TR Property Investment Trust plc

Report & Accounts for the year ended 31 March 2007

TR Property Investment Trust plc

Contents

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Highlights

- Share price total return of 24.4%
- NAV total return of 31.8%
- Full year dividend per share increase of 20.6%
- Outperformed Benchmark for 9th consecutive year

Dividend

Subject to shareholder approval at the Annual General Meeting on 24 July 2007, a final dividend of 2.40p (2006: 1.90p) per ordinary share will be paid on 31 July 2007 to shareholders on the register on 29 June 2007. The shares will be quoted ex-dividend on 27 June 2007.

The objective of TR Property Investment Trust plc is to maximise shareholders' total returns by investing in property shares and property on an international basis. Around 93% of the Company's assets are currently invested in Pan-European listed property securities with the balance in directly owned UK real estate.

Investment Selection

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

Benchmark

For the financial year to 31 March 2007 the Benchmark has been the S&P/Citigroup European Property Index in Sterling. The website www.globalindices.standardandpoors.com contains further details.

With effect from 1 April 2007 the Benchmark is the FTSE EPRA/NAREIT Europe Index in Sterling. This index, calculated by FTSE, is freefloat based and currently has 101 constituent companies. The Benchmark website www.epra.com contains further details about the index and performance.

Independent Board

The directors are all independent of the management company and meet regularly to consider investment strategy and to monitor performance.

ISA and Share Plan

Details of how the shares can be bought through the TR Property Share Plan and the TR Property ISA are given on page 60 and the inside back cover.

Website

Information about the Company can be found on the website www.trproperty.co.uk

Financial Highlights

	31 March 2007	31 March 2006	Change
Revenue			
Total income (£'000)	26,226	23,143	+13.3%
Income from operations before tax (£'000)	16,067	13,874	+15.8%
Earnings per ordinary share	69.25p	81.29p	-14.8%*
Revenue earnings per ordinary share	4.09p	3.44p	+18.9%
Net dividend per ordinary share	4.10p	3.40p	+20.6%
Balance Sheet			
Investments held at fair value (£'000)	1,082,398	881,943	+22.7%
Shareholders' funds (£'000)	972,944	770,593	+26.3%
Shares in issue at end of period (m)	334.6	343.9	-2.7%
Gearing	9%	12%	
Net asset value per share	290.78p	224.11p	+29.7%

*The IFRS definition of earnings per ordinary share includes capital return

Performance

Assets and Benchmark

	Year ended 31 March 2007	Year ended 31 March 2006
Benchmark performance (price only)	+24.5%	+43.3%
NAV change	+29.7%	+53.8%
Benchmark performance (total return)	+27.5%	+48.0%
NAV total return	+31.8%	+56.5%
IPD Monthly Index total return**	+15.6%	+20.9%
Total return from direct property	+23.3%	+21.5%

Performance

Share Price

	31 March 2007	31 March 2006	Change
Share price	256.5p	209.5p	+22.4%
Share price total return	+24.4%	+66.3%	
Market capitalisation	£858m	£720m	+19.2%

Sources: Thames River Capital/**IPD monthly to March 2007

Historical Performance for years ended 31 March

	1997	1998	1999	2000	2001	2002	2003	2004	2005† (Restated)	2006†	2007†
Gross revenue~ (£'000)	11,986	12,868	15,182	12,693	13,307	13,751	16,676	16,247	–	–	–
Total income# (£'000)	–	–	–	–	–	–	–	–	19,741	23,143	26,226
Net revenue (per share)											
Earnings	1.42	1.34	1.97	1.41	1.58	1.86	2.30	2.51	2.85	3.44	4.09
Dividends	1.03	1.12	1.27	1.32	1.40	1.65	2.05	2.50	2.85	3.40	4.10
Total assets less current liabilities (£m)	248.3	308.9	292.5	305.8	382.7	382.7	344.3	440.9	544.7	813.6	1,017.0
NAV per share (p)	44.0	54.4*	52.0*	56.5*	73.2*	78.1*	73.0	113.1	145.7	224.1	290.8
Indices of growth (per share)											
Share Price	100	135	121	127	163	181	165	266	359	586	717
Net Asset Value	100	124	118	129	166	177	166	257	331	509	660
Dividend Net	100	109	123	128	136	160	199	243	277	330	398
RPI	100	103	106	108	111	112	116	119	123	125	129
Benchmark**	100	128	102	96	120	122	110	156	195	279	347

~Gross revenue – is as set out in the Statement of Total Return prepared under UK GAAP.
#Total income – is as set out in the Group Income Statement prepared in accordance with IFRS.
*fully diluted for warrant conversion
**a composite index comprising the FTSE Real Estate Index up to the end of September 2001 and the S&P/Citigroup European Property Index thereafter
Source: Thames River Capital
†Figures for 2006 onwards have been prepared in accordance with IFRS. Figures for 2005 have been restated in accordance with IFRS. All previous figures were prepared under UK GAAP.

Annual Returns

Ten years ago, at the end of March 1997, the net asset value was 44.03p per share and the share price was 35.75p. The total compound growth over the decade has been 20.8% pa for the net asset value and 21.8% pa for the share price. The total return numbers, which assume reinvestment of the net dividends, are 24.8% pa for the share price and 23.8% pa for the net asset value. Over the same ten year period, the compound annual price and total returns for the Trust's Benchmark Index have been 13.3% pa and 17.1% pa respectively.

The compound annual growth over the last ten years in the revenue earnings has been 11.2% pa and the dividend has been 14.8%.

Chairman's Statement

Peter Salsbury BSc *Chairman*
7 June 2007

Introduction

The Trust has had another good year against the background of continued growth in real estate values. The net asset value per share increased by almost 30% and outpaced the return on our Benchmark index for the ninth successive year. The share price growth, at 22%, underperformed the NAV, reflecting a widening of the discount to net asset value at which the Trust's shares trade, but this has allowed the Trust to resume share buybacks. Our revenue has grown faster than we anticipated and the Board is able to recommend a 20.6% increase in the full year dividend.

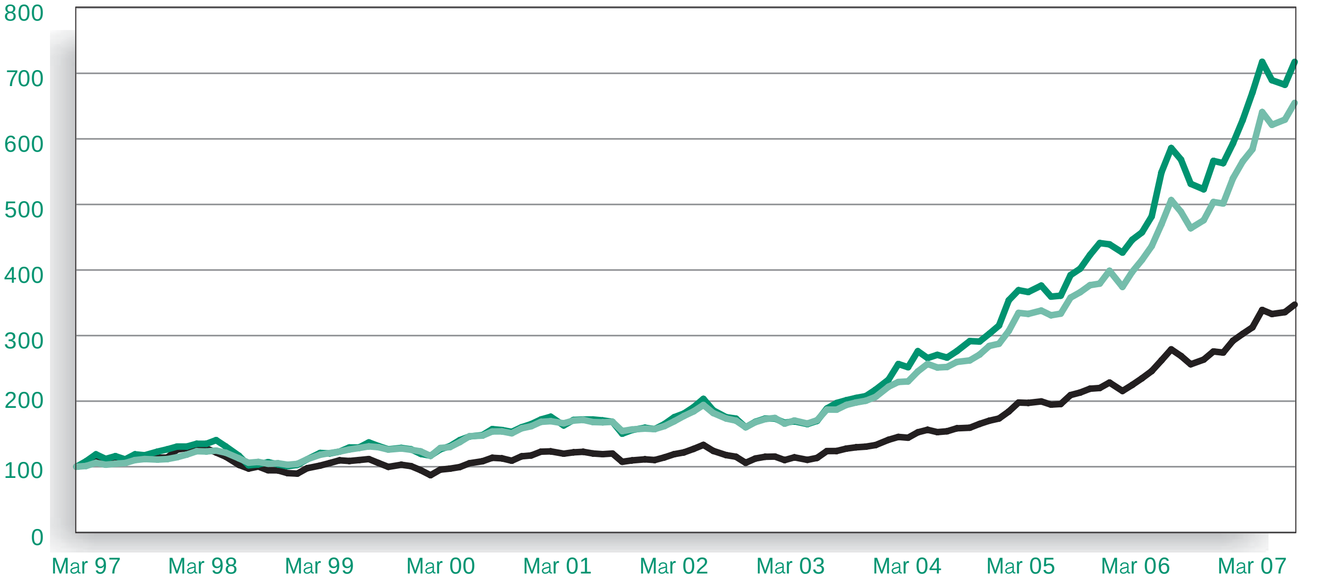
Just after the year end we announced that the Board and its advisors are considering proposals, which, if approved by shareholders and implemented, would result in the creation of a new class of shares in the Trust, concentrated on investment in smaller quoted property companies throughout Europe. The proposals envisage that shareholders will be offered an opportunity to switch a portion of their existing shareholdings into the new class, but that if they wish to take no action, their existing shareholdings and their interest in the Trust's present asset base will remain effectively unchanged. It is expected that the investigations into these proposals will be completed by June 2007, at which point the Board will report further to shareholders explaining what is proposed in detail.

Market Background

European property markets have continued to see very high levels of investor demand over the past twelve months. As a result of this buying pressure initial yields fell again and underlying commercial property values generally rose by an average of 10% to 15%, with rental value growth again making only a very small contribution to capital returns. Property shares did even better thanks to corporate gearing and showed average appreciation of just under 25%. On the Continent property shares continue to trade at significant premiums to asset value, while in

Chairman's Statement continued

Ten Year Performance (price only)



Index of TR Property net asset value and share price compared with a composite benchmark index comprising the FTSE Real Estate Index (for the period 31 March 1997 to 30 September 2001) and the S&P/Citigroup European Property Index (for the period 1 October 2001 to 31 March 2007)

Composite Benchmark Index   TR Property Share Price   TR Property Net Asset Value

the UK premiums have fallen and, despite the arrival of the UK REIT regime, the share prices of several of the largest property companies have recently moved to 10%+ discounts to break-up asset value.

Performance and Benchmark

Over the twelve months ended on 31 March 2007, the Trust's asset value per share rose by 29.7% to 290.78p and the share price increased by 22.4% to 256.50p. These increases compare with a rise of 24.5% in our Benchmark index over the same period. The annual total returns, which include the value of the net dividends paid during the period, were 31.8% for the net asset value, 24.4% for the share price and 27.5% for the Benchmark. Property equities outperformed general equity markets over the year, in which the total return on the FTSE All-Share Index was 11.4% and the total return from the DJ STOXX 600 (in Euros) was 15.1%. The extent of the outperformance has resulted in our managers earning a performance fee of 0.6% of adjusted shareholders' funds.

Change in Benchmark Supplier

The Board decided and announced in March that, from the start of April 2007, the fund manager's performance will be measured against the FTSE EPRA/NAREIT Europe Property Index in Sterling in place of the S&P/Citigroup European Property Index in Sterling. The two Benchmarks are almost identical in content and long term performance, but the EPRA Index is much more widely used in our specialist area, is calculated in real time, offers high quality statistical information and is available on the main financial information service providers. Shareholders can find more information on the EPRA website.

Revenue

The revenue earnings per share for the year are 4.09p per share, an increase of 18.9% over the 3.44p per share reported last year. This growth is markedly higher than our managers' forecast at the interim stage as a result of higher than anticipated dividend receipts in the last quarter of our financial year. Our total income, including the service charges we made to our tenants, increased by 13.3% to £26.2m while expenses, including interest, property outgoings and management fees, rose by 9.6%. That left pre-tax revenue 15.8% higher at £16.1m. The tax charge was lower, in percentage terms, than last year, and revenue earnings also benefited from share repurchases.

Our managers are advising the Board that, subject to unforeseen circumstances, they expect the Trust's revenue per share to increase by around 20% to 30% in the current financial year. Most of our largest UK share holdings are in companies that have elected for REIT status. As a result it is expected that their earnings and dividend payout ratios will see sharp one-off increases to the benefit of our revenue,

Chairman's Statement continued

assuming our portfolio remains in its current shape. Actually pinning down the quantum and timing of these higher dividends is proving difficult as some property company managements are still wrestling with the complexity of the new REIT dividend taxation system and are unwilling to give guidance on future dividend levels.

Dividend

The Board is recommending to shareholders a final dividend of 2.40p per share for the financial year ended 31 March 2007, an increase of 26.3% over the final dividend of 1.90p per share paid last year. Together with the interim dividend of 1.70p per share already paid, this produces a total payment of 4.10p per share for the year, a 20.6% increase over the total of 3.40p per share paid last year. The dividend marginally exceeds stated earnings per ordinary share, however, due to the impact of recent share buybacks the total dividend cost is covered.

Discount and Share Repurchases

The average discount to net asset value over the year was 8.84% – virtually the same as the 8.82% figure for the year to end March 2006. Since December 2006, however, the discount has widened markedly, mirroring the movement in discounts for many of the largest UK property companies, so that the Trust's average discount over the last three months of the financial year was 10.9% and the year end discount of 11.5% compared with a figure of 6.1% at end March 2006. This has had two impacts. Firstly the asset value growth in the financial year exceeded the share price growth and, secondly, it has enabled the Trust to resume its share buyback programme. In February and March 2007 a total of 9.25 million shares, 2.7% of the outstanding capital, were bought back for cancellation at a total cost of £23.07m and an average cost of 249.4p per share. Sales of assets were made to cover these repurchases which garnered a surplus to the remaining shareholders' funds of £3.2m or just under 1p per share. Buybacks also help to control the size of the Trust and this should benefit future relative performance. Our investment universe has grown during the year as a result of flotations of new property companies, but it remains a relatively small and often illiquid universe, and the Trust's total assets, which now exceed the £1 billion level, still represent roughly 1% of the capitalisation of the Benchmark. Buybacks help modestly to make the Trust a little more manoeuvrable.

Debt, Gearing and Currencies

Our debt fell over the year from £98m to £91m and, as net assets rose from £771m to £973m, balance sheet gearing declined from 12% to 9%. Given the current level of uncertainty over the trend in UK inflation and interest rates, the Trust's gearing on balance sheet level is expected to be less than15% over the coming six months.

The Board's long term policy has been not to hedge our foreign currency exposure and this continues to apply to all our mainstream European exposures. A very small number of our shareholdings are now denominated in non-European currencies and these exposures are financed with borrowings in the relevant currency. Over the year the Pound rose against the Euro by 2.7% decreasing the value of the Trust's Continental assets by some £10m, equivalent to 3.0p per share.

Board Appointments and Remuneration

Jeremy Newsum has decided to retire from the Board at the AGM after five years, in order to concentrate on other business commitments. On behalf of the shareholders I would like to thank him for his contribution to the success of the Trust.

We are pleased to announce the appointment of Hugh Seaborn FRICS to the Board with effect from 24 July. Hugh is the CEO of the Portman Estate, Deputy Chairman of the Westminster Property Owners Association and a member of the Council and Audit Committee of the Duchy of Lancaster.

