Alpha Real Trust

Annual report and financial statements

For the year ended 31 March 2016

2016

Alpha Real Trust

Contents

www.alpharealtrustlimited.com

Alpha Real Trust Limited targets investment, development, financing and other opportunities in real estate, real estate operating companies and securities, real estate services, infrastructure, infrastructure services, other asset-backed businesses and related operations and services businesses that offer attractive risk-adjusted total returns.

137.9p

NAV per share 137.9p

7.0p

Adjusted earnings per share of 7.0p

0.6p

Declaration of a dividend of 0.6p per share

Highlights

- NAV per share 137.9p: 31 March 2016 (113.2p: 31 March 2015)
- Adjusted earnings per share of 7.0p for the year ended 31 March 2016 (7.5p: 31 March 2015)
- Declaration of a dividend of 0.6p per share, expected to be paid on 22 July 2016
- Asset management successes: active leasing in both directly and indirectly held investments with benchmark outperformance recorded in Spain and the UK
- H2O valuation has increased by 18.9% (on an underlying Euro basis) to €106.5 million, aided by strong leasing activity and continuing asset management initiatives undertaken by ART
- H2O: the Madrid shopping centre continues to attract record visitor numbers in 2016, 10.6% above first quarter 2015
- Partial repayment of the ART subordinated debt to IMPT to £10.3 million including accrued interest; reduced from £11.8 million as at 31 March 2015
- Private rented sector (residential): investment of £6.2 million during the 12 month period for the purchase of three residential development sites in central Leeds and Birmingham with planning consent for 431 apartments, representing over 230,000 net saleable square feet. The projects have a combined potential gross development value in excess of £80 million
- Renewable energy infrastructure: acquisition of a long leasehold interest in a site in Acharn, Scotland, with full planning consent and secure grid connection for the construction of a wood fired biomass energy plant. The investment targets long term secure and predictable inflation-linked income streams that benefit from government incentives
- 95.0% of the Company's portfolio is allocated to investments in the UK and Europe that are or expected to be income producing
- Continued capital allocation to assets which are expected to generate the best risk-adjusted return
- Income from investments, both equity and high yield debt, continue to add to the Company's earnings position

Trust summary and objective

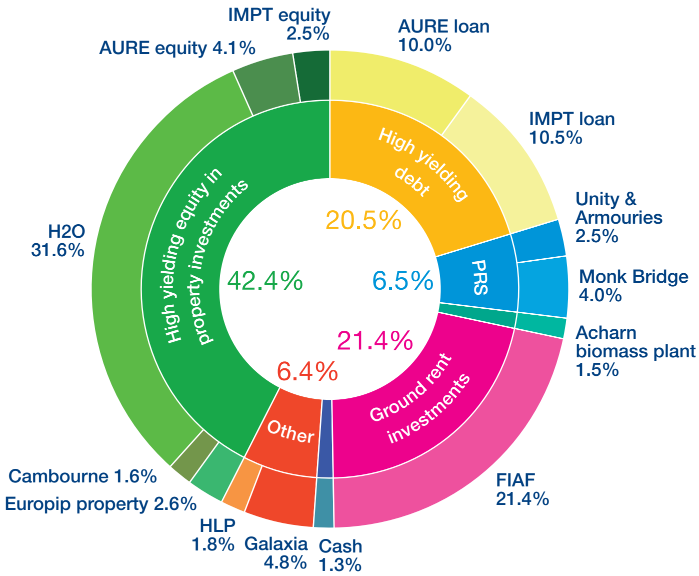
Strategy

Alpha Real Trust Limited ("the Company" or "ART") targets investment, development, financing and other opportunities in real estate, real estate operating companies and securities, real estate services, infrastructure, infrastructure services, other asset-backed businesses and related operations and services businesses that offer attractive risk-adjusted total returns.

ART currently focuses on high-yielding property, infrastructure and asset backed debt and equity investments in Western Europe that are capable of delivering strong risk adjusted cash flows, including build to own investments. The current portfolio mix, excluding sundry assets/liabilities, is as follows:

High yielding debt	20.5%
High yielding equity in property investments	42.4%
Ground rent investments	21.4%
Private rented sector, residential	6.5%
Renewables and infrastructure	1.5%
Other investments	6.4%
Cash	1.3%

Group's assets allocation by sector and investment (by percentage of Group's NAV)



Management

The Company's Investment Manager is Alpha Real Capital LLP ("ARC"), whose team of investment and asset management professionals focus on the potential to enhance earnings in addition to adding value to the underlying assets and also on the risk profile of each investment within the capital structure to best deliver high risk adjusted returns.

Control of the Company rests with the non-executive Guernsey based Board of Directors.

Dividends

The current intention of the Directors is to pay a dividend quarterly.

Listing

The Company's shares are traded on the Specialist Fund Segment ("SFS"), the renamed Specialist Fund Market, of the London Stock Exchange ("LSE"), ticker ARTL:LSE.

Financial highlights

	Year ended 31 March 2016	6 months ended 30 September 2015	Year ended 31 March 2015
Net asset value (£'000)	95,621	86,748	79,935
Net asset value per share	137.9p	123.5p	113.2p
Adjusted earnings per share (basic and diluted) *	7.0p	3.0p	7.5p
Earnings per share (basic and diluted)	23.1p	11.2p	10.2p
Dividend per share (paid during the period)	2.4p	1.2p	2.1p

* The adjusted earnings per share includes adjustments for the effect of the fair value revaluation of investment property and indirect property investments, capital element on Investment Manager's fees, the fair value movements on financial assets and deferred tax provisions: full analysis is provided in note 9 to the accounts.

Chairman's statement

David Jeffreys
Chairman

I am pleased to present the Company's annual report for the year ended 31 March 2016. It has been a busy year for ART with notable achievements secured, including the acquisition of innovative new investments that were structured to enhance returns, the recording of benchmark beating asset management successes and the disposal of non-core assets which assisted with capital recycling. This positive range of activity has helped contribute to the strengthening our asset and earnings base whilst materially improving our net asset value over the year.

Our portfolio mix is continuously reviewed to maintain a balance between assets with defensive cashflows and assets that are capable of being repositioned or developed with active asset management to generate strong returns.

Disciplined asset selection and new investment

ART's current investment focus is on high-yielding property, infrastructure and asset backed debt and equity assets in Western Europe that are capable of delivering strong risk adjusted cash flows. Diverse asset types that meet this criteria will be considered, including those in the real estate, infrastructure and renewable energy sectors. This approach provides ART with the flexibility to take advantage of new investment opportunities where we see best risk-adjusted value.


Unity and Armouries, Birmingham (concept drawing)

To secure underlying cashflows at an attractive risk-adjusted yield, the Company will consider standing investments and "build to own" assets that offer scope to generate long term income streams off a lower entry cost. The investments in residential Private Rented Sector ("PRS") and renewable energy infrastructure completed during the past year, discussed in more detail below, are good examples of this latter strategy.

We continue to consider potential opportunities that require complex investment structures. This approach has served the Company well and provides a competitive advantage in selected markets. The acquisition of 20.5% of the share capital and voting rights in the Active UK Real Estate Fund ("AURE") in September 2015 provides ART with an increased allocation to the high yielding UK commercial real estate sector which is attracting greater investor interest as a result of improving underlying occupier demand, potential for rental growth and a search for higher yielding returns. The consideration paid for the shares was £3.2 million and, based upon the most recent published NAV of AURE (as at 31 March 2016), the Company's investment in AURE is valued at £4.0 million (a 24.0% uplift since acquisition). Prior to the purchase, ART held no AURE shares but did, and continues to, provide mezzanine finance to the fund. The ART mezzanine loan balance as at 31 March 2016 was £9.8 million, inclusive of accrued interest.

Private Rented Sector residential investment

During the year, ART acquired residential sites located in central Leeds and central Birmingham which will be developed for the Private Rented Sector ("PRS"). ART's investment in the PRS targets the increasing growth opportunities identified in the residential rental market as a result of rising occupier demand and an undersupply of accommodation.

The acquisitions in Birmingham and Leeds offer scope to create resilient equity income returns at an attractive yield on cost and assist in building a portfolio of critical mass to afford participation in a maturing market which is attracting greater institutional participation. The investments provide the Company with flexibility to add value by either construction funded with debt or contractor finance and subsequently holding the completed asset as an investment or an ability to forward sell all or some of the developed units. Separate design and development teams are being selected for each site based on experience in the PRS sector and in each local market.

