

# TR Property Investment Trust plc

Report & Accounts for the  
year ended 31 March 2019



# TR Property Investment Trust plc

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The investment objective of TR Property Investment Trust plc is to maximise shareholders' total returns by investing in the shares and securities of property companies and property related businesses internationally and also in investment property located in the UK.

## Introduction

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

## Benchmark

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

## Investment Policy

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

Further details of the Investment Policies, the Asset Allocation Guidelines and policies regarding the use of gearing are set out in the Strategic Report on pages 24 to 25 and the entire portfolio is shown on page 16.

## Investment Manager

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

## Independent Board

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

## Performance

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

## Retail Investors advised by IFAs

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

## Further information

General shareholder information and details of how to invest in TR Property Investment Trust plc, including an investment through an ISA or saving scheme, can be found on pages 99 to 102. This information can also be found on the Trust's website [www.trproperty.com](http://www.trproperty.com)

# Financial Highlights and Performance

	Year ended 31 March 2019	Year ended 31 March 2018	% Change
<b>Balance Sheet</b>			
Net asset value per share	<b>418.54p</b>	395.64p	+5.8%
Shareholders' funds (£'000)	<b>1,328,254</b>	1,255,559	+5.8%
Shares in issue at the end of the year (m)	<b>317.4</b>	317.4	+0.0%
Net debt <sup>1,6</sup>	<b>10.0%</b>	14.6%	
<b>Share Price</b>			
Share price	<b>394.00p</b>	382.50p	+3.0%
Market capitalisation	<b>£1,250m</b>	£1,214m	+3.0%
	Year ended 31 March 2019	Year ended 31 March 2018	% Change
<b>Revenue</b>			
Revenue earnings per share	<b>14.58p</b>	13.22p	+10.3%
<b>Dividends<sup>2</sup></b>			
Interim dividend per share	<b>4.90p</b>	4.65p	+5.4%
Final dividend per share	<b>8.60p</b>	7.55p	+13.9%
Total dividend per share	<b>13.50p</b>	12.20p	+10.7%
<b>Performance: Assets and Benchmark</b>			
Net Asset Value total return <sup>3,6</sup>	<b>+9.1%</b>	+15.5%	
Benchmark total return <sup>6</sup>	<b>+5.6%</b>	+10.2%	
Share price total return <sup>4,6</sup>	<b>+6.2%</b>	+25.5%	
<b>Ongoing Charges Ratio<sup>5,6</sup></b>			
Including performance fee	<b>+1.10%</b>	+1.48%	
Excluding performance fee	<b>+0.63%</b>	+0.65%	
Excluding performance fee and direct property costs	<b>+0.61%</b>	+0.61%	

1. Net debt is the total value of loan notes, loans (including notional exposure to CFDs) less cash as a proportion of net asset value.
2. Dividends per share are the dividends in respect of the financial year ended 31 March 2019. An interim dividend of 4.90p was paid in January 2019. A final dividend of 8.60p (2018: 7.55p) will be paid on 30 July 2019 to shareholders on the register on 21 June 2019.  
The shares will be quoted ex-dividend on 20 June 2019.
3. The NAV Total Return for the year is calculated by reinvesting the dividends in the assets of the Company from the relevant ex-dividend date. Dividends are deemed to be reinvested on the ex-dividend date as this is the protocol used by the Company's benchmark and other indices.
4. The Share Price Total Return is calculated by reinvesting the dividends in the shares of the Company from the relevant ex-dividend date.
5. Ongoing Charges are calculated in accordance with the AIC methodology. The Ongoing Charges ratios provided in the Company's Key Information Document are calculated in line with the PRIIPs regulation which is different to the AIC methodology.
6. Considered to be an Alternative Performance Measure as defined on page 89.

# Historical Performance

For the years ended 31 March

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Performance for the year:</b>											
<b>Total Return (%)</b>											
<b>NAV<sup>(A)</sup></b>	-40.5	52.6	15.4	-8.5	21.5	22.4	28.3	8.2	8.0	15.5	<b>9.1</b>
<b>Benchmark<sup>(B)</sup></b>	-48.6	60.6	15.2	-8.9	17.8	14.9	23.3	5.4	6.5	10.2	<b>5.6</b>
<b>Share Price<sup>(C)</sup></b>	-41.2	60.3	12.6	-9.5	25.8	37.7	29.5	-1.6	9.1	25.5	<b>6.2</b>
<b>Shareholders' funds</b>											
<b>(£'m)</b>											
Total	400	598	670	588	684	809	1,010	1,065	1,118	1,256	<b>1,328</b>
Ordinary shares	324	476	531	470	684	809	1,010	1,065	1,118	1,256	<b>1,328</b>
Sigma shares <sup>(D)</sup>	76	122	139	118	—	—	—	—	—	—	<b>—</b>
<b>Ordinary shares</b>											
<b>Net revenue</b>											
<b>(pence per share)</b>											
Earnings	6.49	5.18	6.94	7.07	6.74	8.09	8.89	8.36	11.38	13.22	<b>14.58</b>
Dividends <sup>(E)</sup>	5.75	5.75	6.00	6.60	7.00	7.45	7.70	8.35	10.50	12.20	<b>13.50</b>
<b>NAV per share</b>											
<b>(pence)</b>											
	126.10	185.20	207.10	183.60	215.25	254.94	318.12	335.56	352.42	395.64	<b>418.54</b>
<b>Share price</b>											
<b>(pence)</b>											
	106.00	159.40	177.10	154.50	186.30	247.50	310.50	297.50	314.50	382.50	<b>394.00</b>
<b>Indices of growth</b>											
Share price <sup>(F)</sup>	100	150	167	146	176	233	293	281	297	361	<b>372</b>
Net Asset Value <sup>(G)</sup>	100	147	164	146	171	202	252	266	280	314	<b>332</b>
Dividend Net <sup>(E)</sup>	100	100	104	115	122	130	134	145	183	212	<b>235</b>
RPI	100	104	110	114	118	121	122	124	127	132	<b>135</b>
Benchmark <sup>(H)</sup>	100	153	169	147	167	178	213	219	227	243	<b>249</b>

Figures have been prepared in accordance with IFRS.

(A) The NAV Total Return for each year is calculated by reinvesting the dividends in the assets of the Company from the relevant ex-dividend date. Dividends are deemed to be reinvested at the ex-dividend date as this is the protocol used by the Company's benchmark and other indices. This is considered to be an Alternative Performance Measure as defined on page 89.

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

(C) The Share Price Total Return is calculated by reinvesting the dividends in the shares of the Company from the relevant ex-dividend date.

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

(E) Dividends per share in the year to which their declaration relates and not the year they were paid.

(F) Share prices only. These do not reflect dividends paid.

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

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

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Front cover: La Défense, Paris, France.

Pages 4 to 32 comprise the Strategic Report. The signature on page 32 is determined to cover the entire Strategic Report.



# Chairman's Statement



**Hugh Seaborn**  
**Chairman**

## Introduction

It has been a good solid year for the Trust. Even more so given the heightened volatility amidst macro-economic and political uncertainty. The Net Asset Value (NAV) total return for the year of 9.1% was well ahead of the benchmark at 5.6% and results in a five year annualised return of 13.6%. The share price total return of 6.2% exceeded the benchmark but was less than the NAV growth due to a slight widening in the discount between the share price and the asset value. In addition, the Trust delivered revenue growth of 10.3% and has now increased 80.2% over the past five years equating to +12.5% per annum.

The year under review fell broadly into three phases. Share prices rose steadily through the early part of the year and into the summer months. This was followed by a dramatic change in mood as equity markets across the globe sold off sharply for the remainder of 2018 on concerns from the US/China trade war escalation through to more localised geo-political issues. However, the beginning of 2019 has seen a resurgence in stock markets as central banks from the Fed to the ECB have offered dovish commentary away from further monetary tightening. Real estate has been a significant beneficiary and the Trust's asset value has more than recovered from the fall experienced in the last quarter of 2018.

The steady growth in underlying earnings has supported returns whilst our Manager has sought to navigate the weakness of UK property equities when compared with their Continental European counterparts. The other striking

feature has been the continued divergence of performance between asset types with retail property the clear underperformer contrasting with demand for logistics assets from occupiers and investors, which remains unabated.

A consequence of the deferral of interest rate rises, courtesy of the central banks, has been a renewed focus on longer term income streams and in particular those which benefit from indexation. This theme, which I referred to last year, has contributed to strong performance from property with these characteristics including healthcare and student accommodation through to residential Private Rented Sector (PRS) and supermarkets.

The value of our physical property portfolio, which represents less than 10% of the assets, also reflected the demand for long income as our largest asset, The Colonnades in Bayswater, was subject to an increase in value led by the index-linked, long leased income from our largest tenant, Waitrose.

## Revenue Results and Dividend

The revenue increase of 10.3% has been driven by healthy growth in the underlying dividends from our investments, more details are given in the Manager's Report. The Board is delighted to announce a similar increase in the level of the full year dividend and is recommending a final dividend of 8.60p per share bringing the full year dividend to 13.50p.

## Revenue Outlook

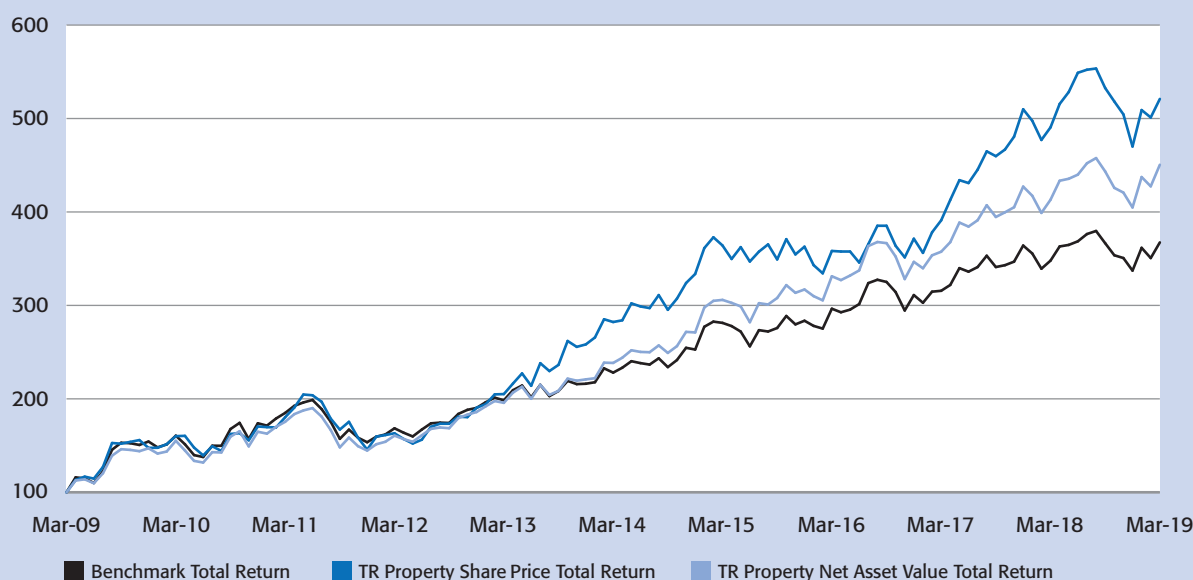
The early part of the current financial year is producing consistent earnings which suggest modest growth for the year ahead.

Of course, the usual caveats apply and include earnings being affected by a change in the timing of dividends received around our year end and corporate activity. As we have experienced in the past, a major variable is foreign exchange rates as just over half our income is non-Sterling denominated. This can have a significant impact on earnings for the year.

# Chairman's Statement

continued

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



## Debt

Net debt has been reduced from 14.6%, as reported at the previous year end, to 10.0%. These figures include the impact of CFD exposure. This reduction in gearing was primarily due to listed companies being taken private at significant premiums, however, gearing has been maintained at this level since the year end in view of the prevailing political uncertainty. All our revolving loan facilities have been renewed so that further finance is available if and when an increase in gearing levels is considered by the Manager to be beneficial.

## Currencies

Currencies were less volatile over this financial year than during the previous two years. Sterling ended the year marginally stronger than at the beginning. However, over the year it fluctuated through a 7% range.

Our balance sheet currency exposure remains hedged in line with the benchmark, however the income account is un-hedged, therefore strengthening of Sterling will have an adverse effect on our income.

## Discount and Share Repurchases

The discount\* widened slightly during the year from 3.2% to 5.3% at the year end. This range remains well within the 10 year average of 7.1%.

No shares were repurchased during the year.

## Board Changes

Suzie Procter retired from the Board in February 2019 and I would like to record the Board's thanks for her contribution over the last six years. An experienced recruitment consultant specialising in non-executive directors is actively seeking another high calibre director to join the Board.

## Outlook

In November, I concluded that whilst the ECB had signalled its intention to resume a more normalised interest rate cycle, this could well be deferred if economic growth dampened. We now find ourselves in that state of affairs with global trade tensions and attention on Germany, the European powerhouse, which is focused on exports and hence global growth. Recent economic news has been weaker than anticipated and this has encouraged the ECB to remain dovish towards the timing

\* share price discount to capital only NAV.

# Chairman's Statement

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of the next interest rate increase. Market expectations for interest rate rises have therefore moved out to 2020 and possibly beyond, the longer end of the interest curve also remains very subdued. For our companies the ability to fix longer term debt at record low levels remains highly attractive and helps the predictability of companies' earnings.

In an environment where investors are seeking income, property benefits from the characteristic of offering relatively high income returns, often growing with inflation. Our Manager continues to focus on real estate businesses in areas and sectors which offer the likelihood of rental growth. The divergence in performance between companies with those attributes and the remainder has widened to record levels. This does create the risk of the most popular names becoming overbought and the least popular are at risk of being oversold. Our Manager remains vigilant, keeping a very close eye on earnings – the bedrock of this asset class.

Our confidence in the stability of earnings and the relative attractiveness of the asset class versus other risk assets offers little succour in the event of broader market weakness. The impact on the UK, and to a lesser extent Continental Europe, inflicted by unprecedented levels of political uncertainty may well only become apparent in years to come. What we do know, at the time of writing, is that we remain in a period of great political uncertainty and I take the opportunity to remind shareholders of the broad pan European spread of our assets.

## **Hugh Seaborn**

Chairman

6 June 2019



# Manager's Report



**Marcus Phayre-Mudge MRICS**  
**Fund Manager**

## Performance

The Net Asset Value total return for the year of 9.1% was ahead of the 5.6% benchmark total return. The share price total return exceeded the benchmark at 6.2% but was less than the growth in the NAV due to a slight widening in the discount between the share price and the asset value.

Again I report that our Continental European property companies outperformed their UK counterparts. The Continental European component of the benchmark, when measured in EUR returned 10.6% whilst the UK names, measured in GBP, collectively managed a paltry 0.6%. Whilst this regional disparity was broad the general direction of travel through the year was similar with both regions initially enjoying positive returns in Q2 2018 followed by a corrective phase for the second half of 2018. Real estate equities then participated with gusto in the Q1 2019 equity rally fuelled by dovish commentary from the Federal Reserve and the ECB.

While the macro concerns of heightened risk from a global slowdown and tariff wars weighed heavily on equity markets these concerns also depressed bond markets. Real estate therefore continued to be appreciated for its core characteristics of relatively high income often growing in line with inflation. However, property is a pro-cyclical asset class and where the prospects for economic growth look muted or hard to predict the sector enjoys less support. Quite simply when presented with the opportunity of choosing exposure to the UK or Continental Europe, the Brexit factor weighed heavily on sentiment regardless of short term performance indicators.

The second overarching theme of the period was the ongoing underperformance of retail property. The weakness of the underlying asset class was magnified by the almost universal poor balance sheet management from listed companies. Essentially, the vast majority of them have for

some time been overly optimistic about the prospects for their assets. This is indefensible given that this sector's woes are nothing new. There has been one exception which has enjoyed both positive returns and even raised further capital which I will elaborate on later in the report.

Running parallel to the depressing saga for retail property has been the positive momentum behind logistics property required to sustain the secular shift in consumer behaviour. I report significant outperformance of all our companies exposed to this market and our overweight position in this area, across all geographies, was a key driver of performance.

Elsewhere our performance was driven by overweight positions in German residential, Swedish offices, Spanish hotels and Parisian offices. The underweight to shopping centres across Continental Europe aided relative performance but even our limited exposure in the UK still hampered returns. The rationale behind our exposure is covered later. Alternatives in the UK including self-storage, student accommodation and healthcare continued to add value in the period. Safestore (our largest self-storage exposure) was the top performing UK name returning 24.8%, Unite (our student exposure) returned 19.1% and Target Healthcare 18%.

Our large underweights to Switzerland and Belgium were detractors to performance as these companies, all produced, to varying degrees positive, if modest, performance.

The Trust's UK overweight requires explanation. In summary, I have been increasing exposure to index-linked, long-dated and secure income streams. Although all our Continental European companies have index-linked income, the average lease length is much shorter than the growing list of UK companies with these long-dated income streams. We therefore have significant exposure to healthcare, budget hotels, leisure and supermarkets. We remain under exposed in terms of equities to Central London office, retail and particularly residential preferring our own assets at Wandsworth and Bayswater.

To conclude on performance, I am pleased to report the sale of our holding in Terreis. Jacqui Lorenzetti, a serial property entrepreneur and 50% shareholder, began assembling an unrivalled portfolio of high quality Central Paris office buildings in 2010 having sold his previous real estate business with impeccable timing in 2007. In February

# Manager's Report

*continued*

this year, he announced an agreement to sell 80% of the portfolio (€1.6bn) to Swiss Life and take the remainder of the business private, thus buying out all minority shareholders. The price (€58 per share) was a 40% premium to the undisturbed share price and a 7% premium to the net asset value. The holding equated to 2.3% of the Trust's assets and nearly 5% of Terreis. Our initial investments made in 2011 (€12-13 per share) were augmented over the intervening period, particularly when small caps were out of favour even whilst fundamentals were sound. This holding has been a poster child for our strategy of backing strong management who are aligned through their co-ownership and focused on a particular submarket. However, the gestation period for these types of positions is always unknown. The portfolio has a number of such holdings where the market continues to ignore their fundamental qualities, often citing size and liquidity as a concern. I therefore remain confident of being able to quietly add to these names whilst they remain unappreciated.

## Offices

The performance of London offices continued to confound the 'Brexit bears' with Knight Frank reporting take up of 14.8m sq ft in 2018, the highest since 2014. The numbers were dominated by larger deals with 19 transactions over 100,000 sq ft, a record, against the long term average of 12. In defence of those (including ourselves) who felt that traditional City tenants might defer property decisions, the financial services sector's share of take up did indeed slip to just 19%. The surprise has been the robustness of the TMT sector as well as impressive growth in pharmaceuticals and life sciences. In the Interim Report, I highlighted the growth in the flexible office sector, this accounted for 16% of all take up last year and now forms over 5% of all London office stock. Quality of accommodation and flexibility of tenure are the watch words and businesses are prepared to pay for it. It is difficult to assess genuine net take up when so much of the headline leasing is to flex operators who in turn then need to find real tenants to occupy the space. Demand expectations have always been very tricky to predict. Supply – at least the 2/3 year horizon – is easier to forecast and there we take great comfort in the decreasing supply profile together with how much of this pipeline space is pre-let. Of the current 11m sq ft under construction, 49% is already pre-let. The consequence of this ambient market backdrop

is that rents have remained stable over the period, particularly for high quality buildings. This in turn has continued to attract overseas investment buyers, who appear far less fazed by our potential departure from our most significant trading partner. Transaction volumes remain elevated (£16.3bn in 2018) 15% ahead of long-term average. Overseas investors account for 83% of turnover dominated, again, by Asian investors.

Paris experienced an overall slowdown in take up in 2018 versus 2017 and this was particularly the case in the more suburban markets (defined as the Inner and Outer Rim). Meanwhile La Defense and the CBD markets enjoyed year on year growth and rising rents with a noticeable decrease in tenant incentives. Investor demand remained robust with turnover reaching a new high of €2.4bn according to ImmoStat as buyers remain drawn to the city wide vacancy level dropping below 6%, a 10 year low. Yet the range of vacancy levels remains broader in Paris than in other major cities. The CBD recorded sub 3% whilst decentralised locations such as Peri Defense and the Northern Inner Rim and River Bend are still +10%.

Dublin continues to benefit from both Brexit concerns and the near continuous growth from TMT occupiers attracted by the low corporate tax rate and well educated, youthful population. Take up reached a record 1.1m sq ft in Q1 2019 and whilst supply has expanded back close to all time highs of 4m sq ft, our crucial pre-let measure remains high at 49%. This remains a small city enjoying boom times again and our ownership of 3% of Green REIT, the largest listed Irish REIT, reflects our positive views.

The seven largest office markets in Germany saw a slowdown in take up in 2018 (4.0m sq m) when compared to 2017 (4.3m sq m). However, both of these years were significantly ahead of anything experienced in the previous ten years. Lack of supply response combined with the healthy take up resulted in vacancy rates dropping even further and reaching sub 2% in Berlin and sub 3% in Cologne and Munich.

As with the rest of European office markets such conditions continue to underpin investor appetite with turnover for office assets reaching €2.9bn and prime yields tightening further.

Madrid and Barcelona mirrored other markets having shrugged off the political disruption from Catalan separatists. Much like Germany, take up was lower than

# Manager's Report

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2017 but higher than in any other year post the GFC. The vacancy profile is similar to Paris, with the CBD sub markets enjoying strong reductions in vacancy whilst more peripheral markets are still trying to get the percentage of vacancy into single digits with the overhang of built space from the boom times still to be absorbed.

## Retail

The travails of the retail sector unfortunately remains work in progress. It feels like a drama box set where a new season brings new villains and more tragedy. What has become increasingly apparent is that the consequences for retail property of the secular shift in consumer behaviour (to omni-channel retailing) has been underestimated by all market participants. The compounding element in this saga has been the uniquely British upward only rent review structure which was historically combined with much longer leases than in Continental Europe. With less turnover through physical stores, retailers have focused on rationalising their estates. The supply of available shops, as retailers seek to unload unprofitable units let on long leases at historic high rents, has reached unprecedented levels. The consequence has been both a dramatic fall in market rent levels and a collective inability of retailers to rid themselves of these liabilities. This has led to an explosion in CVAs as a way of getting rid of unwanted liabilities and resetting to market rents. Failure to secure agreement with creditors for such voluntary administrations often leaves companies with little alternative but to proceed to winding up. Recent high profile cases include Debenhams, whilst Arcadia are rumoured to be in discussion with creditors on a CVA. None of this will be news to the Trust's shareholders as I have been commenting on this issue for many years now. The most recent manifestation of the problem has been the collapse in UK shopping centre investment turnover with just £1.1bn recorded for 2018, the lowest level since the nadir of the GFC in 2008. Indeed three large deals (Leicester, Tunbridge Wells and Clapham Junction) accounted for 1/3 of the volume with the remaining deal size averaging just £21m. Quite simply, with the exception of the (fool)hardy few, investors feel the uncertainty around tenant affordability and hence the security of cashflows is too great to justify increasing exposure.

The environment is a little different across Continental Europe. Online sales growth is slower and coming off a lower base in all countries when compared to the UK. We are not complacent, the twin attractions of the online

experience – price and convenience – will drive customer behaviour. The difference in Continental Europe is simply the current cost of physical retail space when compared to the UK. Leases are shorter and rents are index linked. There is a much smaller gap (if any in some cases) between market rents and passing rents. We fully anticipate there will be store rationalisation as online sales grow in importance but the empirical evidence so far has been that retailers are managing the process more successfully than in the UK. Having said that, investors do remain cautious and we expect yield expansion (values to fall) in the coming quarters. Although the European shopping centre landlords performed relatively better than their UK counterparts, this investor caution was reflected in negative share price performance over the year.

In my opening statement I commented on the one retail sub-sector in the UK which has seen yield stability and price resilience and that is supermarkets. Online grocery sales are less than 6% of all food sales and the rate of growth has been much slower than for hard goods. We are increasingly confident that a physical store network is a crucial part of the grocery online provision. However not all stores will be part of that omni-channel approach. Identifying these winners and losers is crucial and we have focused our investment through a specialist vehicle, Supermarket Income REIT. Unlike shopping centres there has been a raft of supermarket transactions which gives us comfort on the valuation of our exposure.