A review of Board remuneration was carried out by Stephenson and Co. alongside the Board evaluation process. Its conclusion was that fees should be raised to reflect the increased demands of the role of all directors, and the roles of Chairman and Audit Committee Chair in particular. In addition, the scale of the Trust and external trends were taken into account. As a result, the following fees will apply from 1 June 2007 (previous rates in parentheses):

Chairman	£65,000 (£35,000)
Audit Committee Chair	£30,000 (£25,000)
Directors	£25,000 (£21,000)

Management Personnel

During the year we welcomed Karim Pabani to the management team. A qualified surveyor, he is working on our property holdings and his arrival has given James Wilkinson more time to cover our equity investments, particularly those in Central and Eastern Europe. If the creation of the new share class is approved and implemented we shall be seeking further appointments to assist in the research and investment in the smaller companies' equity area. Meanwhile Henderson Secretarial Services Limited retired as Company Secretary at the end of March 2007, and Capita Company

Chairman's Statement continued

Secretarial Services Limited was appointed as the Company Secretary on 1 April 2007. In January 2007, Cenkos Securities were appointed as brokers and investment advisors to the Trust in place of UBS.

Awards

During the last twelve months the Trust has received awards from Investment Trust magazine as the Best Large Trust of 2006 and Bloomberg Money as the Best Specialist Trust of the year. It is of particular pleasure that the Trust also won, for the third year in a row, the award as Most Consistent Investment Trust of the Year from What Investment magazine. This award is based on five year track records and recognises that consistency has been a major feature of our management team's efforts over the last decade.

Outlook

In the UK, since the start of 2007, rising base rates and bond yields have taken the edge off investor demand, though good quality property is still attracting multiple offers. However the pace of value growth for commercial property appears to have reduced sharply from around 1% per month seen in 2005 and 2006 to a current level of about 0.2% to 0.4% per month – leaving average initial property yields resting at around the 4.75% level. We may expect that for the time being, capital growth will now be more closely linked to rental value changes than it has been for some years – and this is not unhealthy. UK commercial rental value growth itself is currently averaging about 3.8% per annum, more in offices and less in retail. Meanwhile, residential property values show no sign of their anticipated retreat and rising housing land values are increasingly underpinning commercial property pricing in London and the South East.

UK property shares have had a disappointing start to 2007 and this has held back the Trust's performance. The arrival of UK REITs was generally expected to bolster the ratings of the major companies relative to their asset values – in fact, so far, it has done the reverse. The more sober outlook for UK property value growth is a reason, but the new UK REITs appear to be making little effort to adapt their businesses and strategies to make best use of their new tax status. Global REIT investors give investment priority to companies that are focused and which offer maximum dividend payout ratios. The largest UK companies appear to offer neither; rather they give the appearance of guests who have arrived at a black-tie dinner wearing lounge suits. Outside the UK, European property shares are still seeing strong underlying asset value growth as yields continue to fall, but this is generally well reflected in the share price ratings which are at average premiums of close to 30%. European base rates are rising and the point where rising borrowing costs meet falling yields is drawing closer.

Right across Europe vacancy rates are falling and, as yet, there is relatively little speculative development activity of the type that has induced most previous property bear markets of the last fifty years. Therefore, in the sense of tenant demand and supply, this property cycle may still be in its early days. Yield compression, which has dominated value growth over the past four years, is a one-off event and we must adjust our ambitions to more modest levels of capital growth in years to come. Under these circumstances we feel the main balance of the portfolio is weighted appropriately.

Meanwhile I hope to be able to circulate to shareholders more details about the proposed new share class in June when we post the Annual Report. The plan is to hold an EGM to approve any proposals alongside the AGM on 24 July, an event to which all shareholders are, as usual, most welcome.

Peter Salsbury
Chairman

Manager's Report

Chris Turner *Fund Manager*
7 June 2007

Introduction

It is hard to know where to begin – to give you the good news that I don't think we have seen the end to rising commercial property values, or the bad news that from here on it's going to be much harder work for property companies, and for the Trust to make 15%+ per annum returns, and probably impossible to repeat the 30% pa total returns we have been able to deliver to you over the last five years.

Those returns have been driven by the fall in the initial yield of all types of property in most countries in the world – what is now termed 'yield compression'. Effectively global property has been revalued as an asset class, relative to bonds and equities. I think that this is probably a semi-permanent re-rating, but – permanent or not – this re-rating is a one–off event. Here in the UK and in the USA that re-rating is now coming to an end. It started later in Europe and is still in full swing there, but it is logical to expect the European markets to follow their US and UK counterparts in due course.

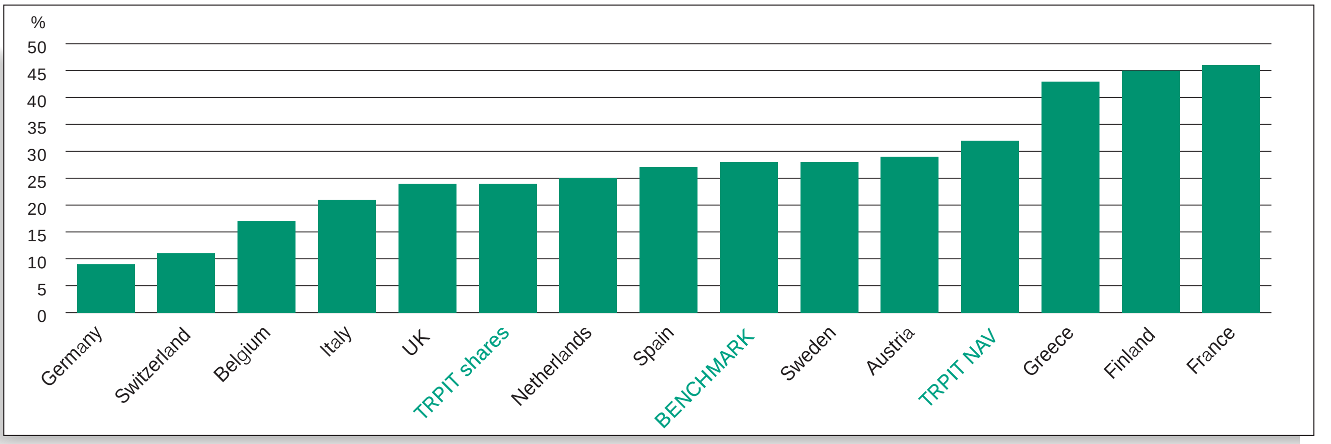
In the meantime we have to worry about inflation and its impact on global base rates and borrowing costs – not forgetting that the surge in investor demand for property these past four years has been occasioned by a desire to invest for income in an asset class that offers better inflation protection than bonds.

Performance

Over the year the net asset value total return was 31.8% and this figure compares with a total return from the Benchmark of 27.5%. Performance was strong in the July to December period, but we had two short periods in the first and last quarters of the financial year when our gearing and our large shareholdings in the large UK property companies worked against us. The Benchmark total returns were 23.9% for the UK and 30.9% for Europe ex UK, so as a consequence, our UK overweight hurt our performance. I thought that the arrival of REITs in the UK would stimulate share prices in the first thee months of 2007. It has actually had the opposite effect – to date.

Manager's Report continued

Benchmark Total Returns by Country – Year to end March 2007



The table above shows the total returns in the main countries in the S&P/Citigroup benchmark over the year to March 2007. We benefited from overweight positions in France, Finland and Greece, and from underweights in Germany, Belgium and Switzerland. Our massive underweight in Austrian property shares (1% of our portfolio and 10% of the Benchmark) worked slightly against us, but we will continue with this position. Stock selection was again a positive contributor to performance. Noteworthy amongst stock movements was again Big Yellow, whose shares rose 80%. Our only stocks to double in the year were both new issues last summer – Icade in France and Riofisa in Spain, the latter holding being sold before the year end. Our duds were mercifully few and were small holdings. The worst was Queen's Walk, a highly leveraged investor in sub prime grade UK and European house mortgages where we lost half our £1.2m investment over the year. New investments in the year were concentrated in internally managed companies mainly with a focus on office property and with share prices in touch with the underlying asset value. Sales were mainly from holdings where bids were made or where we judged that the premium to the asset value was unjustified by the outlook for asset growth.

Property Investment Market Background

In the last three years I have reported little else under this heading other than continued relentless investor demand for commercial property investments both in the UK, Europe and Worldwide. This spring, at least in the UK, relentless is no longer the appropriate adjective – calm and selective are better descriptors. Good quality property is still selling well and rising in price, notably in the Greater London area or where there is some residential potential in the building, but boring secondary investments in the industrial and retail sectors are now struggling to achieve pricing in line with last valuations. Average UK capital growth, which has been running at around 12% pa for the last three years, is now back to around 3% to 4% per annum. Average initial yields are stable and rental growth, running at around 3.8% pa is the main source of capital growth. The immediate cause of this change in sentiment has been the increase in base rates and fixed interest yields occasioned by the recent surge in UK inflation. This has deterred some buyers and increased the potential for sales by highly leveraged investors whose loan renewal terms are not to their liking. In addition there are elements of both investor fatigue in the UK and of investors selling to switch into Continental Europe.

In Europe, where yield compression started later than in the UK, the market is still very buoyant. However in the most desirable locations, especially Paris and Madrid, initial yields are down below 4% and therefore below Euro borrowing costs, and those chasing high yields are having to go to less attractive locations, such as East Germany or Southern Italy to find reasonably stable 7% plus income returns.

Tenant Demand

Tenant demand has slowly improved in many European locations, though there remain weak spots. In the UK, average rental growth is running at 3.8% compared with 2.7% pa last year, but almost all this improvement is in the office sector, and in the London area. The best market has been Central London offices where the increased demand I noted last year has strengthened further, particularly in the West End. Here vacancy levels are down to 4%, there is little

Manager's Report continued

Investment Portfolio as at 31 March 2007

The 40 largest quoted investments amount to £868,151,000 or 80% of total investments (convertibles and all classes of equity in any one company being treated as one investment).

	Market Value £'000		Market Value £'000		Market Value £'000
Land Securities	126,260	Corio (Netherlands)	18,232	Brixton	7,424
British Land	82,512	Eurocommercial Properties (Netherlands)	14,546	Cofinimmo (Belgium)	7,406
Hammerson	51,990	Gecina (France)	14,165	North European Properties	6,828
Slough Estates	47,824	Quintain Estates & Developments	12,313	Pirelli Real Estate (Italy)	6,715
Unibail (France)	46,961	Kungsleden (Sweden)	11,627	Silic (France)	6,568
Big Yellow	43,118	Capital & Regional Properties	11,011	Helical Bar	6,224
Rodamco Europe (Netherlands)	41,664	IVG Immobilien (Germany)	10,918	McKay Securities	6,034
Fonciere des Regions (France)	33,032	Immoeast Immobilien Anlagen (Austria)	10,604	Orco Property Group (France)	5,975
St Modwen Properties	32,032	Grainger Trust	10,151	Icade (France)	5,969
Castellum (Sweden)	31,560	Vastned Retail (Netherlands)	10,098	Risanamento (Italy)	5,696
Liberty International	29,305	Beni Stabili (Italy)	10,042	DIC Asset (Germany)	5,583
Great Portland Estates	25,996	Rugby Estates	8,773	Sponda (Finland)	5,467
Klepierre (France)	21,085	Kardan (Netherlands)	7,852		
Derwent London	20,950	Shaftesbury	7,641		

new development and office owners are still looking to switch the use of suitable buildings to residential – a sector where values seem to know no limit. In the City, vacancy has also dropped and rents are rising, but that sub-market has a much more permissive planning regime than any other UK location, cranes have arrived and most of the new development is speculative. Therefore we are cautious about rental growth there beyond 2008. Office demand outside London is still very patchy and beyond the South East there is little evidence of white collar employment growth. Retail and industrial property in London appears to be seeing some rental growth, but elsewhere in the UK rents are still close to static with the toughest markets being weaker secondary locations and bulky goods retail warehousing.

On the Continent, offices are again the sector seeing the best rental growth. While no centre looks as strong as London's West End, the Paris, Madrid and Barcelona markets continue to quicken and there is a shortage of top quality stock in all three centres. There have been improvements in most other leading European financial capitals including Amsterdam, Stockholm, Zurich and even Frankfurt. In other less financially orientated markets, such as Brussels or Berlin, rents still remain becalmed often as a result of mid-teens percentage levels of vacancy.

Many European leases have rents tied to a local inflation index. In France rental indexation is based on the cost of construction index. French building costs rose by over 5% last year, allowing commercial landlords to increase rents by the same amount. This does often mean, however, that at the end of the lease the rent may have to be reduced to bring it back in line with commercial comparables.

Housing Markets

Having been too bearish on house price growth in past reports, I am reluctant to make any predictions now. The housing market in the UK is far larger than the commercial property market and though their value movements are not the same, the two markets are not wholly independent of one another. For the record, since the start of 1998, UK house prices have risen by an average of about 175% and UK commercial property has grown in value by some 72%. House price growth, particularly in the South East is, in my view, principally driven by a lack of supply. Planning consents have become harder and harder to obtain, particularly on green field sites. The Government gives priority to brownfield development, and "brownfield" generally means former commercial property sites. Though no statistics appear to be available to support my view, I believe that residential redevelopment site values now underpin the capital values of a significant amount of secondary commercial property in the South East and possibly over much of the UK. As a result I disagree with those pundits who predict a fall in UK commercial property prices without also predicting a similar or greater fall in house prices.

Manager's Report continued

Changes in Investments

	Valuation 2006 £'000	Purchases £'000	Sales £'000	Appreciation £'000	**Valuation 2007 £'000**	%
Austria	7,907	2,508	771	1,799	11,443	1.1
Belgium	8,756	1,416	1,378	981	9,775	0.9
Denmark	–	1,364	–	(183)	1,181	0.1
Finland	5,112	3,886	664	3,225	11,559	1.1
France	99,783	23,470	15,359	39,541	147,435	13.6
Germany	17,703	4,181	648	2,427	23,663	2.2
Greece	3,314	1,555	111	1,527	6,285	0.6
Italy	19,207	–	359	3,604	22,452	2.1
Luxembourg	3,369	1,011	–	3,698	8,078	0.7
Norway	–	4,859	–	203	5,062	0.5
Netherlands	85,190	8,225	13,467	21,317	101,265	9.4
Switzerland	4,574	623	–	465	5,662	0.5
Spain	39,986	1,928	46,418	8,816	4,312	0.4
Sweden	45,658	4,061	6,106	9,793	53,406	4.9
Continental Europe	340,559	59,087	85,281	97,213	411,578	38.1
Hong Kong	1,075	–	–	(217)	858	0.1
Japan	–	891	–	277	1,168	0.1
Direct Property	64,262	2,075	3,423	12,285	75,199	6.9
UK	476,047	61,422	71,165	127,291	593,595	54.8
Total	881,943	123,475	159,869	236,849	1,082,398	100.0

Across Europe house prices are generally rising but the picture is patchy. In Spain the danger is oversupply with over 600,000 new homes a year being built for a population of 40 million (while in the UK we build 200,000 homes a year for a population of 60 million). Though prices are still rising, except on the coast, the rate of growth is slowing. French housing has been doing well as has Swedish. The Danish market is flat after huge gains in the past three years, and German house prices remain unmoved despite the surge in enthusiasm for investment let housing there. The Trust's exposure to the shares of housebuilding companies is now limited to Eastern Europe where there is little modern housing, tremendous demand and low, but improving, affordability.

Property Share Background

It was another good year for European property shares and the Benchmark rose by 24.4% in Sterling. Companies within the Benchmark produced revaluations implying average underlying portfolio growth of around 13%, and sector average gearing, which fell to around 80%, boosted the average net asset value (NAV) growth to about 23%. The remainder of the capital movement came mainly from a slight increase in average premiums to NAV which stood at around 19% at the year end. Breaking this down, the average Continental premium was 30% and the average UK premium was 4%. As in the year to March 2006, the UK average was dragged down by the five largest UK property companies – three of which were standing at 10% plus discounts at our year end.