Chairman's statement (continued)

Infrastructure investment

In February 2016, ART announced that it had entered a purchase agreement to acquire the long leasehold interest in a central Scotland site with full planning consent and grid connection for the installation of a wood fired Combined Heat and Power ("CHP") biomass energy plant at Acharn, Killin, Perthshire. Drawing on the experience of the Investment Manager's capabilities, the acquisition targets the increasing growth opportunities identified in the renewable energy sector which benefit from long term secure and predictable inflation-linked income streams substantially supported by government backed Renewable Heat Incentive ("RHI") and Renewable Obligation ("RO") support mechanisms.

The Company's £2.5 million purchase (including costs) of the interest in the Acharn site of 6 hectares (15 acres) will be funded from existing cash reserves. To date £1.5 million has been invested. The 6 Megawatt electric ("MWe") CHP project has a potential gross development value in the region of £30.0 million, and on completion the ability to deliver strong cashflows.

ART is in advanced discussions with capital partners on co-financing options for the construction cost of the CHP plant. In parallel, the main construction and maintenance contracts with attached performance guarantees are being advanced.

Strong performance in existing portfolio

ART's direct and indirectly held equity investments in real estate performed strongly over the past year with positive momentum continuing. This is evident both in the UK and in other markets across Europe.

The Company's AURE investment has had a benchmark leading start to 2016. The AURE fund outperformed the IPD benchmark group of property funds delivering a total return of 2.8%, outperforming the IPD benchmark return of 1.1% for the first quarter of 2016. For the full year to 31 March 2016, AURE delivered a total return of 13.3%, outperforming the IPD benchmark return of 11.7%.

In Spain, the H2O shopping centre investment in Madrid attracted record visitor numbers in 2015 and the first quarter of 2016 has surpassed the comparable period in 2015. Like-for-like tenant sales growth has also improved strongly. It is pleasing to note that ART's strategy of orientating H2O as a family friendly centre with a diverse leisure offer is resonating with our customers. Since the start of 2016, nine new brands have been signed including fashion, services and restaurant operators and an encouraging leasing pipeline is identified.

Underlying asset value increases have been reported within the Company's Industrial Multi Property Trust plc ("IMPT") investment, with new leasing and lease renewals equating to 15.0% of ERV undertaken in the first half of the year. Net asset value increases were recorded in both the IMPT and AURE portfolios during the period.

Our investment in Freehold Investment Authorised Fund ("FIAF"), that holds a diversified ground rent portfolio, continues to generate high risk-adjusted returns and stable cashflows which assist the Company's earnings position whilst offering monthly liquidity. In its latest trading update, FIAF announced a total return of 9.8% for the year ended March 2016, including an income return of 5.5%.

Capital recycling

ART actively manages its liquid reserves position which continues to be replenished via capital recycling from the sale of non-core assets, loan repayments or strategic full or partial disinvestment from assets that allow for profit-taking and portfolio mix risk management benefits. This allows for capital allocation to new investments that benefit from or have scope to deliver strong cashflows.

During the past year, ART's loan to Europip, which had an outstanding balance of £4.3 million as at 31 March 2015, was fully repaid. The Company's £12.3 million subordinated loan to IMPT was partly repaid to £10.3 million, including accrued interest. ART retains active liquid resources to secure new investment opportunities and undertake value-adding asset management capex investment within the current portfolio.

Strengthening of earnings and positioning for continued growth

Earnings are maintained at robust levels as a consequence of ART's investment policy of targeting investments and allocation of capital to income focused investments or investments which are capable of generating strong and growing cashflows. ART has maintained its policy of paying quarterly dividends during the period and I am pleased to announce that the Company declares a dividend, for the quarter ended 31 March 2016, of 0.6p per share which is expected to be paid on 22 July 2016.

The Company is actively seeking to increase the yield and underlying capital value of its portfolio by enhanced performance from existing investments, asset management initiatives and by additional investment, funded from its cash and liquid holdings, strong cashflow and capital recycling.

ART benefits from the depth of experience, strength and size of the Investment Manager's business with various funds under

Chairman's statement (continued)

management and debt structuring, investment and asset management professionals based throughout Europe. ART's active management approach has helped deliver improvements in underlying asset values, in both directly held investments and careful selection and monitoring of indirectly held investments, across our investment markets.

ART continues to actively source new investment opportunities and has the agility and financial reserves to capitalise on those that meet its investment criteria.

A detailed summary of the Company's investments is contained within the investment review section.

Results and dividends

Dividends

Adjusted earnings for the period are £4.9 million and adjusted earnings per share for the period are 7.0 pence (see note 9 of the financial statements). This compares with adjusted earnings per share of 7.5 pence for the same period in 2015.

In line with its aim to pay dividends quarterly, the Board announces a dividend of 0.6 pence per share which is expected to be paid on 22 July 2016 (Ex dividend date 30 June 2016 and record date 1 July 2016).

The dividends paid and declared for the twelve months to 31 March 2016 total 2.4 pence per share, representing a dividend yield of 3.2% per annum on average share price over the period.

The net asset value per share at 31 March 2016 is 137.9 pence (31 March 2015: 113.2 pence per share) (see note 10 of the financial statements).

Financing

Some of ART's underlying investments are part funded through non-recourse loan facilities with external debt providers.

For the H2O shopping centre, bank borrowings now stand at €71.2 million (£56.3 million), which, following partial repayment, represents a reduction of €3.8 million from the initial €75.0 million advance. The bank facilities do not have a loan to value covenant and there remains headroom in relation to the interest cover ratio covenant; rental income continues to provide a substantial surplus in excess of finance charges.

Further details of individual asset financing can be found under the individual investment review sections later in this report.

Foreign currency

The Board monitors foreign exchange exposures and considers hedging where appropriate. All foreign currency balances have been translated at the period-end rates of £1:€1.265, £1:NOK11.913 and £1:INR94.969.

Share buyback

On 9 March 2016, the Company published a circular giving notice of an Extraordinary General Meeting on 1 April 2016. Consistent with the Company's commitment to shareholder value, the Company asked its shareholders to approve a general authority allowing the Company to acquire up to 24.99% of the Voting Share Capital during the period expiring on the earlier of (i) the conclusion of the Annual General Meeting of the Company in 2017 and (ii) 4 September 2017. The shareholders approved the proposal.

Summary

The Company's portfolio provides a balance of stable high yielding investments and investments that offer scope to deliver strong cashflows and high risk adjusted returns.

During the past year, ART has had notable asset management successes within the portfolio's underlying assets. The H2O Madrid shopping centre attracted record visitor numbers in 2015 and the first quarter of 2016, which has enabled our tenants to deliver strong retail sales growth and helped the centre secure new lease signings. Leasing success is also being reported in the IMPT and AURE portfolios in the UK, which bodes well for rental growth potential.

The Company's earning position continues to be supported by underlying asset performance. In addition, capital recycling is anticipated to continue as a small number of selected strategic divestments is planned to obtain prices that are accretive to returns.

The delivery of the build and hold strategy for the new investments made during the year, both in the PRS and renewable energy infrastructure sectors, is being advanced with planning and project design improvements underway. These projects represent opportunities to generate long term income streams off a lower entry cost. Along with the acquisition of shares in AURE, which provide exposure to growth in the UK commercial sector, the new investments made during the year demonstrate our specialist approach to secure assets that meet ART's selective investment criteria.

ART is committed to its disciplined strategy and investment principles which focus on opportunities that can deliver high risk-adjusted total returns, while seeking to manage risk through a combination of operational controls, diversification and preferred capital positions.

ART continues to allocate capital to assets which are expected to generate the best risk-adjusted returns and has the agility and financial reserves to capitalise on investment opportunities that meet its investment criteria.

