cent. The first performance period will be from Admission to 31 March 2008;
- the maximum performance fee payable in any period will be 5 per cent. of the Adjusted net assets attributable to Sigma Shareholders. In the event that out-performance of the benchmark has been achieved but the Adjusted net assets attributable to holders of Sigma Shares are lower at the end of the period than at the beginning of the period, then this will be limited to 1 per cent. of Adjusted net assets attributable to holders of Sigma Shares. If the fee would otherwise exceed the applicable percentage of Adjusted net assets attributable to holders of Sigma Shares, such excess will not be paid but will be carried forward and applied to reduce any percentage under-performance in future periods; and
- if the total return of Adjusted net assets attributable to holders of Sigma Shares for any performance period is less than the hurdle rate for the relevant performance period, such under-performance (expressed as a percentage) will be carried forward.

Subject to limited exceptions, the Sigma Management Agreement will terminate if the Management Agreement terminates.

#### **14.4 Secretarial Agreement**

Under the terms of the Secretarial Agreement (dated 1 April 2007), Capita Company Secretarial Services Limited provides company secretarial services to the Company.

The Agreement is in force for an initial period of one year from 1 April 2007. Thereafter the Agreement may be terminated by either party by not less than six months' notice in writing to the other party, such notice to expire no earlier than 1 April 2008.

Capita provides all of the services under the Secretarial Agreement for a payment of an annual fee of £45,000 plus VAT and disbursements. A one-off set up fee of £3,000 was also charged. Fees are payable quarterly in advance.

Capita is entitled to review the fees payable for the Services every anniversary of the date of the Agreement and fees are subject to a minimum RPI increase on each such anniversary.

If any additional services are to be provided to the Company which are outside the scope of the Secretarial Agreement, for example additional Board meetings and involvement in major corporate transactions, Capita and the Company agree a fixed fee for such services or Capita may charge an hourly rate.

#### **14.5 Administration Agreement**

Under the terms of the Administration Agreement (dated 29 September 2004), the Administrator has agreed to provide administration services to the Company.

In consideration of the Administrator providing the services referred to in the agreement, the Company agreed to pay the Administrator £255,000 plus VAT per annum in addition to (i) a payment of £3,000 for transitional IT costs and (ii) any charges which the Bank of New York (Europe) Limited may reasonably levy against the Administrator in connection with the transfer of the Company's custody. The fees payable under the Administration Agreement will be reviewed in light of the creation of the Sigma Pool. Any increase in fees will be met out of the management fee payable to the Managers under the Sigma Management Agreement.

The Administrator is entitled to be refunded by the Company its reasonable out-of-pocket expenses incurred under the Agreement.

Fees may be increased on 1 October in each year by multiplying the minimum fee then applicable by a figure derived from the Average Earnings Index (as more particularly defined in the Administration Agreement) published by the Office of National Statistics for the preceding twelve months.

Either party may terminate the agreement by giving the other not less than 90 days' written notice. The Company may renew the agreement for a minimum term of not less than one year.

#### **14.6 Custody Agreement**

The Custodian is a company organised under the laws of the State of New York with limited liability. Its main office is in Ohio, USA and it was registered as a branch in England and Wales with registration number BR000746 on 11 April 1960. The Custodian is authorised and regulated by the Financial Services Authority with firm reference number 124491. The telephone number of the Custodian is 020 7777 4153.

Under the terms of the Custody Agreement (dated 10 December 1997) the Custodian has agreed to act as custodian of securities and other investments of the Company and to provide settlement and other related services. The Custodian has agreed, *inter alia*, to set up and manage securities and cash accounts, to effect settlement of trades, to manage proceeds of trades and to facilitate tax reclaims. The Custodian is further authorised by the Company to present interest coupons and issue statements of securities, execute documents of title and to provide the proxy voting service.

The Company has agreed to pay the Custodian such amount as may mutually be agreed upon in writing, together with the Custodian's reasonable out-of-pocket or incidental expenses, including, but not limited to, reasonable legal fees. The Custodian may increase such fees on not less than sixty days' notice in writing to the Company. The Custodian is authorised to deduct amounts owing to it from the cash account established for the Company monthly in arrears.

The Company has granted to the Custodian a charge, pledge and lien to secure the amount of liabilities over the securities credited to the securities account and the custodian shall be entitled without notice to the Company, to withhold delivery of such securities, sell or otherwise realise any such securities and to apply the proceeds and any other monies credited to the cash account in satisfaction of such liabilities. For this purpose the Custodian may make such currency conversions as may be necessary at its then rates for the sale and purchase of the relevant currencies.

The Custodian may terminate the Custody Agreement on sixty days' notice in writing to the Company. The Company may terminate the Custody Agreement on fourteen days' notice in writing to the Custodian.