New issues and rights issues added to the size of our investment universe over the year. We tried to meet the managements of every newly floated company last year, and nearly succeeded, but we bought shares in only a very few. The UK AIM market has become the chosen location for a large number of new property businesses active outside the UK. Many of these are newly formed, externally managed investment companies and have strategies which, with very high gearing (200% +), seek to offer very high dividend yields on the back of the gap between Continental property yields and the cost of Euro borrowing. Management fees will usually be based on gross assets, not net assets, and have significant performance fee rights when total returns exceed 10% or 12% pa. When property values are rising these companies do well, but when borrowing costs rise and property values decline, they have precious little margin for error. What

Manager's Report continued

ought to worry the owners of these shares, many of whom appear to be retail investors, is that their high income is coming with high risk and yet the manager's remuneration is not slanted to give them an incentive to degear ahead of any problems. Generally we avoid these stocks and will only buy shares in an externally managed property company if it offers us an entrée into a market which we cannot access any other way, or if we regard the management as exceptional.

Property companies have a natural tendency to issue shares when they stand at a premium to NAV. Thus, throughout the year, rights issues were scarce in the UK and plentiful on the Continent. The externally managed Austrian companies were foremost in their issuance raising together almost €7 billion over the year, mostly for investment in Eastern Europe. We have stayed away from almost all these companies. Takeover activity was greater than in the previous year. In Spain there were cash bids for all the main property companies in which we were invested. Paper offers were scarcer than I expected with the big merger of Unibail and Rodamco coming after the year end.

Investment Activity

Including share buybacks, our investment turnover (purchases plus sales divided by two) was £150m in the year equivalent to 17% of average shareholders' funds in the period. In the year to March 2006 the equivalent figures were £106m and 16%. I have read somewhere that the average global equity fund now has an investment turnover of close to 100% per annum. Our turnover figure is therefore comparatively very low, reflecting both my reticence towards short term trading and my general philosophy that, what I hope are well judged investments should be left alone to prove their worth. If nothing else, it saves us a lot of stamp duty and broking commissions!

The table on page 12 sets out the changes in our investments over the year. The most noteworthy change has been in Spain where we had virtually exited that market by the year end and have subsequently done so completely. Over the past five years we have profited strongly from our investments in Spain, but the supply of real estate there is relatively unconstrained by European standards and was at odds with the recent euphoric state of that particular property share market.

Distribution of Assets

Reflecting the low level of turnover, the distribution of the assets changed very modestly over the year (see the table on page 17). I continued to hold over half your gross assets in UK Property shares with a concentration in the four largest companies – Land Securities, British Land, Hammerson and Slough Estates. In my interim report last November I outlined five reasons for staying with this position. Firstly, the stocks were then, and are still, trading at discounts to NAV which compare with average 30% premiums on the Continent. Secondly, they give us exposure to London property and I see London as having the best tenant supply and demand equation of any European city. Thirdly, they have strong balance sheets and are not unduly exposed to short term changes in borrowing costs. Fourthly, I expected the arrival of the UK REIT regime to lower or remove the discounts to NAV at which these shares traded because, stripped of their inherent capital gains tax, they would be takeover targets if they continued to trade at discounts above 10%. I still think this may happen. Lastly I said that with our direct property experience, we were closer to the UK market than any other and could therefore monitor these major investments closely. All these comments still apply.

Largest Equity Investments

Details of our top twenty investments are set out on pages 18 and 19 and these will be very familiar to regular readers. At the year end the top ten had a total value of £537m and represented 49.6% of the Group's total investments. The comparative figures at March 2006 were £459m and 52.0%. Towards the end of the year we reduced our investment in Hammerson selling over 1 million shares in a period of bid speculation. We also sold about 24% of our holding in Big Yellow at the 660p level. These are both good companies in which we are happy to retain substantial investments. Big Yellow in particular has been a remarkable success bearing in mind that we bought most of our holding in the unquoted company as a start-up at 12p per share in 1998. Departures from the top twenty have been the two Spanish stocks, Metrovacesa and Colonial, both now all sold. Grainger Trust and Vastned Retail are still retained, but with reduced holdings. Their places are taken by Great

Manager's Report continued

Portland Estates and Derwent London – two specialist Central London office investors and developers, and by Gecina and Capital & Regional Properties. Since the year end two of our top ten, Unibail and Rodamco, have agreed a merger which will create Europe's largest multi-country shopping centre owner.

Revenue

In the last Annual Report and in the November 2006 interim statement I provided guidance to the Board that growth in the revenue earnings for the year to March 2007 would be much more modest than the 20.7% growth seen in the year to March 2006. In the event the actual outcome has been an 18.9% increase from 3.44p to 4.09p. Three unforeseen factors helped us. Firstly several dividends which, in previous years, have been credited in April, arrived in March, so that for once timing differences worked in our favour. The second factor is a lower than anticipated tax charge. The third was that a number of dividends we received in the last quarter of the financial year were considerably larger than we anticipated.

This financial year we will start to receive our first Property Income Distributions (PIDs) which is the Treasury's name for a dividend paid by a UK REIT. As a UK corporate body we will receive the PIDs gross of tax and they will have a tax treatment, in our hands, as though the payments were rental income. This should work well for the Trust as we expect to be able to utilise revenue and capital management expenses to offset some of the taxation. What we do not yet know is the timing and extent of the distributions from the new UK REITs. A few companies have given excellent guidance, while others appear bewildered. Add to this my poor forecasting of last year's revenue and you would be wise to put no weight whatever on my current forecast that I expect our revenue per share to increase by roughly 20% to 30% in the current year. As always I should further add that the scale of our dividend income is ultimately outside our control.

Debt, Gearing and Debentures

Reflecting my more cautious attitude towards markets as well as the increased cost of borrowing money, I lowered the Trust's debt from £98m to £91m over the year. As shareholders' funds rose by 26%, this translated into a

See-Through Portfolio by Market (%)* end March 2007

	EPRA Index	TRPIT
UK		
City Offices	6.4%	6.2%
West End Offices	6.6%	8.8%
West End Retail	2.2%	2.4%
Docklands	0.2%	0.8%
GLC/SE Offices	1.3%	3.9%
Provincial Offices	1.8%	1.2%
In Town Retail	10.5%	9.7%
Supermarkets	1.5%	1.5%
Retail Warehouses	6.5%	6.5%
Out of Town Retail	3.8%	2.9%
SE Industrials	4.5%	6.9%
Other Industrials	1.6%	2.1%
Leisure	0.8%	0.9%
Residential	2.5%	3.1%
Other	0.4%	0.5%
Total UK	50.6%	57.4%
Non UK		
Austria	3.0%	0.2%
Belgium	2.8%	1.4%
Central Europe	4.5%	3.0%
Finland	1.3%	1.0%
France Offices	6.5%	8.1%
France Retail	5.4%	4.6%
France Residential	0.8%	1.2%
Germany Offices	0.5%	1.1%
Germany Residential	2.3%	2.0%
Italy Offices	1.9%	1.8%
Italy Other	1.6%	1.1%
Netherlands Retail	2.1%	1.7%
Netherlands Other	1.2%	1.0%
Spain Residential	0.1%	–
Spain Retail	1.0%	1.1%
Spain Other	0.1%	0.1%
Sweden Offices	3.3%	3.1%
Sweden Industrial	0.8%	1.0%
Sweden Residential	0.5%	0.8%
Switzerland	2.5%	0.5%
Other	7.2%	7.8%
Total	100.0%	100.0%
Summary		
Offices	37.1%	38.4%
Retail	40.4%	35.5%
Industrial	10.7%	13.8%
Residential	8.9%	8.3%
Other	2.9%	4.0%

*Combines the underlying property from the Trust's shareholdings and direct property holdings.

Manager's Report continued

decline in balance sheet gearing from 12% to 9%. Some £40m of our present debt is in the form of two debentures with coupons of 8.125% and 11.5% repayable in 2008 and 2016 respectively. All of the additional borrowings are in the form of short term floating rate bank facilities of which 96% are drawn in Sterling. As in previous years, I would draw shareholders' attention to the fact that our debenture debt had a market value higher than its nominal value. If we were to repay the debenture debt today, the cost to the Trust would be in the order of £47m compared with the face value of £40m (see note 13 to the accounts). The difference represents a negative value of some 2.1p per share, which is not deducted from the balance sheet asset value. This figure has fallen from 2.7p over the year and, thanks to the growth in the net assets, now represents only 0.7% of the asset value per share (1.2% at March 2006).

The amount of money borrowed by the Trust and invested in shares or property is one measure of our gearing, the other is extent of the debt owed by the companies in which we hold shares. This figure – the Trust's "see-through gearing" which adds the proportionate debt of all our equity investments to our on balance sheet debt – was 88% at the year end. This figure compares with 78% for our Benchmark at March 2007, and a figure of 98% for our portfolio at March 2006.

Direct Property Portfolio

The direct property portfolio had an excellent year producing an un-geared total return of 23.25%, comprising an income return of 3.5% and capital growth of 19.75%. This return handsomely beat the Investment Property Databank Monthly Index return for the year of 15.6%, of which 5.0% came from income and 10.6% from capital growth. The only sale in the year was of the little building in Liphook, Hampshire for book value. We made offers for over a dozen properties but bought only two small buildings, both in the Old York Road, Wandsworth and which adjoin our existing industrial estate there.

The star performer in the portfolio was Thames Central, the 63,000 sq ft office building in Slough which we bought empty in 2005. At March 2006 we had let 31% of the space. At September 2006 this figure was 65%, and today the building is 97% let all at rents at or above budget. These results are more noteworthy because the vacancy rate in the Slough office market has been over 20% throughout the year and the letting market in the town is best described as tough. Special congratulations are due to George, Karim and James for all their hard work in finding tenants for this building.

Another strong performer has been the Ferrier Street Industrial Estate in Wandsworth. Last summer we agreed terms to release the local authority from their head tenancy and this has given us a chance to more actively manage the property. The result has been a 20% increase in rental income and a 27% increase in the capital value over the year.

Our long term guidance to shareholders has been that the UK directly held property portfolio will form between 10% and 30% of gross assets. Over the last thirty months the property portfolio has been below 10% of gross assets. Last year I remarked that buying conditions were so tough that I felt that our capital was better employed in buying shares in geared UK property companies at a discount to net asset value than in scrambling to buy property. However we have not abandoned our long term guidance, and since the year end we have announced the purchase of a 67,000 sq ft freehold office building in Harlow, Essex for an all-in cost of £13.2m. The 20 year old building is fully let until 2012 at what we hope will prove to be a low rent of £12 per sq ft. Our initial yield is 6.25%. We continue to search for further suitable investments, concentrating on office and industrial property which will benefit from active management and which is located no further than a 90 minute journey from our offices.

Unquoted Investments

The Trust currently has no unquoted equity investments

Outlook

I hope it doesn't sound too unbusinesslike or eccentric to say that, for two reasons, I am somewhat relieved to see the UK commercial property market levelling off. Firstly because we may thus be saved from a savage and unpleasant price correction and secondly because yield compression has tended to advantage leverage rather than activity – the boldest rather than the wisest.

Long bull trends in stocks or markets often end in a crescendo of enthusiasm followed by an unpleasant price

Manager's Report continued

correction. Less often do they level out onto a new and potentially stable value plain. Last November, in my interim report, I said "for sure, one day property values and property share prices will have become so overheated that the inevitable occurs." When I wrote that I was visualising that we would see a further climax of buying before this commercial property market peaked – a climax strong enough, amongst other attributes, as to carry the shares of the largest UK property companies onto the sort of premium ratings enjoyed by their Continental counterparts. This has not happened and I am grateful for not having to run the portfolio through the hostile market conditions that might follow such a peak.

While yields are falling high leverage is the key to high returns. When values are relatively stable, the highest total returns usually come from property companies with high levels of skill in buying, managing, developing and trading property. These latter are the businesses whose shares we prefer to hold in your portfolio.

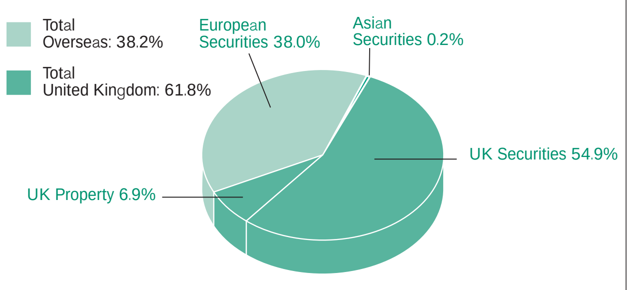
Chris Turner

Classification of Investments

as at 31 March	2007 £'000	2007 %	2006 £'000	2006 %
Equities	1,005,374	92.9	814,994	92.4
Convertibles	1,825	0.2	2,687	0.3
Investment properties	75,199	6.9	64,262	7.3
Total investments	1,082,398	100.0	881,943	100.0

Manager's Report continued

Distribution of Investments



as at 31 March	2007 £'000	2007 %	2006 £'000	2006 %
UK Securities – quoted	593,595	54.9	476,047	54.0
UK Investment properties	75,199	6.9	64,262	7.3
UK Total	668,794	61.8	540,309	61.3
European Securities – quoted	411,578	38.0	340,559	38.6
Asian Securities – quoted	2,026	0.2	1,075	0.1
Total investments	1,082,398	100.0	881,943	100.0

Spread of Direct Portfolio by Capital Value (%)

as at 31 March 2007	Office and mixed use	Retail	Industrial and business space	Residential	Total
West End of London	32.0	2.5	13.6	0.4	48.5
City of London	–	–	–	–	–
Around the M25	13.6	–	–	–	13.6
Other South East	24.5	–	–	–	24.5
Remainder of UK	13.4	–	–	–	13.4
Total	83.5	2.5	13.6	0.4	100.0

Portfolio Summary

as at 31 March	2007	2006	2005
Total investments	£1,082m	£882m	£598m
Net assets	£973m	£771m	£505m
UK quoted property shares	55%	54%	54%
Overseas quoted property stocks	38%	39%	37%
Direct property (externally valued)	7%	7%	9%

Lease Lengths within the Direct Property Portfolio

as at 31 March 2007	Gross rental income
less than 1 year (including voids)	7.2%
1 to 3 years	9.1%
4 to 5 years	21.9%
6 to 10 years	39.0%
11 to 15 years	9.2%
Over 15 years	13.6%
	100.0%

Twenty Largest Equity Investments

The twenty largest equity investments (convertibles and all classes of equity in any one company being treated as one investment) were as follows:

		Value % of Gross Assets % of equity owned Share price at 31 March 2007 (2006)	Comment Note: Market caps, yields and share price returns all at end March 2007.
1	**Land Securities (UK)**	**£126.3m (£110.9m)** **11.7% (12.6%)** **1.3% (1.2%)** **2140p (1928p)**	*Europe's largest quoted property company by market capitalisation. The £15 billion of assets are all in the UK and are concentrated in shopping centres (38%), retail warehousing (16%) and Central London offices (41%). Its Trillium subsidiary is a market leader in property outsourcing. Gearing is below sector average at 53%. Became a REIT in Jan 2007. Gross yield is 2.5%. The five year share price total return has been 187%.*
2	**British Land (UK)**	**£82.5m (£67.0m)** **7.6% (7.6%)** **1.0% (1.0%)** **1528p (1241p)**	*Europe's largest quoted property company measured by gross assets with a prime portfolio valued at £17 billion concentrated on City of London offices (28%) and UK retail property including retail warehousing (60%). British Land's largest assets are Broadgate in the City and Meadowhall at Sheffield. Became a REIT in Jan 2007. Gearing is around 87% and the gross yield is 1.5%. The five year share price total return has been 227%.*
3	**Hammerson (UK)**	**£52.0m (£52.7m)** **4.8% (6.0%)** **1.0% (1.5%)** **1733p (1240p)**	*Active in London and Paris, this UK investment and development business holds a £6.5 billion portfolio of UK shopping centres and retail parks (53% of total assets), Central London offices (20%), Paris shopping centres and retail parks (18%) and Central Paris offices (7%). Gearing is currently around 52% and the gross yield is 1.5% The five year share price total return has been 240%. Became a REIT in Jan 2007.*
4	**Slough Estates (UK)**	**£47.8m (£41.0m)** **4.4% (4.7%)** **1.3% (1.4%)** **784p (667p)**	*Based in Slough, the company develops and owns office and industrial business parks principally in the UK, but also California, Paris, Brussels, Germany and Central Europe. Gearing is 60% and the dividend yield is 2.7%. The five year share price total return has been 138%. Became a REIT in Jan 2007 and changed name to Segro plc in May 2007.*
5	**Unibail (France)**	**£47.0m (£31.6m)** **4.4% (3.7%)** **0.7% (0.7%)** **€226.87 (€148.60)**	*A French company with tax free status (SIIC), which owns a portfolio of shopping centres (50%), Central Paris offices (40%) and Paris exhibition space (9%). Properties include Forum des Halles and Les Quartre Temps in Paris and Citi Europe at Calais. Gearing is 35% and the gross yield 2.6%. The five year share price total return has been 449%. Launched an agreed offer for Rodamco (qv) in February 2007.*
6	**Big Yellow Group (UK)**	**£43.1m (£32.7m)** **4.0% (3.7%)** **5.6% (8.6%)** **668p (370p)**	*The UK's largest quoted self storage company, operating primarily in London and the South East from 43 stores, and with a development pipeline of a further 23 stores. The company became a REIT in April 2007. Gearing is around 45% and the gross yield 1.8%. The five year share price total return has been 539%.*
7	**Rodamco Europe (Netherlands)**	**£41.7m (£38.1m)** **3.9% (4.3%)** **0.7% (0.7%)** **€104.05 (€82.85)**	*Headquartered in Rotterdam, this tax transparent company (Dutch BI) owns a €10 billion portfolio of high quality shopping centres in the Netherlands (30%), around Stockholm (15%), in France (17%, Paris and Lyon), in Spain and in Central Europe. Gearing is 51%. Gross yield 3.6%. The five year share price total return has been 216%. At the end of February, Unibail (qv) made an agreed share offer for Rodamco.*
8	**Fonciere des Regions (France)**	**£33.0m (£22.6m)** **3.1% (2.6%)** **1.0% (1.6%)** **€139.86 (€118.00)**	*Based in Metz, the company invests in higher yielding office and residential property in the Paris area and regional France. It also owns minority interests in a number of other specialist property investment SIICs operating in France, Germany and Italy. Gearing is currently around 125% and the gross yield is 3.2%. The five year share price total return has been 723%.*
9	**St Modwen Properties (UK)**	**£32.0m (£24.8m)** **3.0% (2.8%)** **3.7% (4.0%)** **704p (510p)**	*This company is a regeneration specialist operating throughout the UK. It holds a large portfolio of sites totalling over 6,000 acres including the former Llanwern Steel Works in South Wales, the former Rover car assembly site at Longbridge and the Elephant and Castle Shopping Centre in Southwark. Gearing is 70% and the net yield 1.6%. The five year share price total return has been 456%.*
10	**Castellum (Sweden)**	**£31.6m (£30.1m)** **2.9% (3.4%)** **2.5% (3.0%)** **SEK 101.00 (SEK 82.13)**	*Based in Gothenburg, Castellum owns a £1.8 billion higher yielding mixed commercial portfolio with some 500 properties located in Central and Southern Sweden. The business is run through a series of local offices. The gross yield is 2.8%. The gearing at 84% is low by Swedish standards. The five year share price total return has been 327%.*

Twenty Largest Equity Investments continued

	Value % of Gross Assets % of equity owned Share price at 31 March 2007 (2006)	Comment Note: Market caps, yields and share price returns all at end March 2007.
11 Liberty International (UK)	**£29.3m (£30.0m) 2.7% (3.4%) 0.6% (0.8%) 1247p (1177p)**	*The UK's largest pure retail investment company owning three major out of town centres – Lakeside at Thurrock, MetroCentre at Gateshead, and Braehead at Glasgow. The portfolio also includes town centre schemes in Watford, Bromley, Nottingham, Manchester, Norwich and Hanley and the Piazza at Covent Garden. Gearing is 60%. Net yield 2.7%. The five year share price total return has been 158%. Became a REIT in Jan 2007.*
12 Great Portland Estates (UK)	**£26.0m (£5.6m) 2.6% (0.6%) 1.9% (0.6%) 776p (490p)**	*A specialist Central London office investment and development company which operates both on its own account and through a number of joint ventures with institutions and other owners. Gearing is currently around 36% and the gross yield is 1.6%. The five year share price total return has been 217%. Became a REIT in Jan 2007.*
13 Klepierre (France)	**£21.1m (£15.4m) 2.0% (1.8%) 0.5% (0.5%) €145.20 (€102.90)**	*Based in Paris and with tax free status (SIIC), Klepierre owns a Pan European shopping centre portfolio located in France (51%), Spain, Italy, Belgium, Hungary and Greece. Many of its properties are small malls attached to Carrefour supermarkets. Klepierre is a subsidiary of BNP Paribas, which owns 52% of the equity. Gearing is 91% and the gross yield is 2.2%. The five year share price total return has been 331%.*
14 Derwent London (UK)	**£21.0m (£8.3m) 1.9% (0.9%) 1.0% (0.9%) 2171p (1618p)**	*A specialist central London office investment and development company which merged with London Merchant Securities at the end of 2006. The portfolio is concentrated in the West End of London office market where it owns a number of major long term redevelopment sites. Has applied for REIT status. The gross yield is 0.9%. Gearing is 52%. The five year share price total return has been 223%.*
15 Corio (Netherlands)	**£18.2m (£15.0m) 1.7% (1.7%) 0.6% (0.6%) €68.01 (€53.25)**	*This large Dutch tax transparent company has a €5.6 billion Pan European portfolio of shopping centres (80%) and offices (20%), located in the Netherlands (52%), France (21%), Italy (12%), Spain (7%) and Turkey (8%). The gross yield is 3.7%. Gearing is 64%. The five year share price total return has been 247%.*
16 Eurocommercial Properties (Netherlands)	**£14.5m (£10.4m) 1.4% (1.2%) 1.4% (1.3%) €44.01 (€32.05)**	*The company is based in London and listed in Amsterdam, with Dutch REIT status. It specialises in the ownership and active management of medium sized shopping centres. The portfolio split is 41% Italy, 35% France, 19% Sweden and 5% Holland. Gearing is 55% and the gross yield is 3.6%. The five year share price total return has been 213%.*
17 Gecina (France)	**£14.2m (£5.7m) 1.3% (0.6%) 0.2% (0.1%) €139.14 (€109.50)**	*Gecina is a tax efficient SIIC with a €12 billion portfolio of offices (53%) and residential property (41%) centred on Paris, and is now expanding into logistics and hotels across France. The company is 80% owned by Metrovacesa from Spain. The gross yield is 3.0% and gearing around 65%. The five year share price total return has been 258%.*
18 Quintain Estates and Development (UK)	**£12.3m (£9.4m) 1.1% (1.1%) 1.1% (1.1%) 896p (680p)**	*A London based investment and development company, which specialises in major projects. Roughly half the gross assets comprise interests in major residential development sites at Wembley, alongside the Stadium, and on the Greenwich Peninsula. Gearing is 30%, the net yield is 1.3% The five year share price total return has been 354%.*
19 Kungsleden (Sweden)	**£11.6m (£10.1m) 1.1% (1.1%) 0.9% (1.0%) SEK 125.00 (SEK 98.50)**	*An investment company operating in all the commercial sectors of the Swedish property market and especially in retirement home ownership, in the warehousing sector and in public buildings. Investment turnover and gearing (at 200%) are higher than average. The anticipated gross yield is 5.0% and the five year total return has been 686%.*
20 Capital & Regional Properties (UK)	**£11.0m (£8.5m) 1.0% (1.0%) 1.2% (1.3%) 1540p (1153p)**	*A London based specialist retail and leisure property investment company with a significant fund management business in these areas. The company also owns retail property in Germany. Gearing is 125% and the gross yield is 1.9% The five year share price total return has been 530%.*

Five year share price total returns are from Bloomberg using the period ended 31 March 2007, are expressed in local currency and assume the reinvestment of net dividends.

Investment Properties as at 31 March 2007

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

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

Property	Sector	Tenure	Size (sq ft)	Principal tenants
Thames Central Hatfield Road Slough	Offices	Freehold	62,645	Guidance Software, Inc HTC International, Inc

We bought this grade A office building empty in the Summer of 2005. It is located just off the High Street, close to Slough's main shopping area. From a standing start we have let 97% of the space and seen the investment increase in value by more than 50%. We expect to let the remaining vacant space within the next twelve months.

Property	Sector	Tenure	Size (sq ft)	Principal tenants
Elizabeth House Duke Street Woking	Offices	Freehold	54,150	Gallaher

This 1980s office building is located in central Woking, close to the train station and the main shopping area. It is let to Gallaher for 99 years from 1982 at approximately two-thirds of rental value and sub-let to the TM Group until 2023. TM Group do not occupy and have been upgrading the building over the last few years with a view to attracting new occupiers.

Investment Properties as at 31 March 2007 continued

	Property	Sector	Tenure	Size (sq ft)	Principal tenants
	Cambridge Science Park Cambridge	Offices	Leasehold 125 years from 1987	38,500	Worldpay Ltd

This office building occupies a prime site on Cambridge's foremost out of town office park. It was built in 1989 and extensively refurbished in 2000, prior to being let to Worldpay Limited, a leading internet payment systems company wholly owned by the Royal Bank of Scotland.

	Property	Sector	Tenure	Size (sq ft)	Principal tenants
	Ferrier Street Industrial Estate & 328-334 and 356 Old York Road Wandsworth SW18	Industrial	Freehold	40,536	Absolute Taste Kougar Tool Hire Ltd Mossimans Page Lacquer Toad Plc

The Ferrier Street Industrial Estate occupies a site of just over an acre, 50 metres from Wandsworth Town railway station in an area that is predominantly residential. The estate comprises 16 small industrial units generally let to a mix of small to medium sized private companies. 328-334 Old York Road and 1 Ferrier Street and 356 Old York Road were acquired in January 2007. The properties are both retail units with residential upper parts. They adjoin the Trust's Ferrier Street Industrial Estate.

	Property	Sector	Tenure	Size (sq ft)	Principal tenants
	Exchange House Liphook	Offices	Freehold	9,641	Metoc PLC Bettamark (UK) Ltd

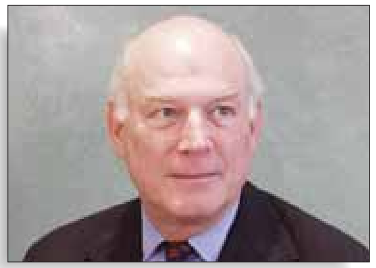
This property was sold in February 2007.

Directors

P L Salsbury BSc
Chairman

C M Burton MA

J H M Newsum FRICS



R A Stone MA FCA

P H Wolton MA

Managers

C M Turner MRICS

M A Phayre-Mudge MRICS

J L Elliott ACA

J F K Wilkinson MRICS

K Pabani MRICS

G P Gay MRICS

N G Williamson BSc

Directors continued

Peter Salsbury, age 57, retired in 2000 as Chief Executive of Marks and Spencer plc. He now has a Management Consultancy practice specialising in Executive Coaching and Strategy. Additionally he serves on the Council and Strategy Committee of City and Guilds. He was appointed a director of Highway Insurance Holdings plc on 28 March 2006. During his 10 years on the Board at M&S his responsibilities included Commercial Estates, Retail Operations, HR, as well as Sales and Marketing. He also served on the Board of M&S Financial Services for 5 years. From 1992 until 1995 he was a Director of NORWEB plc. He joined the Board of TRPIT in 1997, and succeeded as Chairman on 26 July 2004.

Caroline Burton, age 57, joined the Board of TRPIT in June 2002. She joined Guardian Royal Exchange plc's Investment Department in 1973 and remained with the group until 1999. From 1987 she was Managing Director of Guardian Asset Management, and, from 1990 to 1999, Executive Director – Investments of the parent company. She is a non-executive director of Rathbone Brothers plc and Teesland Advantage Property Income Trust Limited. She is also a Member of the Management Committee of Hermes Property Unit Trust. She advises a number of pension funds and charities.

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

Richard Stone, age 64, was Deputy Chairman of Coopers and Lybrand (C&L) in 1998 and a member of the Global Board of PricewaterhouseCoopers until he joined the TRPIT Board in 2000. He headed up C&L's Corporate Finance Practice in the UK and Europe, and was also an Insolvency Practitioner. He brings a broad base of business, financial and property experience to the TRPIT Board. He is now Chairman of Drambuie Limited, a non-executive director of Halma plc, a non-executive director of Candover Investments plc and a non-executive director of Gartmore Global Trust plc. He is Chairman of the TRPIT Audit Committee.

Peter Wolton, age 50, joined the Board of TRPIT in January 2005. He qualified as a Chartered Surveyor in 1980 with Savills and joined Schroders in 1983 to manage UK equities for institutional clients. He ran Schroders' asset management activities in Japan from 1994 to 1998 and their global retail business from 1998 to 2001. From 2002 to 2003 he was Chief Executive of Baring Asset Management Ltd. He is a consultant to Oxford Investment Partners, a member of the Council of Queen Mary, University of London and the Charities Aid Foundation (CAF) Investment Advisory Committee. He is a director of Dunedin Income Growth Investment Trust plc and a former director of Schroder Japan Growth Fund plc.

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

Chris Turner, age 61, has been the Fund Manager since 1995, first at Henderson Global Investors then, since October 2004, at Thames River Capital. Prior to joining Henderson, Chris was a property share analyst. He qualified as a Chartered Surveyor in 1970.

Marcus Phayre-Mudge, age 39, qualified as a Chartered Surveyor in 1992. He joined Thames River Capital in October 2004, having spent the previous 7 years at Henderson Global Investors, where he also worked on the Trust, first as the Direct Property Manager and, since 2002, as Deputy Fund Manager.

James Wilkinson, age 34, qualified as a Chartered Surveyor in 1998. He joined Thames River Capital in October 2004, from Henderson Global Investors, where he worked as the Direct Property Manager for the Trust. Since the end of 2006 James has focused on the equities portfolio, assisting Chris and Marcus.