David Jeffreys
Chairman
16 June 2016

Investment review

Portfolio summary

Investment	Investment value	Income return p.a.	Investment location	Property type / underlying security	Investment notes	% of portfolio [1]
High yielding debt (20.5%)						
Active UK Real Estate Fund plc ("AURE")						
Mezzanine loan	£9.8m [2]	9.0% [3]	UK	High-yield diversified portfolio	Preferred capital structure	10.0%
Industrial Multi Property Trust plc ("IMPT")						
Subordinated debt	£10.3m [2]	15.0% [3]	UK	High-yield diversified portfolio	Unsecured subordinated debt	10.5%
High yielding equity in property investments (42.4%)						
H2O shopping centre						
Direct property	£30.9m (€39.1m)	16.1% [4]	Spain	High-yield, dominant Madrid shopping centre	Debt facility with no LTV covenant and a 1.1x ICR covenant	31.6%
Europip plc						
Indirect property	£2.5m (€3.2m)	n/a	Norway	A geared logistics and office investment	47.0% of ordinary shares in fund with medium term debt	2.6%
Active UK Real Estate Fund plc						
Equity	£4.0m	n/a	UK	High-yield commercial portfolio	20.5% of ordinary shares in fund	4.1%
Cambourne Business Park						
Indirect property	£1.6m	12.4% [4]	UK	High-yield business park located in Cambridge	Bank facility at 60.0% LTV for 2 years then 55.0% till maturity (current interest cover of 2.0 times covenant level)	1.6%
Industrial Multi Property Trust plc						
Equity	£2.4m	n/a	UK	High-yield diversified portfolio	19.0% of ordinary shares in fund	2.5%
Ground rent investments (21.4%)						
Freehold Income Authorised Fund						
Ground rent fund	£20.9m	4.4% [5]	UK	Highly defensive income; freehold ground rents	No gearing; monthly liquidity	21.4%
Private Rented Sector (PRS) (6.5%)						
Unity and Armouries						
PRS development	£2.4m	n/a	UK	Central Birmingham residential build to own	Planning consent for 90,000 square feet / 162 units plus commercial	2.5%
Monk Bridge						
PRS development	£3.8m	n/a	UK	Central Leeds residential build to own	Planning consent for 140,000 square feet / 269 units plus commercial opportunities	4.0%
Infrastructure (1.5%)						
Acharn						
Biofuel power station	£1.5m	n/a	UK	Build to own wood fired Combined Heat and Power plant, Scotland	Site with full planning consent and secure grid connection	1.5%
Other investments (6.4%)						
Galaxia						
Indirect property	£4.7m (INR 450m)	n/a	India	Development site located in NOIDA, Delhi, NCR	Legal process underway to recover investment by enforcing arbitration award	4.8%
Healthcare & Leisure Property Limited						
Indirect property	£1.6m	n/a	UK	Leisure property fund	No external gearing	1.6%
Cash (1.3%)						
Cash (Company only)	£1.3m	0.1-1.0%	UK	Current or 'on call' accounts		1.3%

1 Percentage share shown based on NAV excluding the rent company's sundry assets/liabilities
2 Including accrued coupon at the balance sheet date
3 Annual coupon
4 Yield on cost over 12 months to 31 March 2016
5 12 months income return; post tax

Investment review (continued)

Brad Bauman
Joint fund manager

Gordon Smith
Joint fund manager

High yielding equity in property investments

Property market overview

Over the past year, the UK and European markets in which ART operates continued to stabilise and grow. Increased pricing has been witnessed across asset classes and geographies within the Company's portfolio.

The dual effect of sustained low interest rates and the greater availability of debt funding continues to create high investor demand for real estate and asset backed sectors in general. Whilst there are reports of delayed investment decisions in the UK and Spain as a result of country specific political uncertainties (such as the fear of 'Brexit'), transaction volumes across the Company's investment markets remain high indicating continuing optimistic investor sentiment for the sector. Investment activity has continued to broaden, with higher levels of activity recorded in less core assets in more peripheral markets. In some markets, investors are failing to deploy capital citing the limited availability of good quality opportunities.

In general, growth in rents has lagged the increased pricing recorded in the investment market to date. The next phase of the current property cycle is likely to see income growth having a greater weighting within total returns. There are signs that occupier demand is improving across the Company's portfolio with an improving volume of new leases signed in the AURE and IMPT portfolios in the UK and at the H2O shopping centre in Spain. Consistent with increased leasing activity and a reduction in letting incentives, there are early signs that rental growth is now being captured in ART's portfolio.

ART continues to remain focused on investments that offer the potential to deliver high risk-adjusted returns by way of value enhancement through active asset management, improvement of net rental income, selective deployment of capital expenditure and the ability to undertake strategic sales when the achievable price is accretive to returns.

Cambourne Business Park




Active UK Real Estate Fund plc
AURE

Sector	Channel Islands Securities Exchange listed
Underlying assets	UK offices, industrial and retail property
Description	AURE is a Channel Islands Securities Exchange listed UK property fund with gross property assets of £48.2 million (as at 31 March 2016). AURE has a regionally diversified portfolio of UK office, industrial and retail properties.

Investment review (continued)

Active UK Real Estate Fund plc ("AURE")

Investment	Investment type	Investment value	Income return	Property type / underlying security	Investment notes
Active UK Real Estate Fund plc	Equity	£4.0m	n/a	High-yield commercial UK portfolio	20.5% of ordinary capital

AURE is a fund that invests in a portfolio of high yielding UK commercial property and aims to deliver a high and stable income yield, together with the potential for capital appreciation. AURE's shares are listed on the Channel Islands Securities Exchange (www.cisx.com).

In August 2015, ART purchased 20.5% of the share capital and voting rights in AURE. The consideration paid for the shares was £3.2 million. The Company held no AURE shares prior to purchase. Since acquisition, the value of the shares have increased and had a net asset value of £4.0 million as at 31 March 2016, a 24.0% uplift since acquisition.

AURE outperformed the IPD benchmark for the quarter ending March 2016 delivering a total return of 3.1% compared with the benchmark total return of 1.1%. On an annual basis to March 2016 AURE also outperformed, delivering a total return of 13.3% compared to the benchmark of 11.7%.

> The Company is actively seeking to increase the yield and underlying capital value of its portfolio by enhanced performance from existing investments, asset management initiatives and by additional investment.

The following highlights were included in AURE's quarterly update for the period ended 31 March 2016 (published May 2016):

- **Sales:** A sale of an office building at 2% above its valuation was completed during the period. The sale of this 64% vacant building has helped reduce the overall void level and irrecoverable costs within the portfolio.
- **Fund Performance & Benchmark Ranking:** Successful delivery of the Asset Manager's business plan is reflected in the Fund now being ranked as the 17th best performing Fund over the year to date in the IPD benchmark of 220 Funds. The Fund provided a year to date return of 2.8% compared to the IPD benchmark of 1.1%.
- **Increased NAV:** Over the 12 months to 31 March 2016 the net asset value per share has increased by 7.9%, which equates to an increase of £1.4 million in net assets.

ARC is the promoter, investment manager and distributor of AURE.

ARC is pursuing value enhancement opportunities in the AURE portfolio assets to increase net income and improve the profile of this income through lease extensions, renewals and reducing unrecoverable void costs.




European Property Investment Portfolio plc

Europip

Sector	A 47% stake in an Isle of Man domiciled open ended investment company which invests in a geared property investment vehicle invested in Norway.
Underlying assets	The investment comprises industrial and office properties in Norway.
Description	The Norwegian portfolio is undergoing a phased sales process.

Investment review (continued)

Industrial Multi Property Trust plc ("IMPT")

Investment	Investment type	Investment value	Income return	Property type / underlying security	Investment notes
Industrial Multi Property Trust plc	Equity	£2.4m	n/a	High-yield diversified UK portfolio	19.0% of ordinary capital

ART holds 19.0% of IMPT's ordinary share capital, representing £2.4 million in equity value based on IMPT's share price, as at 31 March 2016.

IMPT, listed on the SFS, is a UK property fund with a regionally diversified UK portfolio of over 50 multi-let light industrial and office properties valued at £82.1 million (at 31 March 2016).

The following highlights were included in IMPT's financial report for the year ended 31 December 2015 (published March 2016):

- **Adjusted net asset value per ordinary share increased:** 261p as at 31 December 2015 (220p at 31 December 2014).
- **New lettings:** 68 new lettings and 51 lease renewals achieved during 2015.
- **Additional contracted rent:** £0.4 million per annum of additional passing rent is contracted to start during 2016.
- **Occupancy improved:** the occupancy level measured by estimated rental value stood at 89.3% as at 31 December 2015 compared with 86.5% as at 31 December 2014.
- **Sales:** two light industrial and four office buildings were sold for £3.3 million before sales costs; 49.0% above the most recent valuation.
- **Portfolio valuation increased:** IMPT's property portfolio was valued at £81.6 million as at 31 December 2015 (£79.9 million as at 31 December 2014), an increase of £1.7 million (2.1%) during the year (5.2% on a like for like basis).

ARC is the investment manager of IMPT. ARC is pursuing value enhancement opportunities in the IMPT portfolio assets to increase net income and improve the profile of this income through lease extensions, renewals and reducing unrecoverable void costs.

European Property Investment Portfolio plc ("Europip")

Investment	Investment type	Investment value	Income return	Property type / underlying security	Investment notes
Europip Norway	Indirect property	£2.5m (€3.2m)	n/a	A geared property investment vehicle invested in offices and logistics properties in Norway	47.0% of ordinary shares in fund with medium term debt

ART has a 47.0% stake in Europip (shares are non-voting), an Isle of Man domiciled open ended investment company. Europip invests in a directly owned commercial property portfolio in Norway.