## Distribution and Industrial

Structural drivers for this asset class continue to offset any concerns around the impact of a slowing UK economy. Even the 2% fall in year-on-year manufacturing output growth in 2018 failed to dent demand. Industrial take up of units over 50,000 sq ft reached 37.8m sq ft, 39% ahead of 2017 driven by online retailing. In fact the retail sector – either direct or through 3PL (third party logistics) accounted for 56% of all 'big shed' (+100,000 sq ft) take up versus 39% in 2017. Prime rents across all unit sizes experienced growth. The highest (+10% year on year growth) was in the smaller, urban units whilst the biggest boxes saw much more modest growth.

Logistics remains the sector 'du jour' recording record yields and investment volumes close to the all time highs set in 2017. The £8.3bn of transactions recorded was 53% ahead of the 10 year average. Supply continues to fall as new

# Manager's Report

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construction starts have not kept pace with the levels of take up. However, we are seeing signs of broader regional disparity with the automotive heartland of the West Midlands experiencing the deferral of decision making by potential tenants. Meanwhile in the Thames Valley/Western Corridor take up in 2018 (5.6m sq ft) matched the strong 2017 figure. Both years were over 20% higher than the 15 year average of 4.6m sq ft.

Rental growth remains more subdued across Continental Europe but that is reflected in higher yields. Paris saw logistics take up well ahead of the 10 year average but lower levels than both 2016 and 2017. The rate of growth and level of online penetration remains well below UK levels and household consumption also slipped partially impacted by the 'gilet jaune' protests. However supply shortages, particularly in the key metropolitan areas underpins valuation and investor sentiment. Yields continued to compress across all sizes of units.

## Residential

German residential property, in the form of PRS (private rented sector) rather than housebuilding remains the Trust's largest single subsector. Two factors underpin our confidence, affordability of rents which are rising in excess of inflation but remain sub-market and the glacial pace of supply expansion. Germany enjoys nearly full employment, even with the ongoing economic slowdown and wage inflation is c.4%. The companies we invest in enjoy occupancy levels above 98%. Demand continues to outstrip supply aided by net migration which has stabilised but is still elevated compared with previous decades. Construction levels are picking up and the 280,000 units completed in 2018 is a huge increase on the 150,000 low point of 2009. However, the minimum required given immigration, household formation and replacement is over 350,000 units per annum. Rents remain heavily regulated and construction cost inflation has dampened profit margins for contractors so we don't expect any dramatic acceleration in supply.

Much of what I have stated has been our investment rationale for a while. This year's reduction in exposure has been driven by our concerns over tenant activism where rents have grown very quickly, principally in Berlin. We responded early selling out of our holding in ADO Properties and reducing exposure to the largest Berlin landlord, Deutsche Wohnen. We have maintained our

holding in Phoenix Spree who are not deemed a significant landlord. We don't expect the authorities to even consider the outlandish demands for property expropriation but pressure to dampen the rate of (state controlled) rent rises would be much more feasible and is indeed likely.

In Sweden we remain drawn to the private rented sector, although exposure is harder to find with only a couple of small cap investable opportunities. The market dynamics remain similar to Germany with a large amount of poor quality housing stock built in the 1970s in need of refurbishment coupled with regulated rents. Population migration towards the larger cities continues to drive demand and rental growth.

PRS in the UK remains embryonic compared to Germany but it has attracted a huge amount of capital amongst long term funders who see annuity style income streams. Our experience through PRS REIT is that vacancy and delinquency levels are much lower than expected. Tenants will absorb rent increases, even consistently ahead of inflation, if the quality of the product is high. We remain cautious on London values and rents. Our only exposure is through Telford Homes, a business which has evolved from being a higher risk 'build to sell' developer to being a lower risk development partner for institutional investors creating 'build to rent' portfolios. The commensurate drop in future returns led to share price weakness but we remain comfortable with the business model.

UK house prices continue to wane and the proverbial ripple effect from London and the South East is visible once again. We see few positive price drivers and have minimised what little exposure we had to regional residential landbanks, primarily via St Modwen.

## Alternatives

I introduced this additional sector classification in the Interim report. There are now several important asset classes beyond the traditional areas of office, retail, industrial/logistics and residential. The largest three are student accommodation, self storage and healthcare.

Student accommodation remains a core holding through Unite Group which returned 19% in the period. The sector has matured since Unite's first purpose built student building 28 years ago and the estimated sector value in the UK alone is now c.£50bn. Given the well flagged 3% fall in the number of UK 18-20 year olds this year ('the Millenium



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dip'), the drop of just -0.1% in university acceptances is encouraging. Overseas student numbers from non-EU applicants are up strongly (+6.5%) but it was also encouraging to see EU numbers rise by 2.8% given the Brexit uncertainty. Looking forward the rapid reversal of the demographic dip from 2021 and the steady growth in university participation rates (35% in 2015 to 38% in 2018) remain key positive tailwinds. Unite is constantly improving its portfolio (focusing on 22 key markets) through its development pipeline alongside an exit strategy from subscale locations.

Self storage, often viewed as the most economically sensitive subsector had a stunning year with Big Yellow (+18%) and Safestore, our larger overweight, returning 24.8%. These two businesses dominate search engine enquiries and the period saw both occupancy and rate growth. The sector continues to be ripe for consolidation with a huge number of 'mom and pop' operations (less than 10 stores) and both these businesses have made accretive corporate acquisitions. In Continental Europe we saw the IPO of Shurgard, the largest pan European operator whose business plan is predicated on sector consolidation.

Healthcare covers a broad range of use types from primary (GP surgeries and hospitals) to elderly living (assisted, nursing and acute). The commonality is the quality and duration of income characterised by a high level of implicit or explicit state funding and almost always structured with indexation. These characteristics have proved very popular with investors and these stocks remain firmly in demand. Again, we have seen consolidation in this sector with the merger of PHP and Medix. Our nursing home exposure is through Target Healthcare which focuses on the highest quality accommodation with commensurate higher levels of private funding.

The final area is social housing which we class as an alternative rather than part of the residential exposure given that these companies are again valued as income streams. We have not invested in this area due to concerns over the quality of operator and their exceptionally low margin businesses. Both Civitas and Triple Point have delivered negative returns since their respective IPOs.

## Debt and Equity Markets

A slightly quieter period for real estate equity capital markets with just four IPOs and all of them focused on Continental European markets. In the first half there were two modest

sized offers, Eurobox and Kojamo. Eurobox, a London listed cash box externally managed by the Tritax Big Box team intends to replicate their UK vehicle investing in large logistics properties but across Continental Europe as opposed to the UK. They raised €300m and are busily investing the cash. The Trust did not participate as we have multiple exposures to European logistics companies. The stock returned -2.5% since IPO in June 2018. Kojamo raised €150m in a mix of primary and secondary in order to expand their residential portfolio focused on Helsinki. The latter has enjoyed strong returns post IPO whilst Eurobox remains subdued given the expectation that the external management model will result in further capital requests in short order. October saw the largest IPO, albeit where existing shareholders maintained significant positions. Shurgard, Continental Europe's largest self storage business now has a free float of €500m and has performed strongly post IPO. The Trust participated in the raise but sold the position on valuation grounds more recently. On a more modest scale, the Axiare management team having sold the business to Colonial (another listed Spanish property company), launched Arima raising €100m to invest in Madrid and Barcelona offices requiring refurbishment. The Trust's involvement in Axiare was profitable and we backed the management team at IPO in the new venture.

There were a number of follow on raises in the period across Continental Europe. In Sweden, Hemfosa raised SEK 1.0bn ahead of the proposed splitting of the business into two vehicles, Hemfosa and Nyfosa. The largest raise was €995m by Vonovia, Continental Europe's largest listed property company who announced that they intended to acquire control of a small residential business in Sweden, Victoria Park. We expect them to expand much further in this new market.

In the UK, Tritax Big Box raised £280m to acquire 87% of DB Symmetry, a private logistics developer with a 2,500 acre (gross) logistics landbank. The Trust participated in the sub-underwriting of this transaction earning £0.3m in fees. Grainger, the private-rented residential portfolio operator announced a rights issue to acquire a joint venture partner's stake in their largest London-centric portfolio. Workspace, the London focused office operator raised £180m for expansion and investment.

The smallest raise was by the only Continental European listed student accommodation vehicle, Xior who raised €8m for expansion. This company remains too small for us



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but we monitor it closely given our positive views on this asset class.

Private equity was also busy elsewhere in the sector with Kildare Partners successfully taking Technopolis, a small Finnish owner of business parks, private for €750m.

Debt markets continue to offer very attractive funding terms but most of the debt raised in the period was refinancing as opposed to increasing overall loan to value ratios. This is healthy given the maturity of the cycle. Total issuance in the debt markets by listed property companies totalled over £12bn in the year, considerably less than the same period last year (£19.5bn).

## Property Shares

Pan European property shares when viewed as two baskets, UK and Continental Europe, both enjoyed a strong first quarter of the financial year with returns close to 5%. However, the second quarter saw a wide divergence of performance with the UK basket giving back all of the first quarter gains and booking a negative total return of 0.5% over the six months. Continental Europe managed to hang on to its first quarter gains. This divergence of performance persisted through the autumnal market weakness and then widened a little further in a Q1 2019 rally.

We attribute the particular weakness in the UK to two key factors, overarching Brexit related concerns and the accelerating deterioration in the valuation of retail property as retailer administrations and restructurings increased and rents continue to fall. Investors have focused not only on the corporate charades surrounding Intu and Hammerson (covered in the Interim Report in November) but increasingly on the scale of the over renting in the UK versus Continental Europe. UK landlords have historically required longer leases with five yearly review patterns whilst Continental Europe saw shorter leases with indexation. The consequence is that as demand weakens there is far greater 'over renting' in the UK than in Continental Europe. The UK's woes have been compounded by much swifter online penetration into sales than across Continental Europe resulting in a collapse in demand for physical sales space. Whilst the autumnal sell off was broad based we were not surprised to see a much greater recovery in Q1 2019 in the European retail names than in the UK. In fact the 12 month returns prove the relative resilience of the European companies, with returns ranging from Klepierre +4.4% to Unibail -15.5%. The latter was a particularly poor

performer as investors punished the company for what was seen as ill-judged expansion into the US via the takeover of Westfield. However, these figures look relatively positive when compared with the UK's retail companies who endured 12 month returns of -42% for Intu, -32.6% for Hammerson and -46% for Capital & Regional.

The most surprising response has been in the London office names. Given the absence of a resolution to the Brexit issue we had expected yield expansion (and falling capital values) for London assets given that this globally orientated city had the most to lose in so many respects. However, investors responded to the evidence of steady tenant demand and international buyers continued to acquire, taking advantage of a weak GBP and a long term view of London's potential. The three pure play names returned as follows: Derwent London +7.9%, Great Portland +13.8% and Workspace +1.3%, the latter subdued from its last raising which was in effect a thinly veiled degearing.

Meanwhile Paris, the second largest office market (by value of listed companies) saw its office focused stocks underperform even whilst the Ile de France region produced strong take up figures and supply remains tight, particularly in central Paris. The exception was Terreis as covered earlier.

The German residential sector remains the largest sub-group in our universe and was a steady performer in the period underpinned by sound fundamentals with companies reporting close to full occupancy and rental growth. With little opportunity to acquire significant portfolios domestically the largest companies are either looking to other countries (Vonovia acquiring in Sweden and investigating opportunities in France) or other sectors with similar characteristics (Deutsche Wohnen acquired more elderly living assets). We remain happy with the former's strategy particularly in Scandinavia but less impressed with the latter's drive into the already crowded German elder care market.

The strongest performing region was Sweden with an astonishing collective total return of 36.6%. Sweden doesn't have a REIT regime and therefore property companies tend to have higher levels of gearing as they are able to offset the associated interest cost against tax. The combination of a dovish central bank maintaining very low interest costs and a strongly performing economy resulted in elevated expectations of rental growth across all commercial property

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sectors particularly Stockholm offices and logistics. The higher level of gearing then amplified these returns. Of course gearing is no panacea and we remain vigilant for signs of either an economic slowdown or the central bank turning hawkish which seems unlikely at the moment given the rhetoric from the Riksbank.

The logistics/industrial asset class was, once again, the strongest performer and this was duly mirrored in the listed companies' returns. This subset of our universe is however becoming crowded and every company stands on premiums to asset value. That is of course entirely appropriate if they continue to deliver market beating returns. We are now focused on those businesses with an organic development pipeline which can deliver much higher yields on cost such as Segro, Argan, WDP and VIB Vermoegen; as opposed to buying standing assets acquired from developers where the opportunity for further yield compression is becoming marginal.

## Investment Activity

Turnover of investments (purchases and sales divided by two) totalled £262m equating to 20% of the average net assets over the period. This compares to £370m or 31.2% of average net assets in the previous 12 month period.

The year under review saw lower levels of both primary issuance and follow on capital raisings than in previous years and this is reflected in the much reduced turnover figure. However, we did have two significant delistings with the sale of Hispania (£58.3m holding) to Blackstone in September last year and then more recently in February the sale/privatisation of Terreis (£32.5m holding).

The Trust's overall geographical positioning between the UK and Continental Europe showed a small increase over the period with exposure to UK equities being 36.1% of assets compared to 33.4% in March 2018. Much like a year ago, the rationale remains one of 'bottom up' stock picking rather than a desire to seek exposure to UK plc. Over the period I increased exposure to Secure Income REIT and Supermarket Income REIT both of which reflect my desire for more long dated, secure, index-linked income which is not dependent on the immediate timing of the business cycle. Within the rest of the alternatives group, I increased exposure to self storage and student accommodation, the latter adding to the UK through our large holding in Unite but also in Belgium following the IPO on Xior. Our healthcare exposure reduced during the period with the

sale of our Primary Healthcare Properties, on valuation grounds, but rebuilt with the addition of more Assura shortly after the year end. The sale of PHP was poorly timed with the announcement a month later of a takeover of their nearest listed rival, Medix and the market duly priced in optimistic central and debt cost savings.

German residential remains a stalwart of the portfolio (22%) but there was considerable stock rotation particularly in our Berlin exposure as explored earlier.

Retail exposure remained heavily subdued. In the UK, adjusting for the supermarket exposure, we have less than 2% of assets invested in retail. Yet even that modest amount was too much with Capital & Regional falling -45% and New River Retail -10%. Supermarket Income REIT – with its long, secure income focus – rose +7% and remains the one success story in the retail sector. Post the year end it completed its first purchase using its equity as currency with an institutional investor effectively swapping a large supermarket for part cash/part paper. The paper was issued at the prevailing share price, an 8% premium to asset value. Most encouraging.

In the Interim, I referred to the Intu/Hammerson saga which has finally played out as a 'nil score draw'. Both companies are now undertaking independent restructuring initiatives against a backdrop of relentless asset value corrections. I did close our underweight positions in both stocks during the year when I deemed takeover or privatisation likely. In the case of Intu, this likelihood dimmed and I sold the position in December. So far this calendar year that has proved to be the correct strategy. Nonetheless my performance in the year in this (albeit small) subsector, driven by an expectation of M&A activity, was a little disappointing.

The increased underweight to Continental European retail was a more successful tale. Although I firmly believe that retailer affordability (as discussed earlier) is far greater in most CE locations (when compared to the UK) there are still considerable pricing adjustments to come. Equity prices discount these expected falls in asset values, vindicating our reduced exposure. However, markets do overreact and I bought back into the larger retail owning companies in the last quarter of the financial year, particularly Unibail-Rodamco-Westfield. This stock suffered a dramatic correction falling from a financial year high of €237 per share in May to a low of €133 per share in December. The other side of the underweight to retail coin has been the

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overweight to industrial and logistics, the much touted expression 'sheds are the new shops' has certainly been shouted with gusto by market participants including ourselves. Stand out performers, where we continued to add to positions, include Argan (+55% total return) in France, Catena (+60% total return) and VIB Vermoegen, a more modest but still healthy 14%. In the UK, we participated in the underwriting of the £280m capital raise by Tritax Big Box for its acquisition of DB Symmetry, a logistics developer. I remain concerned about the external management corporate structure of this business and the position was subsequently sold. Our UK industrial/logistics exposure still expanded with the opening of a holding in Mucklow Group, a West Midlands investor/developer and we now hold almost 5% of this well run small cap.

Alongside the sale and delisting of Terreis, the other significant privatisation for the Trust was the sale and delisting of Hispania in July 2018. The purchaser was Blackstone, a timely reminder that much more commercial property is owned privately than through the public markets. Our holding equated to 4.4% of the Trust's NAV and the transaction was covered in more detail in the Interim. Post the sale, our only major hotel exposure was through the Scandinavian vehicle, Pandox which returned a comfortable 14%.

London offices was a market we were nervous about going into 2018. As examined earlier, our concerns have proven (at least for the moment) unfounded and the London specialist names recovered well post the summer even with the Brexit mayhem unresolved. I took the opportunity to reduce exposure, selling out of Derwent London as it moved back to pre-Referendum pricing. I would add that this sale was on valuation grounds as this is a very well run business, nevertheless it should also be noted that the highly regarded CEO is retiring and becoming non-executive Chairman. Whilst against modern corporate governance protocol, we like to see his steady hand continuing to assist his long established management team.

## Revenue and Revenue Outlook

Revenue growth for the year was a healthy 10.3% although lower than the levels of growth seen in the previous two years, ahead of expectation.

Revenue growth over the last five years has been 80.22%, the equivalent of 12.5% p.a. This exceptional growth is largely due to the significant increases reported in 2017 and

2018 fuelled by the weakening of Sterling following the UK referendum result. This increased the value of our non-Sterling income in Sterling terms. In addition, the revenue tax charge has been suppressed by successful historic withholding tax reclaims in the last two years plus the impact of beneficial withholding tax rates on some current distributions due to the nature of the distributions themselves.

This weakening of Sterling may reverse when there is more certainty about the final Brexit model and the negative impact that would have on our income has been well flagged. Nonetheless we must continue to highlight it.

We do expect the underlying income on most of our portfolio to continue to grow. We have avoided or are underweight those sectors which we assess as the most vulnerable to revenue decline. Although it should be noted that some of the factors, such as debt refinancing, which have enhanced some companies' earnings over recent years have largely played out, so we expect the rate of underlying earnings growth to be more muted over the next financial year.

## Gearing and Debt

Gearing reduced from 14.6% at the last year end to 12.3% at the interim stage and then 10.0% at the year end. Corporate actions have returned some significant amounts of cash to us and I have not sought to reinvest this. The more uncertain political outlook, not only in the UK, warrants a more cautious gearing approach. The current level remains at 9.9%.

We are maintaining our flexible debt facilities and are in a position to increase the level of gearing at any point in time.

## Direct Property Portfolio

The physical property portfolio produced a total return of 6.5% with an income return of 3.5% and a capital return of 3%. This compares well to the total return from the IPD All Property Index of 5.6% which saw a higher income return of 5.2% but a capital return of just 0.4%.

The major activity since the Interim has been the submission, in December, of a planning application for the redevelopment of our industrial estate in Wandsworth. We are proposing a mixed use scheme which increases the

# Manager's Report

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density on the site and includes 106 residential units, with 35% affordable, together with 50,000 sq ft of new office space and 50,000 sq ft of new light industrial space. Amenity space includes a new community playground and an enhanced and enlarged station square. This is a major application and Wandsworth Council's assessment of our proposals will take time.

We have had a busy period of lettings in the second half, completing 6 new leases and generating an additional £300,000 of rent, a 7.5% increase.

In Harlow we let 7,000 sq ft to CUA Ltd, an insurance company, on a 10 year lease at a new headline rent for the building of £15 per sq ft, an increase of 20% from the last letting. This leaves only 4,200 sq ft vacant at the building and there is a good level of interest.

In October the largest tenant at our industrial estate in Wandsworth, Absolute Taste, vacated their four units due to a relocation outside London. Three units have been re-let in under seven months. There continues to be strong demand for light industrial space in this location even though we are only able to offer short lease terms ahead of the potential redevelopment.

At The Colonnades in Bayswater, we have let 2,500 sq ft to Specsavers on a new 10 year lease at a rent ahead of the valuers' expectations. The rental level reflected their need for a new unit as their previous local premises are being redeveloped. The letting of this end of terrace unit bookends the scheme and this tenant will generate further footfall providing support to the letting of the remaining adjacent restaurant unit.

## Outlook

While political uncertainty across Europe and the risk of a slowdown in global growth are central macro themes we take some comfort in the pragmatic response of the central banks. Their dovish messaging is helpful in maintaining the historically low cost of finance. Property offers a healthy source of income particularly at times such as these when bonds yield so little. I remain confident that outside of the retail sector, income generation from this asset class remains robust. We see ongoing earnings growth driven by a lack of development of new property in many of our markets. This restricted development cycle, caused by a reluctance of capital to fund speculative construction (and taking tenant risk) remains a key underpin for the asset class. However, those sectors with rental growth

prospects are all well bid and whilst we do see future earnings growing we find it harder to predict yield tightening. Capital growth will therefore be a function of rental growth rather than higher multiples being applied to the valuation of revenue streams.

In a similar vein to the Chairman's commentary I would like to conclude by reminding shareholders that not only are the majority of the Trust's assets outside of the UK (and GBP) but that where we do have a UK focus it is invariably backing companies with either secure balance sheets (lower than average leverage) or long income from high quality tenants. Much of this income is modestly priced as investors have sought to avoid the UK in these tumultuous times. We remain acutely aware of the vast range of outcomes for the UK economy in the coming quarters and years but we will still seek out value when we see it mispriced.

## Marcus Phayre-Mudge

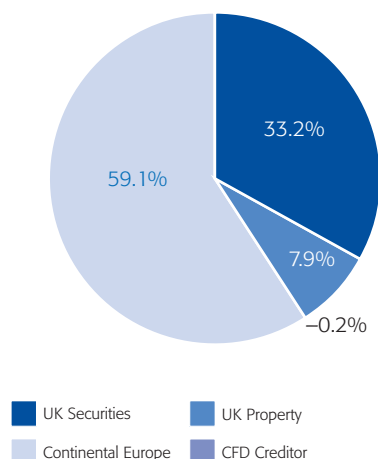
Fund Manager

6 June 2019

# Portfolio

## Distribution of Investments

as at 31 March



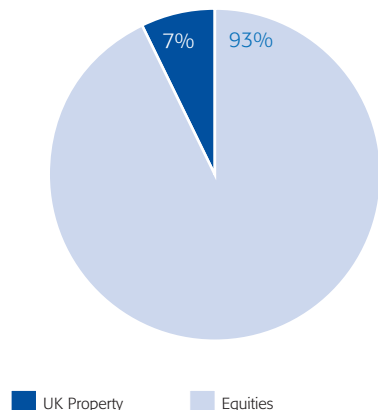
## Distribution of Investments

as at 31 March

	2019 £'000	2019 %	2018 £'000	2018 %
UK Securities				
– quoted	427,175	33.2	402,120	30.6
UK Investment Properties	101,929	7.9	98,011	7.4
<b>UK Total</b>	<b>529,104</b>	<b>41.1</b>	500,131	38.0
Continental Europe Securities				
– quoted	762,338	59.1	815,915	62.0
Investments held at fair value	1,291,442	100.2	1,316,046	100.0
– CFD (creditor)/debtor <sup>1</sup>	(3,210)	(0.2)	495	–
<b>Total Investment Positions</b>	<b>1,288,232</b>	<b>100.0</b>	1,316,541	100.0

## Investment Exposure

as at 31 March



## Investment Exposure

as at 31 March

	2019 £'000	2019 %	2018 £'000	2018 %
UK Securities				
– quoted	427,175	29.3	402,120	27.9
– CFD exposure <sup>2</sup>	99,521	6.8	79,440	5.5
UK Investment Properties	101,929	7.0	98,011	6.8
<b>UK Total</b>	<b>628,625</b>	<b>43.1</b>	579,571	40.2
Continental Europe Securities				
– quoted	762,338	52.3	815,915	56.6
– CFD exposure <sup>2</sup>	67,135	4.6	46,237	3.2
<b>Total Investment Exposure<sup>3</sup></b>	<b>1,458,098</b>	<b>100.0</b>	1,441,723	100.0

## Portfolio Summary

as at 31 March

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Total investments	£1,291m	£1,316m	£1,145m	£1,099m	£1,056m
Net assets	£1,328m	£1,256m	£1,118m	£1,065m	£1,010m
UK quoted property shares	33%	31%	29%	31%	41%
UK fixed interest	0%	0%	0%	0%	1%
Overseas quoted property shares	59%	62%	63%	60%	51%
Direct property (externally valued)	8%	7%	8%	9%	7%

## Net Currency Exposures

as at 31 March

	Fund %	Benchmark %
GBP	27.1	27.2
EUR	57.1	56.8
CHF	5.4	5.7
SEK	9.6	9.7
NOK	0.8	0.6

<sup>1</sup> Net unrealised gain on CFD contracts held as balance sheet (creditor)/debtor.