George Gay, age 26, 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, and has an MA in Property Valuation and Law from City University.

Jo Elliott, age 45, has been Finance Manager since 1995, first at Henderson Global Investors then, since January 2005, at Thames River Capital. She qualified with Ernst & Young as a Chartered Accountant in 1988.

Karim Pabani, age 31, qualified as a Chartered Surveyor in 2000. He joined Thames River Capital in October 2006 from Quintain Estates and Development plc. Prior to this Karim was a Senior Asset Manager at Legal & General. He specialises in direct property investment and asset management.

Nikki Williamson, age 30, joined Thames River Capital in 2003. She graduated from Manchester University in 1999 with a BSc (Hons) in Mathematics and Philosophy. She joined the TRPIT team in April 2005 as Investor Relations Manager.

Directors' Remuneration Report

Introduction

This report is submitted in accordance with Schedule 7A to the Companies Act 1985 ("the Act") in respect of the year ended 31 March 2007. The report also meets the relevant rules of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the AGM.

Consideration by the Directors of Matters relating to Directors' Remuneration

Directors' remuneration is reviewed annually by the Management Engagement Committee which was formed in November 2006 and comprises the Chairman and all directors of the Company.

Statement of the Company's Policy on Directors' Remuneration

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

The 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 and the Chairman of the Audit Committee to be paid higher fees than the other directors in recognition of their more onerous roles.

For the year ended 31 March 2007, directors' fees were paid at the annual rates of Chairman: £35,000 (2006: £35,000), Audit Committee Chairman: £25,000 (2006: £25,000) and Directors: £21,000 (2006: £21,000). A review of these fees has recently been carried out by Stephenson and Co alongside the usual annual Board evaluation process. Its conclusion was that the fees should be raised to reflect the increased demands of the role of all directors, and the roles of Chairman and Audit Committee Chairman in particular. In addition the scale of the Trust and external trends were taken into account. As a result the following fees will apply from June 2007: Chairman £65,000, Audit Committee Chairman £30,000, Directors £25,000. The actual amounts paid to the directors during the financial year under review are as shown in the box opposite.

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:

	AGM rotation date	31 March 2007 £	31 March 2006 £
C M Burton	2008	21,000	21,000
J H M Newsum[1]	–	21,000	21,000
P L Salsbury	annual	35,000	35,000
R A Stone	2007	25,000	25,000
P H Wolton	2008	21,000	21,000
TOTAL		123,000	123,000

Notes:

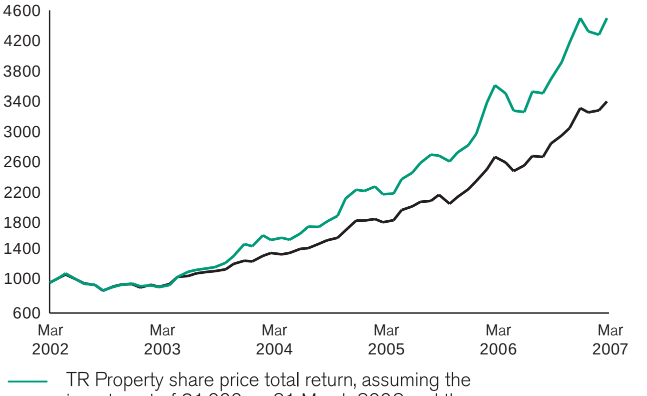
[1] Mr Newsum is retiring from the Board after the 2007 AGM.

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

Mr Newsum's fees are paid to Grosvenor Investments Limited. The amount so paid was £21,000 + VAT (2006: £21,000 + VAT).

The aggregate Directors' remuneration permitted under the articles is £150,000 pa. A resolution to increase this to £250,000 pa is to be proposed at the forthcoming AGM.

Performance Graph (total return)



TR Property share price total return, assuming the investment of £1,000 on 31 March 2002 and the reinvestment of all dividends (excluding dealing expenses) (Source: Thames River Capital).

S&P/Citigroup European Property Index total return, assuming the notional investment of £1,000 into the Index on 31 March 2002 and the reinvestment of all income (excluding dealing expenses) (Source: Thames River Capital). This is selected as it is the Company's Benchmark Index.

By order of the Board

For and on behalf of

Capita Company Secretarial Services Limited

Secretary

7 June 2007

Report of the Directors

The directors present the audited accounts of the Group and their report for the year ended 31 March 2007. The Group comprises TR Property Investment Trust plc ("the Company") and its subsidiaries. The review of the business of the Company, recent events and outlook are contained within the Chairman's Statement, on pages 5 to 8, which forms part of this Report of the Directors by reference.

Status

The Company is an investment company, as defined in Section 266 of the Companies Act 1985, and operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988. It is required to seek HM Revenue & Customs' approval of its status as an investment trust under the above-mentioned Section 842 every year, and this approval will continue to be sought. HM Revenue & Customs approval of the Company's status as an investment trust has been received in respect of the year ended 31 March 2006. The directors are of the opinion that the Company has subsequently conducted its affairs in a manner which will enable it to continue to gain such approval. The Company has no employees and the 'close company' provisions do not apply.

Business Review

The following review is designed to provide information primarily about the Company's business and results for the year ended 31 March 2007 and covers:

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

A full review of the portfolio and our manager's view on the outlook for the coming financial year are covered in the Manager's Report on pages 9 to 17.

Objective and Strategy

The objective of TR Property Investment Trust plc is to maximise the shareholders' total returns by investing in property shares and property on an international basis.

92.9% of the Company's assets are currently invested in Pan-European listed property securities, 0.2% in Asian securities with the balance in directly owned UK real estate.

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

The Company is a dedicated investor in real estate and real estate securities and will continue to adhere to this strategy.

Revenue and Dividends

	2007	2006	Change
Total earnings per share	69.25p	81.29p	-14.8%
Revenue earnings per share	4.09p	3.44p	+18.9%
Dividends per share	4.10p	3.40p	+20.6%

Total earnings per share, which include capital gains on investments, are lower than the prior year but still produced a total return of 31.8%.

Revenue earnings have increased by 18.9%. Although gross revenue has grown by around 13%, expenses have increased at a lower rate, of around 10%, resulting in the greater positive impact at net level.

The directors recommend the payment of a final dividend of 2.40p per share. Subject to approval at the AGM, the dividend will be paid on 31 July 2007 to shareholders on the register at 29 June 2007. The shares will be quoted ex-dividend from 27 June 2007.

An interim dividend of 1.70p per share was paid on 8 January 2007. The total dividend in respect of the year is, therefore, 4.10p per share.

The dividends shown in the Group Statement of Changes in Equity for the year are those dividends which have actually been approved in the period, i.e. the final dividend relating to the financial year ended 31 March 2006 (1.90p per share) and the interim dividend for this period (1.70p per share).

Capital Return

	2007	2006	Change
NAV per share	290.78p	224.11p	+29.7%
Share price	256.50p	209.50p	+22.4%

Growth in asset value resulted in an increase of the shareholders' funds by more than 29%. The Benchmark returned 24.5% on a price only basis.

Report of the Directors continued

Details of the investments are shown within the Manager's Report on pages 9 to 17.

Property Valuation
Valuations of all the Group's properties as at 31 March 2007 have been carried out by external independent valuers. These valuations have been adopted in the accounts. Details of the values and changes in fixed assets are shown in note 10 to the financial statements.

Performance Measurement
The directors consider performance measured against the Benchmark to be the key performance indicator for the Company.

For the year to 31 March 2007 the Benchmark was the S&P/Citigroup European Property Index in Sterling (the Citigroup Index).

On a total return basis the Company returned 31.8% against the Benchmark total return of 27.5%. The Company's figures are stated after taking account of the performance fee.

With effect from 1 April 2007 the Benchmark is the FTSE EPRA/NAREIT Europe Index in Sterling. This index, calculated by FTSE, is free float based and currently has 100 constituent companies.

Financial Instruments and the Management of Risk
By its nature as an investment trust, the Company is exposed to market price risk, foreign currency risk and interest rate risk. The Company's policies for managing these risks are outlined in note 11 to the financial statements. Further information on the management of risk and internal controls is contained in the Corporate Governance Report on pages 30 to 35.

Share Buy-back Activity
The Board has not set a specific discount at which shares will be repurchased. However, there has been considerable activity in recent years and around 159 million ordinary shares have been repurchased since the Board first took the decision to buy back shares in 1999. During the year to 31 March 2007, the Company repurchased 9.25 million shares at an average cost of 249.4p per share creating a surplus of just under 1p per share for the remaining shareholders' funds.

Management Arrangements and Fees
Investment management services have been provided by Thames River Capital LLP ("Thames River"), accounting and administrative services by BNP Paribas Fund Services UK Limited, custodial services by JPMorgan Chase and corporate secretarial services by Henderson Secretarial Services throughout the year. However, since 1 April 2007 the corporate secretarial services have been provided by Capita Company Secretarial Services Limited.

The significant terms of the fund management agreement with Thames River 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 Fee
  A base management fee of 0.70% pa on the Company's net asset value is payable quarterly in advance to the Investment Manager. For the period up to 31 March 2009 a rebate has been secured which will reduce the management fee to 0.40% pa on that portion of the Company's net asset value which exceeds £450 million. The fee is based on the Company's net asset value (determined in accordance with the Association of Investment Companies ("AIC") method of valuation) on the last day of March, June, September and December respectively.

  The management fee includes a number of services such as administrative services and company secretarial services which are provided by third parties. The Company has a direct contractual relationship with the parties providing these services and the fees incurred are deducted from the gross fees due to Thames River. This affords the Company a high degree of transparency and control in respect of these services.
- Performance Fee
  In addition to the management fee, the Board has agreed to pay the Investment Manager a performance related fee in respect of a performance period if certain performance objectives are achieved.

  A performance fee will become payable if the total return of Group equity shareholders' funds, as defined in the IMA with Thames River, at 31 March each year outperforms the total return of the Company's Benchmark plus 2% (the "hurdle rate"); this outperformance (expressed as a percentage) will be known as the "percentage outperformance". Any fee payable will be the amount equivalent to the Group equity shareholders' funds at 31 March each year, multiplied by the percentage outperformance, then multiplied by 15%.

The maximum performance fee payable in any period will be 1% of the Group equity shareholders' funds (as defined). If any fee exceeds 1% of Group equity shareholders' funds, such excess will be carried forward and applied to reduce any percentage underperformance in future performance periods. At 31 March 2007, an excess of £5.8m is being carried forward.

If the total return of Group equity shareholders' funds for any performance period is less than the hurdle rate for the relevant performance period, such underperformance (expressed as a percentage) will be carried forward. No fee will be payable unless the total return on Group equity shareholders' funds outperforms the hurdle rate, after taking into account any accumulated percentage underperformance for previous periods to the extent it is not offset by the overperformance offset described above.

Basis of Accounting and IFRS

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

Environmental Policy

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

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

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

Annual General Meeting

The Annual General Meeting ("AGM") will be held on Tuesday, 24 July 2007 at 12 noon. The Notice of Meeting is set out on pages 54 and 55, and an explanation of the business to be conducted is given on pages 56 and 57.

Two items of Special Business are to be proposed at the AGM. Resolution 9 will be proposed as an ordinary resolution and resolution 10 will be proposed as a special resolution.

Resolution 9 – Increase in the Aggregate Directors' Remuneration Permitted by the Company's Articles of Association

Under the Company's Articles the maximum aggregate amount of fees that can paid to the directors of the Company is £150,000 pa. Resolution 9 proposes that this aggregate figure be increased to £250,000 pa.

Resolution 10 – Authority to Purchase Own Shares

The Company's Articles permit the Company to purchase its own shares out of capital profits. Under the Listing Rules of the Financial Services Authority a company is permitted to purchase up to 14.99% of its issued equity share capital through market purchases pursuant to a general authority granted by shareholders in general meeting.

The current authority which permits the Company to purchase up to 14.99% of its issued ordinary shares expires at the conclusion of the forthcoming AGM. The Board believes that the Company should continue to have authority to make market purchases of its own ordinary shares for cancellation. The Board is therefore seeking to

Report of the Directors continued

renew its power to make market purchases of ordinary shares. Accordingly, a special resolution to authorise the Company to make market purchases of up to 14.99% of the Company's issued ordinary share capital at the date of the AGM, such purchases to be cancelled, is proposed. Based on the number of shares in issue at the date of this Report, 14.99% of the Company's issued ordinary share capital is equivalent to 49,496,980 ordinary shares, provided there is no change in the issued share capital between the date of this Report and the AGM to be held on 24 July 2007.

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

Recommendation

The directors consider that the resolutions are in the interests of the Company and shareholders taken as a whole and recommend that all shareholders vote in favour of the resolutions, as the directors intend to in respect of their own beneficial holdings of ordinary shares amounting, in aggregate, to 205,693.

Other Statutory Information

Directors' Interests in Shares

The directors' interests in the share capital of the Company are shown in the table below:

	31 March 2007 Ordinary shares of 25p	1 April 2006 Ordinary shares of 25p
With beneficial interest:		
C M Burton	22,000	22,000
J H M Newsum	31,193	31,193
P L Salsbury	55,000	55,000
R A Stone	80,000	80,000
P H Wolton	7,500	7,500

Mr. Salsbury purchased a further10,000 shares on 6 June 2007, increasing his holding to 65,000 shares. There have been no other changes in the directors' interests between the end of the financial year and the date of this report.

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

Payment of Suppliers

It is the Company's payment policy for the current financial year to obtain the best possible terms for all business. The Company agrees with its suppliers the terms on which business will take place and it abides by these terms. There were no trade creditors at 31 March 2007.

Share Capital Changes

At 1 April 2006 the Company had 343,850,000 ordinary shares in issue. During the financial year under review, the Company made market purchases for cancellation of 9,250,000 ordinary shares of 25 pence each representing approximately 2.7% of the issued share capital as at 31 March 2006; the aggregate consideration paid by the Company was £23,069,000. The number of ordinary shares in issue on 31 March 2007 was 334,600,000.

Since 1 April 2007, and up to the date of this document, the Company has made further market purchases for cancellation of 4,400,000 ordinary shares of 25 pence each; the aggregate consideration paid by the Company was £10,720,000.

At the AGM in 2006 the directors were given power to buy back 51,543,115 shares of 25 pence each. Since the AGM the directors have bought back 13,650,000 shares under this authority. The outstanding authority is therefore 37,893,115 shares. This authority will expire at the 2007 AGM. The Company will seek to renew the power to make market purchases of ordinary shares at this year's AGM.

Substantial Shareholdings

Shareholder	% of voting rights
M & G Investment Management Ltd	4.39
Legal & General Investment Management Limited (UK)	4.07

Declarations of interests in voting rights of the Company, at 31 May 2007, are set out above.

Report of the Directors continued

In addition, at 31 May 2007 the following shareholders held over 3% of the voting rights on a non-discretionary basis:

Shareholder	% of voting rights
TR Property ISA/PEP and Shareplan Schemes	6.57
Rensburg Sheppards Investment Management Limited	5.46
JPMorgan Asset Management (UK) Limited	5.42
Brewin Dolphin Securities Limited	4.26
F&C Investment Management Limited	3.39
UBS Wealth Management Limited	3.31

ISAs/PEPs

The Company has conducted its affairs, and will continue to conduct its affairs, in such a way as to comply with the Individual Savings Accounts and Personal Equity Plans Regulations.