As at 31 March 2016, the Norwegian portfolio of two directly owned commercial properties is concentrated around Oslo. Post period end, one asset was sold. The value of the single remaining asset is NOK 50.5 million (£4.2 million) based on the 31 December 2015 valuation with a passing rental level of NOK 6.5 million (£0.6 million). Europip has lowly geared, medium term bank finance that matures in January 2020.

Following the sale of the non-core asset in the portfolio, ART's previous loan facility investment in Europip was fully repaid.

A managed sale process of Mosaic Property CEE Limited has been undertaken and a sale of the principal assets has completed.

A subsidiary of ARC, Alpha Real Property Investment Advisers LLP ("ARPIA") is the investment manager for the Norway portfolio and Malling & Co. is responsible for the day to day property management.





Cambourne Business Park
Cambridge

Sector	Business parks
Underlying assets	Office
Tenants	Regus, Citrix Systems, Netcracker Technology
Area	9,767 square metres
Description	The asset consists of three Grade A specification modern office buildings located in the town of Cambourne. Phase 1000 is situated at the front of the business park. It is an institutional quality asset with Open B1 Business user planning.

Investment review (continued)

Cambourne Business Park, Phase 1000, Cambridge

Investment	Investment type	Investment value	Income return	Property type / underlying security	Investment notes
Cambourne Business Park	Indirect property	£1.6m	12.4% p.a. *	High-yield business park	Bank facility at 60.0% LTV for 2 years then 55.0% till maturity (current interest cover of 2.0 times covenant level)

* Yield on cost over 12 months to 31 March 2016.

The Company has invested £1.2 million in a joint venture that owns Phase 1000 of Cambourne Business Park. The property consists of three Grade A specification modern office buildings constructed in 1999 and located in the town of Cambourne, approximately 8 miles west of Cambridge city centre. The property comprises 9,767 square metres of lettable area, is self-contained and has 475 car parking spaces. Phase 1000 is situated at the front of the business park with good access and visibility.

Phase 1000 is a high quality asset, fully let to Netcracker Technology EMEA Ltd, Citrix Systems and Regus. The property has open B1 Business user planning permission and has potential value-add opportunities.

Phase 1000 was purchased in a joint venture partnership with a major overseas investor for £23.0 million including acquisition costs. ART's equity contribution of £1.2 million, which represents 10.0% of the total equity commitment, was invested into a newly formed joint venture entity, a subsidiary of which holds the property. The property was acquired for an 8.5% net initial yield and is currently delivering an annualised income return of 12.4% as at 31 March 2016.

In February 2016 the non-recourse bank debt facility secured on the Cambourne asset was refinanced with a new four year £14 million facility on maturity of the previous £10.8 million loan.

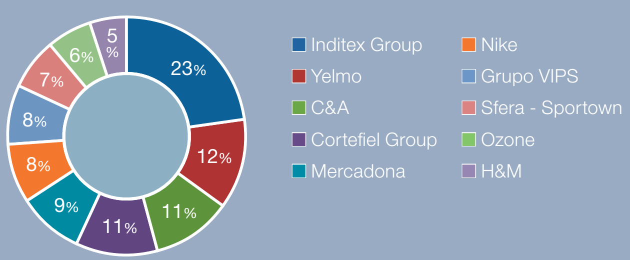
ARC is the investment manager to the joint venture owning the Cambourne property and continues to pursue opportunities to add value to the investment.

> ART remains well placed to find value for its investors and to capitalise on new investment opportunities across asset backed investment and debt markets in the UK and Europe.

H2O
Madrid - Spain

Sector	Retail
Asset	Shopping centre
Tenants include	Nike, Zara, Mango, Cortefiel, H&M, C&A and Massimo Dutti
Area	51,825 square metres
Description	The property is located in the Rivas-Vaciamadrid district of Madrid. H2O has a primary catchment area of 166,000 people but the location, due to the concentration of complementary retail, has a total catchment of 2.2 million people. The weighted average lease length as at 31 March 2016 is 9.8 years to expiry and 2.7 years to next break.

Top ten tenants (31 March 2016)



Investment review (continued)

H2O Shopping Centre, Madrid

Investment	Investment type	Investment value	Income return	Property type / underlying security	Investment notes
H2O	Direct property	£30.9m (€39.1m)	16.1% p.a. *	High-yield, dominant shopping centre	Debt facility with no LTV covenant and a 1.1x ICR covenant

* Yield on cost over 12 months to 31 March 2016

The H2O investment value of £30.9 million represents the relevant share of the Company's NAV attributable to the H2O investment. The investment property value, associated borrowings and other sundry assets, liabilities and cash are shown in the financial statements within the appropriate balance sheet items.

H2O was opened in June 2007 and built to a high standard providing shopping, restaurants and leisure around a central theme of landscaped gardens and an artificial lake. H2O has a gross lettable area of 51,825 square metres comprising 118 retail units. In addition to a multiplex cinema, supermarket (let to leading Spanish supermarket operator Mercadona) and restaurants it has a large fashion retailer base, including some of the strongest international fashion brands, such as Nike, Zara, Mango, Cortefiel, H&M, C&A and Massimo Dutti.

The H2O shopping centre was acquired in April 2010 and to date ART has invested €5.6 million in capital improvements.

> Visitor numbers at H2O reached record levels in 2015 with visitor numbers increasing by 8.5%. The positive trend has continued in 2016 with visitor numbers increasing 10.7% for the quarter ended 31 March 2016.

The asset management highlights are as follows:

- **Valuation:** 18.9% valuation increase during the year to 31 March 2016.
- **Centre occupancy:** 85.0% by area as at 31 March 2016 (94.6% by rental value with short term temporary rent discounts also remaining in place to create further potential upside).
- **Footfall:** the visitor numbers at H2O reached record levels in 2015 with visitor numbers increasing by 8.5%. The positive trend has continued in 2016 with visitor numbers increasing 10.7% for the quarter ended 31 March 2016 assisted by the upgraded physical space, presence of new brands and an improving commercial mix.
- **Sales growth:** tenant sales performance is improving with like for like year to date sales increases of 8.2% recorded in 2015, with some key brands recording double digit growth; this reflects the greater visitor numbers at the centre and the improving economic environment in Spain.
- **Lease length:** weighted average lease length of 2.7 years to next break and 9.8 years to expiry (as at 31 March 2016).
- **Leasing:** in the year 2016 to date, 9 leases have been signed with new retail and restaurant brands, with positive momentum continuing.
- **Cost control and environmental efficiencies:** an active cost management exercise continues to be implemented to reduce the centre's operating costs and improve the quality and efficiency of services, the installation of LED lights throughout the centre and its external gardens is underway.
- **Marketing:** innovative events continue to be carried out to attract new visitors and increase dwell time with a H2O phone app recently launched to build customer loyalty.

Industrial Multi Property Trust plc

IMPT

Sector	LSE listed
Underlying assets	UK offices and industrial property
Description	IMPT is a London Stock Exchange listed UK property fund with gross property assets of £82.1 million (as at 31 March 2016). IMPT has a regionally diversified portfolio of UK light industrial and office property.

Investment review (continued)

High yielding debt

Market overview

Increased debt liquidity from both traditional and new lenders in the market reflects a perception that risks and asset pricing have improved.

Underlying asset values have benefited from an improvement in the wider investment market, resulting in enhanced credit quality as loan to value ratios have either improved or are more firmly supported as a result of greater liquidity and debt availability.

The broadening of debt market supply has meant that ART's debt investments are in some cases now yielding returns in excess of the market. The exit positions upon refinancing for the Company's debt investments are increasingly protected.

During the past year, ART's loan investment to Europip was fully repaid. The loan investments in AURE and IMPT continue to perform well and the loan to value ratios continue to reduce as a result of value increases in the underlying assets and the proceeds from the sale of selected non-core assets being used to repay the total debt position in each fund. As a result, the risk adjusted return from each of ART's loan investments has been enhanced.

Although this remains a competitive environment, ART continues to explore new high yielding debt lending opportunities and with the support of the Investment Manager's experience, has a relative advantage in the less crowded market for smaller transactions in non-prime sectors where a demonstrably strong knowledge of the underlying assets is required. The Company's investing policy allows for capital receipts from loan amortisations to be recycled across investment sectors and asset classes into opportunities that are best placed to meet ART's investment criteria.

Industrial Multi Property Trust plc

Investment	Investment type	Investment value	Income return	Property type / underlying security	Investment notes
Industrial Multi Property Trust plc	Subordinated debt	£10.3m *	15.0% p.a. **	High-yield diversified UK portfolio	Unsecured subordinated debt

* Including rolled up and accrued coupon at the balance sheet date
** Annual coupon

Further to its equity investment (described above) ART provides a subordinated loan to IMPT of £10.0 million (£10.3 million including accrued coupon). The loan has a five-year term, expiring in December 2018, and earns a coupon of 15.0% per annum.