<sup>2</sup> Gross value of CFD positions.

<sup>3</sup> Total investments illustrating market exposure including the gross value of CFD positions.



# Investment Portfolio by Country

as at 31 March 2019

	£'000	Market value %
<b>Austria</b>		
CA Immobilien	14,071	1.1
	<b>14,071</b>	<b>1.1</b>
<b>Belgium</b>		
Warehousing and Distribution de Pauw	19,196	1.5
Xior	3,538	0.3
Intervest Offices & Warehouses	2,212	0.2
Montea	1,903	0.2
Befimmo	1,775	0.1
Wereldhave	513	–
	<b>29,137</b>	<b>2.3</b>
<b>France</b>		
Unibail-Rodamco-Westfield	72,207	5.6
Argan	34,148	2.7
Covivio	30,785	2.4
Gecina	25,762	2.0
Mercialys	7,329	0.6
Klépierre	4,504	0.3
Altea	1,558	0.1
	<b>176,293</b>	<b>13.7</b>
<b>Germany</b>		
Vonovia	149,995	11.6
LEG	78,718	6.1
Deutsche Wohnen	69,464	5.4
VIB Vermoegen	19,690	1.5
Aroundtown	9,602	0.8
	<b>327,469</b>	<b>25.4</b>
<b>Ireland</b>		
Green REIT	27,301	2.1
	<b>27,301</b>	<b>2.1</b>
<b>Netherlands</b>		
Eurocommercial Properties	17,145	1.3
	<b>17,145</b>	<b>1.3</b>
<b>Norway</b>		
Entra	24,998	1.9
	<b>24,998</b>	<b>1.9</b>
<b>Spain</b>		
Merlin	16,612	1.3
Arima Real estate	9,000	0.7
	<b>25,612</b>	<b>2.0</b>
<b>Sweden</b>		
Fabege	44,337	3.4
Kungsleden	30,258	2.4
Wihlborgs	23,046	1.8
Pandox	9,003	0.7
Catena	6,873	0.5
Hembla	6,795	0.5
	<b>120,312</b>	<b>9.3</b>

	£'000	Market value %
<b>United Kingdom</b>		
Landsec	54,386	4.2
SEGRO	46,411	3.6
Unite Group	42,171	3.3
CLS Holdings	34,493	2.7
Londonmetric Property	29,708	2.3
Great Portland Estates	25,255	2.0
McKay Securities	21,897	1.7
Workspace	19,066	1.5
Safestore Holdings	17,862	1.4
Shaftesbury	16,687	1.3
Supermarket Income REIT	15,140	1.2
A & J Mucklow	12,260	1.0
Stenprop	10,863	0.8
PRS REIT	10,689	0.8
Secure Income REIT	10,674	0.8
Assura	8,266	0.6
Phoenix	8,149	0.6
Sirius	7,415	0.6
Big Yellow Group	7,304	0.6
Telford Homes	7,051	0.5
NewRiver	5,360	0.4
Capital & Regional	4,967	0.4
St Modwen	3,398	0.3
Picton	3,125	0.2
Target Healthcare	2,195	0.2
Hammerson	1,238	0.1
Local Shopping REIT	768	0.1
Atrato Capital	377	–
	<b>427,175</b>	<b>33.2</b>
<b>Direct Property</b>	<b>101,929</b>	<b>7.9</b>
<b>CFD Positions (included in current liabilities)</b>	<b>(3,210)</b>	<b>(0.2)</b>
<b>Total Investment Positions</b>	<b>1,288,232</b>	<b>100.0</b>

# Twelve Largest Equity Investments



## 1 Vonovia (Germany)

	31 March 2019	31 March 2018
Shareholding value	£150.0m	£123.9m
% of investment portfolio <sup>†</sup>	11.2%	10.0%
% of equity owned	0.7%	0.7%
Share price	€46.22	€40.25

Vonovia is the largest German residential landlord (as well as the largest European quoted property company by market cap) following the acquisition of Gagfah in 2014, Sudewo portfolio in 2015, Conwert in 2016 and Buwog in 2017 with more than 358,000 units under management. In 2018, the company closed the acquisition of Victoria Park, a Swedish company which owns 14,000 residential units in the Stockholm, Gothenburg and Malmö regions. In addition, the company acquired a 10% stake in a 4,000-unit portfolio sold by French SNCF. Geographical split is now Germany (90%), Austria (6%) and Sweden (4%). Vonovia runs a large in-house craftsman organisation which allows the company to run an innovative strategy focusing on improving and modernising its €39bn German portfolio (€43bn for the total portfolio), whilst offering further economies of scale by acquiring additional portfolios and modular construction. In addition, the acquisition of Buwog allows the company to add development for sale to its business model. The company is putting a special focus on ecological and social matters which are gaining more and more attention in the highly regulated and politically driven residential sector. The company reported a like-for-like rental growth at 4.4% in 2018 and expects to reach a similar level in 2019. The adjusted NAV per share growth reached +16.7% implying a total accounting return of 20% for 2018. The total shareholder return since listing in July 2013 has been 224%.



## 2 Unibail-Rodamco-Westfield (France)

	31 March 2019	31 March 2018
Shareholding value	£100.8m	£105.6m
% of investment portfolio <sup>†</sup>	7.5%	8.5%
% of equity owned	0.6%	0.6%
Share price	€146.14	€185.65

Unibail lost their title of the largest property company by market cap as investors questioned the rationale of the transformational acquisition of Westfield. It does however remain the largest in terms of gross assets with a €65bn portfolio located in France (34%), US (24%), UK (9%), Central Europe (8%), Germany (6%), Spain (6%), Scandinavia (6%), Austria (4%) and the Netherlands (3%). The company is the world's premier developer and operator of flagship shopping destinations with an historical focus on large European cities before expanding this year in the US and in the UK. In an environment where the brick and mortar retail owners are facing existential threats (online competition, change of consumer behaviour, over-supply of physical retail space), Unibail aims to capitalise on their strengths to offer an omni-channel experience to consumer and outperform the rest of the competition. To supplement returns the group also pursues an opportunistic strategy (buy/build and sell) in offices (6% of the total portfolio) mostly located in Paris CBD and La Defense. The company intends to deleverage its balance sheet, a topic which has been a key point in investors' agenda last year. A total of more than €3bn of disposals has already been executed or signed since June 2018. The target is a further €3bn of disposals to be completed by 2023 to lower the LTV to a range of 30-40%. Considering this portfolio streamlining, the group is guiding for an adjusted EPS between €11.80-12.00 in 2019 and an EPS CAGR (rebased for disposals) between +5% and +7% between 2019 and 2023. The five-year total shareholder return has been -2.3%.



## 3 LEG (Germany)

	31 March 2019	31 March 2018
Shareholding value	£78.7m	£75.9m
% of investment portfolio <sup>†</sup>	5.9%	6.1%
% of equity owned	1.3%	1.5%
Share price	€109.45	€91.34

LEG is a German residential company focused on the economically strong region of North Rhine-Westphalia. The company is one of the largest real estate companies in Germany with more than 133,000 units under management with a combined value of €10.0bn. LEG is characterized by a strong balance sheet with a net LTV of 41%, an average debt maturity of more than seven years and an average cost of debt of 1.6%. The CEO Thomas Hegel retired in May replaced by Lars von Lackum, Chief Digital Officer. We expect a smooth transition as Thomas Hegel will stay in the company for some time as an advisor in key areas which will ease the succession process. The company discloses a two-year guidance illustrating the good visibility on earnings. For 2019, the company is guiding for a like-for-like rental growth between 3.0% and 3.2% and an FFO increasing by 7% compared to 2018. For 2020, the company is seeing a like-for-like rental growth between 3.2% and 3.4% and an FFO per share growing by 5.5%. The five-year total shareholder return has been 173%.

<sup>†</sup>Percentage of Investment Portfolio, positions include exposure through CFDs.

**Note:** The Portfolio set out on page 17 includes the physical holdings only included in Investments held at fair value in the Balance Sheet. The CFD profit or loss position is included in Current assets.

# Twelve Largest Equity Investments

continued



## 4 Landsec (UK)

	31 March 2019	31 March 2018
Shareholding value	£74.9m	£65.8m
% of investment portfolio <sup>†</sup>	5.6%	5.3%
% of equity owned	1.1%	0.9%
Share price	913.40p	937.1p

Landsec is the UK's largest REIT by portfolio value, managing £14bn of assets (including its share of joint ventures and developments). While the company is often thought of as 'half retail, half London offices' in reality the portfolio is 44% London offices, with 11% in central London shops, 11% in leisure properties including hotels, and just 34% constituting 'traditional' retail (6% retail parks, 28% shopping centres). Having undertaken multiple refinancing actions to purchase expensive legacy bonds and reissue cheaper alternatives, the company's earnings yield (and dividend yield) have reached attractive levels (c.6.4% and c.5.3% respectively), with the earnings outstripping those of its main peer British Land in a trend we expect to continue. We also believe that Landsec's retail portfolio is much better placed than British Land's to weather the structural storm which is currently hitting the UK retail sector. Management has remained cautious on the outlook for UK real estate, keeping development risk to a minimum and financial risk low (LTV c.26%), and we believe the company remains well placed to capitalise on any upcoming market weakness. The five-year total shareholder return has been 8%.



## 5 Deutsche Wohnen (Germany)

	31 March 2019	31 March 2018
Shareholding value	€69.5m	€67.8m
% of investment portfolio <sup>†</sup>	5.2%	5.5%
% of equity owned	0.5%	0.6%
Share price	€43.2	€37.9

Deutsche Wohnen is Germany's second largest residential company with the bulk of its exposure to Greater Berlin (77%). The company owns a high-quality portfolio consisting of more than 164,000 units with a combined value of €22bn. Despite increasing pressure on the regulatory front and more negative headlines around Berlin landlords, Deutsche Wohnen experienced another strong year in Berlin with valuation uplift of +13%, and NAV +18%. In addition to its residential exposure, the company is developing a Nursing and Assisted Living business which currently represents 8% of the Group EBITDA and could grow to 15% in the coming years. The company is guiding for FFO growth of 12% YoY while assuming a prudent 5% Berlin Mietspiegel rent review (was +9% two years ago for the last release). The five-year total shareholder return has been 211%.



## 6 Gecina (France)

	31 March 2019	31 March 2018
Shareholding value	€50.5m	€39.0m
% of investment portfolio <sup>†</sup>	3.8%	3.2%
% of equity owned	0.6%	0.4%
Share price	€131.8	€141.1

Gecina is the largest office landlord in Continental Europe with a portfolio of more than €15bn focused almost exclusively on the Paris region (97% of the total value). In addition, the company owns a portfolio of €3.3bn of residential assets (of which €330m in student housing) predominantly located in the Paris region. Finally, the company owns a portfolio of exclusive high street retail assets for a value of €1.5bn. The management is capitalizing on a large development pipeline of more than €3bn (15% of Gross Asset Value) to be delivered in the next three years. In 2018, following its total return strategy, the company delivered very solid results with a NAV increasing by 5.4% while recurring earnings per share increased by 9% driven by a total like-for-like rental growth of 2.5%. Since the Eurosic acquisition in 2017, the company has sold for close to €2.0bn of non-core assets at a premium to last appraisal value close to +6%. This has allowed the company to have an even greater focus on core locations while deleveraging the balance sheet to a conservative LTV of 38%. The five-year shareholder total return has been 77%.

<sup>†</sup>Percentage of Investment Exposure, positions include exposure through CFDs.

# Twelve Largest Equity Investments

continued



## 7 Segro (UK)

	31 March 2019	31 March 2018
Shareholding value	£50.4m	£47.2m
% of investment portfolio†	3.8%	3.8%
% of equity owned	0.7%	0.8%
Share price	673.0p	601.2p

Segro has become the largest UK REIT by market cap, and is the largest operator of logistics and industrial property listed in the UK, with a total portfolio of £9.4bn (68% in the UK, 32% in Continental Europe, with 67% urban warehouses, 31% big boxes and 2% other uses). In the UK, the group is exposed to Greater London industrial and logistics space and national logistics space. Rental growth in these markets is running at record levels as there remains an acute supply-demand imbalance, fuelled by tenants' requirements to deal with the growth in e-commerce. In Continental Europe, Germany and France are the group's largest markets with Poland third; these markets have a flatter rental outlook (and are geographically less space-constrained) but are experiencing some yield compression as investors continue to chase income. The group also has an extensive development exposure that it manages to largely pre-let and develop at yields significantly in excess of investment values (c.7% yield on cost vs. an EPRA net initial yield of 3.9% at FY18). We expect this to drive both earnings and NAV growth over the short to medium term, as well as high shareholder total returns. In our view the loan-to-value ratio is relatively low risk at c.29%, and the development pipeline has been funded by fresh equity. The five-year total shareholder return has been 151%.



## 8 Unite Group (UK)

	31 March 2019	31 March 2018
Shareholding value	£49.6m	£41.8m
% of investment portfolio†	3.7%	3.4%
% of equity owned	2.1%	2.0%
Share price	918.0p	791.5p

Unite is the UK's largest purpose-built student housing developer, owner and operator. The group manages just over 48,800 student beds either wholly-owned or within joint ventures. Over 2018/19 the asset class has remained attractive for institutional investment. Rental growth has remained strong (3.2%) and Unite continues to outperform the market. Unite offers a strong development pipeline of 6,600 beds funded through retained resources and active portfolio recycling. This, alongside continued 3-4% annual rental growth, is expected to drive c.12.5% compound annual growth in earnings per share over FY18-21. Overall there remains an excess of applicants to university acceptances, resulting in a demand-supply dynamic strongly in the landlords' favour. The LTV of 29% means that risk is well controlled and provides the group with sufficient firepower to continue its development activity as it looks to increase its partnership projects with universities. The five-year total shareholder return has been 138%.



## 9 Fabege (Sweden)

	31 March 2019	31 March 2018
Shareholding value	£44.3m	£32.9m
% of investment portfolio†	3.3%	2.5%
% of equity owned	1.2%	0.6%
Share price	SEK135.00	SEK180.80

Fabege is an owner and developer of Stockholm offices, with a SEK 68bn portfolio. The Stockholm office market has seen, and in our view is set to continue to see, strong rental growth – prime rents in Stockholm have reached c.SEK 7,500 psm, up from SEK 4,500 psm just four years ago. In addition to capturing this strong rental growth (like for like rental growth was 10% in FY18) in its investment portfolio, Fabege undertakes a large amount of development (it is responsible for c.50% of all new office developments in Stockholm) and has enjoyed very strong returns on its project portfolio (ROIC in FY18 was 98%, a long way ahead of the company's targeted >50% level). Having executed large scale development in Arenastaden the company has now turned its focus to Flemingsberg to the south of the city. We continue to back Fabege's development focused strategy, and estimate that Fabege has one of the strongest total return outlooks of all Swedish property companies. The five-year shareholder total return has been 218% in GBP terms.

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



# Twelve Largest Equity Investments

continued



## 10 Covivio (France)

	31 March 2019	31 March 2018
Shareholding value	£35.9m	£48.1m
% of investment portfolio <sup>†</sup>	2.7%	3.9%
% of equity owned	0.5%	0.8%
Share price	€94.60	€89.65

Covivio (formerly known as Fonciere des Regions) is a diversified company with a consolidated portfolio of €23bn of assets (3 in group share). The company is mainly invested in French and Italian offices (58% group share), German Residential (25% group share) and hotels (15%) while non-strategic assets account for only 2% of total group share. In December 2018, the merger with its Italian subsidiary Beni Stabili represented a major step towards the simplification of the company structure. The company was active on the portfolio rotation front through the disposal of €1.4bn of assets on a group share basis with the goal of enhancing the portfolio quality and increasing presence in major European cities. Besides, the committed development pipeline was increased to €1.2bn on a group share basis split between French offices (67% of the total), Italian Offices (23% of the total), German residential (6% of the total) and hotels (4% of the total). The company delivered a very solid operational performance in 2018 with a total like-for-like rental growth of +3.4% and a like-for-like portfolio value growth of +4.4% driving an EPRA earnings per share increase of 4.5% and an EPRA NAV per share up by 5.5%. For 2019, the company is taking a welcomed conservative stance on the balance sheet front targeting an LTV below 40% versus a previous target between 40% and 45% and a 2018 reported level of 42%. At the same time, the company is still targeting a positive EPRA Earnings per share growth of at least +3% based on a conservative +2.5% like-for-like rental growth at group level. The five-year shareholder total return has been 86%.



## 11 McKay Securities (UK)

	31 March 2019	31 March 2018
Shareholding value	£34.8m	£40.3m
% of investment portfolio <sup>†</sup>	2.6%	3.3%
% of equity owned	15.7%	15.6%
Share price	235.0p	275.0p

McKay Securities' £479m portfolio is focused on markets where we believe the fundamentals are attractive. Geographical split is 55% South East Offices, 25% London Offices, 16% South East Industrial and 5% in Other sectors. There remains significant reversion within the portfolio (23%), and after having de-risked its office development programme the company has shown that it is prepared to take a controlled amount of risk through speculative development in logistics, including constructing a 134k sq ft urban warehouse in Theale. We believe the company is set to deliver strong earnings growth in the coming years, while keeping leverage under control (LTV 34%), and the discount to NAV (28%) underpins our view of the relative value of the shares today. The five-year total shareholder return has been 37%.



## 12 CLS (UK)

	31 March 2019	31 March 2018
Shareholding value	£34.5m	£35.4m
% of investment portfolio <sup>†</sup>	2.7%	2.9%
% of equity owned	3.5%	3.7%
Share price	246.0p	235.5p

CLS has a £1.9bn portfolio across 6.9m sq ft. It owns primarily office properties 89%, with Student accommodation 5%, Hotels 4% and Retail 2% and is geographically split between the UK (51%), Germany (33%) and France (16%). The German assets in particular have led value growth for CLS (+9.3% in local currency terms in FY18), while recent disposals (including First Camp) have tidied the portfolio and allowed capital to be recycled into attractive acquisitions. The company's disciplined but opportunistic approach to capital allocation is one of its most attractive qualities in our view, while the high level of Government tenants on the rent roll (28%) gives good covenant strength and stability to the income stream. We believe the portfolio today provides a good base from which to drive future returns, and with LTV at 37% financial risk remains held at sensible levels. The five-year shareholder total return has been 96%.

<sup>†</sup>Percentage of Investment Portfolio, positions include exposure through CFDs.



# Investment Properties

as at 31 March 2019

## Spread of Direct Portfolio by Capital Value (%)

as at 31 March 2019

	Retail	Office + Industrial	Other	Total
West End of London	40.0%	—	14.0%	54.0%
Inner London*	1.4%	21.4%	—	22.8%
Around M25	—	9.7%	—	9.7%
South West	—	13.5%	—	13.5%
<b>Total</b>	<b>41.4%</b>	<b>44.6%</b>	<b>14.0%</b>	<b>100.0</b>

\*Inner London defined as inside the North and South Circular.

## Lease Lengths within the Direct Property Portfolio

as at 31 March 2019

	Gross rental income
0 to 5 years	50%
5 to 10 years	9%
10 to 15 years	10%
15 to 20 years	28%
20+ years	3%
	100%

## Contracted Rent

Year 1	£3,600,000
Years 2-5	£10,750,000
Years 5+	£16,725,000

## Value in excess of £10 million

### The Colonnades, Bishops Bridge Road, London W2



<b>Sector</b>	<b>Mixed Use</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Size (sq ft)</b>	<b>64,000</b>
<b>Principal tenants</b>	<b>Waitrose Ltd Graham &amp; Green</b> <b>1Rebel Specsavers</b>

The property comprises a large mixed-use block in Bayswater, constructed in the mid-1970s. The site extends to approximately 2 acres on the north east corner of the junction of Bishops Bridge Road and Porchester Road, close to Bayswater tube station and the Whiteleys Shopping Centre. The commercial element was extended and refurbished in 2015 with a new 20 year lease being agreed with Waitrose.

### Ferrier Street Industrial Estate, Wandsworth, London SW18



<b>Sector</b>	<b>Industrial</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Size (sq ft)</b>	<b>36,000</b>
<b>Principal tenants</b>	<b>Mossimans Kougar Tool Hire Ltd</b> <b>Page Lacquer</b>

Site of just over an acre, 50 metres from Wandsworth Town railway station in an area that is predominantly residential. The estate comprises 16 small industrial units generally let to a mix of small to medium-sized private companies.

# Investment Properties

as at 31 March 2019 – continued

## Value less than £10 million

### Yodel Unit, Woodlands Park, Almondsbury, Bristol BS32



<b>Sector</b>	<b>Industrial</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Size (sq ft)</b>	<b>53,000</b>
<b>Principal tenants</b>	<b>Yodel Delivery Network Ltd</b>

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

### IO Centre, Gloucester Business Park, Gloucester GL3



<b>Sector</b>	<b>Industrial</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Size (sq ft)</b>	<b>63,000</b>
<b>Principal tenants</b>	<b>SCI-MX Investments Infusion GB</b>

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

### Field House, Station Approach, Harlow CM20



<b>Sector</b>	<b>Offices</b>
<b>Tenure</b>	<b>Freehold</b>
<b>Size (sq ft)</b>	<b>66,000</b>
<b>Principal tenants</b>	<b>Teva UK Ltd Capital Underwriting Agencies Ltd</b>

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

# Investment Objective and Benchmark

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

The benchmark is the FTSE EPRA/NAREIT Developed Europe Capped Net Total Return Index in Sterling. The index, calculated by FTSE, is free-float based and currently has 108 constituent companies. The index limits exposure to any one company to 10% and reweights the other constituents pro-rata. The benchmark website [www.epra.com](http://www.epra.com) contains further details about the index and performance.

## Business Model

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

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

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

Further information in relation to the Board and the arrangements under the Investment Management Agreement can be found in the Report of the Directors on pages 36 and 46 to 47.

In accordance with the AIFMD, BNP Paribas has been appointed as Depositary to the Company. BNP Paribas also provide custodial and administration services to the Company. Company secretarial services are provided by Link Company Matters.

The specific terms of the Investment Management Agreement are set out on pages 46 and 47.

# Strategy and Investment Policies

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

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

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

## Asset allocation guidelines

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

The Manager currently applies the following guidelines for asset allocation:

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

## Gearing

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

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

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

## Property Valuation

Investment properties are valued every six months by an external independent valuer. Valuations of all the Group's properties as at 31 March 2019 have been carried out on a "Red Book" basis and these valuations have been adopted in the accounts.

## Allocation of costs between Revenue & Capital

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

## Holdings in Investment Companies

It is the Board's current intention to hold no more than 15% of the portfolio in listed closed-ended investment companies.

Some companies investing in commercial or residential property are structured as listed externally managed closed-ended investment companies and therefore form part of our investment universe. Although this is not a model usually favoured by our Fund Manager, some investments are made in these structures in order to access a particular sector of the market or where the management team is regarded as especially strong. If these companies grow and become a larger part of our investment universe and/or new companies come to the market in this format the Manager may wish to increase exposure to these vehicles. If the Manager wishes to increase investment to over 15%, the company will make an announcement accordingly.