Directors' Indemnity

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

To the extent permitted by law and by the Company's Articles of Association, the Company has entered into deeds of indemnity for the benefit of each director of the Company in respect of liabilities which may attach to them in their capacity as directors of the Company. These provisions, which are qualifying third party indemnity provisions as defined by section 309B of the Companies Act 1985, have been in force since 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 Report of the Directors are listed on pages 22 and 23 of these financial statements. Each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of 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.

Shareholder Information

Further information on the Company can be found on pages 58 to 60 and on the inside back cover.

Going Concern

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities which are readily realisable and, accordingly, it has adequate financial resources to continue in operational existence for the foreseeable future.

Registered Auditor

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

Corporate Governance

Corporate Governance Report

The Board of Directors ("the Board"/"the directors") is accountable to shareholders for the governance of the Company's affairs.

Application of the AIC Code's Principles

This statement describes how the principles of the Combined Code on Corporate Governance ("the Code") issued by the Financial Reporting Council in July 2003 have been applied to the affairs of the Company. In applying the principles of the Code, the directors have also taken account of the Code of Corporate Governance published by the AIC, which established the framework of best practice specifically for the Boards of investment trust companies. There is some overlap in the principles laid down by the two Codes and there are some areas where the AIC Code is more flexible for investment trust companies.

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

From 1 April 2007 the Company will report against the revised Combined Code published in June 2006.

Composition and Independence of the Board

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

Directors

All the directors held office throughout the year.

Directors' retirement by rotation and re-election is subject to the Articles of Association, the Combined Code (as revised in July 2003) and the AIC Code of Corporate Governance.

The Articles of Association require that up to one-third of the directors must retire every year and that every director must retire by rotation at least every three years. They may then offer themselves for re-election. The terms of the directors' appointments also provide that a director shall be subject to election at the first AGM after appointment and to re-election at least every third year thereafter. Under the Company's Articles of Association, all directors must retire by the next AGM after they attain the age of 70.

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

The Board has considered the continued appointment of Mr Salsbury, who has served on the Board for ten years. He has no other links to the Investment Manager. The Board subscribes to the AIC Code view that length of tenure is not in itself felt to be an issue, rather the directors' contribution. The Board is conscious of the need to maintain continuity on the Board and believes that retaining directors with sufficient experience of both the Company and the markets is of great benefit to shareholders. Moreover, long-serving directors are less likely to take a short-term view. The Board has concluded that Mr Salsbury continues to make a valuable contribution and, notwithstanding his length of service, believes that he remains independent in character and judgement. Accordingly, all five directors are regarded as being free of any conflicts of interest and no issues in respect of independence arise.

The Chairman is Mr Salsbury. A senior independent director has not been identified as the Board considers that all the directors have different qualities and areas of expertise on which they may lead when issues arise, and to whom concerns can be conveyed. The directors' biographies, on page 23, demonstrate the breadth of investment, commercial and professional experience relevant to their positions as directors of the Company.

After 5 years on the Board, Mr Newsum has decided to retire at the AGM in order to concentrate on other business commitments.

Report of the Directors continued

Corporate Governance

Hugh Seaborn FRICS will be appointed to the Board with effect from the meeting of the Board on 24 July. Mr Seaborn has considerable experience in the property arena; he is the CEO of the Portman Estate, Deputy Chairman of the Westminster Property Owners Association and a member of the Council and Audit Committee of the Duchy of Lancaster. In accordance with the Articles of Association a resolution to elect Mr Seaborn as a director will be proposed at the forthcoming AGM.

Board Committees

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

Audit Committee

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

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

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

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

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

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

The Auditors' appointment during the year was formally reviewed. A number of firms were invited to make a formal tender and present their proposal for audit services to the Board. After careful consideration the Board decided to recommend the reappointment of Ernst & Young LLP as Auditors at the forthcoming AGM.

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

Management Engagement Committee

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

The Committee meets at least on an annual basis, towards the end of the financial year. The Management Engagement Committee met once during the year, following adoption of the terms of reference at the November Board meeting.

The Management Engagement Committee reviews, on an annual basis, the performance of Thames River Capital LLP and its continued suitability to manage the Company's portfolio. It also reviews the terms of the Investment Management Agreement, to ensure they are competitive and fair and in the best interests of the shareholders, and to negotiate terms where appropriate. At the Management Engagement Committee meeting in March 2007, the Committee confirmed that Thames River Capital LLP should be retained as the Investment Manager for the financial year ending 31 March 2008.

Corporate Governance

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

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

The Management Engagement Committee also reviews, on an annual basis, the directors' fees. The results of the most recent review are set out below and in the Directors' Remuneration Report on page 24.

As highlighted last year in the Chairman's Statement, the level of service received by some holders in the PEPs/ISAs and Share Plans had not been satisfactory. BNP Paribas committed to take action to improve their service, and this has been monitored closely by the Investment Manager and the Board. During the year the Board undertook a formal review of the PEP/ISA and Shareplan administrators and a number of organisations were invited to submit detailed proposals and demonstrate their systems. After careful consideration, it was decided that BNP Paribas should remain as the PEP/ISA and Shareplan provider. BNP Paribas will be extending their service by introducing web based access for plan holders later in the year.

Tenure Policy

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

Performance Evaluation

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

The Chairman confirms that, in the light of the formal performance evaluation, the performance of each of the directors continues to be effective and to demonstrate commitment to his or her role, including commitment of time for Board and Committee meetings and any other duties. The Board believes it has a good balance of skills, experience, ages and length of service to ensure it operates effectively.

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

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

Directors' Remuneration

Directors' remuneration is considered by the Management Engagement Committee. 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. In the recent review external advice was also taken.

The Company's Articles of Association limit the aggregate fees payable to the Board to a total of £150,000 per annum. This limit has not been changed for many years. The directors are proposing a resolution at the forthcoming AGM to increase this aggregate amount to £250,000 per annum. Detailed information on the remuneration arrangements for the directors of the Company can be found in the Directors' Remuneration Report on page 24.

Report of the Directors continued

Corporate Governance

Appointment of New Directors

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

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

Directors' Training

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

Board Meetings

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

Meetings

	Board	Audit	MEC
No. of meetings in the year	6	2	1
Peter Salsbury	6	2	1
Caroline Burton	6	2	1
Jeremy Newsum	5	1	1
Richard Stone	5	2	1
Peter Wolton	6	2	1

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

The Board

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

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

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

Further details of the Board's consideration of key operational matters is contained in the Business Review section of the Report of the Directors on pages 25 to 27.

Internal Controls

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

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

Corporate Governance

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

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

The Board has established a process for identifying, evaluating and managing any major risks faced by the Group. The process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 ("the Turnbull Guidance").

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

Voting Policy

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

Relations with Shareholders

Shareholder relations are given high priority by both the Board and the Investment Manager. The prime medium by which the Company communicates with shareholders is through the Interim and Annual Reports which aim to provide shareholders with a clear understanding of the Company's activities and their results. This information is supplemented by the daily calculation and by the publication at the London Stock Exchange of the net asset value of the Company's ordinary shares and a monthly factsheet.

At each AGM a presentation is made by the Fund 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 59.

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

Socially Responsible Investment

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

Policies relating to physical property either held directly or by the companies in which we invest, is described in the Directors' Report under Environmental Policy on page 27.

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

Report of the Directors continued

Corporate Governance

Compliance Statement

The directors acknowledge that the Company did not comply with the following provisions of the Combined Code in the year ended 31 March 2007.

A.2.1 Due to the nature and structure of the Company and the Board the directors do not feel it is necessary to appoint a chief executive.

A.3.3 A senior independent director has not been identified as the Board considers that all the directors have different qualitities and areas of expertise on which they may lead when issues arise and to whom concerns can be conveyed.

A.4.1 The Board does not have a separate Nominations Committee. This function is carried out by the Board as part of the agenda of regular Board meetings when required.

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

Directors' Responsibilities Statement

The directors are responsible for preparing in respect of each financial year, the Report of The Directors, a Remuneration Report and the Company and Group financial statements in accordance with applicable UK law and IFRS as adopted by the European Union.

The Report of the Directors (including the Chairman's Statement on pages 5 to 8 and the Directors' Remuneration Report) have been drawn up and prepared in accordance with and in reliance upon English company law and the liabilities of the directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

The directors are required to prepare Company and Group financial statements for each financial year which present fairly the financial position of the Company and of the Group for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

For and on behalf of
Capita Company Secretarial Services Limited
Secretary
7 June 2007

Independent Auditors Report

to the members of TR Property Investment Trust plc

We have audited the Group and Parent Company financial statements (the "financial statements") of TR Property Investment Trust plc for the year ended 31 March 2007 which comprise the Group Income Statement, the Group Statement of Changes in Equity, the Group and Parent Company Balance Sheets and the Group and Parent Company Cash Flow Statements, and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the Parent Company financial statements and the Directors' Remuneration Report in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, in addition, the Group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Manager's Report, the Twenty Largest Equity Investments, the Investment Properties as at 31 March 2007, and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2007 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Parent Company's affairs as at 31 March 2007;
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
London
7 June 2007

Group Income Statement

for the year ended 31 March 2007

Notes		Year ended 31 March 2007 Revenue Return £'000	Capital Return £'000	Total £'000	Year ended 31 March 2006 Revenue Return £'000	Capital Return £'000	Total £'000
	Investment income						
2	Investment income	21,264	–	21,264	18,249	–	18,249
4	Interest receivable & similar income	66	–	66	104	–	104
3	Gross rental income	3,201	–	3,201	3,044	–	3,044
3	Service charge income	1,695	–	1,695	1,746	–	1,746
10	Gains on investments held at fair value	–	236,669	236,669	–	280,820	280,820
	Total income	26,226	236,669	262,895	23,143	280,820	303,963
	Expenses						
5	Management and performance fees	3,602	9,050	12,652	2,812	10,826	13,638
3	Direct property expenses, rent payable and service charge costs	2,327	–	2,327	2,685	–	2,685
6	Other administrative expenses	561	–	561	580	–	580
	Total operating expenses	6,490	9,050	15,540	6,077	10,826	16,903
	Operating profit	19,736	227,619	247,355	17,066	269,994	287,060
7	Finance costs	3,669	3,669	7,338	3,192	3,192	6,384
	Income from operations before tax	16,067	223,950	240,017	13,874	266,802	280,676
8	**Taxation**	(2,013)	(206)	(2,219)	(2,036)	1,075	(961)
	Net profit	14,054	223,744	237,798	11,838	267,877	279,715
9	**Earnings per ordinary share**	4.09p	65.16p	69.25p	3.44p	77.85p	81.29p

The total column of this statement represents the Group Income Statement, prepared in accordance with IFRS. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

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

As permitted by Section 230 of the Companies Act 1985 the Company has not presented its own revenue account. The net revenue earnings after taxation of the Company dealt with in the accounts of the Group was £14,355,000 (2006: £11,877,000).

The notes on pages 41 to 53 form part of these accounts.

Group and Company Statement of Changes in Equity

Notes	for the year ended 31 March 2007	Ordinary called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
	Net assets at 31 March 2006	85,962	37,063	36,343	611,225	770,593
	Ordinary shares repurchased	(2,312)	–	2,312	(23,069)	(23,069)
	Net profit for the year	–	–	–	237,798	237,798
17	Ordinary dividends paid	–	–	–	(12,378)	(12,378)
	Net assets at 31 March 2007	83,650	37,063	38,655	813,576	972,944

Notes	for the year ended 31 March 2006	Ordinary called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
	Net assets at 31 March 2005	86,591	37,063	35,714	345,337	504,705
	Ordinary shares repurchased	(629)	–	629	(3,340)	(3,340)
	Net profit for the year	–	–	–	279,715	279,715
17	Ordinary dividends paid	–	–	–	(10,487)	(10,487)
	Net assets at 31 March 2006	85,962	37,063	36,343	611,225	770,593

The notes on pages 41 to 53 form part of these accounts.

Group and Company Balance Sheets

as at 31 March 2007

Notes		Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
	Non-current assets				
10	Investments held at fair value	1,082,398	881,943	1,061,648	862,573
10	Investments in subsidiaries	–	–	54,545	51,321
		1,082,398	881,943	1,116,193	913,894
	Current assets				
12	Debtors	4,239	1,431	3,871	1,362
	Cash and cash equivalents	535	2,701	267	2,642
		4,774	4,132	4,138	4,004
13	**Current liabilities**	70,156	72,521	147,387	147,305
	Net current liabilities	65,382	68,389	143,249	143,301
	Total assets less current liabilities	1,017,016	813,554	972,944	770,593
13	**Non-current liabilities**	44,072	42,961	–	–
	Net assets	972,944	770,593	972,944	770,593
	Capital and reserves				
14	Ordinary called up share capital	83,650	85,962	83,650	85,962
15	Share premium account	37,063	37,063	37,063	37,063
15	Capital redemption reserve	38,655	36,343	38,655	36,343
16	Retained earnings	813,576	611,225	813,576	611,225
	Net assets attributable to ordinary shareholders	972,944	770,593	972,944	770,593
19	**Net asset value per ordinary share**	290.78p	224.11p	290.78p	224.11p

These accounts were approved by the directors and authorised for issue on 7 June 2007

P Salsbury – Director

The notes on pages 41 to 53 form part of these accounts.

Group and Company Cash Flow Statements

as at 31 March 2007

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Net cash inflow from operating activities before finance costs	5,804	11,883	8,299	15,768
Net cash outflow from finance costs	(7,330)	(6,468)	(8,309)	(6,734)
Net cash (outflow)/inflow from operating activities	(1,526)	5,415	(10)	9,034
Investing activities				
Purchase of investments	(123,269)	(125,257)	(123,089)	(125,053)
Sale of investments	159,290	120,156	157,396	116,220
Net cash inflow/(outflow) from investing activities	36,021	(5,101)	34,307	(8,833)
Net cash inflow before financing activities	34,495	314	34,297	201
Financing activities				
Purchase of own shares	(17,350)	(3,340)	(17,350)	(3,340)
Equity dividends paid	(12,378)	(10,487)	(12,378)	(10,487)
Net cash outflow from financing activities	(29,728)	(13,827)	(29,728)	(13,827)
Increase/(decrease) in cash	4,767	(13,513)	4,569	(13,626)
Effect of foreign exchange rate changes	22	(119)	22	(119)
Change in cash and cash equivalents	4,789	(13,632)	4,591	(13,745)
Net debt at start of year	(95,092)	(81,460)	(55,184)	(41,439)
Net debt at end of year	(90,303)	(95,092)	(50,593)	(55,184)

Reconciliation of income from operations before tax to net cash flow from operating activities

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Net income from operations before tax	240,017	280,676	239,483	280,983
Gains on investments including transaction costs	(236,669)	(280,820)	(236,097)	(282,895)
(Increase)/decrease in operating debtors	(2,609)	325	(1,873)	70
(Decrease)/increase in operating creditors	(1,161)	5,975	(419)	11,617
Net tax paid	(1,104)	(741)	(1,104)	(741)
Net cash (outflow)/inflow from operating activities	(1,526)	5,415	(10)	9,034

The notes on pages 41 to 53 form part of these accounts.

Notes to the Financial Statements

1 Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (IFRIC) and in accordance with the policies applied for the year ended 31 March 2006.