Based on the underlying value of the IMPT portfolio of £82.1 million (published valuation as at 31 March 2016) and the balance of the external bank and mezzanine finance of £53.5 million as at 31 December 2015, this reflects a loan to value ratio of 65.2%. ART's subordinated loan sits between 65.2% and 77.3% loan to value.

Investment review (continued)

Active UK Real Estate Fund plc

Investment	Investment type	Investment value	Income return	Property type / underlying security	Investment notes
Active UK Real Estate Fund plc	Mezzanine loan	£9.8m *	9.0% p.a. **	High-yield commercial UK portfolio	Preferred capital structure

* Including accrued coupon at the balance sheet date
** Annual coupon

In addition to the recent equity investment (described above) ART provides a mezzanine loan to AURE of £9.6 million, which matures in November 2016. The loan earns a coupon of 9.0% per annum plus upfront and exit fees.

Based upon the value of the underlying AURE portfolio of £48.2 million (valuation as at 31 March 2016) and the balance of the bank finance of £19.6 million as at 31 March 2016, this reflects a loan to value ratio of 40.6%. ART's mezzanine finance position sits between 40.6% and 60.6% loan to value.

Private Rented Sector investment

ART's investment in the PRS sector targets the increasing growth opportunities identified in the private rented residential market as a result of rising occupier demand and an undersupply of accommodation. The opportunity exists to create a portfolio delivering a high yielding return on equity. The securing of a portfolio of critical mass will afford participation in a maturing market which is attracting greater institutional investment.

The Company's PRS investments offer scope to create resilient equity income returns at an attractive yield on cost, with potential for operating leverage to further enhance returns. The investments also offer scope for capital growth as the sites mature or planning is enhanced.

The investments provide the Company with flexibility to add value by either building the development funded with debt or contractor finance and subsequently holding the completed assets as investments, or, alternatively, forward selling all or some of the developed units. ART may also potentially benefit from government support for borrowings securing PRS assets under the private rented sector housing guarantee scheme.


Unity and Armouries, Birmingham (concept drawing)


Monk Bridge, Leeds (concept drawing)

Investment review (continued)

Unity and Armouries, Birmingham

Investment	Investment type	Investment value	Income return	Property type / underlying security	Investment notes
Unity and Armouries, Birmingham	Direct property	£2.4m	n/a	Central Birmingham residential build to own	Planning consent for 90,000 square feet / 162 units plus commercial

In July 2015, ART announced the acquisition of Unity and Armouries, a development located in central Birmingham with planning consent for 90,000 net developable square feet comprising 162 residential apartments with ground floor commercial areas.

There are no outstanding Section 106/Community Infrastructure Levy requirements and an affordable unit designation for nine flats. The current proposal provides for 2,892 square feet of commercial space and 98 car parking spaces.

Acquired for £2.4 million (including associated costs), the project has a potential gross development value in excess of £25 million.

The project architect has been selected and shortlisting of the construction partner is underway. The existing detailed planning consent is being reviewed for possible enhancements to meet best in class PRS requirements. A full appraisal of the floor plans has been completed, converting the layout to PRS friendly designs incorporating communal facilities, reception area and back of house service facilities. All of the units have also been designed to ensure efficiencies in space planning, incorporating open plan living areas, with lobby-less entrances and domestic sprinkler firefighting systems.

Monk Bridge, Leeds

Investment	Investment type	Investment value	Income return	Property type / underlying security	Investment notes
Monk Bridge, Leeds	Direct property	£3.8m	n/a	Central Leeds residential build to own	Planning consent for 140,000 square feet / 269 units plus commercial opportunities

In December 2015, ART announced the purchase of Monk Bridge, a central Leeds development site. The site has a total area of 1.7 hectares (4.2 acres) with implemented planning consent for 269 units totalling 140,000 square feet across two buildings with potential for ground floor commercial development within existing disused railway arches. The development earlier had outline consent, now lapsed, for 720 units, totalling 392,000 net saleable square feet.

The Company's £3.8 million (net of VAT, including associated costs) purchase of Monk Bridge was funded from cash reserves. The project has a potential gross development value in excess of £55 million.

Site clearance works were completed in March 2016. Selection of the project design team is underway and the existing detailed planning consent is being reviewed for possible enhancements to meet best in class PRS requirements. In addition, the optimum phasing of the development is being reviewed to enhance the project's risk-reward profile.

Freehold Income Authorised Fund
FIAF

Sector	Freehold ground rents (UK)
Underlying assets	Freehold residential ground rents
Description	FIAF is an open-ended investment company that provides secure and stable investment returns from acquiring freehold residential ground rents, which offer an attractive income stream, capital growth prospects and attractive risk-adjusted returns. FIAF owns over 64,000 freeholds in the UK.

Investment review (continued)

Freehold ground rent investments

ART invests in a fund which holds a diversified portfolio of UK residential property freehold ground rents with a view to achieving steady and predictable returns, a consistent income stream and prospects for growth.

A ground rent is the payment made by the lessee of a property to the freeholder of that property. The investment represents the underlying freehold interest in a property which is subject to a lease for a period of time usually between 99 and 999 years.

Freehold Income Authorised Fund (“FIAF”)

Investment	Investment type	Investment value	Income return	Property type / underlying security	Investment notes
Freehold Income Authorised Fund	Equity in ground rent fund	£20.9m	4.4% p.a. *	Highly defensive income; freehold ground rents	No gearing; monthly liquidity

* 12 months income return; post tax.

The Company has invested £20.9 million as at 31 March 2016 in FIAF, an open-ended fund that invests in UK freehold ground rents with a net asset value of £234.9 million as at 31 March 2016.

ART’s portfolio provides a balance of stable high yielding investments and investments that offer scope to deliver strong cashflows and high risk adjusted returns.

The following highlights were reported in the FIAF fact sheet as at 31 March 2016 (published in April 2016):

- FIAF continues its unbroken 23 year track record of positive inflation beating returns, generating a total return for the 12 months to 31 March 2016 of 9.8%* of which 2.7% was distributed as income at the end of November 2015, with 2.8% expected to be distributed at the end of May 2016, i.e. an income distribution for the year of 5.5%.
- 83.0% of its freeholds have a form of inflation protection through periodic uplifts linked to Retail Price Index (RPI), property values or fixed uplifts.
- No debt had been drawn and cash reserves are £30.2 million as at 31 March 2016.
- As of 12 April 2016, a 2.5% dilution levy will be applied to subscriptions into FIAF.

* Note: ART holds a different class of shares. ART total return on its investment was 8.7% (annualised post tax) for the financial year ending 31 March 2016.

Investment review (continued)

Infrastructure

ART's investment in the infrastructure sector is undertaken in parallel with the Company's real estate investment and takes advantage of the Investment Manager's renewables and infrastructure team's experience. Infrastructure investments add asset class diversity to the Company's portfolio whilst also offering the potential to deliver long term secure and predictable inflation-linked income streams with the potential for associated capital growth that is central to ART's current investment focus.

The Company's investment in in the sector targets the continuing trend for government policy to place a growing reliance on private sector funds and public markets to fund the core infrastructure that countries need to support and sustain economic growth. Over recent decades a maturing investor participation in this sector has resulted in infrastructure assets becoming an increasingly traded asset class akin to real estate.

In recognition of the social needs supplied by selected infrastructure projects, there is potential for government support to assist development funding. The Company's recent renewable energy sector investment in Acharn, Scotland is a good example of this. The Acharn project targets increasing growth opportunities identified in the renewable energy sector which represents the potential to benefit from long term secure and inflation-linked income streams substantially supported by the UK government's Renewable Heat Incentive ("RHI") and Renewable Obligation ("RO") support mechanisms.

Acharn biofuel power station

Investment	Investment type	Investment value	Income return	Property type / underlying security	Investment notes
Acharn biofuel power station	Direct asset investment	£1.5m	n.a.	Build to own wood fired Combined Heat and Power plant, Scotland	Site with full planning consent and secure grid connection

In February 2016, ART announced that it had entered a purchase agreement to acquire the long leasehold interest in a development site with full planning consent and secure grid connection for the installation of a combined heat and power biomass energy plant at Acharn, Killin, Perthshire, Scotland.

The Company's £2.5 million total purchase consideration (including development costs) of the long leasehold interest in the Acharn site of 6 hectares (15 acres), will be funded from existing cash reserves. £1.5 million was invested by 31 March 2016. The 6 Megawatt electric ("MWe") project has a potential gross development value in the region of £30 million, and on completion the ability to deliver strong cashflows.

ART is in advanced discussions with capital partners on co-financing options for the construction cost of the biomass plant, and the main construction and maintenance contracts with attached performance guarantees are also well advanced, with commencement of commercial operations targeted in 2017.