# Key Performance Indicators

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

KPI	Board monitoring and outcome											
<h3>Net Asset Value Total Return relative to the benchmark</h3> <p>The Directors regard the Company's net asset value total return performance in comparison with the benchmark as being an overall measure of value delivered to the shareholders' over the longer-term.</p>	<ul style="list-style-type: none"><li>The Board reviews the performance in detail at each meeting and discusses the results and outlook with the Manager.</li></ul> <table><tr><th rowspan="2"></th><th colspan="2">Outcome</th></tr><tr><th>1 Year</th><th>5 Years</th></tr><tr><td>NAV Total Return* (Annualised)</td><td>9.1%</td><td>13.6%</td></tr><tr><td>Benchmark Total Return (Annualised)</td><td>5.6%</td><td>10.0%</td></tr></table> <p>* NAV Total Return is calculated by re-investing the dividends in the assets and the Company from the relevant ex-dividend date. Dividends are deemed to be re-invested on the ex-dividends date for the benchmark.</p>		Outcome		1 Year	5 Years	NAV Total Return* (Annualised)	9.1%	13.6%	Benchmark Total Return (Annualised)	5.6%	10.0%
	Outcome											
	1 Year	5 Years										
NAV Total Return* (Annualised)	9.1%	13.6%										
Benchmark Total Return (Annualised)	5.6%	10.0%										
<h3>Delivering a reliable dividend which is growing over the longer term</h3> <p>The principal objective of the Company is a total return objective, however, the Fund Manager also aims to deliver a reliable dividend with growth over the longer-term.</p>	<ul style="list-style-type: none"><li>The Board reviews statements on income received to date and income forecasts at each meeting.</li></ul> <table><tr><th rowspan="2"></th><th colspan="2">Outcome</th></tr><tr><th>1 Year</th><th>5 Years</th></tr><tr><td>Compound Annual Dividend Growth*</td><td>10.7%</td><td>12.6%</td></tr><tr><td>Compound Annual RPI</td><td>2.4%</td><td>2.3%</td></tr></table> <p>* The final dividend in the time series divided by the initial dividend in the period raised to the power of 1 divided by the number of years in the series.</p>		Outcome		1 Year	5 Years	Compound Annual Dividend Growth*	10.7%	12.6%	Compound Annual RPI	2.4%	2.3%
	Outcome											
	1 Year	5 Years										
Compound Annual Dividend Growth*	10.7%	12.6%										
Compound Annual RPI	2.4%	2.3%										
<h3>The Discount or Premium at which the Company's shares trade compared with Net Asset Value</h3> <p>Whilst expectation of investment performance is a key driver of the share price discount or premium to the Net Asset Value of an investment trust over the longer-term, there are periods when the discount can widen. The Board is aware of the vulnerability of a sector-specialist trust to a change of investor sentiment towards that sector, and the impact that can have on the discount.</p>	<ul style="list-style-type: none"><li>The Board takes powers at each AGM to buy-back and issue shares. When considering the merits of share buy-back or issuance, the Board looks at a number of factors in addition to the short and longer-term discount or premium to NAV to assess whether action would be beneficial to shareholders overall. Particular attention is paid to the current market sentiment, the potential impact of any share buy-back activity on the liquidity of the shares and on Ongoing Charges over the longer-term.</li></ul> <table><tr><th rowspan="2"></th><th colspan="2">Outcome</th></tr><tr><th>1 Year</th><th>5 Years</th></tr><tr><td>Average discount*</td><td>−2.0%</td><td>−4.6%</td></tr><tr><td>Total number of shares repurchased</td><td>Nil</td><td>150,000</td></tr></table> <p>* Average daily discount throughout the period of share price to capital only NAV. Source: Bloomberg.</p>		Outcome		1 Year	5 Years	Average discount*	−2.0%	−4.6%	Total number of shares repurchased	Nil	150,000
	Outcome											
	1 Year	5 Years										
Average discount*	−2.0%	−4.6%										
Total number of shares repurchased	Nil	150,000										



# Key Performance Indicators

continued

KPI	Board monitoring and outcome											
<h3>Level of Ongoing Charges</h3> <p>The Board is conscious of expenses and aims to deliver a balance between excellent service and costs.</p> <p>The AIC definition of Ongoing Charges includes any direct property costs in addition to the management fees and all other expenses incurred in running a publicly listed company. As no other investment trusts hold part of their portfolio in direct property (they either hold 100% of their portfolio as property securities or as direct property), in addition to Ongoing Charges as defined by the AIC, this statistic is shown without direct property costs to allow a clearer comparison of overall administration costs with other funds investing in securities.</p> <p>The Board monitors the Ongoing Charges, in comparison to a range of other Investment Trusts of a similar size, both property sector specialists and other sector specialists.</p>	<ul style="list-style-type: none"><li>Expenses are budgeted for each financial year and the Board reviews regular reports on actual and forecast expenses throughout the year.</li></ul> <table><tr><th rowspan="2"></th><th colspan="2">Outcome</th></tr><tr><th>1 Year</th><th>5 Years</th></tr><tr><td>Ongoing charges excluding performance fees</td><td>0.63%</td><td>0.69%</td></tr><tr><td>Ongoing charges excluding Performance Fees and Direct Property Costs</td><td>0.61%</td><td>0.65%</td></tr></table> <ul style="list-style-type: none"><li>The ongoing charges are competitive when compared to the peer group.</li></ul>		Outcome		1 Year	5 Years	Ongoing charges excluding performance fees	0.63%	0.69%	Ongoing charges excluding Performance Fees and Direct Property Costs	0.61%	0.65%
	Outcome											
	1 Year	5 Years										
Ongoing charges excluding performance fees	0.63%	0.69%										
Ongoing charges excluding Performance Fees and Direct Property Costs	0.61%	0.65%										
<h3>Investment Trust Status</h3> <p>The Company must continue to operate in order to meet the requirements for Section 1158 of the Corporation Tax Act 2010.</p>	<ul style="list-style-type: none"><li>The Board reviews financial information and forecasts at each meeting which set out the requirements outlined in Section 1158.</li><li>The Directors believe that the conditions and ongoing requirements have been met in respect of the year to 31 March 2019 and that the Company will continue to meet the requirements.</li></ul>											

# Principal Risks and Uncertainties

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

The risks are all in line with the prior period and none are considered more or less significant than in the prior year.

Risk Identified	Board monitoring and mitigation
<p><b>Share price performs poorly in comparison to the underlying NAV</b></p> <p>The shares of the Company are listed on the London Stock Exchange and the share price is determined by supply and demand. The shares may trade at a discount or premium to the Company's underlying NAV and this discount or premium may fluctuate over time.</p>	<ul style="list-style-type: none"> <li>● The Board monitors the level of discount or premium at which the shares are trading over the short and longer-term.</li> <li>● The Board encourages engagement with the shareholders. The Board receives reports at each meeting on the activity of the Company's brokers, PR agent and meetings and events attended by the Fund Manager.</li> <li>● The Company's shares are available through the BMO share schemes and the Company participates in the active marketing of these schemes. The shares are also widely available on open architecture platforms and can be held directly through the Company's registrar.</li> <li>● The Board takes the powers to buy-back and to issue shares at each AGM.</li> </ul>
<p><b>Poor investment performance of the portfolio relative to the benchmark</b></p> <p>The Company's portfolio is actively managed. In addition to investment securities the Company also invests in commercial property and accordingly, the portfolio may not follow or outperform the return of the benchmark.</p>	<ul style="list-style-type: none"> <li>● The Manager's objective is to outperform the benchmark. The Board regularly reviews the Company's long-term strategy and investment guidelines and the Manager's relative positions against these.</li> <li>● The Management Engagement Committee reviews the Manager's performance annually. The Board has the powers to change the Manager if deemed appropriate.</li> </ul>
<p><b>Market risk</b></p> <p>Both share prices and exchange rates may move rapidly and adversely impact the value of the Company's portfolio.</p> <p>Although the portfolio is diversified across a number of geographical regions, the investment mandate is focused on a single sector and therefore the portfolio will be sensitive towards the property sector, as well as global equity markets more generally.</p> <p>Property companies are subject to many factors which can adversely affect their investment performance, these include the general economic and financial environment in which their tenants operate, interest rates, availability of investment and</p>	<ul style="list-style-type: none"> <li>● The Board receives and considers a regular report from the Manager detailing asset allocation, investment decisions, currency exposures, gearing levels and rationale in relation to the prevailing market conditions.</li> <li>● The report considers the potential impact of Brexit and the Manager's response in positioning the portfolio.</li> </ul>

# Principal Risks and Uncertainties

continued

Risk Identified	Board monitoring and mitigation
<p>development finance and regulations issued by governments and authorities.</p> <p>As highlighted since the result of the UK referendum in June 2016, parts of the UK property market may be adversely affected by Brexit. The negotiations continue and until the structure of our future relationship with Continental Europe is clearer we cannot fully assess impact on occupation across each sector. In addition, any strengthening or weakening of Sterling will have a direct impact as a proportion of our Balance Sheet is held in non-GBP denominated currencies. The currency exposure is maintained in line with the benchmark and will change over time. As at 31 March 2019 72.9% of the fund exposure lies to currencies other than GBP.</p>	
<p><b>The Company is unable to maintain dividend growth</b></p> <p>Lower earnings in the underlying portfolio putting pressure on the Company's ability to grow the dividend could result from a number of factors:</p> <ul style="list-style-type: none"> <li>● lower earnings and distributions in investee companies;</li> <li>● prolonged vacancies in the direct property portfolio;</li> <li>● strengthening Sterling reducing the value of overseas dividend receipts in Sterling terms;</li> <li>● adverse changes in the tax treatment of dividends or other income received by the Company; and</li> <li>● changes in the timing of dividend receipts from investee companies.</li> </ul> <p>The Company has seen a material increase in the level of earnings in recent years. A significant factor in this has been the weakening of Sterling following the Brexit decision. This may reverse in the near or medium term as the longer term implications of Brexit and the impact on the UK economy are understood, leading to a fall in earnings.</p>	<ul style="list-style-type: none"> <li>● The Board receives and considers regular income forecasts.</li> <li>● Income forecast sensitivity to changes in FX rates is also monitored.</li> <li>● The Company has revenue reserves which can be drawn upon when required.</li> </ul>
<p><b>Accounting and operational risks</b></p> <p>Disruption or failure of systems and processes underpinning the services provided by third parties and the risk that these suppliers provide a sub-standard service.</p>	<ul style="list-style-type: none"> <li>● Third party service providers produce periodic reports to the Board on their control environments and business continuation provisions on a regular basis.</li> <li>● The Management Engagement Committee considers the performance of each of the service providers on a regular basis and considers their ongoing appointment and terms and conditions.</li> <li>● The Custodian and Depositary are responsible for the safeguarding of assets. In the event of a loss of assets the Depositary must return assets of an identical type or corresponding amount unless able to demonstrate that the loss was the result of an event beyond their reasonable control.</li> </ul>

# Principal Risks and Uncertainties

continued

Risk Identified	Board monitoring and mitigation
<p><b>Financial risks</b></p> <p>The Company's investment activities expose it to a variety of financial risks which include counterparty credit risk, liquidity risk and the valuation of financial instruments.</p>	<ul style="list-style-type: none"> <li>● Details of these risks together with the policies for managing these risks are found in the Notes to the Financial Statements on pages 64 to 88.</li> </ul>
<p><b>Loss of Investment Trust Status</b></p> <p>The Company has been accepted by HM Revenue &amp; Customs as an investment trust, subject to continuing to meet the relevant eligibility conditions. As such the Company is exempt from capital gains tax on the profits realised from the sale of investments.</p> <p>Any breach of the relevant eligibility conditions could lead to the Company losing investment trust status and being subject to corporation tax on capital gains realised within the Company's portfolio.</p>	<ul style="list-style-type: none"> <li>● The Investment Manager monitors the investment portfolio, income and proposed dividend levels to ensure that the provisions of CTA 2010 are not breached. The results are reported to the Board at each meeting.</li> <li>● The income forecasts are reviewed by the Company's tax advisor through the year who also reports to the Board on the year-end tax position and on CTA 2010 compliance.</li> </ul>
<p><b>Legal, regulatory and reporting risks</b></p> <p>Failure to comply with the London Stock Exchange Listing Rules and Disclosure Guidance and Transparency rules; failure to meet the requirements under the Alternative Investment Funds Directive, the provisions of the Companies Act 2006 and other UK, European and overseas legislation affecting UK companies. Failure to meet the required accounting standards or make appropriate disclosures in the Interim and Annual Reports.</p>	<ul style="list-style-type: none"> <li>● The Board receives regular regulatory updates from the Manager, Company Secretary, legal advisors and the Auditors. The Board considers these reports and recommendations and takes action accordingly.</li> <li>● The Board receives an annual report and update from the Depositary.</li> <li>● Internal checklists and review procedures are in place at service providers.</li> <li>● The External auditor review Interim &amp; Annual Reports and audit year end Financial Statements.</li> </ul>
<p><b>Inappropriate use of gearing</b></p> <p>Gearing, either through the use of bank debt or through the use of derivatives may be utilised from time to time. Whilst the use of gearing is intended to enhance the NAV total return, it will have the opposite effect when the return of the Company's investment portfolio is negative.</p>	<ul style="list-style-type: none"> <li>● The Board receives regular reports from the Manager on the levels of gearing in the portfolio. These are considered against the gearing limits set in the Investment Guidelines and also in the context of current market conditions and sentiment.</li> </ul>
<p><b>Personnel changes at Investment Manager</b></p> <p>Loss of portfolio manager or other key staff.</p>	<ul style="list-style-type: none"> <li>● The Chairman conducts regular meetings with the Fund Management team.</li> <li>● The fee basis protects the core infrastructure and depth and quality of resources. The fee structure incentivises good performance and is fundamental in the ability to retain key staff.</li> </ul>

# Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, which requires the Company to assess the prospects of the Company over the longer term, the Directors have assessed the prospects of the Company over the coming five years. This period is used by the Board during the strategic planning process and the Board consider this period of time appropriate for a business of our nature and size.

This assessment takes account of the Company's current position and the policies and processes for managing the principal risks set out on pages 28 to 31 and the Company's ability to continue in operation and meet its liabilities as they fall due over the period of assessment. In making this statement the Board carried out a robust assessment of the principal risks facing the Company, including those that might threaten its business model, future performance, solvency and liquidity.

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

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

- The Company has a long-term investment strategy under which it invests mainly in readily realisable, publicly listed securities and which restricts the level of borrowings.
- Of the current portfolio, 69% could be liquidated within ten trading days.
- Current assets exceed current liabilities at the Balance Sheet Date. At the Balance Sheet Date the Company had £65 million undrawn on its revolving loan facilities.
- The Company invests in real estate related companies which hold real estate assets, and invests in commercial real estate directly. These investments provide cash receipts in the form of dividends and rental income.
- The Company is able to take advantage of its closed-ended Investment Trust structure and able to hold a proportion of its portfolio in less liquid direct property with a view to long-term outperformance.
- The structure has also enabled the Company to secure long-term financing. EUR 50m loan notes issued in 2016 are due to mature at par in 2026 and GBP15m loan notes issued on the same date are due to mature at par in 2031.
- The expenses of the Company are predictable and modest in comparison with the assets. Regular and robust monitoring of revenue and expenditure forecasts are undertaken throughout the year.
- The Company has no employees and consequently does not have redundancy or other employment related liabilities or responsibilities.
- The Company retains title to its assets held by the Custodian which are subject to further safeguards imposed on the Depositary.
- The impact of Brexit has been considered in both terms of effect on Sterling and impact on the UK commercial property market. 73% of the portfolio is exposed to currencies other than Sterling and 7.0% is invested directly in UK commercial property assets.

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

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

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



# Corporate Responsibility

## Exercise of voting power

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

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

## Environmental policy & Socially Responsible Investment

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

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

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

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

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

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

## Diversity, Gender Reporting and Human Rights Policy

The Board recognises the requirement under Section 414 of the Companies Act 2006 to detail information about employee and human rights; including information about any policies it has in relation to these matters and effectiveness of these policies. As the Trust has no employees, this requirement does not apply. The Company is not within the scope of the UK Modern Slavery Act 2015 because it has not exceeded the turnover threshold and is therefore not obliged to make a slavery and human trafficking statement. The Directors are satisfied that, to the best of their knowledge, the Company's principal suppliers, which are listed on page 98, comply with the provisions of the UK Modern Slavery Act 2015.

The Board currently comprises four male Directors and a recruitment process is currently ongoing as referred to in the Nomination Committee Report on pages 43 and 44. The Board's diversity policy is outlined in more detail in the Corporate Governance Report. The Manager has an equal opportunity policy which is set out on its website [www.bmo.com](http://www.bmo.com).

By order of the Board

**Hugh Seaborn**

*Chairman*

6 June 2019

# Directors



**Hugh Seaborn**

**Hugh Seaborn**, joined the Board of the Company on 24 July 2007 and became Chairman in July 2016. He is a Chartered Surveyor and has considerable experience in the property arena; he is the Chief Executive Officer of the Cadogan Estate. He was a member of the Council and Audit Committee of the Duchy of Lancaster until December 2013. From 2000 to 2009, he was Chief Executive Officer of the Portman Estate, he is Chairman of the Knightsbridge Business Group, is past Chairman of the Estates Business Group and past Chairman of the Westminster Property Owners Association.



**Simon Marrison**

**Simon Marrison**, joined the Board of the Company on 28 September 2011. Mr Marrison is CEO of Europe at LaSalle Investment Management and has responsibility for a portfolio of over €20 billion across Europe. Mr Marrison has been based in Paris since 1990 having started his career in London. Until 1997 he was a partner at Healey & Baker (now Cushman & Wakefield) and from 1997 to 2001 he was at Rodamco where he became Country Manager for France. He joined LaSalle Investment Management in 2001 as Managing Director for Continental Europe and became CEO of the entire European business in 2007. Mr Marrison is due to step down as CEO of Europe at LaSalle Investment Management to become Chairman as at 1 July 2019.



**David Watson**

**David Watson**, joined the Board of the Company on 1 April 2012. He became the Senior Independent Director in July 2016 and was Chairman of the Audit Committee between 1 January 2013 and 30 September 2018. He is a Chartered Accountant and has had a distinguished career in the Financial Services Industry. He spent 9 years as Finance Director of M&G Group plc, where he was a director of four equity investment trusts, and more recently at Aviva plc as Chief Finance Officer of Aviva General Insurance. He is currently Deputy Chairman of Countrywide plc and a non-executive director of Kames Capital plc and Hermes Fund Managers Limited, where he is Chairman of the Audit Committee. He is also Chairman of The Tennis & Rackets Association Limited.



**Tim Gillbanks**

**Tim Gillbanks**, joined the Board of the Company on 23 January 2018 and became Audit Committee Chairman on 1 October 2018. Tim is a Chartered Accountant, with 30 years' experience in the financial services and investments industry. Most recently he spent 13 years at Columbia Threadneedle Investments, initially as Chief Financial Officer, then Chief Operating Officer and finally as interim Chief Executive Officer so brings broad experience of investment management to the Board. He is also a Trustee of Bloodwise.

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

# Managers



**Marcus Phayre-Mudge**

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



**Jo Elliott**

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



**George Gay**

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



**Alban Lhonneur**

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

# Report of the Directors

The Directors present the audited financial statements of the Group and the Company and their Strategic Report and Report of Directors for the year ended 31 March 2019. The Group comprises TR Property Investment Trust plc and its wholly owned subsidiaries. As permitted by legislation, some matters normally included in the Report of the Directors have been included in the Strategic Report because the Board considers them to be of strategic importance. Therefore review of the business of the Company, recent events and outlook can be found on pages 4 to 32.

## Status

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

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

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

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

## Results and Dividends

At 31 March 2019 the net assets of the Company amounted to £1,328m (2018: £1,256m), on a per share basis 418.54p (2018: 395.64p) per share.

Revenue earnings for the year amounted to 14.58p (2018: 13.22p) and the Directors recommend the payment of a final dividend of 8.60p (2018: 7.55p) per share bringing the total dividend for the year to 13.50p (2018: 12.20p), an increase of 10.7% for the full year. In arriving at their dividend proposal, the Board also reviewed the income forecasts for the year to March 2020.

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

## Share Capital and Buy-back Activity

At 1 April 2019 the Company had 317,350,980 (2018: 317,350,980) Ordinary shares in issue.

At the AGM in 2018 the Directors were given power to buy back 47,570,911 Ordinary shares. Since this AGM the Directors have not bought back any Ordinary shares at the nominal value of 25p each under this authority. The outstanding authority is therefore 47,570,911 shares.

This authority will expire at the 2019 AGM. The Company will seek to renew the power to make market purchases of Ordinary shares at this year's AGM.

Since 1 April 2019 to the date of this report, the Company has made no market purchases for cancellation. The Board has not set a specific discount at which shares will be repurchased.

# Report of the Directors

*continued*

## Management Arrangements and Fees

Details of the management arrangements and fees are set out in the Report of the Management Engagement Committee beginning on page 46. Total fees paid to the Manager in any one year (Management and Performance Fees) may not exceed 4.99% of Group Equity Shareholders' Funds. Total fees payable for the year to 31 March 2019 amount to 0.9% (2018: 1.2%) of Group Equity Shareholders Funds. Included in this were performance fees earned in the year ended 31 March 2019 of £6,110,000 (2018: £10,188,000).

## Basis of Accounting and IFRS

The Group and Company financial statements for the year ended 31 March 2019 have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee (IASC) that remain in effect, to the extent that they have been adopted by the European Union and as regards the Group and Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

The accounting policies are set out in note 1 to the Financial Statements on pages 64 to 68.

## Going Concern

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

As the Board is of the opinion that the Company can continue in operation for the foreseeable future, being for a period of at least 12 months from the date that these financial statements were approved, it has been concluded that the going concern basis should be adopted for the preparation of the Financial Statements for the year ended 31 March 2019.

## Internal Controls

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

The internal controls aim to ensure that the assets of the Group are safeguarded, proper accounting records are maintained, and the financial information used within the business and for publication is reliable. Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the controls of the Group by a series of regular investment performance and attribution statements, financial and risk analyses, AIFM and Portfolio Manager reports and quarterly control reports. Key risks have been identified and controls put in place to mitigate them, including those not directly the responsibility of the AIFM or Portfolio Manager. The key risks are explained in more detail in the Strategic Report on pages 28 to 30.

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



# Report of the Directors

*continued*

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

The Board has established a process for identifying, evaluating and managing any major risks faced by the Group. The Board undertakes an annual review of the Group's system of internal controls in line with the Turnbull guidance. Business risks have also been analysed by the Board and recorded in a risk map that is reviewed regularly. Each quarter the Board receives a formal report from each of the AIFM, Portfolio Manager, the Administrator and the Company Secretary detailing the steps taken to monitor the areas of risk, including those that are not directly their responsibility, and which report the details of any known internal control failures.

The Board also considers the flow of information and the interaction between the third party service providers and the controls in place to ensure accuracy and completeness of the recording of assets and income. The Board receives a report from the Portfolio Manager setting out the key controls in operation.

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

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

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

## Annual General Meeting (the "AGM")

The AGM will be held on 23 July 2019 at 2:30pm. The Notice of AGM is set out on pages 92 and 93. The full text of the resolutions and an explanation of each is contained in the Notice of AGM and explanatory notes on pages 96 and 97.

## Material Interests

There were no contracts subsisting during or at the end of the year in which a director of the Company is or was materially interested and which is or was significant in relation to the Company's business. No Director has a contract of service with the Company. Further details regarding the appointment letters can be found on page 44.

## Donations

The Company made no political or charitable donations during the year (2018: £nil).

## Listing Rule Disclosure

The Company confirms that there are no items which require disclosure under Listing Rule 9.8.4R in respect of the year ended 31 March 2019.

# Report of the Directors

continued

## Voting Interests

### Rights and Obligations Attaching to Shares

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

### Voting

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

### Restrictions on Voting

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

### Deadlines for Voting Rights

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

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

### Transfer of Shares

Any shares in the Company may be held in uncertificated form and, subject to the Articles, title to uncertificated shares may be transferred by means of a relevant system. Subject to the Articles, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve.

### Significant Voting Rights

At 31 March 2019, no shareholders held over 3% of voting rights on a discretionary basis. However, at 31 March 2019 the following shareholders held over 3% of the voting rights on a non-discretionary basis:

Shareholder	% of Ordinary share voting rights*
Brewin Dolphin Ltd	11.60%
Alliance Trust plc	6.96%
Rathbone Investment Management Ltd	5.51%
Quilter Cheviot Investment Management Ltd	4.78%
Investec Wealth & Investment Ltd	4.51%
Hargreaves Lansdown Asset Management Ltd	4.40%
Charles Stanley Group plc	3.24%

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

Since 31 March 2019 to the date of this report, the Company has not been informed of any notifiable changes with respect to the Ordinary shares.

# Report of the Directors

*continued*

## Corporate Governance Report

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

This statement describes how the principles of the 2016 edition of UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council (the "FRC") in 2018 have been applied to the affairs of the Company. The Code can be viewed at [www.frc.org.uk](http://www.frc.org.uk).