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

a Basis of consolidation

The Group accounts consolidate the financial statements of the Company and its subsidiaries to 31 March 2007. Companies, other than subsidiaries, in which the Group has an investment representing 20% or more of the voting rights and over which it exerts significant influence, are treated as associates. The Group accounts include the appropriate share of the results and reserves of these companies based on the latest available accounts. Other companies, in which the Group has an investment representing 20% or more of the voting rights but where the directors consider that the Group does not exert significant influence, are not treated as associates and are accounted for as investments.

b Income

Dividends receivable on equity shares are treated as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available, dividends receivable on or before the year end are treated as revenue for the year. Provision is made for any dividends not expected to be received. The fixed returns on debt securities and non-equity shares are recognised on a time apportionment basis and, if material, 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.

Rental income and direct property costs are recognised on an accruals basis.

c Expenses

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

– expenses which are incidental to the acquisition or disposal of an investment;

– expenses are presented as capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect, the investment management fees are allocated 50% to revenue return and 50% to capital return to reflect the Board's expectations of long term investment returns. One third of the management fees is deemed to relate to the administration of the Trust and charged to revenue. The remainder is split on the same basis as finance costs (see below) and 50% charged to capital return. The overall result is that two thirds of management fees are charged to revenue and one third to capital. All performance fees are charged to capital return.

d Finance costs

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

1 Accounting policies continued

e Taxation

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

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

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 timing differences between the treatment of certain items for taxation and accounting purposes.

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

The Company is an investment trust under s.842 Income and Corporation Taxes Act 1988 and, as such, is not liable for tax on capital gains. Capital gains arising in subsidiary companies are subject to capital gains tax.

f Properties

The purchase and sale of properties is recognised to be effected on the date unconditional contracts are exchanged.

g Investments

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

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

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

Investment properties are revalued six-monthly by independent valuers. The purchase and sale of properties is recognised to be effected on the date unconditional contracts are exchanged.

In its financial statements the Company recognises its investments in subsidiaries at fair value.

h Movements in fair value

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

i Non-current liabilities

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

Notes to the Financial Statements continued

1 Accounting policies continued

j Foreign currency translation

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

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

k Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risks of changes in value.

2 Investment income

	2007 £'000	2006 £'000
Dividends from UK listed investments	9,677	8,464
Dividends from overseas listed investments	11,559	9,733
Interest from listed investments	28	52
	11,587	9,785
	21,264	18,249

3 Net rental income

	2007 £'000	2006 £'000
Gross rental income	3,201	3,044
Service charge income	1,695	1,746
Direct property expenses, rent payable and service charge costs	(2,327)	(2,685)
	2,569	2,105

4 Interest receivable and similar income

	2007 £'000	2006 £'000
Interest receivable	66	104

5 Management and performance fees

	2007 Revenue Return £'000	2007 Capital Return £'000	2007 Total £'000	2006 Revenue Return £'000	2006 Capital Return £'000	2006 Total £'000
Management fee	3,083	1,541	4,624	2,428	1,214	3,642
Managers' performance fee	–	6,188	6,188	–	8,029	8,029
Irrecoverable VAT thereon	519	1,321	1,840	384	1,583	1,967
	3,602	9,050	12,652	2,812	10,826	13,638

A summary of the terms of the management agreement is given in the Report of the Directors on pages 26 and 27.

Notes to the Financial Statements continued

6 Other administrative expenses

(including irrecoverable VAT)

	2007 £'000	2006 £'000
Directors' fees (Directors' Remuneration Report on page 24)	127	127
Auditors' remuneration:		
for audit services*	91	98
Other expenses	343	355
	561	580

*Includes £68,000 (2006: £70,000) relating to the parent.

7 Finance costs

	2007 £'000	2006 £'000
Bank loans and overdrafts repayable within 1 year	3,501	2,576
Debentures repayable between 1 and 5 years	2,042	2,046
Debentures repayable after more than 5 years	1,795	1,762
	7,338	6,384
Amount allocated to capital return	(3,669)	(3,192)
Total allocated to revenue return	3,669	3,192

8 Taxation

a Analysis of charge in the year

	2007 Revenue Return £'000	2007 Capital Return £'000	2007 Total £'000	2006 Revenue Return £'000	2006 Capital Return £'000	2006 Total £'000
UK corporation tax at 30%	2,216	(894)	1,322	1,953	(764)	1,189
Overseas taxation	10	–	10	100	–	100
	2,226	(894)	1,332	2,053	(764)	1,289
Overprovision in respect of prior years	(45)	–	(45)	(71)	(360)	(431)
Current tax charge for the year	2,181	(894)	1,287	1,982	(1,124)	858
Deferred taxation	(168)	1,100	932	54	49	103
	2,013	206	2,219	2,036	(1,075)	961

8 Taxation continued

b Factors affecting current tax charge for the year

The tax assessed for the period is lower than the standard rate of corporate tax in the UK for a large company (30%). The difference is explained below:

	2007 £'000	2006 £'000
Net profit	240,017	280,676
Corporation tax at 30%	72,005	84,203
Effects of:		
Non-taxable gains on investments	(71,001)	(84,246)
Tax relief on expenses charged to capital	2,921	3,081
Non-taxable UK dividends	(2,903)	(2,539)
Overseas withholding taxes	10	100
Overprovision in respect of prior years	(45)	(71)
Disallowable expenses	28	96
Other short term timing differences	272	234
Current tax charge for the year	1,287	858

The Group has not recognised deferred tax assets of £8,168,000 (2006: £5,301,000) arising as a result of excess management expenses and excess non trade debits. These expenses will only be utilised if the Group has profits chargeable to corporation tax in future accounting periods. It is considered too uncertain that the Group will generate such profits and, on this basis, the deferred tax asset in respect of these expenses has not been recognised. A deferred tax asset of £50,000 was utilised during the year ended 31 March 2006.

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

c Provision for deferred taxation

The amounts of deferred taxation provided at 30% comprise:

	2007 Revenue Return £'000	2007 Capital Return £'000	2007 Total £'000	2006 Revenue Return £'000	2006 Capital Return £'000	2006 Total £'000
Accelerated capital allowances	–	–	–	168	–	168
Capital gains	–	4,094	4,094	–	2,994	2,994
	–	4,094	4,094	168	2,994	3,162
Shown as:						
Deferred tax liability	–	4,094	4,094	168	2,994	3,162

8 Taxation continued

The movement in provision in the year is as follows:

	2007 Revenue Return £'000	2007 Capital Return £'000	2007 Total £'000
Provision at the start of the year	168	2,994	3,162
Deferred tax charge in Group Income Statement:			
Accelerated capital allowances	(168)	–	(168)
Capital gains	–	1,100	1,100
Provision at the end of the year	–	4,094	4,094

9 Earnings per ordinary share

Total earnings per ordinary share are based on the net profit on ordinary activities after taxation of £237,798,000 (2006: £279,715,000) and on the weighted average number of ordinary shares in issue during the year, being 343,385,123 (2006: 344,113,406).

Revenue earnings per ordinary share is based on the net profit on ordinary activities after taxation of £14,054,000 (2006: £11,838,000) and on the weighted average number of ordinary shares in issue during the year, being 343,385,123 (2006: 344,113,406). Capital return per ordinary share is based on net capital gains of £223,744,000 (2006: £267,877,000) and on the same weighted average number of ordinary shares in issue during the year.

10 Investments held at fair value

(i) Analysis of investments

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Listed in the United Kingdom	593,595	476,047	593,595	476,047
Listed overseas	413,604	341,634	413,604	341,634
Investment properties	75,199	64,262	54,449	44,892
Investments held at fair value	1,082,398	881,943	1,061,648	862,573
Investments in subsidiaries at fair value	–	–	54,545	51,321
	1,082,398	881,943	1,116,193	913,894

10 Investments held at fair value continued

(ii) Gains on investments held at fair value

	31 March 2007 £'000	31 March 2006 £'000
Realised gains on sale of investments	97,942	57,326
Movement in unrealised appreciation	138,705	223,613
Net movement on foreign exchange	22	(119)
	236,669	280,820

(iii) Business segment reporting

	Valuation 31 March 2006 £'000	Net additions/ (disposals) £'000	Net appreciation £'000	Valuation 31 March 2007 £'000	Gross revenue 31 March 2007 £'000
Listed investments	817,681	(35,046)	224,564	1,007,199	21,264
Direct property	64,262	(1,348)	12,285	75,199	4,896
	881,943	(36,394)	236,849	1,082,398	26,160

(iv) Geographical segment reporting

	Valuation 31 March 2006 £'000	Net additions/ (disposals) £'000	Net appreciation £'000	Valuation 31 March 2007 £'000	Gross revenue 31 March 2007 £'000
UK listed equities and convertibles	476,047	(9,743)	127,291	593,595	9,705
UK direct property	64,262	(1,348)	12,285	75,199	4,896
Continental European listed equities	340,559	(26,194)	97,213	411,578	11,518
Other listed equities	1,075	891	60	2,026	41
	881,943	(36,394)	236,849	1,082,398	26,160

Included in the above figures are purchase costs of £273,000 (2006: £337,000) and sales costs of £235,000 (2006: £167,000). These comprise mainly stamp duty and commission.

Notes to the Financial Statements continued

10 Investments held at fair value continued

(v) Substantial share interests

The Group held interests in 3% or more of any class of capital in five investee companies. None of these investments is considered significant in the context of these financial statements.

11 Derivatives and other financial instruments

The Group's financial instruments, other than derivatives, comprise securities and other investments, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income.

The Group has little exposure to credit and cash flow risk. Unquoted investments in the portfolio are subject to liquidity risk. This risk is taken into account by the directors when arriving at their valuation of these items.

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

- market price risk (i.e. movements in the value of investment holdings caused by factors other than interest rate or currency movement);
- foreign currency risk; and
- interest rate risk.

The Investment Manager's policies for managing these risks are summarised below and have been applied throughout the year.

(i) Market Price Risk

By the very nature of its activities, the Group's investments are exposed to market price fluctuations. Further information on the investment portfolio and investment policy is set out in the Manager's Report on pages 9 to 17.

(ii) Foreign 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. The Group may hedge foreign currency movements outside the Eurozone by funding investments in overseas securities with unsecured loans denominated in the same currency.

(iii) Interest Rate Risk

The Group has fixed and variable rate borrowings. The interest rates on the debenture loans are fixed, details are set out in note 13.

In addition to the debentures, the Group has two unsecured multi-currency revolving loan facilities which carry a variable rate of interest based on the currency drawn, plus a margin. These facilities total £130,000,000.

11 Derivatives and other financial instruments continued

(iv) Use of Derivatives

It is not the Group's policy to enter into derivative contracts other than for the purposes of hedging against price movements in the value of particular constituents of the portfolio or interest rate exposures.

Foreign currency and interest rate exposures at 31 March 2007 (using exchange rates of 10.9788 Danish Krone, 1.4735 Euros, 15.3265 Hong Kong Dollars, 13.7610 Swedish Krona, 2.3945 Swiss Francs, 11.9723 Norwegian Krone, 231.5864 Japanese Yen and 1.9614 US Dollars to £1) are:

	Financial Assets				Financial Liabilities			
	Fixed interest £'000	Floating rate £'000	Non interest bearing £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Non interest bearing £'000	Total £'000
Sterling	1,825	963	578,771	581,559	39,978	54,518	14,449	108,945
Danish Krone	–	–	1,181	1,181	–	–	–	–
Euro	–	444	359,107	359,551	–	–	–	–
Swedish Krona	–	161	53,406	53,567	–	–	–	–
Norwegian Krone	–	–	5,062	5,062	–	–	–	–
Swiss Francs	–	–	5,662	5,662	–	–	–	–
Hong Kong Dollars	–	7	858	865	–	852	–	852
Japanese Yen	–	16	1,168	1,184	–	–	–	–
US Dollars	–	259	3,083	3,342	–	2,612	–	2,612
	1,825	1,850	1,008,298	1,011,973	39,978	57,982	14,449	112,409

Foreign currency and interest rate exposures at 31 March 2006 (using exchange rates of 1.4540 Euros, 13.3089 Swedish Krona and 2.2523 Swiss Francs to £1) were:

	Financial Assets				Financial Liabilities			
	Fixed interest £'000	Floating rate £'000	Non interest bearing £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Non interest bearing £'000	Total £'000
Sterling	2,687	2,701	471,283	476,671	39,967	56,800	14,875	111,642
Euro	–	–	293,835	293,835	–	1,197	–	1,197
Swedish Krona	–	–	45,658	45,658	–	–	–	–
Swiss Francs	–	–	4,574	4,574	–	–	–	–
Hong Kong Dollars	–	–	1,075	1,075	–	1,026	–	1,026
	2,687	2,701	816,425	821,813	39,967	59,023	14,875	113,865

The fixed rate assets have a weighted average life of 9.3 years (2006: 8.0 years) and a weighted average interest rate of 6.75% (2006: 8.7%) per annum. The non interest bearing assets represent the equity element of the investment portfolio. Floating rate financial assets and liabilities consist primarily of bank balances, loans and overdrafts; their respective interest rates are linked to LIBOR.

Notes to the Financial Statements continued

11 Derivatives and other financial instruments continued

(v) Currency Exposure

The currency denomination of the Group's financial assets and liabilities is shown above.

(vi) Primary Financial Instruments

Securities and other investments are included in the balance sheet at fair values.

12 Debtors

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Amounts falling due within one year:				
Securities and properties sold for future settlement	579	–	579	–
Tax recoverable	165	107	165	107
Prepayments and accrued income	2,712	930	2,655	869
Other debtors	783	394	472	386
	4,239	1,431	3,871	1,362

13 Current and non-current liabilities

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Amounts falling due within one year:				
Bank loans and overdrafts	50,860	57,826	50,860	57,826
Securities and properties purchased for future settlement	7,122	1,197	7,122	1,197
Amounts due to subsidiaries	–	–	77,997	76,538
Deferred taxation	–	168	–	–
Managers' performance fees payable	7,249	9,420	7,249	9,420
Accruals and deferred income	1,699	1,343	569	431
Other creditors	3,226	2,567	3,590	1,893
	19,296	14,695	96,527	89,479
Total current liabilities	70,156	72,521	147,387	147,305
Non-current liabilities:				
Debenture loans (a) and (b) below	39,978	39,967	–	–
Deferred taxation	4,094	2,994	–	–
	44,072	42,961	–	–

The total amount of secured creditors is £40,000,000 (2006: £40,000,000).

Notes to the Financial Statements continued

13 Current and non-current liabilities continued

Debenture Loans

(a) £15,000,000 (2006: £15,000,000) participation by TR Property Finance Limited, a subsidiary, in 11.5% 2016 several debenture stock issued by Trustco Finance plc, which is guaranteed by the Company by a floating charge over its assets. The fair value of this debenture at 31 March 2007 was £21,183,000 (2006: £21,803,000).

(b) £25,000,000 (2006: £25,000,000) 8.125% 2008 debenture stock in the name of Trust Union Finance (1991) PLC, a subsidiary, which is guaranteed by the Company by a floating charge over its assets. The fair value of this debenture at 31 March 2007 was £25,867,000 (2006: £26,849,000). The final redemption date for this debenture stock is 30 November 2008.