Investment review (continued)

Cash balances

Investment	Investment type	Investment value	Income return	Property type / underlying security	Investment notes
Cash balance	Cash	£1.3m	0.1 - 1% p.a.	Cash deposits / current accounts	Held between banks with a range of deposit maturities

As at 31 March 2016, the Company had cash balances of £1.3 million.

Other investments

Galaxia, National Capital Region, NOIDA

Investment	Investment type	Investment value	Income return	Property type / underlying security	Investment notes
Galaxia	Direct property	£4.7m (INR 450m)	n/a	Development site in NOIDA, Delhi, NCR	Asset held for sale

ART invested INR 450 million (£4.7 million) in the Galaxia project, a development site extending to 11.2 acres with the potential to develop 1.2 million square feet. Galaxia is located in NOIDA, an established, well planned suburb of Delhi that continues to benefit from new infrastructure projects and is one of the principal office micro-markets in India. The Company has a 50.0% shareholding in the SPV which controls the Galaxia site. There are no bank borrowings on the asset.

On 2 February 2011, ART recommenced arbitration proceedings against its development partner Logix Group in order to protect its Galaxia investment.

During January 2015, the Arbitral Tribunal, by a majority, decreed that Logix and its principals had breached the terms of the shareholders agreement and has awarded the Company the following:

- Return of its entire capital invested of INR 450 million (equivalent to £4.7 million using an exchange rate of INR94.969 as at 31 March 2016) along with interest at 18.0% per annum from 31 January 2011 to 20 January 2015.
- All costs incurred towards the arbitration.
- A further 15.0% interest per annum on all sums was awarded to the Company from 20 January 2015 until the actual date of payment by Logix of the award.

In April 2015, Logix appealed the Arbitral Tribunal decision in the Delhi High Court. The challenge to the Award was heard on 15 July 2015, 7 December 2015 and 24 May 2016 with a further hearing scheduled for the 14 July 2016.

The Arbitral Tribunal has also ruled that the Company has no obligation or liability to fund the outstanding NOIDA lease rents under the Shareholders Agreement. To this end, the Delhi High Court has recently required that Logix make such payments and has ordered that the site be placed in a court monitored auction process, with proceeds to be used to repay outstanding ground lease rents with the balance to be held until the outcome of the Arbitration claim.

The Company is actively seeking recovery of the sums awarded. To this end the Company has been awarded by the courts of India a charge over the private residence of the principals of Logix: Shakti Nath, Meena Nath and Vikram Nath.

Following the determination of the arbitration noted above, the award to the Company represents a potential realisation of approximately £9.0 million. ART continues to hold the indirect investment at INR 450 million (£4.7 million) in the accounts due to uncertainty over timing and final value.

Investment review (continued)

Healthcare & Leisure Property Limited ("HLP")

Investment	Investment type	Investment value	Income return	Property type / underlying security	Investment notes
Healthcare & Leisure Property Limited	Indirect property	£1.6m	n/a	Leisure property fund	No external gearing

HLP has invested in companies operating in the hotel, care home, house building and leisure sectors throughout the UK. HLP's investments are predominantly un-geared.

HLP is managed by Albion Ventures LLP, a specialist UK venture capital manager. No new investments are being made by HLP.

As at 31 March 2016, ART had £1.6 million invested in HLP. HLP subsequently holds minority stakes in the underlying investments.

ART continues to receive income from its investment while HLP's underlying assets are sold.

Summary

ART's portfolio provides a balance of stable high yielding investments and investments that offer scope to deliver strong cashflows and high risk adjusted returns. The Company's portfolio mix has improved during the past year as capital recycling has made way for new acquisitions. Non-core assets or assets that have reached maturity in their asset management cycle have been sold making proceeds available for new investment that has potential to deliver high risk adjusted total returns. Capital recycling is anticipated to continue as a small number of selected strategic sales are planned to achieve prices that are accretive to returns.

Notable asset management successes were evident in the underlying assets with the H2O Madrid shopping centre continuing its record trend by attracting record visitor numbers. Both in Spain and the IMPT and AURE portfolios in the UK, active leasing is being reported. It is pleasing to note that valuation increases have followed these asset management successes. In particular the 18.9% increase in the H2O valuation over the financial year represents the implementation of ART's asset strategy of value adding capital investment to upgrade the physical space and attract leading tenants to improve the commercial mix.

The acquisitions of two PRS projects in central Leeds and Birmingham and the infrastructure investment in a biomass renewables site in Scotland demonstrate the innovative approach to secure assets that meet ART's selective investment criteria. The investment offers ART the opportunity to generate an attractive ongoing income yield off a low entry cost.

We remain opportunistic in terms of new investments and continually evaluate possible investment targets. Where a creative solution is required to unlock value, we remain innovative and are able to access new opportunities not only via direct assets that require asset management but also via the restructuring or recapitalisation of property investment vehicles or via share purchases, as evidenced by the recent purchase of shares in the AURE fund.

ART remains well placed to find value for its investors and to capitalise on new investment opportunities across asset backed investment and debt markets in the UK and Europe.

Brad Bauman and Gordon Smith
For and on behalf of the Investment Manager
16 June 2016

Directors

David Jeffreys

Chairman

Aged 56

David Jeffreys qualified as a Chartered Accountant with Deloitte Haskins and Sells in 1985. He works as an independent non-executive director to a number of Guernsey based investment fund companies and managers and is a Guernsey resident.

From 2007 until 2009 David was the Managing Director of EQT Funds Management Limited, the Guernsey management office of the EQT group of private equity funds. He was previously the Managing Director of Abacus Fund Managers (Guernsey) Limited between 1993 and 2004, a third party administration service provider to primarily corporate and fund clients.

In addition to the Company, David is a director of the following listed companies: Alpha Pyrenees Trust Limited and Tetragon Financial Group Limited.

Phillip Rose

Director

Aged 56

Phillip Rose is a Fellow of the Securities Institute and holds a Master of Law degree. He has over 30 years' experience in the real estate, funds management and banking industries in Europe, the USA and Australasia. He has been the Head of Real Estate for ABN AMRO Bank, Chief Operating Officer of European shopping centre investor and developer TrizecHahn Europe, Managing Director of retail and commercial property developer and investor Lend Lease Global Investment and Executive Manager of listed fund General Property Trust.

Phillip is currently CEO of Alpha Real Capital LLP and has been a member of the Management Committee for Hermes Property Unit Trust and its Audit Committee, and has been a Non-Executive Director of Great Portland Estates plc.

Serena Tremlett

Director

Aged 51

Serena has over 25 years' experience in financial services, specialising in closed-ended property and private equity funds and fund administration over the last 18 years.

She is a non-executive director on the listed company board of Alpha Pyrenees Trust Limited, in addition to various unlisted property and private funds and general partners. Serena was previously company secretary (and a director) of Assura Group, at that time a FTSE 250 company listed on the London Stock Exchange, investing in primary healthcare property and ran Assura's Guernsey head office.

Prior to working for Assura, Serena was head of Guernsey property funds at Mourant International Finance Administration (now State Street) for two years and worked for Guernsey International Fund Managers (now Northern Trust) for seven years where she sat on a number of listed and unlisted fund boards. Since 2008, Serena has been co-founder and managing director of Morgan Sharpe Administration, a specialist closed-ended fund administrator.

Jeff Chowdhry

Director

Aged 56

Jeff Chowdhry is currently Director, Emerging Market Equities at BMO Global Asset Management (EMEA). He has over 30 years of investment experience, the last 20 of which have been in Emerging Markets, focusing on key countries in Asia, Latin America and EMEA. Jeff began his career in 1982 and has held portfolio management positions at Royal Insurance plc and BZW Investment Management where he launched and managed one of the very first India funds available to foreign investors. He has an MBA from Kingston Business School and a BSc (Hons) in Economics from Brunel University, London.

Roddy Sage

Director

Aged 63

Roddy Sage is currently Chief Executive Officer of the AFP group of companies, providing corporate and taxation advisory services in Asia. Prior to that, he spent 20 years with KPMG Hong Kong, 10 years of which were as Senior Tax Partner for Hong Kong and China. He has held Chairmanships within KPMG and outside as Chairman of the Hong Kong General Chamber of Commerce's Taxation Committee and is a non-executive director of Tai Ping Carpets International and Guoco Group Limited.

Directors' and corporate governance report

The Directors present their report and financial statements of the Alpha Real Trust Limited group ("the Group") for the year ended 31 March 2016.

Principal activities and status

During the year, the Company, an authorised closed-ended Guernsey registered investment company, carried on business as a property investment and development company, investing in commercial property.