#### **15. Related party transactions**

Save for entry into the Sigma Management Agreement, as set out in paragraph 14.3 of Part IV of this document, the Company has not entered into any related party transaction during the period since 1 April 2004 (being the beginning of the period covered by the historical financial information incorporated into this Prospectus by reference) to the date of this document.

#### **16. General**

- 16.1 The Company and/or Group is not and has not at any time in the 12 months immediately preceding the date of this document been engaged in any governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Company and/or Group, nor of any such proceedings having been pending or threatened at any time in the 12 months immediately preceding the date of this document in each case which may have, or have had in the recent past, a significant effect on the Company and/or Group's financial position or profitability.
- 16.2 Since 31 March 2007 (being the end of the last financial period for which audited financial statements have been published), there has been no significant change in the trading or financial position of the Company.
- 16.3 It is the intention of the Directors to conduct the affairs of the Company so that the Company's income will be derived wholly or mainly from shares or securities for the purposes of section 842 of the Income and Corporation Taxes Act 1988.
- 16.4 The Manager is authorised and regulated in the UK by the Financial Services Authority in the conduct of investment business. Winterflood Securities is authorised and regulated in the UK by the Financial Services Authority.



- 16.5 Winterflood Securities is acting as sponsor and financial adviser to the Company in respect of the Transaction. Winterflood Securities is also acting as joint placing agent (with Cenkos Securities) to the Company. Winterflood Securities has given, and has not withdrawn, its consent to the issue of this document, and the inclusion herein of its name and the references to it in the form and context in which they appear.
- 16.6 Cenkos Securities is acting as joint placing agent in respect of the Transaction and has given, and not withdrawn, its consent to the issue of this document, and the inclusion herein of its name and the references to it in the form and context in which they appear.
- 16.7 The Manager has given, and has not withdrawn, its consent to the issue of this document and the inclusion herein of its name and the references to it in the form and context in which they appear.
- 16.8 Certain information contained in this Prospectus has been sourced from third parties. The Company confirms that such information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from the information published by the relevant third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 16.9 The Manager accepts responsibility for the information contained in the “Investment trends and outlook” section and the “Outlook for smaller capitalised property companies” section of this document and for any statement, opinion or belief attributed to the Manager in other sections of this document and to the best of the knowledge of the Manager, who has taken all reasonable care to ensure that such is the case, the information contained in those sections and such statements, opinions and beliefs are in accordance with the facts and contain no omissions likely to affect their import.
- 16.10 No application is being made for the Ordinary Shares or the Sigma Shares to be listed, or dealt in, on any stock exchange or investment exchange other than the London Stock Exchange.
- 16.11 This document does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy, nor shall there be any sale of, any securities in any jurisdiction in which such offer, solicitation or sale would be unlawful or would impose any unfulfilled registration, publication or approval requirements on the Company, Winterflood Securities Limited or Cenkos Securities plc. The Sigma Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended, and may not be offered or sold in the United States or to or for the account or benefit of US Persons (as defined in Regulation S of the U.S. Securities Act 1933). The Sigma Shares are being offered and sold outside the United States in reliance on Regulation S. The Company will not be registered under the U.S. Investment Company Act of 1940, as amended, and investors will not be entitled to the benefits of that Act.
- 16.12 No person is authorised, in connection with an offer made hereby, to give any information or to make any representations other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company or Winterflood Securities.
- 16.13 The Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company’s business or profitability.
- 16.14 In relation to information provided by the Manager, the Company confirms that that information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by the Manager, no facts have been omitted which would render the information reproduced inaccurate or misleading.
- 16.15 As at the date of this Prospectus, there have been no public takeover bids by third parties in respect of the Company’s equity.

## **17. The City Code**

The City Code applies to the Company. Under the City Code, if an acquisition of an interest in the Company’s Shares (whether Ordinary Shares or Sigma Shares or both), or the conversion of previously acquired Ordinary Shares into Sigma Shares, were to result in the acquirer and any parties acting in concert with it together having an interest in Shares which carry 30 per cent. or

more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any), would be required (except with the consent of the Takeover Panel) to make a cash offer for the Sigma Shares and Ordinary Shares not already owned by the acquirer and its concert parties (if any) at an offer price not less than the highest price paid for such Shares during the previous 12 months. A similar obligation to make such a mandatory cash offer would also arise on the acquisition of Shares, or a conversion of a holding of Ordinary Shares into Sigma Shares, by a person holding (together with its concert parties, if any) Sigma Shares and/or Ordinary Shares carrying at least 30 per cent. but not more than 50 per cent. of the voting rights in the Company if the effect of such acquisition or conversion were to increase the percentage of the aggregate voting rights held by the acquirer and its concert parties (if any).