### Application of the AIC Code's Principles

In applying the principles of the Code, the Directors have also taken account of the 2016 Code of Corporate Governance published by the AIC ("the AIC Code"), which established the framework of best practice specifically for the Boards of investment trust companies. There is some overlap in the principles laid down by the two Codes and there are some areas where the AIC Code is more flexible for investment trust companies. The AIC Code can be viewed at [www.theaic.co.uk](http://www.theaic.co.uk). Following the update of the Code, the AIC Code has also been updated to reflect the changes implemented by the Code, which the Board will report on for the year end 31 March 2020.

Following the publication of the 2018 edition of the UK Corporate Governance Code, the Board, with assistance of the Company Secretary, has undertaken a full review of the Company's governance, which applies to the Company's financial year commencing 1 April 2019, and will report further in due course.

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

### Compliance Statement

The Directors note that the Company did not comply with the following provisions of the Code in the year ended 31 March 2019:

A.2.1 Due to the nature and structure of the Company the Board of non-executive directors does not feel it is appropriate to appoint a chief executive.

C.3.5 & C.3.6 As the Company has no employees and its operational functions are undertaken by third parties, the Audit Committee does not consider it appropriate for the Company to establish its own internal audit function.

D.2.1 The Board does not have a separate Remuneration Committee. The functions of a Remuneration Committee are carried out by the Management Engagement Committee.

### Composition and Independence of the Board

The Board currently consists of four directors, all of whom are non-executive and are independent of the Manager. None of the Directors have any other links to the Manager. Mr Seaborn continues to qualify as independent, despite his length of service due to being independent of the Manager and from any other business that could materially interfere with his judgment. The Board believes that diversity of experience and approach, including gender diversity, amongst board members is of great importance and it is the Company's policy to give careful consideration to issues of board balance and diversity when making new appointments.

### Powers of the Directors

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

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

# Report of the Directors

*continued*

## Directors

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

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

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

Directors are not compensated by the Company for loss of office in an event of a takeover bid.

## Board Committees

The Board has established an Audit Committee, a Nomination Committee and a Management Engagement Committee, which also carries out the functions of a Remuneration Committee. All the Directors of the Company are non-executive and serve on each Committee of the Board. It has been the Company's policy to include all Directors on all Committees. This encourages unity, clear communication and prevents duplication of discussion between the Board and the Committees. The roles and responsibilities of each Committee are set out on the individual Committee reports which follow. Each Committee has written terms of reference which clearly defines its responsibilities and duties. These can be found on the Company's website, are available on request and will also be available for inspection at the AGM.

## Board Meetings

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

	Board		Audit		MEC		Nomination	
	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible
Hugh Seaborn	6	6	2	2	1	1	1	1
Simon Marrison	6	6	2	2	1	1	1	1
Suzie Procter*	5	5	2	2	0	0	1	1
David Watson	6	6	2	2	1	1	1	1
Tim Gillbanks	6	6	2	2	1	1	1	1

\* Suzie Procter retired from the Board on 28 February 2019.

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

## The Board

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

# Report of the Directors

*continued*

gearing, asset allocation, share price discount, contracts, investment policy, finance, risk, investment restrictions, performance, corporate governance and Board membership and appointments.

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

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

## Conflicts of Interest

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

## Relations with Shareholders

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

This information is also available on the Company's website, [www.trproperty.com](http://www.trproperty.com) together with a monthly factsheet and Manager commentary.

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

It is the intention of the Board that the Annual Report and Accounts and Notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM, or to contact the Board at any other time, are invited to do so by writing to the Company Secretary at the registered address given on page 98.

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

## Directors' Indemnity

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



# Report of the Directors

*continued*

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

## Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 33. Having made enquiries of fellow directors and of the Company's auditors, each of these Directors confirms that:

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

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

By order of the Board

**Hugh Seaborn**

*Chairman*

6 June 2019

# Report of the Nomination Committee

## Nomination Committee

Chairman: Mr Seaborn

## Key Responsibilities

- Review the Board and its Committees and make recommendations in relation to structure, size and composition, the balance of knowledge, experience and skill ranges;
- Consider succession planning and tenure policy; and
- Review the outcome of the Board evaluation process.

The Nomination Committee meets at least on an annual basis, and more frequently as and when required and last met in January 2019.

## Activity during the year

The Committee discussed succession planning of the Board, in particular the roles of the Chairman, Audit Committee chairman and SID to ensure appropriate plans were in place. In October 2018, Mr Watson stepped down as Audit Committee Chairman and Mr Gillbanks assumed the role. Mr Watson remains as Senior Independent Director.

Following the resignation on of Suzie Procter from the Board at the end of February 2019, a key issue that the Committee has considered this year is the appointment of a new Non-Executive Director. The Committee has engaged an external recruitment company to assist in identifying potential candidates, which it has provided with a role profile outlining the skills, attributes and experience that the Board is seeking from a potential candidate. A short list of candidates has been compiled and is being formally interviewed by the entire Committee. When considering appointments of directors, the Committee looks at the balance of skills, knowledge and experience, including gender diversity, on the Board.

The Committee annually reviews the size and structure of the Board and will continue to review succession planning and further recruitment and take into account the recommendations of external Board evaluations.

## Board Evaluation

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

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

In accordance with the Code, all Directors will be submitted for re-election on an annual basis.

# Report of the Nomination Committee

*continued*

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## Directors' Training

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

## Letters of Appointment

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

**Hugh Seaborn**

*Chairman of the Nomination Committee*

6 June 2019

# Report of the Management Engagement Committee

## Management Engagement Committee

Chairman: Mr Seaborn

### Key Responsibilities

- Monitor and review the performance of the AIFM and Portfolio Manager;
- Review the terms of the Investment Manager Agreement;
- Annually review the contract of terms and agreements of each external third party service provider; and
- Review, on an annual basis, the remuneration of the Directors.

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

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 Committee responsibilities and the time committed to the Company's affairs. For further details please see the Directors' Remuneration Report on pages 48 and 49.

The MEC meets at least on an annual basis, towards the end of the financial year and last met in March 2019.

### Activity during the year

At the MEC meeting in March 2019, the Committee reviewed the overall performance of the AIFM and Portfolio Manager and considered both the appropriateness of the Manager's appointment and the contractual arrangements (including the structure and level of remuneration) with the Manager.

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

The Board believe that the Manager's track record and performance remains outstanding. As a result, the MEC confirmed that the AIFM and Portfolio Manager should be retained for the financial year ending 31 March 2020 being in the best interests for all shareholders. A summary of the significant terms of the Investment Management Agreement and the third party service providers who support the Trust are set out below.

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

# Report of the Management Engagement Committee

*continued*

## Management Arrangements and Fees

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

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

### Notice Period

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

### Management Fees

The fee for the period under review was a fixed fee of £3,565,000 plus an ad valorem fee of 0.20% pa based on the net asset value (determined in accordance with the AIC method of valuation) on the last day of March, June, September and December, payable quarterly in advance.

The fee arrangements have been reviewed by the Board for the year to 31 March 2020 and will be unchanged.

The Board continues to consider that the fee structure aligns the interests of the shareholder and the Manager as well as being highly competitive.

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

### Performance Fees

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

A performance fee is payable if the total return of adjusted net assets (after deduction of all Base Management Fees and other expenses), as defined in the IMA, at 31 March each year outperforms the total return of the Company's benchmark plus 1% (the "hurdle rate"); this outperformance (expressed as a percentage) is known as the "percentage outperformance". Any fee payable will be the amount equivalent to the adjusted net assets at 31 March each year multiplied by the percentage outperformance, then multiplied by 15%. The maximum performance fee payable for a period is capped at 1.5% of the adjusted net assets. However, if the adjusted net assets at the end of any period are less than at the beginning of the period, the maximum performance fee payable will be limited to 1% of the adjusted net assets.

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

If any fee exceeds the cap, such excess performance (expressed as a percentage) will be carried forward and applied to offset any percentage underperformance in future performance periods. In the event that the benchmark is exceeded but the hurdle is not, that outperformance of the benchmark can be used to offset past or future underperformance. These amounts can be used for offset purposes only and therefore cannot have the effect of creating a fee in a year where a fee would not otherwise be payable or increasing the fee in that year. At 31 March 2019 there is a carry forward of outperformance of 1.8% (2018: 1.8%).



# Report of the Management Engagement Committee

*continued*

No fee will be payable unless the adjusted net assets outperform the hurdle rate, after taking into account any accumulated percentage underperformance brought forward at the beginning of the financial year. Performance fees earned in the year ended 31 March 2019 were £6,110,000 (2018: £10,188,000). Total fees paid to the Manager in any one year (Management and Performance Fees) may not exceed 4.99% of Group Equity Shareholders' Funds. Total fees payable for the year to 31 March 2019 amount to 0.9% (2018: 1.2%) of Group Equity Shareholders' Funds.

## Depositary Arrangements and Fees

BNP Paribas was appointed as Depositary on 14 July 2014 in accordance with the Alternative Investment Fund Managers Directive. The Depositary's responsibilities include: cash monitoring; segregation and safe keeping of the Company's financial instruments; and monitoring the Company's compliance with investment and leverage requirements. The Depositary receives for its services a fee of 2.0 basis points per annum on the first £150m of the Company's assets, 1.4 basis points per annum on assets above £150m and below £500m and 0.75 basis points on assets above £500m.

## Review of Third Party Providers' Fees

Custody and Administration Services are provided by BNP Paribas and Company Secretarial Services by Link Company Matters. The fees for these services are charged directly to the Company and are contained within other administrative expenses disclosed in notes to the accounts.

### **Hugh Seaborn**

*Chairman of the Management Engagement Committee*

6 June 2019

# Directors' Remuneration Report

## Introduction

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

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

## Annual Statement from the Chairman of the Committee

The MEC met in March 2019 and considered the feedback received as part of the Board evaluation alongside other factors. Non-executive fees of listed companies continue to rise, and the regulatory burden continues ever upwards. Following the MEC meeting in March 2019, it was agreed that Non-executive Director's fees would be increased from £34,000 to £35,000 with effect from 1 April 2019. It was also agreed that those Directors holding the role of Audit Chairman and Senior Independent Director would continue to receive an additional £5,000 to reflect their additional responsibility. It was further agreed that the Chairman's fee would remain at £70,000 per annum.

## Directors' Remuneration Policy

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. The policy is for the Chairman of the Board, the chairman of the Audit Committee and the Senior Independent Director to be paid higher fees than the other Directors in recognition of their more onerous roles. This policy was approved by the members at the 2017 AGM, and the Directors' intention is that this will continue for the year ending 31 March 2020. In accordance with the regulations, an ordinary resolution to approve the Directors' Remuneration Policy will be put to Shareholders at least once every three years, this is next due at the 2020 AGM.

The Directors are remunerated in the form of fees, payable monthly in arrears, to the Director personally or to a third party specified by that Director. There are no long-term incentive schemes, share option schemes or pension arrangements and the fees are not specifically related to the Directors' performance, either individually or collectively.

The Board consists entirely of Non-executive Directors, who are appointed with the expectation that they will serve for a period of three years. Directors' appointments are reviewed formally every three years thereafter by the Board as a whole. None of the Directors have a contract of service and a Director may resign by notice in writing to the Board at any time; there are no notice periods. The terms of their appointment are detailed in a letter to them when they join the Board. As the Directors do not have service contracts, the Company does not have a policy on termination payments.

There is no notice period and no payments for loss of office were made during the period. The Company's Articles of Association currently limit the total aggregate fees payable to the Board to £300,000 per annum.

Shareholders' views in respect of Directors' remuneration are communicated at the Company's AGM and are taken into account in formulating the Directors remuneration policy. At the last AGM, over 98.5% of shareholders voted for the resolution approving the Directors' Remuneration Report (1.4% against), and over 98% voted for the resolution approving the Directors' Remuneration Policy (1.5% against), showing significant shareholder support.

# Directors' Remuneration Report

continued

## Annual Remuneration Report

For the year ended 31 March 2019, Directors' fees were paid at the annual rates of Chairman: £70,000 (2018: £70,000) and all other directors: £34,000 (2018: £33,000). An additional £5,000 is paid per annum for each of the roles of Audit Committee Chairman and Senior Independent Director. The actual amounts paid to the Directors during the financial year under review are as shown below.

### Amount of each Director's emoluments (audited)

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

	31 March 2019 £	31 March 2018 £
Hugh Seaborn	70,000	70,000
Simon Marrison	34,000	33,000
Suzie Procter (retired 28 February 2019)	31,167	33,000
David Watson	41,500	43,000
Tim Gillbanks (joined 23 January 2018)	36,500	6,388
John Glen (retired 25 July 2017)	0	10,409
<b>Total</b>	<b>213,167</b>	<b>195,797</b>

## Company Performance

The graph below compares, for the eight years ended 31 March 2019, the percentage change over each period in the share price total return to shareholders compared to the share price total return of benchmark, which the Board considers to be the most appropriate benchmark for investment performance measurement purposes. An explanation of the performance of the Company is given in the Chairman's Statement and Manager's Report.

### Directors' Interests in Shares (audited)

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

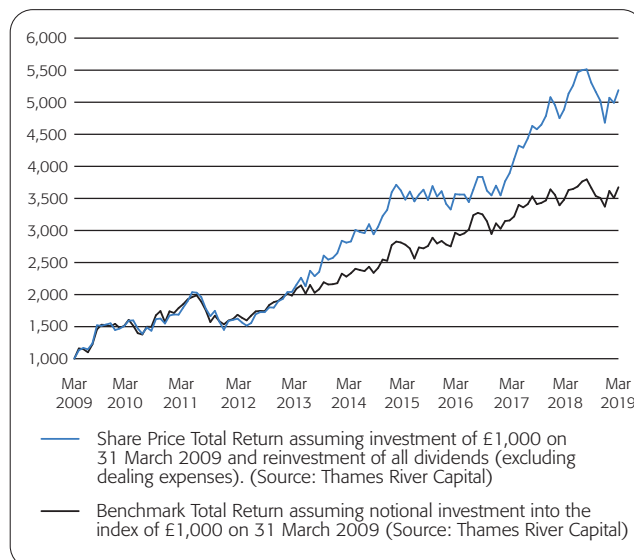
	31 March 2019 Ordinary shares of 25p	31 March 2018 Ordinary shares of 25p
S Marrison	26,547	26,086
S E Procter	N/A	16,661
H Seaborn	34,668	34,668
D Watson	10,370	10,057
T Gillbanks	0	0

Since 31 March 2019 to the date of this report, there have been no subsequent changes to the Directors' interests in the shares of the Company.

### Relative Importance of Spend on Pay

	2019 £'000	2018 £'000	Percentage increase/ (decrease)
Dividends paid	39,510	35,067	12.67%
Directors Fees	213	196	8.67%

### Performance Graph – Share Price Total Return for Ordinary Share Class



For and on behalf of the Board

### Hugh Seaborn

Chairman of the Management Engagement Committee

6 June 2019

# Report of the Audit Committee

## Audit Committee

Chairman: Mr Gillbanks

## Key Responsibilities

- Review the internal financial and non-financial controls;
- Review reports from key third party service providers;
- Consider and recommend to the Board for approval the contents of the draft Interim and Annual Reports;
- Review accounting policies and significant financial reporting judgements;
- Monitor, together with the Manager, the Company's compliance with financial reporting and regulatory requirements; and
- Review the findings, performance and remuneration of the external auditor.

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

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

The Board recognises the requirement for the Audit Committee as a whole to have competence relevant to the sector and at least one member with recent and relevant financial experience. During the year, Mr Watson stepped down as Chairman of the Audit Committee and Mr Gillbanks assumed the role. The Chairman and Mr Watson are Chartered Accountants with extensive and recent experience in the Financial Services Industry. The other members of the Committee have a combination of property, financial, investment and business experience through senior positions held throughout their careers.

## Activity during the year

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

- The Group's Internal Controls and consideration of the Reports thereon and Risk Map;
- The ISAE/AAF and SSAE16 reports or their equivalent from F&C and BNP Paribas;
- Whether the Company should have its own internal audit function;
- The impact and processes relating to the recent regulation, and the continuing requirements under MiFID II, the requirements under PRIIPS and GDPR;
- The External Auditor's Planning Memorandum setting out the scope of the annual audit and proposed key areas of focus;
- The reports from the Auditor concerning its audit of the Financial Statements of the Company and consideration of Significant issues in relation to the Financial Statements;
- The appropriateness of, and any changes to, the accounting policies of the Company, including the reasonableness of any judgements required by such policies;

# Report of the Audit Committee

continued

- The Viability Statement and consideration of the preparation of the Financial Statements on a Going Concern Basis taking account of forward looking income forecasts, the liquidity of the investment portfolio and debt profile;
- The financial and other disclosures in the Financial Statements;
- The information presented in the Interim and Annual Reports to assess whether, taken as a whole, the Reports are fair, balanced and understandable and the information presented will enable the shareholders to assess the Company's performance, business model and strategy; and
- The performance of the external auditor, to approve their audit fees and consider the assessment of independence.

## Internal controls and management of risk

The Board has overall responsibility for the Group's system of Internal Controls and for reviewing their effectiveness. Key risks identified by the Auditors are considered by the Audit Committee to ensure that robust internal controls and monitoring procedures in respect of these are in place on an ongoing basis. Further details can be found on pages 28 to 30.

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

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

Based on the processes and controls in place within the BMO Group and other significant service providers, the Board has concurred that there is no current need for the Company to have a dedicated internal audit function.

## Significant Issues in relation to the Financial Statements

The Committee has considered this report and Financial Statements and the Viability Statement on page 31. The Committee considered the Auditor's assessment of risk of material misstatement and reviewed the internal controls in place in respect of the key areas identified and the process by which the Board monitors each of the procedures to give the Committee comfort on these risks on an ongoing basis. These risks are also highlighted in the Company's Risk Map.

- **Valuation of the Group's Quoted investments** – The Group's investments are priced for the daily NAV by BNP Paribas. The quoted assets are priced by the Administrator's Global Pricing Platform which uses independent external pricing sources. The control process surrounding this is set out in the BNP Paribas ISAE 3402 Internal Controls Report and testing by the reporting accountant for the period reported to 31 December 2018 did not reveal any significant exceptions. The quarterly control report to the Board from BNP Paribas covering the period up to 31 March 2019 had no issues to report. In addition the Manager estimates the NAV using an alternative pricing source on a daily basis as an independent check.
- **Valuation of the Group's Direct Property Investment** – The physical property portfolio is valued every six months by professional independent valuers.

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

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



# Report of the Audit Committee

*continued*

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

- **The Impact of uncertainties due to the UK exiting the European Union** – the impact of Brexit has been considered in both terms of the effect on Sterling and the impact of the UK commercial property market. 73% of the portfolio exposure is to currencies other than Sterling and 7% of the portfolio is invested in UK commercial property assets.

There has been nothing brought to the Committee's attention in respect of the financial statements for the period ended 31 March 2019, which was material or significant or that the Committee felt should be brought to shareholders' attention.

## Auditor assessment and independence

The Company's external auditor, KPMG LLP was appointed as the Company's auditors at the 2016 AGM. The Committee expects to repeat a tender process no later than 2026 in respect of the audit for the following 31 March year end, in line with the latest Corporate Governance provisions and EU Requirements.

During the year, KPMG presented their Audit Plan for the year end at the interim Committee meeting and the Committee considered the audit process and fee proposal. The Committee also reviewed KPMG's independence policies and procedures including quality assurance procedures. It was considered that these policies are fit for purpose and the Directors are satisfied that KPMG are independent.

Total fees payable to the Auditor in respect of the audit for the year to 31 March 2019 were: £70,000 (2018 £70,000), which were approved by the Audit Committee.

During the year ended 31 March 2018 fees of £15,000 were paid to the Auditor in respect of the audit of subsidiaries of the Company for prior periods.

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

The fees for non-audit services for the year to 31 March 2019 were nil (2018: nil).

Full details of the Auditor's fees are provided in note 6 to the accounts on page 70.

Following each audit, the Committee reviews the audit process and considers its effectiveness and the quality of the services provided to the Company. The review following the completion of the 2019 Audit concluded that the Committee was satisfied with the Auditor's effectiveness and performance. The Committee felt that KPMG had run an effective and efficient audit process with appropriate challenge. The Committee was satisfied with the Auditor's performance and a resolution to re-appoint KPMG LLP as the Company's Auditor will be put to shareholders at the forthcoming AGM.

**Tim Gillbanks**

*Chairman of the Audit Committee*

6 June 2019

# Statement of Directors' responsibilities in relation to the Group financial statements

The Directors are responsible for preparing the Annual Report, the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility statement

Each of the Directors listed on page 33 confirms that to the best of their knowledge:

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

By order of the Board

**Hugh Seaborn**

*Chairman*

6 June 2019



# Independent auditor's report

## to the members of TR Property Investment Trust plc

### 1. Our opinion is unmodified

We have audited the financial statements of TR Property Investment Trust plc ("the Company") for the year ended 31 March 2019 which comprise the Group Statement of Comprehensive Income, Group and Company Statement of Changes in Equity, Group and Company Balance Sheets, Group and Company Cash Flow Statements and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2019 and of the Group's return for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 2 November 2016. The period of total uninterrupted engagement is for the 3 financial years ended 31 March 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

#### Overview

**Materiality:** £13.9m (2018: £13.7m)  
group financial statements as a whole 1% (2018: 1%) of Total Assets

#### Key Audit Matters vs 2018

<b>New risk</b>	The impact of uncertainties due to the UK exiting the European Union on our audit	▲
<b>Recurring risks</b>	Valuation of direct property investments	◀▶
	Carrying value of quoted investments	◀▶

## 2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<b>The impact of uncertainties due to the UK exiting the European Union on our audit</b> <b>(Group and Parent Company)</b>  <i>Refer to page 29 (principal risks), page 31 (viability statement), page 7 (Manager's Review)</i>	<p><b>Unprecedented levels of uncertainty:</b></p> <p>All audits assess and challenge the reasonableness of estimates, in particular as described in valuation of direct property investments below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.</p> <p>In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosures and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.</p> <p>Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.</p>	<p>We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"><li>— <b>Our Brexit knowledge</b> – We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks.</li><li>— <b>Sensitivity analysis</b> – When addressing valuation of direct property investments, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty.</li><li>— <b>Assessing transparency</b> – As well as assessing individual disclosures as part of our procedures on valuation of direct property investments we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.</li></ul> <p><b>Our results:</b></p> <ul style="list-style-type: none"><li>— As reported under valuation of direct property investments, we found the resulting estimates and related disclosures in respect of the degree of estimation and sensitivity to key assumptions made when valuing the direct property investments to be acceptable. We also found disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.</li></ul>

## 2. Key audit matters: including our assessment of risks of material misstatement (continued)

	The risk	Our response
<p><b>Carrying value of quoted investments</b></p> <p><b>(Group and Parent Company)</b></p> <p>(£1,189.5 million; 2018: £1,217.9 million)</p> <p><i>Refer to page 51 (Audit Committee Report), page 66 (accounting policy) and pages 73-76 (financial disclosures)</i></p>	<p><b>Low risk, high value:</b></p> <p>The Group's portfolio of quoted investments makes up 85.0% (2018: 89.1%) of the Group's total assets (by value) and is one of the key drivers of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Tests of Detail:</b> Agreeing the valuation of 100 per cent of quoted investments in the portfolio to externally quoted prices; and</li> <li>— <b>Enquiry of custodians:</b> Agreeing 100 per cent of quoted investment holdings in the portfolio to independently received third party confirmations from investment custodians.</li> </ul> <p><b>Our results:</b></p> <ul style="list-style-type: none"> <li>— We found the carrying amount of quoted investments to be acceptable (2018: acceptable).</li> </ul>
	The risk	Our response
<p><b>Valuation of direct property investments</b></p> <p><b>(Group and Parent Company)</b></p> <p>(£101.9 million; 2018: £98.0 million)</p> <p><i>Refer to page 51 (Audit Committee Report), page 65 (accounting policy) and pages 73-76 (financial disclosures)</i></p>	<p><b>Subjective valuation:</b></p> <p>7.3% (2018: 7.2%) of the Group's total assets (by value) are held in investment properties.</p> <p>The fair value of each property requires significant estimation, in particular over the key assumptions of the estimated rental value and the yield. The key assumptions will be impacted by a number of factors including location, quality and condition of the building and tenant credit rating.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of investment properties has a high degree of estimation uncertainty. The financial statements disclose the sensitivity estimated by the Group.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Assessing valuer's credentials:</b> We evaluated the competence, experience and independence of the external valuer;</li> <li>— <b>Methodology choice:</b> We held discussions with the external valuer to understand the valuation methodology used;</li> <li>— <b>Benchmarking assumptions:</b> We held discussions with the Group's external property valuer to understand movements in property values. For a sample of properties where the fair value movements were outside our predetermined thresholds, we challenged the key assumptions used by the valuer upon which these valuations were based, including those relating to forecast rents and yields, by making a comparison to our own understanding of the market and to industry benchmarks;</li> <li>— <b>Assessing transparency:</b> We also considered the adequacy of the Group's disclosures about the degree of estimation and sensitivity to key assumption made when valuing the investment properties.</li> </ul> <p><b>Our results:</b></p> <ul style="list-style-type: none"> <li>— We found the Company's valuation of investment properties to be acceptable (2018: acceptable).</li> </ul>



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

Materiality for the group financial statements as a whole was set at £13.9m (2018: £13.7m), determined with reference to a benchmark of total assets, of which it represents 1% (2018: 1%).