The Company's shares are traded on the Specialist Fund Segment of the London Stock Exchange.

Business review, results and dividend

A review of the business during the year is contained in the Chairman's Statement on pages 3 to 5.

The results for the year to 31 March 2016 are set out in the financial statements.

On 4 March 2016, the Company declared a dividend of 0.6p per share, which was paid to shareholders on 25 March 2016. The current intention of the Company is to pay a dividend quarterly. Further details on dividends are given in note 8 of the financial statements.

Corporate governance

As a Guernsey registered company traded on SFS, the Company is not required to comply with The UK Corporate Governance Code ("UK Code"). However, as a company authorised by the Guernsey Financial Services Commission ("GFSC"), it is required to follow the principles and guidance set out in the Finance Sector Code of Corporate Governance issued by the GFSC and effective from 1 January 2012 ("Guernsey Code"). Compliance with the Guernsey Code and general principles of good corporate governance are reviewed by the Board at least annually and, at the date of signing these financial statements, the Board is satisfied that the Company is fully compliant with the Guernsey Code. The Guernsey Code is available for consultation on the GFSC website: www.gfsc.gg.

The Board

Biographies of the Directors are set out on page 25. All of the Directors were appointed on 15 May 2006.

The Directors' interests in the shares of the Company as at 31 March 2016 are set out below and there have been no changes in such interests up to the current date:

	Number of ordinary shares 31 March 2016	Number of ordinary shares 31 March 2015
David Jeffreys	10,000	10,000
Phillip Rose	139,695	139,695
Serena Tremlett	15,000	15,000
Jeff Chowdhry	40,000	40,000
Roddy Sage	-	-

Non-executive directors are not appointed for specified terms; appointments of Board members can be terminated at any time without penalty and the Company's Articles of Association ("Articles") require each Director to retire and submit himself/herself to re-election by the shareholders at every third year. In addition, the Board believes that continuity and experience adds to its strength.

The Annual General Meeting of the Company will take place on 8 August 2016. At this meeting, Phillip Rose will retire and submit himself for re-election. The remainder of the Board recommend his re-appointment and confirm his independence.

Individual Directors may seek independent legal advice in relation to their duties on behalf of the Company.

Directors' and corporate governance report (continued)

Operations of the Board

The Board has determined that its role is to consider and determine the following principal matters which it considers are of strategic importance to the Company:

1) Review the overall objectives for the Company and set the Company's strategy for fulfilling those objectives within an appropriate risk framework
2) Consider any shifts in strategy that it considers may be appropriate in light of market conditions
3) Review the capital structure of the Company including consideration of any appropriate use of gearing both for the Company and in any joint ventures in which the Company may invest from time to time
4) Appoint the Investment Manager, Administrator and other appropriately skilled service providers and monitor their effectiveness through regular reports and meetings
5) Review key elements of the Company's performance including Net Asset Value and payment of dividends.

At Board meetings, the Board ensures that all the strategic matters are considered and resolved by the Board. Certain issues associated with implementing the Company's strategy are delegated either to the Investment Manager or the Administrator. Such delegation is over minor incidental matters and the Board continually monitors the services provided by these independent agents. The Board considers there are implementation matters that are significant enough to be of strategic importance and should be reserved solely for the Board (e.g. all acquisitions, all disposals, significant capital expenditure, leasing and decisions affecting the Company's financial gearing).

The Board meets at least quarterly and as required from time to time to consider specific issues reserved for decision by the Board including all potential acquisitions and investments.

At the Board's quarterly meetings it considers papers circulated in advance including reports provided by the Investment Manager and the Administrator. The Investment Manager's report comments on:

- The property markets of the UK, Europe and India including recommendations for any changes in strategy that the Investment Manager considers may be appropriate
- Performance of the Group's portfolio and key asset management initiatives
- Transactional activity undertaken over the previous quarter and being contemplated for the future
- The Group's financial position including relationships with bankers and lenders.

These reports enable the Board to assess the success with which the Group's property strategy and other associated matters are being implemented and also consider any relevant risks and to consider how they should be properly managed.

The Board also considers reports provided from time to time by its various service providers reviewing their internal controls.

In between its regular quarterly meetings, the Board has also met on a number of occasions during the year to approve specific transactions and for other matters.

Board and Directors' appraisals

The Board carries out an annual review of its composition and performance (including the performance of individual Directors) and that of its standing committees. Such appraisal includes reviewing the performance and composition of the Board (and whether it has an appropriate mix of knowledge, skills and experience), the relationships between the Board and the Investment Manager and Administrator, the processes in place and the information provided to the Board and communication between Board members.

Board Meeting attendance

The table below shows the attendance at Board meetings during the year to 31 March 2016:

Director	No of meetings attended
David Jeffreys	12
Phillip Rose	4
Serena Tremlett	13
Jeff Chowdhry	10
Roddy Sage	5
No. of meetings during the year	**13**

Directors' and officers' insurance

An appropriate level of Directors' and officers' insurance is maintained whereby Directors are indemnified against liabilities to third parties to the extent permitted by Guernsey company law.

Board Committees

The Board has established three standing committees, all of which operate under detailed terms of reference, copies of which are available on request from the Company Secretary.

Directors' and corporate governance report (continued)

Audit Committee

The Audit Committee consists of David Jeffreys (Chairman), Roddy Sage and Serena Tremlett. The Board is satisfied that David Jeffreys continues to have the requisite recent and relevant financial experience to fulfil his role as Chairman of the Audit Committee.

Role of the Committee

The role of the Audit Committee, which meets at least twice a year, includes:

- The engagement, review of the work carried out by and the performance of the Group's external auditors
- To monitor and review the independence, objectivity and effectiveness of the external auditors
- To develop and apply a policy for the engagement of the external audit firms to provide non-audit services
- To assist the Board in discharging its duty to ensure that financial statements comply with all legal requirements
- To review the Group's financial reporting and internal control policies and to ensure that the procedures for the identification, assessment and reporting of risks are adequate
- To review regularly the need for an internal audit function
- To monitor the integrity of the Group's financial statements, including its annual and half-year reports and announcements relating to its financial performance, reviewing the significant financial reporting issues and judgements which they contain
- To review the consistency of accounting policies and practices
- To review and challenge where necessary the financial results of the Group before submission to the Board.

The Audit Committee makes recommendations to the Board which are within its terms of reference and considers any other matters as the Board may from time to time refer to it.

Members of the Audit Committee may also, from time to time, meet with the Group's independent property valuers to discuss the scope and conclusions of their work.

Committee meeting attendance

Director	No of meetings attended
David Jeffreys	4
Roddy Sage	4
Serena Tremlett	4
No. of meetings during the year	**4**

Policy for non audit services

The Committee has adopted a policy for the provision of non-audit services by the Company's external auditor, BDO Limited, and reviews and approves all material non-audit related services in accordance with the need to ensure the independence and objectivity of the external auditors. No services, other than audit-related ones, were carried out by BDO Limited during the year.

Internal audit

The Board relies upon the systems and procedures employed by the Investment Manager and the Administrator which are regularly reviewed and are considered to be sufficient to provide it with the required degree of comfort. Therefore, the Board continues to believe that there is no need for an internal audit function, although the Audit Committee considers this annually, reporting its findings to the Board.

Nomination Committee and attendance

The Nomination Committee consists of Roddy Sage (Chairman), Phillip Rose and Serena Tremlett.

The Committee's principal task is to review the structure, size and composition of the Board in relation to its size and position in the market and to make recommendations to fill Board vacancies as they arise and it meets at least annually. It met once during the year and all Committee members were present.

Remuneration Committee and attendance

The Remuneration Committee consists of Serena Tremlett (Chairman), Jeff Chowdhry and David Jeffreys.

The Board has approved formal terms of reference for the Committee and a copy of these is available on request from the Company Secretary.

As the Company comprises only non-executive directors, the Committee's main role is to determine their remuneration within the cap set out in the Company's Articles. It met once during the year and all Committee members were present.

Remuneration report

The aggregate fees payable to the Directors are limited to £200,000 per annum under the Company's Articles and the annual fees payable to each Director have not materially changed since the Company's shares were listed in 2006. The fees payable to the Directors are expected to reflect their expertise, responsibilities and time spent on the business of the Group, taking into account market equivalents, the activities, the size of the Group and market conditions. Under their respective appointment letters, each Director is entitled to an annual fee together with a provision for reimbursement for any reasonable out of pocket expenses.