## **18. Squeeze-out and sell-out rules**

### **18.1 Squeeze-out rules**

Under the Companies Act 2006, if a person who has made a takeover offer to acquire Sigma Shares and/or Ordinary Shares (the “offeror”) were to acquire, or contract to acquire, not less than 90 per cent. in value of the Shares to which the offer relates, (and not less than 90 per cent. of the voting rights carried by those Shares) the offeror could then compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a statutory notice to outstanding Shareholders within three months from the last date on which the offer can be accepted telling them that the offeror will compulsorily acquire their Shares. Six weeks later, the offeror must send a copy of the statutory notice together with, if the Shares are registered, an executed instrument of transfer of the outstanding Shares in the offeror’s favour to the Company and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to those Shareholders whose Shares are compulsorily acquired must, in general, be the same as the consideration that was available under the takeover offer.

### **18.2 Sell-out rules**

The Companies Act 2006 gives minority Shareholders a right to be bought out in certain circumstances by a person who has made a takeover offer as described in paragraph 18.1 above. If at any time before the end of the period within which the takeover offer can be accepted, the offeror holds or has agreed to acquire not less than 90 per cent. in value of the Shares to which the offer relates (and which carry not less than 90 per cent. of the voting rights in the Company), any Shareholder to which the general offer relates who has not accepted the takeover offer can, by a written communication to the offeror, require it to acquire that holder’s shares. For the purposes of sell-out rules, a takeover offer relates to all the Shares in the Company.

The offeror is required to give each Shareholder notice of his right to be bought out within one month of that right arising. Minority Shareholders must exercise their rights to be bought out by no later than the end of the period of three months after the end of the acceptance period or, if later, the date of the notice given by the offeror as referred to in the immediately preceding sentence. If a Shareholder exercises his rights, the offeror is entitled and bound to acquire those Shares on the terms of the offer or on such other terms as may be agreed.

## **19. Availability of Prospectus**

Copies of this Prospectus can be obtained during normal business hours up to and including 24 July 2007 from the registered office of the Company. In addition, copies of this Prospectus will be available at the UK Listing Authority’s Document Viewing Facility, Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

## **20. Documents for inspection**

The following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY, up to and including 24 July 2007, and at the place of the Extraordinary General Meeting for at least 15 minutes prior to and during the meeting:

- (a) this Prospectus;
- (b) the existing memorandum of association and Articles prior to the implementation of the Transaction;

- (c) the New Articles following the implementation of the Transaction;
- (d) the audited accounts of the Company for the financial years ended 31 March 2005, 2006 and 2007 respectively; and
- (e) the Material Agreements referred to in paragraph 14 of this Part IV.

Dated: 20 June 2007

## DEFINITIONS

In this document the words and expressions listed below have the meanings set out opposite them, except where the context otherwise requires:

Adjusted net assets	the net assets attributable to holders of Ordinary Shares or Sigma Shares (as the case may be) as shown in the audited financial statements of the Company, adjusted for various items including to reflect repurchases by the Company of its own shares and to add back taxation, management fees and performance fees
Administrator	BNP Paribas Fund Services UK Limited
Admission	the admission of Sigma Shares both to the Official List and to trading on the London Stock Exchange
AGM	the annual general meeting of the Company to be held at 12 noon on 24 July 2007 or any adjournment thereof
AIC	the Association of Investment Companies (formally the Association of Investment Trust Companies)
Articles	the articles of association of the Company prior to the Transaction
Calculation Date	close of business on 20 July 2007
Cenkos Securities	Cenkos Securities plc
Companies Act	the Companies Act 1985 and shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified or re-enacted
Company	TR Property Investment Trust plc
Conversion	the opportunity for Shareholders (other than Overseas Persons) to elect for certain of their Ordinary Shares to be reclassified as Sigma Shares and the subsequent sub-division of such Sigma Shares, details of which are set out in this Prospectus
Conversion Form	the form to elect to convert Ordinary Shares to Sigma Shares sent to shareholders other than Overseas Persons
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by CRESTCo Limited in accordance with the Uncertificated Securities Regulations 2001 as amended from time to time
Custodian	JPMorgan Chase Bank NA
Deferred Shares	the deferred shares in the capital of the Company as described in Part IV of this document
Directors or Board	the directors of the Company or the board of directors of the Company (or a duly authorised committee thereof) from time to time, as the case may require, and "Director" is to be construed accordingly
DTR	the Disclosure and Transparency Rules relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market or for which a request for admission to trading on such a market has been made
EEA	the European Economic Area
Extraordinary General Meeting or EGM	the extraordinary general meeting of the Company to be held at 12.15 pm on 24 July 2007 or (or so soon thereafter as the AGM of the Company may be concluded or adjourned) any adjournment thereof
Financial Services Authority	the single regulatory authority for the UK financial services industry
FSMA	the Financial Services and Markets Act 2000