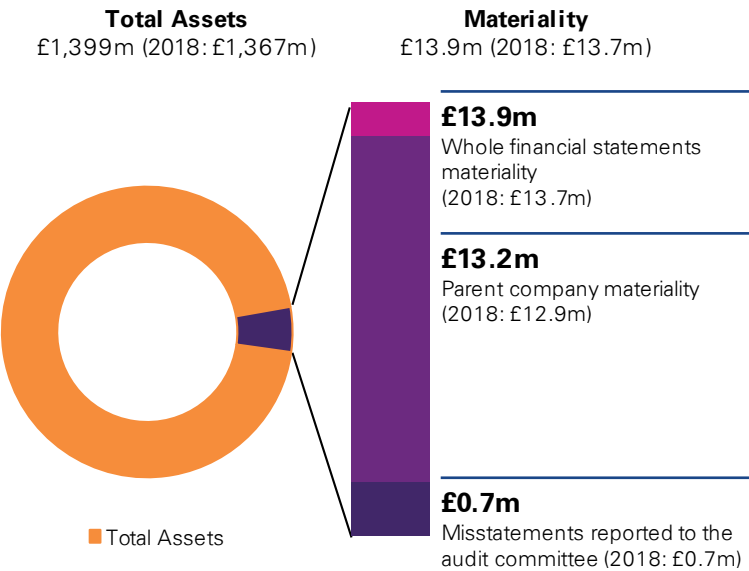
In addition, we applied materiality of £3.3m (2018: £2.3m) to investment income, other operating income, gross rental income and net revenue returns on contracts for difference, for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company’s members’ assessment of the financial performance of the Group.

Materiality for the parent Company audit was set at £13.2m (2018: £12.9m), determined as 0.9% of the total assets of the parent Company (2018: 0.9%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £695,000 (2018: £683,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the administrator’s office in Dundee and in KPMG’s offices in Edinburgh.

The audit team performed the audit of the Group as if it was a single aggregated set of financial information. This approach is unchanged from the prior year. The audit of the Group was performed using the Group materiality level set out above.



4. We have nothing to report on going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or Company or to cease operations, and they have concluded that the Group and Company’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

Our responsibility is to conclude on the appropriateness of the directors’ conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor’s report is not a guarantee that the Group will continue in operation.

In our evaluation of the directors’ conclusions, we considered the inherent risks to the Group’s business model, including the impact of Brexit, and analysed how those risks might affect the Group’s financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

- Based on this work, we are required to report to you if:
- we have anything material to add or draw attention to in relation to the directors’ statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company’s use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
  - the related statement under the Listing Rules set out on page 36 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

## 5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within the Viability Statement on page 31 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's longer-term viability.

### Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

## 6. We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

## 7. Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 53, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below) or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors, the investment manager and the administrator (as required by auditing standards) and discussed with the directors and the manager the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), and its qualification as an Investment Trust under UK tax legislation, any breach of which could lead to the Group losing various deductions and exemptions from UK corporation tax, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

### Irregularities – ability to detect (continued)

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: the Listing Rules and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

## 8. The purpose of our audit work and to whom we owe our responsibilities

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

### **Richard Kelly (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

6 June 2019

# Group Statement of Comprehensive Income

for the year ended 31 March 2019

	Notes	Year ended 31 March 2019			Year ended 31 March 2018		
		Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
<b>Income</b>							
Investment income	2	44,771	—	44,771	40,267	—	40,267
Other operating income	4	674	—	674	495	—	495
Gross rental income	3	3,659	—	3,659	3,971	—	3,971
Service charge income	3	1,608	—	1,608	1,397	—	1,397
Gains on investments held at fair value	10	—	96,594	96,594	—	140,470	140,470
Net movement on foreign exchange; investments and loan notes		—	(1,463)	(1,463)	—	(2,845)	(2,845)
Net movement on foreign exchange; cash and cash equivalents		—	(508)	(508)	—	921	921
Net returns on contracts for difference	10	6,469	(18,380)	(11,911)	4,624	6,358	10,982
<b>Total Income</b>		<b>57,181</b>	<b>76,243</b>	<b>133,424</b>	50,754	144,904	195,658
<b>Expenses</b>							
Management and performance fees	5	(1,514)	(10,653)	(12,167)	(1,389)	(14,355)	(15,744)
Direct property expenses, rent payable and service charge costs	3	(1,940)	—	(1,940)	(1,947)	—	(1,947)
Other administrative expenses	6	(1,271)	(564)	(1,835)	(1,308)	(558)	(1,866)
<b>Total operating expenses</b>		<b>(4,725)</b>	<b>(11,217)</b>	<b>(15,942)</b>	(4,644)	(14,913)	(19,557)
Operating profit		52,456	65,026	117,482	46,110	129,991	176,101
Finance costs	7	(851)	(2,554)	(3,405)	(772)	(2,070)	(2,842)
<b>Profit from operations before tax</b>		<b>51,605</b>	<b>62,472</b>	<b>114,077</b>	45,338	127,921	173,259
Taxation	8	(5,351)	3,479	(1,872)	(3,383)	2,326	(1,057)
<b>Total comprehensive income</b>		<b>46,254</b>	<b>65,951</b>	<b>112,205</b>	41,955	130,247	172,202
<b>Earnings per Ordinary share</b>	9	<b>14.58p</b>	<b>20.78p</b>	<b>35.36p</b>	13.22p	41.04p	54.26p

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

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

All income is attributable to the shareholders of the parent company.

The notes on pages 64 to 88 form part of these Financial Statements.

# Group and Company Statement of Changes in Equity

## Group

		Share Capital Ordinary £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Retained Earnings Ordinary £'000	Total £'000
<b>For the year ended 31 March 2019</b>	Notes					
<b>At 31 March 2018</b>		<b>79,338</b>	<b>43,162</b>	<b>43,971</b>	<b>1,089,088</b>	<b>1,255,559</b>
Total comprehensive income		–	–	–	112,205	112,205
Dividends paid	17	–	–	–	(39,510)	(39,510)
<b>At 31 March 2019</b>		<b>79,338</b>	<b>43,162</b>	<b>43,971</b>	<b>1,161,783</b>	<b>1,328,254</b>

## Company

		Share Capital Ordinary £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Retained Earnings Ordinary £'000	Total £'000
<b>For the year ended 31 March 2019</b>	Notes					
<b>At 31 March 2018</b>		<b>79,338</b>	<b>43,162</b>	<b>43,971</b>	<b>1,089,088</b>	<b>1,255,559</b>
Total comprehensive income		–	–	–	112,205	112,205
Dividends paid	17	–	–	–	(39,510)	(39,510)
<b>At 31 March 2019</b>		<b>79,338</b>	<b>43,162</b>	<b>43,971</b>	<b>1,161,783</b>	<b>1,328,254</b>

## Group

		Share Capital Ordinary £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Retained Earnings Ordinary £'000	Total £'000
For the year ended 31 March 2018	Notes					
<b>At 31 March 2017</b>		<b>79,338</b>	<b>43,162</b>	<b>43,971</b>	<b>951,953</b>	<b>1,118,424</b>
Total comprehensive income		–	–	–	172,202	172,202
Dividends paid	17	–	–	–	(35,067)	(35,067)
<b>At 31 March 2018</b>		<b>79,338</b>	<b>43,162</b>	<b>43,971</b>	<b>1,089,088</b>	<b>1,255,559</b>

## Company

		Share Capital Ordinary £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Retained Earnings Ordinary £'000	Total £'000
For the year ended 31 March 2018	Notes					
<b>At 31 March 2017</b>		<b>79,338</b>	<b>43,162</b>	<b>43,971</b>	<b>951,953</b>	<b>1,118,424</b>
Total comprehensive income		–	–	–	172,202	172,202
Dividends paid	17	–	–	–	(35,067)	(35,067)
<b>At 31 March 2018</b>		<b>79,338</b>	<b>43,162</b>	<b>43,971</b>	<b>1,089,088</b>	<b>1,255,559</b>

The notes on pages 64 to 88 form part of these Financial Statements.



# Group and Company Balance Sheets

as at 31 March 2019

	Notes	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
<b>Non-current assets</b>					
Investments held at fair value	10	1,291,442	1,291,442	1,316,046	1,316,046
Investments in subsidiaries	10	–	50,442	–	50,470
		1,291,442	1,341,884	1,316,046	1,366,516
Deferred taxation asset	12	243	243	243	243
		1,291,685	1,342,127	1,316,289	1,366,759
<b>Current assets</b>					
Debtors	12	54,892	54,770	32,574	32,452
Cash and cash equivalents		52,282	52,280	18,114	18,110
		107,174	107,050	50,688	50,562
Current liabilities	13	(12,520)	(62,838)	(52,543)	(102,887)
Net current assets/(liabilities)		94,654	44,212	(1,855)	(52,325)
Total assets less current liabilities		1,386,339	1,386,339	1,314,434	1,314,434
Non-current liabilities	13	(58,085)	(58,085)	(58,875)	(58,875)
Net assets		1,328,254	1,328,254	1,255,559	1,255,559
<b>Capital and reserves</b>					
Called up share capital	14	79,338	79,338	79,338	79,338
Share premium account	15	43,162	43,162	43,162	43,162
Capital redemption reserve	15	43,971	43,971	43,971	43,971
Retained earnings	16	1,161,783	1,161,783	1,089,088	1,089,088
<b>Equity shareholders' funds</b>		1,328,254	1,328,254	1,255,559	1,255,559
<b>Net Asset Value per:</b>					
Ordinary share	19	418.54p	418.54p	395.64p	395.64p

These financial statements were approved by the directors of TR Property Investment Trust plc (Company No:84492) and authorised for issue on 6 June 2019.

**H Seaborn**

Director

The notes on pages 64 to 88 form part of these Financial Statements.

# Group and Company Cash Flow Statements

for the year ended 31 March 2019

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
<b>Reconciliation of profit from operations before tax to net cash inflow from operating activities</b>				
Profit from operations before tax	114,077	114,077	173,259	173,259
Finance costs	3,405	3,405	2,842	2,842
Gains on investments and derivatives held at fair value through profit or loss	(78,214)	(78,186)	(146,828)	(146,767)
Net movement on foreign exchange; cash and cash equivalents and loan notes	(292)	(292)	186	186
(Increase)/decrease in accrued income	(1,129)	(1,129)	218	218
Net sales/(purchases) of investments	115,685	115,685	(19,446)	(19,446)
(Increase)/decrease in sales settlement debtor	(3,334)	(3,334)	8,288	8,288
Increase/(decrease) in purchase settlement creditor	1,474	1,474	(5,869)	(5,869)
Increase in other debtors	(18,350)	(18,350)	(2,710)	(2,710)
(Decrease)/increase in other creditors	(3,711)	(3,737)	9,194	9,154
Scrip dividends included in investment income and net returns on contracts for difference	(9,162)	(9,162)	(4,920)	(4,920)
<b>Net cash inflow from operating activities before interest and taxation</b>	<b>120,449</b>	<b>120,451</b>	14,214	14,235
Interest paid	(3,391)	(3,391)	(2,774)	(2,774)
Taxation paid	(1,872)	(1,872)	(1,625)	(1,625)
<b>Net cash inflow from operating activities</b>	<b>115,186</b>	<b>115,188</b>	9,815	9,836
<b>Financing activities</b>				
Equity dividends paid	(39,510)	(39,510)	(35,067)	(35,067)
(Repayment)/drawdown of loans	(41,000)	(41,000)	36,000	36,000
<b>Net cash (used in)/from financing activities</b>	<b>(80,510)</b>	<b>(80,510)</b>	933	933
<b>Increase in cash</b>	<b>34,676</b>	<b>34,678</b>	10,748	10,769
Cash and cash equivalents at start of year	18,114	18,110	6,445	6,420
Net movement on foreign exchange; cash and cash equivalents	(508)	(508)	921	921
<b>Cash and cash equivalents at end of year</b>	<b>52,282</b>	<b>52,280</b>	18,114	18,110
<b>Note</b>				
Dividends received	46,249	46,249	42,097	42,097
Interest received	669	669	484	484

The notes on pages 64 to 88 form part of these Financial Statements.

# Notes to the Financial Statements

## 1 Accounting policies

The financial statements for the year ended 31 March 2019 have been prepared on a going concern basis, in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), together with interpretations of the International Accounting Standards and Standing Interpretations Committee approved by the International Accounting Standards Committee (IASC) that remain in effect, to the extent that they have been adopted by the European Union and as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The financial statements have also been prepared in accordance with the Statement of Recommended Practice (SORP), "Financial Statements of Investment Trust Companies and Venture Capital Trusts," to the extent that it is consistent with IFRS.

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

### Key estimates and judgements

The preparation of the financial statements necessarily requires the exercise of judgement, both in application of accounting policies, which are set out below, and in the selection of assumptions used in the calculation of estimates. These estimates and judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. However, actual results may differ from these estimates. The only key estimate is considered to be the valuation of investment properties. See section (f) of this note. There are not considered to be any key judgements.

### a) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiaries to 31 March 2019. All the subsidiaries of the Company have been consolidated in these financial statements.

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

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

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

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

### b) Income

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

Recognition of property rental income is set out in section (f) of this note.

Recognition of income from contracts of difference is set out in section (g) of this note.

### c) Expenses

All expenses and finance costs are accounted for on an accruals basis. An analysis of retained earnings broken down into revenue and capital items is given in note 16. In arriving at this breakdown, expenses have been presented as revenue items except as follows:

# Notes to the Financial Statements

*continued*

## 1 Accounting policies *continued*

- Expenses which are incidental to the acquisition or disposal of an investment;
- Expenses are presented as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated, this includes irrecoverable VAT incurred on costs relating to the extension of residential leases as premiums received for extending or terminating leases are recognised in the capital account;
- One quarter of the base management fee is charged to revenue, with three quarters allocated to capital return to reflect the Board's expectations of long term investment returns. All performance fees are charged to capital return;
- The fund administration, depositary, custody and company secretarial services are charged directly to the Company and are included within 'Other administrative expenses' in note 6. These expenses are charged on the same basis as the base management fee; one quarter to income and three quarters to capital.

### d) Finance costs

The finance cost in respect of capital instruments other than equity shares is calculated so as to give a constant rate of return on the outstanding balance. One quarter of the finance cost is charged to revenue and three quarters to capital return.

### e) Taxation

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

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

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

In accordance with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the "marginal basis".

Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Statement of Comprehensive Income, then no tax relief is transferred to the capital column.

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

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

### f) Investment property

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

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

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

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset at the date of disposal.

### Revaluation of investment properties

The Group carries its investment properties at fair value in accordance with IFRS 13, revalued twice a year, with changes in fair values being recognised in the Group Statement of Comprehensive Income. The Group engaged Knight Frank LLP as independent valuation specialists to determine fair value as at 31 March 2019.

# Notes to the Financial Statements

continued

## 1 Accounting policies *continued*

### Valuations of investment properties

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

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

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

In arriving at their estimates of fair values as at 31 March 2019, the valuers have used their market knowledge and professional judgement and have not only relied solely on historical transactional comparables. Examples of inputs to the valuation can be seen in the sensitivity analysis disclosed in note 10(f).

### Rental income

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

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

### Service charges and expenses recoverable from tenants

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

### g) Investments

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

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

All investments are designated upon initial recognition as held at fair value, and are measured at subsequent reporting dates at fair value, which, for quoted investments, is deemed to be closing prices for stocks sourced from European stock exchanges and for SETS stocks sourced from the London Stock Exchange. SETS is the London Stock Exchange electronic trading service covering most of the market including all the FTSE All -Share and the most liquid AIM constituents. Unquoted investments or investments for which there is only an inactive market are held at fair value which is based on valuations made by the directors in accordance with IPEVCA guidelines and using current market prices, trading conditions and the general economic climate.

In its financial statements the Company recognises its investments in subsidiaries at adjusted net asset value. The subsidiaries have historically been holding vehicles for direct property investment or financing vehicles. No assets are currently held through the subsidiary structure and all financing instruments are directly held by the company.

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

### Derivatives

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

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



# Notes to the Financial Statements

continued

## 1 Accounting policies *continued*

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

### **h) Borrowings, loan notes and debentures**

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

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

### **i) Foreign currency translation**

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

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

### **j) Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and demand deposits.

### **k) Dividends payable to shareholders**

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

## **l) Adoption of new and revised Standards**

### ***Standards and Interpretations effective in the current period***

The accounting policies adopted are consistent with those of the previous consolidated financial statements except as noted below.

**IFRS 9 – Financial Instruments.** IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and general hedge accounting. The Group has applied the standard in the current financial year and the impact assessment from its adoption concluded that there was no material impact on the financial statements. The Group's investments remain classified as fair value through profit or loss and are measured at fair value through profit or loss. The application of IFRS 9 has not resulted in any change to the valuation of investments nor were any other adjustments required. Other assets and liabilities continue to be measured at amortised cost, except for Contracts for difference and Foreign exchange forward contracts which continue to be measured at fair value. Other assets were assessed for credit risk and no impairment provisions were required. The Group does not undertake any hedge accounting activities.

**IFRS 15 – Revenue from Contracts with Customers.** IFRS 15 specifies how and when an entity should recognise revenue. The Group has applied the standard in the current financial year and the impact assessment from its adoption concluded that there was no material impact on the financial statements given that approximately 90% of the Group's income is derived from financial instruments under IFRS 9.

In addition the Group has adopted the following amendments and interpretations in the current financial year, none of which have had a material impact on the financial statements.

IFRS 2 – Share based payments.

IAS 40 – Transfer of Investment Property.

IFRIC Interpretation 22 Foreign Currency Transaction and Advance Consideration.

Annual improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 1 First time Adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures).

# Notes to the Financial Statements

continued

## 1 Accounting policies *continued*

### **Early adoption of standards and interpretations**

The standards issued before the reporting date that become effective after 31 March 2019 will not have a material effect on equity or profit for the subsequent period. The Group has not early adopted any new International Financial Reporting Standard or Interpretation Standards, amendments and interpretations issued but not yet effective up to the date of issuance of the Group financial statements are listed below:

IFRS 16 – Leases (effective 1 January 2019). The Group does not expect the financial impact of this standard on the financial statements to be material. The objective of IFRS 16 is to specify the principles for recognition, measurement, presentation and disclosure of leases. The Group has not entered into any leases as a lessee and acts only in its capacity as a lessor. The Group's leases will continue to be classified as operating leases with the leased assets recognised in the balance sheet.

IFRS 3 amendments (effective 1 January 2020). The amendments provide more guidance on the definition of a business to assist in determining whether a transaction results in an asset or a business acquisition. The amendments are not expected to have a material impact on the Group's financial statements.

Amendments to IAS 1 and IAS 8 – Definition of Material (effective 1 January 2020) The International Accounting Standards Board has refined its definition of "material" and issued practical guidance on applying the concept of materiality. The amendments are not expected to have a material impact on the Group's financial statements.

IFRS 17 – Insurance Contracts (effective 1 January 2021) The IFRS introduces a comprehensive model for all insurance and re-insurance contracts, based on fulfilment objective, using current assumptions and discount rates. Given the nature of the Group's business, the IFRS is not expected to have a material impact on the financial statements.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. (effective date postponed until completion of broader review) The amendments seek to resolve a conflict between existing guidance on consolidation and equity accounting when a parent company loses control of a subsidiary in a transaction with an associate or joint venture. The amendments are not expected to have a material impact on the Group's financial statements.

## 2 Investment income

	2019 £'000	2018 £'000
Dividends from UK listed investments	2,304	3,658
Dividends from overseas listed investments	23,085	24,806
Scrip dividends from listed investments	8,226	4,623
Property income distributions	11,156	7,180
	<b>44,771</b>	40,267

## 3 Net rental income

	2019 £'000	2018 £'000
Gross rental income	3,659	3,971
Service charge income	1,608	1,397
Direct property expenses, rent payable and service charge costs	(1,940)	(1,947)
	<b>3,327</b>	3,421

# Notes to the Financial Statements

continued

## 3 Net rental income *continued*

### Operating leases

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

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

	2019 £'000	2018 £'000
Within 1 year	3,600	4,100
After 1 year but not more than 5 years	10,750	12,000
More than 5 years	16,725	18,850
	<b>31,075</b>	34,950

## 4 Other operating income

	2019 £'000	2018 £'000
Interest receivable	39	35
Interest on refund of overseas withholding tax	351	460
Underwriting commission	284	–
	<b>674</b>	495

Underwriting is part of the process of introducing new securities to the market. The Company may participate in the underwriting of investee companies' securities, as one of a number of participants, for which compensation in the form of commission is received. The Company only participates in underwriting having assessed the risks involved and in securities in which it is prepared to increase its holding should that be the outcome. The commission earned is taken to revenue unless any securities underwritten are required to be taken up in which case the proportionate commission is deducted from the cost of the investment. During the year the Company participated in one (2018: none) underwriting and all commission earned was taken to revenue and is shown under Other operating income.

## 5 Management and performance fees

	2019 Revenue Return £'000	2019 Capital Return £'000	2019 Total £'000	2018 Revenue Return £'000	2018 Capital Return £'000	2018 Total £'000
Management fee	1,514	4,543	6,057	1,389	4,167	5,556
Performance fee	–	6,110	6,110	–	10,188	10,188
	<b>1,514</b>	<b>10,653</b>	<b>12,167</b>	1,389	14,355	15,744

A summary of the terms of the management agreement is given in the Report of the Directors on pages 36 and 37.

# Notes to the Financial Statements

continued

## 6 Other administrative expenses

	2019 £'000	2018 £'000
Directors' fees (Directors' Remuneration Report on pages 48 and 49)	213	196
Auditor's remuneration:		
– for audit of the consolidated and parent company financial statements	70	70
– for audit of prior period financial statements of subsidiaries	–	15
Legal fees	–	17
Taxation fees	182	172
Other administrative expenses	185	184
Other expenses	490	499
Irrecoverable VAT	131	155
Expenses charged to Revenue	1,271	1,308
Expenses charged to Capital	564	558
	<b>1,835</b>	1,866

The audit of the prior period financial statements of subsidiaries comparative figure related to the 18 months from 1 April 2015 to 30 September 2016.

Other administrative expenses include depositary, custody and company secretarial services. These expenses are charged on the same basis as the base management fee; one quarter to income and three quarters to capital. Total other administrative expenses charged to both income and capital are £740,000 (2018: £736,000).

Other expenses include broker fees, marketing and PR costs, Directors' National Insurance and recruitment, Registrars and listing fees, and annual report and other publication printing and distribution costs. These expenses are charged solely to the revenue account.