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

Multi-currency revolving loan facilities

The Group also has unsecured, multi-currency, revolving loan facilities totalling £130,000,000. At the year end £50,300,000 was drawn on these facilities.

14 Called up share capital

Share capital

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

	Authorised		Issued, allotted and fully paid	
	Number	£'000	Number	£'000
Ordinary shares of 25p				
At 1 April 2006	779,170,350	194,793	343,850,000	85,962
Shares repurchased	–	–	(9,250,000)	(2,312)
At 31 March 2007	779,170,350	194,793	334,600,000	83,650

During the year, the Company made market purchases for cancellation of 9,250,000 ordinary shares of 25p each, representing 2.7% of the number of shares in issue at 31 March 2006. The aggregate consideration paid by the Company for the shares was £23,069,000. Shares are repurchased in order to enhance shareholder value.

15 Share premium and capital redemption reserve

Share premium

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 value of purchases of the Company's own shares in order to maintain the Company's capital.

16 Retained earnings

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Unrealised capital reserves	612,914	474,209	619,674	480,347
Realised capital reserves	174,333	112,363	175,491	114,444
	787,247	586,572	795,165	594,791
Revenue reserve	26,329	24,653	18,411	16,434
	813,576	611,225	813,576	611,225

Group unrealised appreciation at 31 March 2007 includes £nil (2006: £nil) relating to unlisted investments and £29,043,000 (2006: £18,719,000) relating to investment properties.

Company unrealised appreciation at 31 March 2007 includes £24,712,000 (2006: £21,488,000) relating to unlisted investments and £14,761,000 (2006: £7,568,000) relating to investment properties.

17 Dividends

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 March 2006 of 1.90p (2005: 1.55p) per ordinary share	6,533	5,329
Interim dividend for the year ended 31 March 2007 of 1.70p (2006: 1.50p) per ordinary share	5,845	5,158
	12,378	10,487
Proposed final dividend for the year ended 31 March 2007 of 2.40p (2006: 1.90p) per ordinary share	7,925	6,533

The proposed final dividend has not been included as a liability in these financial statements.

Set out below is the total dividend to be paid in respect of the year. This is the basis on which the requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered.

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Interim dividend for the year ended 31 March 2007 of 1.70p (2006: 1.50p) per ordinary share	5,845	5,158
Proposed final dividend for the year ended 31 March 2007 of 2.40p (2006: 1.90p) per ordinary share	7,925	6,533
	13,770	11,691

Notes to the Financial Statements continued

18 Company revenue account

As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own revenue account. The net revenue after taxation of the Company dealt with in the accounts of the Group was £14,355,000 (2006: £11,877,000).

19 Net asset value per ordinary share

Net asset value per ordinary share is based on net assets attributable to ordinary shares of £972,944,000 (2006: £770,593,000) and on 334,600,000 (2006: 343,850,000) ordinary shares in issue at the year end.

20 Commitments and contingent liabilities

At 31 March 2007 and 31 March 2006 the Group had no capital commitments or contingent liabilities.

The Company has guaranteed a £15,000,000 (2006: £15,000,000) participation in 11.5% 2016 secured debenture stock and a £25,000,000 (2006: £25,000,000) 8.125% 2008 debenture stock (see note 13).

21 Subsidiaries

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

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

* Indirectly held

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

Notice of Annual General Meeting

Notice is hereby given that the One Hundred and Third Annual General Meeting of TR Property Investment Trust plc will be held at the Royal Institute of Chartered Surveyors, 12 Great George Street, Parliament Square, London SW1P 3AD on Tuesday 24 July 2007 at 12 noon for the following purposes:

Ordinary Business

1 To receive the Report of the Directors and the Audited Accounts for the year ended 31 March 2007.

2 To approve the Directors' Remuneration Report for the year ended 31 March 2007.

3 To declare a final dividend of 2.40p per ordinary share.

4 To elect Mr H Seaborn as a director.

5 To re-elect Mr R A Stone as a director.

6 To re-elect Mr P L Salsbury as a director.

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

8 To authorise the directors to determine the remuneration of the auditors.

Special Business

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

9 THAT, in accordance with Article 96 of the Articles of Association of the Company, the maximum aggregate amount of fees that may be paid to the directors of the Company pursuant to that Article 96 (excluding amounts payable under any other provision of the Articles of Association of the Company) be and is hereby increased from £150,000 to £250,000 per annum.

To consider and, if thought fit, to pass the following resolution as a special resolution:

10 THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 ("the Act") to make market purchases (within the meaning of Section 163 of the Act) of ordinary shares of 25 pence each in the capital of the Company ("Shares") on such terms and in such manner as the Directors may from time to time determine provided that:

(a) the maximum number of 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 49,496,980 ordinary shares of 25p each at 7 June 2007, the date of this Notice of Annual General Meeting);

(b) the maximum price (exclusive of expenses) at which a Share may be purchased shall not exceed 5 per cent above the average of the closing middle market quotations for the Shares 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.

(c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 25p, being the nominal value per Share; and

(d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2008 or, if earlier, 18 months from the passing of this resolution, save that the Company may before such expiry enter into a contract to purchase Shares under which such purchases will or may be completed or executed wholly or partly after the expiration of this authority and may make a purchase of Shares in pursuance of any such contract.

By order of the Board

Capita Company Secretarial Services Limited
Secretary
7 June 2007

Notice of Annual General Meeting continued

Notes

1 Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of the Company at 7.00pm on 22 July 2007 shall be entitled to attend and/or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after that time on 22 July 2007 shall be disregarded in determining the rights of any person to attend or vote at the Meeting. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

2 A shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote on his/her behalf. A proxy need not be a member of the Company. The number of votes cast by proxy for each resolution will be communicated to shareholders at or following the AGM and will be available on request.

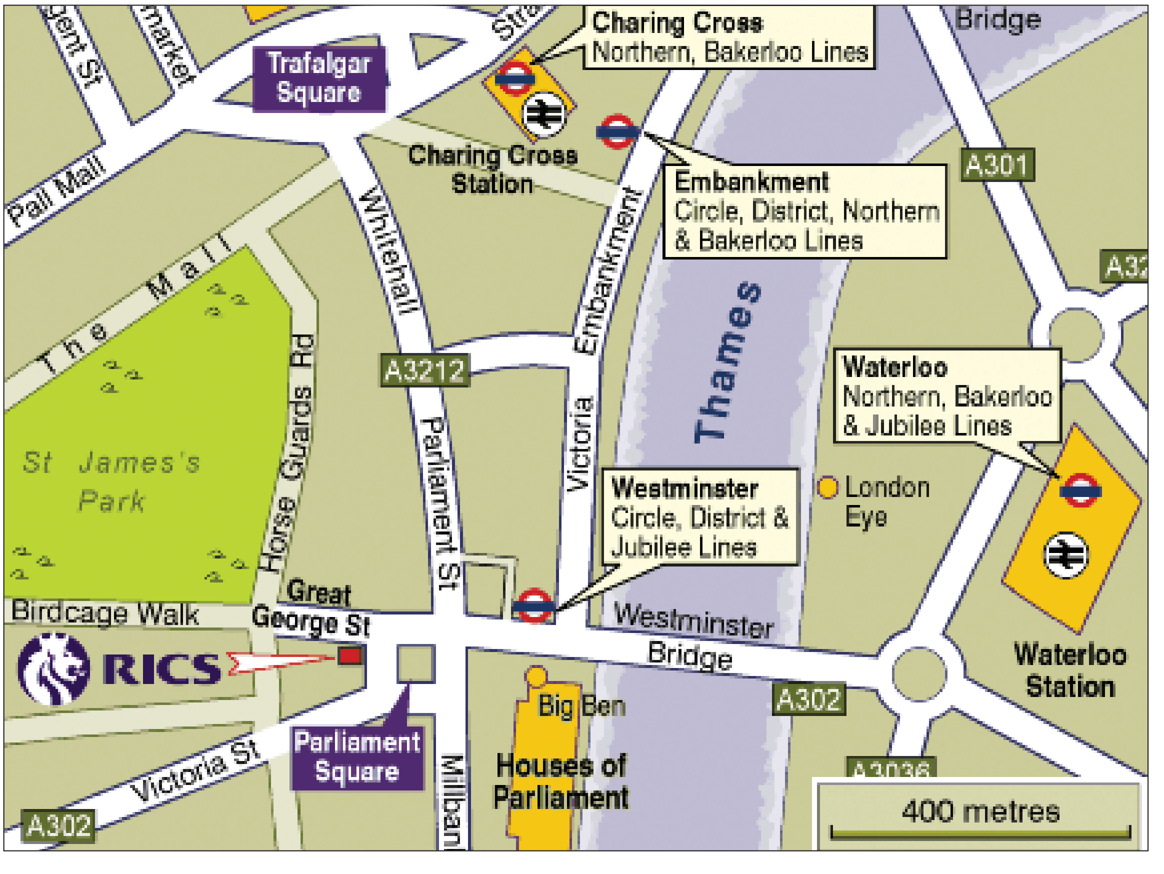
3 A form of proxy is enclosed and to be valid must be lodged with the Registrar of the Company not less than 48 hours before the time fixed for the Meeting. Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person.

4 This notice is sent for information only to holders of debentures issued by Trust Union Finance (1991) PLC.

5 The Register of Directors' Interests kept by the Company in accordance with Section 325 of the Companies Act 1985 will be open for inspection at the AGM.

6 By attending the Meeting, members and their proxies and representatives are understood by the Company to have confirmed their agreement to receive any communications (including communications relating to the Company's securities) made at the Meeting.

7 The Registered Office of the Company is 51 Berkeley Square, London W1J 5BB.



Explanation of Notice of Annual General Meeting

Resolutions 1, 2 and 3: Accounts, Directors' Remuneration Report & 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.

Resolution 4: Election of Director

Resolution 4 deals with the election of Mr H Seaborn as a director. Under the Articles of Association, Mr Seaborn is required to submit himself for election at the first AGM after his appointment; he hereby offers himself for election.

Resolution 5: Re-election of Director

Resolution 5 deals with the re-election of Mr R A Stone as director. Under the Articles of Association, Mr Stone is required to retire by rotation at the Annual General Meeting; he has confirmed he will offer himself for re-election.

Resolution 6: Re-election of Director

Resolution 6 is for the re-election of Mr P Salsbury, who has served on the Board for more than nine years. In accordance with the Combined Code on Corporate Governance, which requires directors who have served for more than nine years to seek annual re-election, Mr Salsbury will retire at the forthcoming annual general meeting and he has confirmed he will offer himself for re-election.

Resolutions 7 and 8: Auditors

These deal with the re-appointment of the auditors, Ernst & Young LLP, and the authorisation for the directors to determine their remuneration.

Resolution 9: Increase in aggregate fees

Article 96 of the Company's Articles of Association states that the maximum aggregate amount of fees that may be paid to the directors in any one year is £150,000, an amount which has not been increased in over 10 years. The Company's policy is that fees paid to directors should reflect their responsibilities and enable candidates of high calibre to be recruited. The directors are therefore seeking shareholder approval to increase the aggregate amount of fees that may be payable to directors.

Resolution 10: Authority to make Market Purchases of the Company's own Shares

At the Annual General Meeting held on 18 July 2006, a special resolution was proposed and passed, giving the directors authority, until the conclusion of the Annual General Meeting in 2007, to make market purchases of the Company's own issued ordinary shares up to a maximum of 51,543,115 (representing approximately 14.99% of the issued share capital as at 23 May 2006, the date of the Notice of the AGM) for cancellation. This authority will expire at this year's Annual General Meeting.

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.

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

The Listing Rules of the UK Listing Authority limit the price which may be paid by the Company to 5% above the average closing middle-market quotation for an ordinary share on the 5 business days immediately

Explanation of Notice of Annual General Meeting continued

preceding the date on which the Company agrees to buy the shares concerned. 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 ordinary share capital through 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 Annual General Meeting; this is equivalent to 49,496,980 ordinary shares of 25p each (nominal value £12,374,245) at 7 June 2007, the date of the Notice of the AGM. The authority will last until the Annual General Meeting of the Company to be held in 2008 or, if earlier, 18 months from the passing of the resolution.

The directors do not expect to use the authority to make purchases of ordinary shares in the Company to the extent that the number of ordinary shares to be purchased under the authority would exceed 14.99% of the reduced ordinary share capital of the Company after taking account of the proposed conversion of ordinary shares into a new class of shares. The creation of a new class of shares is subject to the approval of shareholders at the Company's Extraordinary General Meeting to be held immediately following the Annual General Meeting.

A special resolution is one that requires a majority of at least 75% of those present and voting to be passed.

Glossary of Terms

Discount
The amount by which the market price per share of an Investment Trust Company is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

Dividend Yield
The annual dividend expressed as a percentage of the share price.

Gearing
Total debt comprising debentures, loan stock, bank loans and overdrafts less cash at bank and short term deposits divided by shareholders' funds.

Net Asset Value
The value of the total assets less the liabilities. Liabilities for this purpose include both current and long-term liabilities. To calculate the net asset value per ordinary share, divide the net asset value by the number of shares in issue.

Ordinary shares
Confer certain rights to the holder as laid down in the Articles of Association. These include entitlements to any income distributions paid by the Company, to all undistributed net income if the Company is wound-up and certain voting rights. They rank for payment of capital after repayment of borrowings.

Premium
The amount by which the market price per share of an Investment Trust Company exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

General Shareholder Information

Release of Results

The half year results will be announced in late November. The full year results were announced in late May.

Annual General Meeting

The AGM is held in London in July.

Dividend Payment Dates

Dividends are paid on the ordinary shares as follows:

Interim	:	early January
Final	:	late July

Dividend Payments

Dividends can be paid to ordinary 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 59 of this report) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Share Price Listings

The market price of the Company's ordinary shares is 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

The ISIN code/SEDOL (Stock Exchange Daily Official List) number of the Company's ordinary shares is GB0009064097/0906409. Other sources include Bloomberg (TRY LN) and Reuters (TRY.L).

Internet

Details of the market price and net asset value of the shares can be found at **www.trproperty.co.uk** on the Company's website.

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

Disability Act

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

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

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

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

Nominee Share Code

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

Investors in the TR Property Share Plan, ISA or PEP receive all shareholder communications. A letter of direction is provided to facilitate voting at general meetings of the Company.

Directors and other Information

Directors
P L Salsbury (Chairman)
C M Burton
J H M Newsum
R A Stone
P H Wolton

Registered Office
51 Berkeley Square
London W1J 5BB

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

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

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

Fund Manager:
C M Turner MRICS
Deputy Manager:
M A Phayre-Mudge MRICS
Finance Manager:
J L Elliott ACA
Assistant Fund Manager:
J F K Wilkinson MRICS
Direct Property Manager:
K Pabani MRICS
Assistant Direct Property Manager
G P Gay MRICS
Investor Relations Manager:
N G Williamson

Secretary
Capita Company Secretarial Services Ltd
7th Floor, Phoenix House
18 King William Street
London EC4N 7HE

Registrar
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
Telephone: 0870 707 1363

Registered Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF

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

Solicitors
Slaughter and May
One Bunhill Row
London EC1Y 8YY

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

aic
The Association of Investment Companies

Investing in TR Property Investment Trust plc

Market Purchases

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

Saving Scheme and ISA

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

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

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

TR Property Share Plan

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

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

TR Property ISA

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

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

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

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

Further Information

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

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

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

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