Group	the Company and its subsidiaries
HMRC	HM Revenue & Customs
IFRS	International Financial Reporting Standards
ISA	individual savings account
Listing Rules	the listing rules issued by the UK Listing Authority
London Stock Exchange	London Stock Exchange plc
Management Agreement	the management agreement dated 30 September 2004, as amended or supplemented from time to time, in which the Manager has agreed to act as investment manager to the Company
Manager	Thames River Capital LLP
Memorandum of Association	the memorandum of association of the Company, as amended from time to time
Net Asset Value of the Company	the aggregate value of the net assets of the Company (that is, the value of its assets less the amount of its liabilities), calculated in accordance with the Company's accounting policies and reporting policies from time to time and including a fair value adjustment in respect of indebtedness
NAV per Ordinary Share	the aggregate amount of the Net Asset Value of the Company that is attributable to the Ordinary Shares divided by the number of Ordinary Shares in issue
NAV per Sigma Share	the aggregate amount of the Net Asset Value of the Company that is attributable to the Sigma Shares divided by the number of Sigma Shares in issue
Net Asset Value of the Ordinary Pool	the aggregate amount of the Net Asset Value of the Company that is attributable to the Ordinary Pool
Net Asset Value of the Sigma Pool	the aggregate amount of the Net Asset Value of the Company that is attributable to the Sigma Pool
New Articles	the new articles of association of the Company, as amended from time to time, to be adopted following implementation of the Transaction
Official List	the official list maintained by the UK Listing Authority
Ordinary Pool	the assets of the Company from time to time attributed to the Ordinary Shares
Ordinary Shares	the ordinary shares of 25 pence each in the capital of the Company (ISIN No GB0009064097)
Overseas Person	a Shareholder or Plan Participant who is a citizen or national of, or resident in, any jurisdiction outside the United Kingdom, the Channel Islands or the Isle of Man (but not including Shareholders who are citizens or nationals of, or resident in, New Zealand) or a custodian, nominee or trustee for a citizen, national or resident of a jurisdiction outside the United Kingdom, the Channel Islands or the Isle of Man, unless the Company is satisfied that it is lawful under the relevant overseas laws and regulations for the Company to process a Conversion Form or Plan Conversion Form in respect of such persons Ordinary Shares
PEP	personal equity plan
Placing	the conditional placing of Sigma Shares by Winterflood Securities and Cenkos Securities, details of which are set out in this Prospectus
Placing Agent(s)	Winterflood Securities and Cenkos Securities

Plan Participants	investors who hold shares through the TR Property Share Plans
Proposed Director	Hugh Seaborn
Prospectus	this document
Prospectus Rules	the prospectus rules issued by the Financial Services Authority pursuant to section 84 of the Financial Services and Markets Act 2000
Registrars	Computershare Investor Services PLC
Regulatory Information Service	a service authorised by the UK Listing Authority to release regulatory announcements to the London Stock Exchange
Shareholder	a holder of Ordinary Shares and/or Sigma Shares
Share(s)	a share or shares of any class in the Company (being either Ordinary Shares prior to the Transaction or Ordinary Shares and/or Sigma Shares and/or Deferred Shares following the Transaction, as applicable)
Sigma Management Agreement	the management agreement dated 20 June 2007 as amended novated or supplemented from time to time in which the Manager has agreed to act as investment manager to the Company in respect of the Sigma Pool
Sigma Pool	the assets of the Company from time to time attributable to the Sigma Shares
Sigma Shares	the new shares of 12.5 pence each in the capital of the Company (ISIN No GB00B1YW2J11) carrying the rights and restrictions as set out in the New Articles
Transaction	the Placing and Conversion
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UK Listing Authority	the Financial Services Authority acting in its capacity as the competent authority for the purposes of admissions to the Official List
Uncertificated Securities Regulations	the Uncertificated Securities Regulations 2001 as amended from time to time and any provisions of or under the Companies Acts which supplement or replace such regulations
US	United States of America
VAT	UK value added tax
Winterflood Securities	Winterflood Securities Limited

In this document, unless otherwise specified, all references to “sterling”, “pounds” or “£” are to United Kingdom pounds sterling; all references to “pence” or “p” are to United Kingdom pence sterling; all references to “\$” or to “dollars” are to US dollars; and all references to “€” are to the Euro, being the single currency of the European Economic and Monetary Union (EMU).