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

## 7 Finance costs

	2019 £'000	2018 £'000
Bank loans and overdrafts repayable within 1 year	2,017	1,364
Loan notes repayable after 5 years	1,388	1,396
HMRC interest	–	82
	<b>3,405</b>	2,842
Amount allocated to capital return	<b>(2,554)</b>	(2,070)
	<b>851</b>	772

# Notes to the Financial Statements

continued

## 8 Taxation

### a) Analysis of charge in the year

	2019 Revenue Return £'000	2019 Capital Return £'000	2019 Total £'000	2018 Revenue Return £'000	2018 Capital Return £'000	2018 Total £'000
UK corporation tax at 19% (2018: 19%)	3,488	(3,484)	4	2,374	(2,374)	–
Overseas taxation	2,729	–	2,729	2,864	44	2,908
(Over)/under provision in respect of prior years	6,217 (866)	(3,484) 5	2,733 (861)	5,238 (1,855)	(2,330) 4	2,908 (1,851)
Current tax charge for the year	5,351	(3,479)	1,872	3,383	(2,326)	1,057

### b) Factors affecting total tax charge for the year

The tax assessed for the year is lower (2018: lower) than the standard rate of corporate tax in the UK for a large company of 19% (2018: 19%).

The difference is explained below:

	2019 Revenue Return £'000	2019 Capital Return £'000	2019 Total £'000	2018 Revenue Return £'000	2018 Capital Return £'000	2018 Total £'000
Net profit on ordinary activities before taxation	51,605	62,472	114,077	45,338	127,921	173,259
Corporation tax charge at 19% (2018: 19%)	9,805	11,870	21,675	8,614	24,305	32,919
Effects of:						
Non taxable gains on investments	–	(18,353)	(18,353)	–	(26,689)	(26,689)
Currency movements not taxable	–	374	374	–	366	366
Tax relief on expenses (charged)/credited to capital	–	(939)	(939)	–	803	803
Non-taxable returns	–	3,492	3,492	–	(1,208)	(1,208)
Non-taxable UK dividends	(841)	–	(841)	(936)	–	(936)
Non-taxable overseas dividends	(5,546)	–	(5,546)	(5,350)	–	(5,350)
Overseas withholding taxes	2,729	–	2,729	2,864	44	2,908
(Over)/under provision in respect of prior years	(866)	5	(861)	(1,855)	4	(1,851)
Disallowable expenses	64	(27)	37	19	–	19
Deferred tax not provided	6	99	105	27	49	76
	5,351	(3,479)	1,872	3,383	(2,326)	1,057

The Group has not recognised deferred tax assets of £1,106,000 (2018: £1,802,000) arising as a result of losses carried forward. It is considered too uncertain that the Group will generate profits in the relevant companies that the losses would be available to offset against and, on this basis, the deferred tax asset in respect of these expenses has not been recognised.

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



# Notes to the Financial Statements

continued

## 8 Taxation *continued*

### c) Provision for deferred taxation

The amounts for deferred taxation provided at 19% (2018: 19%) comprise:

<b>Group</b>	<b>2019 Revenue Return £'000</b>	<b>2019 Capital Return £'000</b>	<b>2019 Total £'000</b>	<b>2018 Revenue Return £'000</b>	<b>2018 Capital Return £'000</b>	<b>2018 Total £'000</b>
Accelerated capital allowances	107	–	107	107	–	107
Unutilised losses carried forward	–	(350)	(350)	–	(350)	(350)
Shown as:						
Deferred tax liability/(asset)	107	(350)	(243)	107	(350)	(243)

<b>Company</b>	<b>2019 Revenue Return £'000</b>	<b>2019 Capital Return £'000</b>	<b>2019 Total £'000</b>	<b>2018 Revenue Return £'000</b>	<b>2018 Capital Return £'000</b>	<b>2018 Total £'000</b>
Accelerated capital allowances	107	–	107	107	–	107
Unutilised losses carried forward	–	(350)	(350)	–	(350)	(350)
Shown as:						
Deferred tax liability/(asset)	107	(350)	(243)	107	(350)	(243)

The movement in provision in the year is as follows:

<b>Group</b>	<b>2019 Revenue Return £'000</b>	<b>2019 Capital Return £'000</b>	<b>2019 Total £'000</b>	<b>2018 Revenue Return £'000</b>	<b>2018 Capital Return £'000</b>	<b>2018 Total £'000</b>
Provision at the start of the year	107	(350)	(243)	107	(350)	(243)
Accelerated capital allowances	–	–	–	–	–	–
Provision at the end of the year	107	(350)	(243)	107	(350)	(243)

<b>Company</b>	<b>2019 Revenue Return £'000</b>	<b>2019 Capital Return £'000</b>	<b>2019 Total £'000</b>	<b>2018 Revenue Return £'000</b>	<b>2018 Capital Return £'000</b>	<b>2018 Total £'000</b>
Provision at the start of the year	107	(350)	(243)	107	(350)	(243)
Accelerated capital allowances	–	–	–	–	–	–
Provision at the end of the year	107	(350)	(243)	107	(350)	(243)

# Notes to the Financial Statements

continued

## 9 Earnings per share

### Earnings per Ordinary share

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

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Net revenue profit	46,254	41,955
Net capital profit	65,951	130,247
Net total profit	112,205	172,202
Weighted average number of shares in issue during the year	317,350,980	317,350,980
	pence	pence
Revenue earnings per share	14.58	13.22
Capital earnings per share	20.78	41.04
Earnings per Ordinary share	35.36	54.26

The Group has no securities in issue that could dilute the return per Ordinary share. Therefore the basic and diluted return per Ordinary share are the same.

## 10 Investments held at fair value

### a) Analysis of investments

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Listed in the United Kingdom	426,798	426,798	401,967	401,967
Unlisted in the United Kingdom	377	377	153	153
Listed Overseas	762,338	762,338	815,915	815,915
Investment properties	101,929	101,929	98,011	98,011
Investments held at fair value	1,291,442	1,291,442	1,316,046	1,316,046
Investments in subsidiaries at fair value	–	50,442	–	50,470
	1,291,442	1,341,884	1,316,046	1,366,516

### b) Gains on investments held at fair value

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Realised gains on sale of investments	79,858	77,647
Unrealised movement in investment holding gains	16,736	62,823
Gains on investments held at fair value	96,594	140,470

# Notes to the Financial Statements

continued

## 10 Investments held at fair value *continued*

### c) Business segment reporting

	Valuation 31 March 2018 £'000	Net additions/ (disposals) £'000	Net appreciation/ (depreciation) £'000	Valuation 31 March 2019 £'000	Gross revenue 31 March 2019 £'000	Gross revenue 31 March 2018 £'000
Listed investments	1,217,882	(121,957)	93,211	<b>1,189,136</b>	<b>44,682</b>	<b>40,267</b>
Unlisted investments	153	–	224	<b>377</b>	<b>89</b>	<b>28</b>
Contracts for difference	495	14,675	(18,380)	<b>(3,210)</b>	<b>6,469</b>	<b>4,624</b>
Total investments segment	1,218,530	(107,282)	75,055	<b>1,186,303</b>	<b>51,240</b>	<b>44,919</b>
Direct property segment	98,011	759	3,159	<b>101,929</b>	<b>5,267</b>	<b>5,368</b>
	<b>1,316,541</b>	<b>(106,523)</b>	<b>78,214</b>	<b>1,288,232</b>	<b>56,507</b>	<b>50,287</b>

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

The property costs included within note 3 are £1,940,000 (2018: £1,947,000) and deducting these costs from the direct property gross revenue above would result in net income of £3,327,000 (2018: £3,421,000) for the direct property reporting segment.

### d) Geographical segment reporting

	Valuation 31 March 2018 £'000	Net additions/ (disposals) £'000	Net appreciation/ (depreciation) £'000	Valuation 31 March 2019 £'000	Gross revenue 31 March 2019 £'000	Gross revenue 31 March 2018 £'000
UK listed equities and convertibles	401,967	17,942	6,889	<b>426,798</b>	<b>13,371</b>	<b>10,838</b>
UK unlisted equities	153	–	224	<b>377</b>	<b>89</b>	<b>28</b>
UK direct property <sup>1</sup>	98,011	759	3,159	<b>101,929</b>	<b>5,267</b>	<b>5,368</b>
Continental European listed equities	815,915	(139,899)	86,322	<b>762,338</b>	<b>31,311</b>	<b>29,429</b>
	<b>1,316,046</b>	<b>(121,198)</b>	<b>96,594</b>	<b>1,291,442</b>	<b>50,038</b>	<b>45,663</b>
UK contracts for difference <sup>2</sup>	920	7,480	(11,324)	<b>(2,924)</b>	<b>3,635</b>	<b>2,383</b>
European contracts for difference <sup>2</sup>	(425)	7,195	(7,056)	<b>(286)</b>	<b>2,834</b>	<b>2,241</b>
	<b>1,316,541</b>	<b>(106,523)</b>	<b>78,214</b>	<b>1,288,232</b>	<b>56,507</b>	<b>50,287</b>

Included in the above figures are purchase costs of £276,000 (2018: £470,000) and sales costs of £114,000 (2018: £211,000). These comprise mainly stamp duty and commission.

<sup>1</sup> Net additions/(disposals) includes £1,496,000 (2018: £930,000) of capital expenditure. Net appreciation/(depreciation) includes amounts in respect of rent free periods.

<sup>2</sup> Gross revenue for contracts for difference relates to dividends receivable, on an ex dividend basis, on the underlying positions held. The appreciation/(depreciation) in CFDs relates to the movement in fair value in the year.

### e) Substantial share interests

The Group held interests in 3% or more of any class of capital in 12 companies (2018: 8 companies) we invest in. None of these investments is considered significant in the context of these financial statements. See note 21 on pages 87 and 88 for further details of subsidiary investments.

# Notes to the Financial Statements

continued

## 10 Investments held at fair value *continued*

### f) Fair value of financial assets and financial liabilities

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

#### *Fair value hierarchy disclosures*

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

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

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

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

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

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

#### *Financial assets/(liabilities) at fair value through profit or loss*

At 31 March 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	1,189,136	–	377	1,189,513
Investment properties	–	–	101,929	101,929
Contracts for difference	–	(3,210)	–	(3,210)
Foreign exchange forward contracts	–	1,969	–	1,969
	1,189,136	(1,241)	102,306	1,290,201

At 31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	1,217,882	–	153	1,218,035
Investment properties	–	–	98,011	98,011
Contracts for difference	–	495	–	495
Foreign exchange forward contracts	–	644	–	644
	1,217,882	1,139	98,164	1,317,185

The table above represents the Group's fair value hierarchy. The Company's fair value hierarchy is identical except for the inclusion of the fair value of the investment in Subsidiaries which at 31 March 2019 was £50,442,000 (2018: £50,470,000). These have been categorised as level 3 in both years. The movement in the year of £28,000 (2018: £61,000) is the change in fair value in the year. The total financial assets at fair value for the Company at 31 March 2019 was £1,343,853,000 (2018: £1,367,655,000).

# Notes to the Financial Statements

continued

## 10 Investments held at fair value *continued*

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

#### Reconciliation of movements in financial assets categorised as level 3

At 31 March 2019	31 March 2018 £'000	Purchases £'000	Sales £'000	Appreciation/ (Depreciation) £'000	31 March 2019 £'000
Unlisted equity investments	153	—	—	224	377
Investment Properties					
– Mixed use	53,380	767	(737)	1,552	54,962
– Office & Industrial	44,631	729	—	1,607	46,967
	98,011	1,496	(737)	3,159	101,929
	98,164	1,496	(737)	3,383	102,306

All appreciation/(depreciation) as stated above relates to movements in fair value of unlisted equity investments and investment properties held at 31 March 2019.

The Group held one unquoted investment at the year end (see 11.6 overleaf).

#### Transfers between hierarchy levels

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

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

#### Sensitivity information for Investment Property Valuations

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

- Estimated rental value: £5 – £50 per sq ft (2018: £5 – £50)
- Capitalisation rates: 3.20% – 9.00% (2018: 3.20% – 9.00%)

Significant increases (decreases) in estimated rental value and rent growth in isolation would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in long-term vacancy rate in isolation would result in a significantly lower (higher) fair value measurement.

There are interrelationships between the yields and rental values as they are partially determined by market rate conditions.

The sensitivity of the valuation to changes in the most significant inputs per class of investment property are shown below:

Estimated movement in fair value of investment properties at 31 March 2019 arising from	Retail £'000	Office & Industrial £'000	Other £'000	Total £'000
Increase in rental value by 5%	500	2,075	—	2,575
Decrease in rental value by 5%	(575)	(2,120)	—	(2,695)
Increase in yield by 0.5%	(5,425)	(5,550)	(960)	(11,935)
Decrease in yield by 0.5%	7,175	7,650	1,350	16,175

Estimated movement in fair value of investment properties at 31 March 2018 arising from	Retail £'000	Office & Industrial £'000	Other £'000	Total £'000
Increase in rental value by 5%	400	1,610	—	2,010
Decrease in rental value by 5%	(425)	(1,520)	—	(1,945)
Increase in yield by 0.5%	(5,950)	(3,970)	(1,125)	(11,045)
Decrease in yield by 0.5%	6,800	5,370	1,770	13,940



# Notes to the Financial Statements

continued

## 11 Financial Instruments

### Risk management policies and procedures

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

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

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

The Manager's policies and processes for managing these risks are summarised on pages 36 to 37 and have been applied throughout the year.

### 11.1 Market price risk

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

#### Management of the risk

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

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

	2019 £'000	2018 £'000
Investments held at fair value	1,291,442	1,316,046
CFD long gross exposure	166,656	125,677

#### Concentration of exposure to price risks

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

#### Price risk sensitivity

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

	2019 Increase in fair value £'000	2019 Decrease in fair value £'000	2018 Increase in fair value £'000	2018 Decrease in fair value £'000
Statement of Comprehensive Income – profit after tax				
Revenue return	(87)	87	(92)	92
Capital return	193,000	(193,000)	197,241	(197,241)
Change to the profit after tax for the year/shareholders' funds	192,913	(192,913)	197,149	(197,149)
Change to total earnings per Ordinary share	60.79p	(60.79)p	62.12p	(62.12)p

### 11.2 Currency risk

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

# Notes to the Financial Statements

continued

## 11 Financial Instruments *continued*

### 11.2 Currency risk *continued*

#### Management of the risk

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

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

#### Foreign currency exposure

At the reporting date the Group had the following exposure:

(Sterling has been shown for reference)

Currency	2019	2018
Sterling	27.1%	29.1%
Euro	57.1%	56.9%
Swedish Krona	9.6%	8.0%
Other	6.2%	6.0%

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

	Sterling £'000	Euro £'000	Swedish Krona £'000	Other £'000
<b>2019</b>				
Receivables (due from brokers, dividends and other income receivable)	6,033	46,556	–	334
Cash at bank and on deposit	8,060	34,212	8,498	1,512
Bank loans, loan notes and overdrafts	(15,000)	(43,085)	–	–
Payables (due to brokers, accruals and other creditors)	(10,867)	(274)	(1,379)	–
FX forwards	(157,239)	104,396	–	54,812
Total foreign currency exposure on net monetary items	(169,013)	141,805	7,119	56,658
Investments held at fair value	529,104	617,028	120,312	24,998
Non-current assets	243	–	–	–
Total currency exposure	360,334	758,833	127,431	81,656
<b>2018</b>				
Receivables (due from brokers, dividends and other income receivable)	7,535	24,450	–	–
Cash at bank and on deposit	3,523	12,773	561	1,257
Bank loans, loan notes and overdrafts	(56,000)	(43,875)	–	–
Payables (due to brokers, accruals and other creditors)	(11,428)	(170)	–	–
FX forwards	(78,883)	63,282	(16,940)	33,185
Total foreign currency exposure on net monetary items	(135,253)	56,460	(16,379)	34,442
Investments held at fair value	500,131	658,333	116,951	40,631
Non-current assets	243	–	–	–
Total currency exposure	365,121	714,793	100,572	75,073

#### Foreign currency sensitivity

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

It assumes the following changes in exchange rates:

Sterling/Euro +/-15% (2018:15%).

Sterling/Swedish Krona +/-15% (2018:15%).

Sterling/Other +/-15% (2018:15%).

# Notes to the Financial Statements

continued

## 11 Financial Instruments *continued*

### 11.2 Currency risk *continued*

#### *Foreign currency sensitivity continued*

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

	Year ended March 2019			Year ended March 2018		
	Euro £'000	Swedish Krona £'000	Other £'000	Euro £'000	Swedish Krona £'000	Other £'000
Statement of Comprehensive Income – profit after tax						
Revenue return	(2,776)	(328)	(177)	(2,841)	(231)	(235)
Capital return	(75,341)	(15,669)	(3,256)	(80,441)	(15,231)	(5,291)
Change to the profit after tax for the year/shareholders' funds	(78,117)	(15,997)	(3,433)	(83,282)	(15,462)	(5,526)
		2019				2018
Change to total earnings per Ordinary share		(30.74)p				(32.86)p

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

	Year ended March 2019			Year ended March 2018		
	Euro £'000	Swedish Krona £'000	Other £'000	Euro £'000	Swedish Krona £'000	Other £'000
Statement of Comprehensive Income – profit after tax						
Revenue return	4,596	401	233	4,484	271	310
Capital return	108,472	21,214	4,407	115,241	20,622	7,164
Change to the profit after tax for the year/shareholders' funds	113,068	21,615	4,640	119,725	20,893	7,474
		2019				2018
Change to total earnings per Ordinary share		43.90p				46.67p

### 11.3 Interest rate risk

Interest rate movements may affect:

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

#### *Management of the risk*

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

The Group has fixed and has had variable rate borrowings during the year. The interest rates on the loan notes is fixed, details are set out in note 13. In addition to the loan notes the Group has unsecured, multi-currency revolving loan facilities which carry variable rates of interest based on the currencies drawn, plus a margin. These facilities total £65,000,000 (2018: £65,000,000)

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

# Notes to the Financial Statements

continued

## 11 Financial Instruments *continued*

### 11.3 Interest rate risk *continued*

#### *Management of the risk continued*

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

#### *Interest rate exposure*

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

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

The Group's exposure to floating interest rates on assets is £92,415,000 (2018: £42,564,000).

The Group's exposure to fixed interest rates on liabilities is £58,085,000 (2018: £58,875,000).

The Group's exposure to floating interest rates on liabilities is £nil (2018: £41,000,000).

Interest receivable and finance costs are at the following rates:

- Interest received on cash balances, or paid on bank overdrafts, is at a margin over LIBOR or its foreign currency equivalent (2018: same).
- Interest paid on borrowings under the multi-currency loan facilities, is at a margin over LIBOR or its foreign currency equivalent for the type of loan (2018: same).
- The finance charges on the €50m and £15m loan notes are at interest rates of 1.92% and 3.59% respectively.

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

#### *Interest rate sensitivity*

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

	2019 2% Increase £'000	2019 2% Decrease £'000	2018 2% Increase £'000	2018 2% Decrease £'000
Change to shareholders' funds	556	(556)	(928)	928
Change to total earnings per Ordinary share	0.18p	(0.18)p	(0.29)p	0.29p

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

### 11.4 Liquidity risk

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

In certain market conditions, the liquidity of direct property investments may be reduced. At 31 March 2019, 7% (2018: 7%) of the Group's investment portfolio was held in direct property investments.

At 31 March 2019, 93% (2018: 93%) of the Group's investment portfolio is held in listed securities which are predominantly readily realisable.

Bank loan facilities are short term revolving loans which it is intended are renewed or replaced but renewal cannot be certain.

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

# Notes to the Financial Statements

continued

## 11 Financial Instruments *continued*

### 11.4 Liquidity risk *continued*

**Debt and Financing maturity profile:**

	Within 1 year £'000	Within 1-2 years £'000	Within 2-3 years £'000	Within 3-4 years £'000	Within 4-5 years £'000	More than 5 years £'000	Total £'000
<b>At 31 March 2019</b>							
Bank loans*	–	–	–	–	–	–	–
Loan notes	–	–	–	–	–	58,085	58,085
Projected interest cash flows on bank and loan notes	1,366	1,366	1,366	1,366	1,366	5,423	12,253
Accruals and deferred income	7,440	–	–	–	–	–	7,440
Other creditors	392	–	–	–	–	–	392
	<b>9,198</b>	<b>1,366</b>	<b>1,366</b>	<b>1,366</b>	<b>1,366</b>	<b>63,508</b>	<b>78,170</b>
<b>At 31 March 2018</b>							
Bank loans	41,000	–	–	–	–	–	41,000
Loan notes	–	–	–	–	–	58,875	58,875
Projected interest cash flows on bank and loan notes	1,888	1,381	1,381	1,381	1,381	6,834	14,246
Accruals and deferred income	11,160	–	–	–	–	–	11,160
Other creditors	383	–	–	–	–	–	383
	<b>54,431</b>	<b>1,381</b>	<b>1,381</b>	<b>1,381</b>	<b>1,381</b>	<b>65,709</b>	<b>125,664</b>

\* A £35m multicurrency facility with RBS was renewed for one year in January 2019. Enil was drawn on this facility at the balance sheet date. A £30m one year facility with ING Luxembourg was renewed in July 2018. Enil was drawn on this facility at the balance sheet date.

### **Management of the risk**

The Manager sets guidelines for the maximum exposure of the portfolio to unquoted and direct property investments. These are set out in the Investment Policies on page 25. All unquoted investments with a value over £1m and direct property investments with a value over £5m must be approved by the Board for purchase.

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

### 11.5 Credit risk

The failure of a counterparty to a transaction to discharge its obligations under that transaction could result in the Group suffering a loss. At the period end the largest counterparty risk, which the Group was exposed to was within Debtors and Cash and cash equivalents where the total bank balances held with one counterparty was £41,620,000 (2018: £24,450,000).

### **Management of the risk**

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



# Notes to the Financial Statements

continued

## 11 Financial Instruments *continued*

### 11.5 Credit risk *continued*

#### Credit risk exposure

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

	2019 Balance Sheet £'000	2019 Maximum exposure £'000	2018 Balance Sheet £'000	2018 Maximum exposure £'000
Debtors	54,892	54,892	32,574	32,574
Cash and cash equivalents	52,282	52,282	18,114	18,114
	107,174	107,174	50,688	50,688

#### Offsetting disclosures

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

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

At 31 March 2019 and 2018, the Group's derivative assets and liabilities (by type and counterparty) are as follows:

	Year ended 2019 Net amounts of financial assets/(liabilities) presented in the Balance Sheet £'000		Year ended 2018 Net amounts of financial assets/(liabilities) presented in the Balance Sheet £'000	
		Cash collateral pledged £'000		Cash collateral pledged £'000
CFD positions:				
ING	(3,210)	40,133	495	24,450
	(3,210)	40,133	495	24,450
FX forward contracts:				
Barclays	1,440	—	—	—
BNP Paribas	(33)	—	644	—
CIBC	651	—	—	—
JP Morgan	(112)	—	—	—
Societe Generale	23	—	—	—
	1,969	—	644	—

# Notes to the Financial Statements

continued

## 11 Financial Instruments *continued*

### 11.6 Fair values of financial assets and financial liabilities

Except for the loan notes which are measured at amortised cost (refer to Note 13), the fair values of the financial assets and financial liabilities are either carried in the balance sheet at their fair value (investments) or the balance sheet amount is a reasonable approximation of fair value (debtors, creditors, cash at bank and bank overdrafts, accruals and prepayments).

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

The fair value of contracts for difference are based on the underlying listed investment value as set out above and the amount due from or to the counterparty under the contract is recorded as an asset or liability accordingly, which is disclosed in Note 13 for the current year.

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

There was one unquoted investment at the Balance Sheet date, Atrato, with a total value of £377,000 (2018: Atrato, £153,000).

The amounts of change in fair value for investments including net returns on CFDs recognised in the profit or loss for the year was a profit of £78,214,000 (2018: profit of £146,828,000).

### 11.7 Capital management policies and procedures

The Group's capital management objectives are:

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

The equity capital of the Group at 31 March 2019 consisted of called up share capital, share premium, capital redemption and revenue reserves totalling £1,328,254,000 (2018: £1,255,559,000). The Group does not regard the loan notes and loans as permanent capital.

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

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

## 12 Debtors

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Amounts falling due within one year:				
Securities and properties sold for future settlement	3,603	3,603	269	269
Tax recoverable	1,296	1,174	1,296	1,174
Prepayments and accrued income <sup>1</sup>	5,666	5,666	4,537	4,537
Foreign exchange forward contracts for settlement	1,969	1,969	644	644
Amounts receivable in respect of Contracts for Difference	–	–	495	495
CFD margin cash	40,133	40,133	24,450	24,450
Other debtors	2,225	2,225	883	883
	<b>54,892</b>	<b>54,770</b>	32,574	32,452
Non-current assets				
Deferred taxation asset	243	243	243	243

<sup>1</sup>Includes amounts in respect of rent free periods.

# Notes to the Financial Statements

continued

## 13 Current and non-current liabilities

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Amounts falling due within one year:				
Bank loans and overdrafts	–	–	41,000	41,000
Securities and properties purchased for future settlement	1,474	1,474	–	–
Amounts due to subsidiaries	–	50,359	–	50,361
Amounts payable in respect of Contracts for Difference	3,210	3,210	–	–
Tax payable	4	4	–	–
Accruals and deferred income	7,359	7,324	11,160	11,149
Other creditors	473	467	383	377
	<b>12,520</b>	<b>62,838</b>	52,543	102,887
Non-current liabilities				
1.92% Euro Loan Notes 2026	43,085	43,085	43,875	43,875
3.59% GBP Loan Notes 2031	15,000	15,000	15,000	15,000
	<b>58,085</b>	<b>58,085</b>	58,875	58,875

### Loan Notes

On the 10 February 2016, the Company issued 1.92% Unsecured Euro 50,000,000 Loan Notes and 3.59% Unsecured GBP 15,000,000 Loan Notes which are due to be redeemed at par on the 10th February 2026 and 10 February 2031 respectively.

The fair value of the 1.92% Euro Loan Notes was £43,255,000 (2018: £44,003,000) and the 3.59% GBP Loan Notes was £15,373,000 (2018: £15,271,000) at 31 March 2019. Using the IFRS 13 fair value hierarchy the Loan Notes are deemed to be categorised within Level 2.

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

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

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

### Multi-currency revolving loan facilities

The Group also had unsecured, multi-currency, revolving short-term loan facilities totalling £65,000,000 (2018: £65,000,000) at 31 March 2019. At 31 March 2019 £nil was drawn on these facilities (2018: £41,000,000).

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

### Reconciliation of liabilities arising from financing activities

	Long term debt £'000	Short term debt £'000	Total £'000
Group and Company			
Opening liabilities from financing activities at 31 March 2018	58,875	41,000	99,875
Cash flows:			
Repayment of bank loans	–	(41,000)	(41,000)
Movement on foreign exchange	(790)	–	(790)
Closing liabilities from financing activities at 31 March 2019	58,085	–	58,085

### Net debt

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

# Notes to the Financial Statements

continued

## 13 Current and non-current liabilities *continued*

The net gearing has been calculated as follows:

	Group 2019 £'000	Group 2018 £'000
Loan notes	58,085	58,875
Loans	–	41,000
CFD positions (notional exposure)	166,656	125,677
Less: Cash	(52,282)	(18,114)
Less: Cash collateral (included within 'Other debtors' in Note 12)	(40,133)	(24,450)
	132,326	182,988
Equity shareholders' funds	1,328,254	1,255,559
Net gearing	10.0%	14.6%

## 14 Called up share capital

### Ordinary share capital

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

	Number	Issued, allotted and fully paid £'000
Ordinary shares of 25p		
At 1 April 2018	317,350,980	79,338
At 31 March 2019	317,350,980	79,338

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

During the year, the Company made no market purchases for cancellation of Ordinary shares of 25p each (2018: none).

Since 31 March 2019 no Ordinary shares have been purchased and cancelled.

## 15 Share premium account and capital redemption reserve

### Share premium account

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

### Capital redemption reserve

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

# Notes to the Financial Statements

continued

## 16 Retained earnings

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Investment holding gains	402,635	435,107	404,279	436,779
Realised capital reserves	688,986	662,303	621,391	594,708
	1,091,621	1,097,410	1,025,670	1,031,487
Revenue reserve	70,162	64,373	63,418	57,601
	1,161,783	1,161,783	1,089,088	1,089,088

Group investment holding gains at 31 March 2019 include a £955,000 loss (2018: £1,179,000 loss) relating to unlisted investments and gains of £45,164,000 (2018: £41,246,000) relating to investment properties.

Company investment holding gains at 31 March 2019 include gains of £76,680,000 (2018: £72,568,000) relating to unlisted and subsidiary investments with a £44,024,000 revaluation gain (2018: £40,106,000 gain) relating to investment properties. Dividends are only distributable from the revenue reserve.

## 17 Dividends

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2018 of 7.55p (2017: 6.40p) per Ordinary share	23,960	20,310
Interim dividend for the year ended 31 March 2019 of 4.90p (2018: 4.65p) per Ordinary share	15,550	14,757
	39,510	35,067
Amounts not recognised as distributions to equity holders in the year:		
Proposed final dividend for the year ended 31 March 2019 of 8.60p (2018: 7.55p) per Ordinary share	27,292	23,960

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

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

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Interim dividend for the year ended 31 March 2019 of 4.90p (2018: 4.65p) per Ordinary share	15,550	14,757
Proposed final dividend for the year ended 31 March 2019 of 8.60p (2018: 7.55p) per Ordinary share	27,292	23,960
	42,842	38,717

# Notes to the Financial Statements

continued

## 18 Company Statement of Comprehensive Income

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The net profit after taxation of the Company dealt with in the accounts of the Group was £112,205,000 (2018: £172,202,000).

## 19 Net asset value per Ordinary share

Net asset value per Ordinary share is based on the net assets attributable to Ordinary shares of £1,328,254,000 (2018: £1,255,559,000) and on 317,350,980 (2018: 317,350,980) Ordinary shares in issue at the year end.

## 20 Commitments and contingent liabilities

At 31 March 2019 the Group had capital commitments of £337,000 (2018: nil) but no contingent liabilities (2018: nil).

## 21 Subsidiaries

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

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



# Notes to the Financial Statements

continued

## 21 Subsidiaries *continued*

Name	Reg. Number	Principal activity
New England Developments Limited	1385909	Non-trading company
New England Investments Limited	2613905	Non-trading company
New England Retail Properties Limited	1447221	Non-trading company
New England (Southern) Limited	1787371	Non-trading company
Sapco One Limited	803940	Non-trading company
Trust Union Properties Limited	2134624	Non-trading company
Trust Union Finance Limited	1233998	Investment holding and finance company
TR Property Finance Limited	2415941	Investment holding and finance company
Trust Union Properties (South Bank) Limited	2420097	Non-trading company

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

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

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

## 22 Related party transactions disclosures

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. The balances are interest free, unsecured and repayable on demand.

Amounts due by the Company to subsidiaries per note 13.

	2019 £'000	2018 £'000
The Colonnades Limited	22,619	22,619
TR Property Finance Limited	27,760	27,762
New England Properties Limited	(20)	(20)
	50,359	50,361

### Remuneration of key management personnel

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

### Directors' transactions

Transactions in shares by directors are considered to be a related party transaction due to the nature of their role as directors. Movements in directors' shareholdings are disclosed within the Directors' Remuneration Report on page 49.

Dividends totalling £11,000 (2018: £10,000) were paid in the year in respect of shares held by the Company's directors.

# Glossary and AIFMD disclosure

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## 1.0 Alternative Performance Measures

Alternative Performance Measures are numerical measures of the Company's current or historical performance, financial position or cash flows, other than the financial measures defined or specified in the Financial Statements.

The measures defined below are considered to be Alternative Performance Measures. They are viewed as particularly relevant and are frequently quoted for closed ended investment companies.

### **Total Return**

The NAV Total Return is calculated by reinvesting in the dividends in the assets of the Company from the relevant ex-dividend date. Dividends are deemed to be reinvested on the ex-dividend date as this is the protocol used by the Company's benchmark and other indices. The Share Price Total Return is calculated by reinvesting the dividends in the shares of the Company from the relevant ex-dividend date.

### **Net Debt**

Net debt is the total value of loan notes, loans (including notional exposure to CFDs) less cash as a proportion of net asset value. The calculation is set out in note 13 to the Financial Statements.

### **Ongoing Charges**

The Ongoing Charges ratio has been calculated in accordance with the guidance issued by the AIC as the total of investment management fees and administrative expenses expressed as a percentage of the average Net Asset Values throughout the year. The definition of administrative expenses does include property related expenses, the Ongoing Charges calculation is shown inclusive and exclusive of these expenses to allow comparison of the direct administrative and management charges with the majority of Investment Trusts which do not hold any direct property investments.

The Ongoing charges ratio provided in the Company's Key Information Document is calculated in line with the PRIIPs regulations which is different to the AIC methodology above.

# Glossary and AIFMD disclosure

continued

## 2.0 Glossary of Terms and Definitions

AIFMD	The Alternative Fund Managers Directive is European legislation which created a European wide framework for regulating the managers of “alternative investment funds” (AIFs). Any fund which is not a UCITS (Undertakings for Collective Investment in Transferable Securities) fund and which is managed or marketed in the EU.
AIC	The Association of Investment Companies – the AIC is the representative body for closed-ended investment companies.
Alternative Performance Measure	A financial measure of financial performance or financial position other than a financial measure defined or specified in the accounting statements.
Discount	The amount by which the market price of a share of an investment trust is lower than the Net Asset Value per share expressed as a percentage of the NAV per share.
Key Information Document	<p>Under the PRIIPs Regulations a short, consumer friendly Key Information Document is required setting out the key features, risks, rewards and costs of the PRIIP and is intended to assist investors to better understand the Trust and make comparisons between Trusts.</p> <p>The document includes estimates of investment performance under a number of scenarios. These calculations are prescribed by the regulation and are based purely on recent historical data. It is important for investors to note that there is no judgement applied and these do not in any way reflect the Board or Mangers views.</p>
Key Performance Indicator “KPI”	A “KPI” is a quantifiable measure that evaluates how successful the trust is in meeting its objectives. The Trust’s KPIs are discussed on pages 27 to 29.
MiFID	The Markets in Financial Instruments Directive is the EU legislation that regulates firms who provide services to clients linked to “financial instruments” (shares, bonds, units in collective investment schemes and derivatives) and the venues where those instruments are traded.
Net Asset Value (NAV) per share	The value of total assets less liabilities (including borrowings) divided by the number of shares in issue.

# Glossary and AIFMD disclosure

continued

## 3.0 Alternative Investment Fund Managers Directive (“AIFMD”)

In accordance with the AIFMD, information in relation to the Company’s leverage and remuneration of the Company’s AIFM, F&C Investment Business Limited, is required to be made available to investors. Detailed regulatory disclosures including those on the AIFM’s remuneration policy are available on the F&C website or from F&C on request. The numerical remuneration disclosures in relation to the AIFM’s first relevant accounting period will be made available in due course.

### Leverage

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

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

The table below sets out the current maximum permitted limit and the actual level of leverage for the Company as at 31 March 2019:

Leverage exposure	Gross method	Commitment method
Maximum permitted limit	200%	200%
Actual	128%	127%

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

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

# Notice of Annual General Meeting

## THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Notice is hereby given that the Annual General Meeting of TR Property Investment Trust plc (the "Company") will be held at 2.30 pm on 23 July 2019 at the Royal Automobile Club, 89/91 Pall Mall, London SW1Y 5HS for the purpose of transacting the following business:

To consider and, if thought fit, pass the following Resolutions, of which Resolutions 1 to 10 will be proposed as Ordinary Resolutions and Resolutions 11 and 12 shall be proposed as Special Resolutions.

- 1** To receive the Report of the Directors and the Audited Accounts for the year ended 31 March 2019.
- 2** To approve the Directors' Remuneration Report for the year ended 31 March 2019.
- 3** To declare a final dividend of 8.60p per Ordinary share.
- 4** To re-elect Simon Marrison as a Director.
- 5** To re-elect Hugh Seaborn as a Director.
- 6** To re-elect David Watson as a Director.
- 7** To re-elect Tim Gillbanks as a Director.
- 8** To re-appoint KPMG LLP as auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company.
- 9** To authorise the Directors to determine the remuneration of the Auditor.
- 10** THAT the Directors be generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to a nominal value of £26,181,455 (being approximately 33% of the total issued share capital of the Company as at the latest practicable date prior to publication of this Notice) provided that this authority shall expire at the date of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 23 October 2020), save that the Company shall be entitled to make offers or agreements before the expiry of this authority which would or might require shares to be allotted or rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant rights pursuant to any such offers or agreements as if this authority had not expired.

## 11 THAT

- (a) (subject to the passing of Resolution 10 set out above) the directors be empowered pursuant to Section 570 and Section 573 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 10 above and/or to sell shares held by the Company as treasury shares for cash as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
  - (i) the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities:
    - (aa) to shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
    - (bb) to holders of other equity securities, as required by the rights of those securities, or as the Board otherwise considers necessary,and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
  - (ii) in the case of the authority granted under Resolution 10 and/or in the case of any sale of treasury shares for cash, to the allotment (otherwise than under paragraph (i) above) of equity securities or sale of treasury shares up to a nominal amount of £3,966,887 (being approximately 5% of the total issued share capital of the Company as at the latest practicable date prior to publication of the notice of meeting),
- (b) the power given by this resolution shall expire upon the expiry of the authority conferred by Resolution 10 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

# Notice of Annual General Meeting

*continued*

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

- (a) the maximum number of Ordinary shares hereby authorised to be purchased shall be 14.99% of the Company's Ordinary shares in issue at the date of the Annual General Meeting (equivalent to 47,570,911 Ordinary shares of 25p each at 6 June 2019, the latest practicable date prior to publication of this Notice);
- (b) the maximum price (exclusive of expenses) which may be paid for any such share shall not be more than the higher of:
  - (i) 105% of the average of the middle market quotations for an Ordinary share as taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Company agrees to buy the shares concerned; and
  - (ii) the higher of the price of the last independent trade and the highest current independent bid for an Ordinary share in the Company on the trading venue where the purchase is carried out at the relevant time;

- (c) the minimum price (exclusive of expenses) which may be paid for an Ordinary share shall be 25p, being the nominal value per Ordinary share; and
- (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2020, save that the Company shall be entitled to enter into a contract to purchase Ordinary shares which will, or may, be completed or executed wholly or partly after the power expires and the Company may purchase Ordinary shares pursuant to such contract as if the power conferred hereby had not expired.

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

By Order of the Board

For and on behalf of  
**Link Company Matters Limited**  
*Secretary*  
6 June 2019



# Notice of Annual General Meeting

continued

## Directions Pall Mall Clubhouse



**The Royal Automobile Club has a dress code: Jacket and tie**

### Notes to the Notice of Annual General Meeting

- 1 Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting ("AGM") provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. To appoint more than one proxy, the proxy form should be photocopied and the name of the proxy to be appointed indicated on each proxy form together with the number of shares that such proxy is appointed in respect of.

To be valid any proxy form or other instrument appointing a proxy must be returned by post, by courier or by hand to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, or alternatively, by going to [www.eproxyappointment.com](http://www.eproxyappointment.com) and following the instructions provided. All proxies must be appointed by no later than 48 hours before the time of the AGM. The return of a completed proxy form or other such instrument will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.

- 2 In order to be able to attend and vote at the AGM or any adjourned meeting (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the Register of Members of the Company by 6.00 pm on 21 July 2019 (or 6.00 pm on the

date two days before any adjourned meeting). Changes to entries on the Register of Members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

- 3 Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006.

The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

- 4 Any corporation which is a member of the Company can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
- 5 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
- 6 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on 23 July 2019 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their

# Notice of Annual General Meeting

continued

CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

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

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

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

- 7** Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- 8** A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at [www.trproperty.com](http://www.trproperty.com).
- 9** Members satisfying the thresholds in section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless: (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the AGM.
- 10** Members satisfying the thresholds in section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM. A matter may properly be included in the business at the AGM unless: (i) it is defamatory of any person; or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the AGM.
- 11** Biographical details of the directors are shown on page 53 of the Annual Report & Accounts.
- 12** As at 6 June 2019 (being the latest practicable day prior to publication of this Notice), the issued share capital of the Company is 317,350,980 Ordinary shares of 25p each. Therefore, the total number of voting rights in the Company at 6 June 2019 is 317,350,980.
- 13** The terms of reference of the Audit Committee, the Management Engagement Committee, the Nomination Committee and the Letters of Appointment for directors will be available for inspection for at least 15 minutes prior to and during the Company's AGM.
- 14** You may not use any electronic address provided either in this Notice or any related documents to communicate for any purposes other than those expressly stated.

# Explanation of Notice of Annual General Meeting

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

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

## Resolutions 4, 5, 6 and 7: Election and Re-election of Directors

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

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

## Resolutions 8 and 9: Auditor

These deal with the reappointment of the Auditor, KPMG LLP, and the authorisation for the directors to determine their remuneration.

## Resolution 10: Allotment of share capital

Our Board considers it appropriate that an authority be granted to allot shares in the capital of the Company up to a maximum nominal amount of £26,181,455 (representing approximately 33% of the Company's issued share capital as at 6 June 2019, being the latest practical date prior to publication of this Notice of the meeting). As at the date of this notice the Company does not hold any shares in treasury.

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

This authority will expire at the earlier of close of business on 23 October 2020 and the conclusion of the Annual General Meeting of the Company to be held in 2020.

## Resolution 11: Disapplication of statutory pre-emption rights

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

This authority would be limited to allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the board otherwise considers necessary, or otherwise up to an aggregate nominal amount of £3,966,887. This aggregate nominal amount represents 5% of the total issued share capital of the Company as at 6 June 2019, the latest practicable date prior to publication of this Notice. In respect of this aggregate nominal amount, the directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling 3-year period where the Principles provide that usage in excess of 7.5% should not take place without prior consultation with shareholders.

The authority will expire at the earlier of close of business on 23 October 2020 and the conclusion of the Annual General Meeting of the Company to be held in 2020.

## Resolution 12: Authority to make Market Purchases of the Company's Ordinary shares

At the AGM held on 24 July 2018, a special resolution was proposed and passed, giving the directors authority, until the conclusion of the AGM in 2019, to make market purchases of the Company's own issued shares up to a maximum of 14.99% of the issued share capital.

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

# Explanation of Notice of Annual General Meeting

*continued*

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

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

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

- (i) 105% of the average of the middle market quotations for an Ordinary share as taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Company agrees to buy shares concerned; and
- (ii) the higher of the price of the last independent trade and the highest current independent bid for an Ordinary share in the Company on the trading venue where the purchase is carried out.

The minimum price to be paid will be 25p per Ordinary share (being the nominal value). The Listing Rules also limit a listed company to purchases of shares representing up to 15% of its issued share capital in the market pursuant to a general authority such as this. For this reason, the Company is limiting its authority to make such purchases to 14.99% of the Company's Ordinary shares in issue at the date of the AGM; this is equivalent to 47,570,911 Ordinary shares of 25p each (nominal value £11,892,727) at 6 June 2019, the latest practicable date prior to publication this Notice. The authority will last until the Annual General Meeting of the Company to be held in 2020.

## Recommendation

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



# Directors and Other Information

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## Directors

H Seaborn (Chairman)  
T Gillbanks  
S Marrison  
D Watson

## Registered Office

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

## Registered Number

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

## AIFM

BMO Investment Business Limited  
Exchange House  
Primrose Street  
London EC2A 2NY

## Portfolio Manager

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

## Fund Manager

M A Phayre-Mudge MRICS

## Finance Manager and Investor Relations

J L Elliott ACA

## Deputy Fund Manager

A Lhonneur

## Direct Property Manager

G P Gay MRICS

**aic**

The Association of  
Investment Companies

## Secretary

Link Company Matters Limited  
65 Gresham Street  
London EC2V 7NQ

## Registrar

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

## Auditor

KPMG LLP  
15 Canada Square  
London E14 SGL

## Stockbrokers

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

Stifel Nicolaus Europe Limited  
150 Cheapside  
London EC2V 6ET

## Solicitors

Slaughter and May  
One Bunhill Row  
London EC1Y 8YY

## Depositary, Custodian and Fund Administrator

BNP Paribas Securities Services  
10 Harewood Avenue  
London NW1 6AA

## Website

[www.trproperty.com](http://www.trproperty.com)

## Tax Advisers

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

# General Shareholder Information

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## Release of Results

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

## Annual General Meeting

The AGM is held in London in July.

## Dividend Payment Dates

Dividends are usually paid on the Ordinary shares as follows:

Interim: January

Final: August

## Dividend Payments

Dividends can be paid to shareholders by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar.

Alternatively, shareholders can write to the Registrar (the address is given on page 98 of this report) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

## Dividend Re-investment Plan ("DRIP")

TR Property Investment Trust plc now offers shareholders the opportunity to purchase further shares in the Company through the DRIP. DRIP forms may be obtained from Computershare Investor Services PLC through their secure website [www.investorcentre.co.uk](http://www.investorcentre.co.uk), or by phoning 0370 707 1694. Charges do apply; dealing commission of 0.75% (subject to a minimum of £2.50). Government stamp duty of 0.5% also applies.

## Share Price Listings

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

## Share Price Information

ISIN GB0009064097

SEDOL 0906409

Bloomberg TRY:LN

Reuters TRY:L

Datastream TRY

## Benchmark

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

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

## Internet

Details of the market price and Net Asset Value of the Ordinary shares can be found on the Company's website at [www.trproperty.com](http://www.trproperty.com).

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

## Disability Act

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

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

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



# General Shareholder Information

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## Nominee Share Code

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

## CGT Base Cost

### ***Taxation of capital gains for shareholders who formerly held Sigma shares***

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

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

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

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

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

# Investing in TR Property Investment Trust plc

## Market Purchases

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

## Holding shares in Certificated Form

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

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

## Saving Schemes, ISAs and other plans

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

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

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

### *Alliance Trust Savings*

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

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

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

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

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

## Saving Schemes and ISAs transferred from BNP Paribas

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

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

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

# Investing in TR Property Investment Trust plc

*continued*

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## Share Fraud and boiler room scams

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

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

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

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

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

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

# How to Invest

One of the most convenient ways to invest in TR Property Investment Trust plc is through one of the savings plans run by BMO.

## BMO Investment Trust ISA

You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the 2019/20 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. You can also transfer any existing ISAs to us whilst maintaining the tax benefits.

## BMO Junior ISA (JISA)\*

You can invest up to £4,368 for the tax year 2019/20 from £500 lump sum or £30 a month per Trust, or a combination of both. Please note, if your child already has a Child Trust Fund (CTF), then you cannot open a separate JISA, however you can transfer the existing CTF (held either with BMO or another provider) to a BMO JISA.

## BMO Child Trust Fund (CTF)\*

If your child has a CTF you can invest up to £4,368 for the 2019/20 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. You can also transfer a CTF from another provider to a BMO CTF. Please note, the CTF has been replaced by the JISA and is only available to investors who already hold a CTF.

## BMO General Investment Account (GIA)

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

## BMO Junior Investment Account (JIA)

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

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

## Charges

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

### Annual account charge

**ISA:** £60+VAT

**GIA:** £40+VAT

**JISA/JIA/CTF:** £25+VAT

You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits).

### Dealing charges

**ISA:** 0.2%

**GIA/JIA/JISA:** postal instructions £12, online instructions £8 per Trust.

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

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

Government stamp duty of 0.5% also applies on the purchase of shares (where applicable).

There may be additional charges made if you transfer a plan to another provider or transfer the shares from your plan.

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please ensure you have read the full Terms and Conditions, Privacy Policy and relevant Key Features documents before investing. For regulatory purposes, please ensure you have read the Pre-sales cost disclosures related to the product you are applying for, and the relevant Key Information Documents (KIDs) for the investment trusts you are wanting to invest into.

## How to Invest

To open a new BMO plan, apply online at [bmogam.com/apply](https://bmogam.com/apply)

Note, this is not available if you are transferring an existing plan with another provider to BMO, or if you are applying for a new plan in more than one name.

## New Customers

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

Email: [info@bmogam.com](mailto:info@bmogam.com)

## Existing Plan Holders

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

Email: [investor.enquiries@bmogam.com](mailto:investor.enquiries@bmogam.com)

By post: BMO Administration Centre

PO Box 11114

Chelmsford

CM99 2DG

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include:

**Alliance Trust Savings, Barclays Stockbrokers, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, Selftrade, The Share Centre**




## BMO Asset Management Limited

0345 600 3030, 9.00 am – 5.00 pm, weekdays, calls may be recorded or monitored for training and quality purposes.

BMO Asset Management Limited is authorised and regulated by the Financial Conduct Authority and is a member of BMO Global Asset Management EMEA of which the ultimate parent company is the Bank of Montreal. 156\_04/19\_CM11982

TR Property Investment  
Trust plc is managed by



BMO  A part of BMO Financial Group

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