Directors' and corporate governance report (continued)

During the year the Directors received the following emoluments in the form of fees from Group companies:

	Year ended 31 March 2016 £	Year ended 31 March 2015 £
David Jeffreys	31,500	31,500
Phillip Rose	22,000	22,000
Serena Tremlett	34,500	34,500
Jeff Chowdhry	22,000	22,000
Roddy Sage	22,000	22,000
Total	**132,000**	**132,000**

Internal control and risk management

The Board understands its responsibility for ensuring that there are sufficient, appropriate and effective systems, procedures, policies and processes for internal control of financial, operational, compliance and risk management matters in place in order to manage the risks which are an inherent part of business. Such risks are managed rather than eliminated in order to permit the Company to meet its financial and other objectives.

The Board reviews the internal procedures of both its Investment Manager and its Administrator upon which it is reliant. The Investment Manager has a schedule of matters which have been delegated to it by the Board and upon which it reports to the Board on a quarterly basis. These matters include quarterly management accounts and reporting both against key financial performance indicators and its peer group. Further, a compliance report is produced by the Administrator for the Board on a quarterly basis.

The Company maintains a risk management framework which considers the non-financial as well as financial risks and this is reviewed by the Audit Committee prior to submission to the Board.

Investment management agreement

The Company has an agreement with the Investment Manager. This sets out the Investment Manager's key responsibilities, which include proposing a property investment strategy to the Board, identifying property investments to recommend for acquisition and arranging appropriate lending facilities. The Investment Manager is also responsible to the Board for all issues relating to property asset management.

Substantial shareholding

Shareholders with holdings of more than 3% of the voting rights of the Company as at 26 May 2016 were as follows:

Name of investor	No. of voting rights	% held
Alpha Global Property Securities Fund Pte. Ltd	22,550,000	32.57
Billien Limited	14,154,593	20.44
Armstrong Investments	5,050,000	7.29
Charles Stanley	3,060,199	4.42
IPGL Limited	3,010,100	4.35
Miton Asset Management	2,855,000	4.12
Amiya Capital	2,600,000	3.76

Shareholder relations

The Board places high importance on its relationship with its shareholders, with members of the Investment Manager's Investment Committee making themselves available for meetings with key shareholders and sector analysts. Reporting of these meetings and market commentary is received by the Board on a quarterly basis to ensure that shareholder communication fulfils the needs of being useful, timely and effective. One or more members of the Board and the Investment Manager will be available at the Annual General Meeting to answer any questions that shareholders attending may wish to raise.

Directors' Responsibilities Statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with the applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group at the end of the year and of the profit or loss of the Group for that year.

In preparing those financial statements, the Directors are required to:

1) select suitable accounting policies and then apply them consistently

2) make judgements and estimates that are reasonable and prudent

3) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

4) prepare the financial statements on the going concern basis unless it is appropriate to assume that the Company and Group will not continue in business.

Directors' and corporate governance report (continued)

So far as each of the Directors is aware, there is no relevant information of which the Company's auditor is unaware, and they have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant information and to establish that the Company's auditor is aware of that information.

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 to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Going concern

After making enquiries, and bearing in mind the nature of the Group's business and assets, the Directors consider that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Annual General Meeting

The AGM of the Company will be held in Guernsey at 9.00 am on 8 August 2016 at Old Bank Chambers, La Grande Rue, St Martin's, Guernsey. The meeting will be held to receive the Annual Report and Financial Statements, re-elect Directors and propose the reappointment of the auditor and that the Directors be authorised to determine the auditor's remuneration.

Independent Auditor

BDO Limited has expressed its willingness to continue in office as auditor.

By order of the Board,

David Jeffreys
Director

Serena Tremlett
Director

16 June 2016

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed in the Directors' and corporate governance report confirm that, to the best of each person's knowledge and belief:

- The financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group, and
- The Chairman's statement and the investment review include a fair review of the development and performance of the business and the position of the Group and note 23 to the financial statements provides a description of the principal risks and uncertainties that the Group faces.

By order of the Board,

David Jeffreys
Director

Serena Tremlett
Director

16 June 2016

Independent auditors' report

To the Members of Alpha Real Trust Limited

We have audited the consolidated financial statements of Alpha Real Trust Limited for the year ended 31 March 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work is undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditor

As explained more fully in the Directors' Responsibilities Statement within the Directors' Report, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Richard Michael Searle

Richard Michael Searle FCA
For and on behalf of BDO Limited
Chartered Accountants and Recognised Auditor
Place du Pré, Rue du Pré, St Peter Port, Guernsey
16 June 2016

Consolidated statement of comprehensive income

		For the year ended 31 March 2016			For the year ended 31 March 2015		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Revenue	3	7,908	-	7,908	8,178	-	8,178
Change in the revaluation of investment property	13	-	11,967	11,967	-	2,721	2,721
Net gains/(losses) on financial assets and liabilities held at fair value through profit or loss	23	1,548	780	2,328	1,407	(1,131)	276
Total income		**9,456**	**12,747**	**22,203**	**9,585**	**1,590**	**11,175**
Expenses							
Property operating expenses	3	(3,394)	-	(3,394)	(3,615)	-	(3,615)
Investment Manager's fee	22	(1,626)	(1,440)	(3,066)	(1,581)	-	(1,581)
Other administration costs	4	(812)	-	(812)	(823)	-	(823)
Total operating expenses		**(5,832)**	**(1,440)**	**(7,272)**	**(6,019)**	**-**	**(6,019)**
Operating profit		**3,624**	**11,307**	**14,931**	**3,566**	**1,590**	**5,156**
Share of profit/(loss) of joint venture		94	(20)	74	131	342	473
Finance income	5	2,895	49	2,944	3,496	-	3,496
Finance costs	6	(1,700)	-	(1,700)	(1,899)	(2)	(1,901)
Profit before taxation		**4,913**	**11,336**	**16,249**	**5,294**	**1,930**	**7,224**
Taxation	7	(12)	-	(12)	(10)	-	(10)
Profit for the year		**4,901**	**11,336**	**16,237**	**5,284**	**1,930**	**7,214**
Other comprehensive income/(expense) for the year							
Items that may be classified to profit and loss in subsequent periods							
Exchange differences arising on translation of foreign operations		-	2,104	2,104	-	(1,338)	(1,338)
Other comprehensive income/(expense) for the year		**-**	**2,104**	**2,104**	**-**	**(1,338)**	**(1,338)**
Total comprehensive income for the year		**4,901**	**13,440**	**18,341**	**5,284**	**592**	**5,876**
Earnings per share (basic & diluted)	9			**23.1p**			**10.2p**
Adjusted earnings per share (basic & diluted)	9			**7.0p**			**7.5p**

The total column of this statement represents the Group's statement of comprehensive income, prepared in accordance with IFRS. The revenue and capital columns are supplied as supplementary information permitted under IFRS (see pages 37 and 38). All items in the above statement derive from continuing operations.

The accompanying notes on pages 36 to 59 form an integral part of the financial statements.

Consolidated balance sheet

	Notes	31 March 2016 £'000	31 March 2015 £'000
Non-current assets			
Investment property	13	91,971	65,544
Indirect property investment held at fair value	14	4,738	4,851
Investments held at fair value	15	10,439	6,566
Investment in joint venture	12	1,596	1,563
Derivatives held at fair value through profit or loss	23	-	11
Trade and other receivables	16	10,000	22,443
		118,744	**100,978**
Current assets			
Investments held at fair value	15	20,931	15,868
Derivatives held at fair value through profit or loss	23	-	388
Trade and other receivables	16	12,883	2,303
Cash and cash equivalents		3,863	14,817
		37,677	**33,376**
Total assets		**156,421**	**134,354**
Current liabilities			
Derivatives held at fair value through profit or loss	23	(745)	-
Trade and other payables	17	(4,000)	(2,347)
Bank borrowings	18	(543)	(515)
		(5,288)	**(2,862)**
Total assets less current liabilities		**151,133**	**131,492**
Non-current liabilities			
Bank borrowings	18	(55,512)	(51,557)
Total liabilities		**(60,800)**	**(54,419)**
Net assets		**95,621**	**79,935**
Equity			
Share capital	19	-	-
Special reserve	20	79,306	80,277
Translation reserve	20	(1,319)	(3,423)
Capital reserve	20	2,776	(8,560)
Revenue reserve	20	14,858	11,641
Total equity		**95,621**	**79,935**
Net asset value per ordinary share	10	**137.9p**	**113.2p**

David Jeffreys
Director

Serena Tremlett
Director

The financial statements were approved by the Board of Directors and authorised for issue on 16 June 2016. They were signed on its behalf by David Jeffreys and Serena Tremlett.

The accompanying notes on pages 36 to 59 form an integral part of the financial statements.

Consolidated cash flow statement

	For the year ended 31 March 2016 £'000	For the year ended 31 March 2015 £'000
Operating activities		
Profit for the year after taxation	16,237	7,214
Adjustments for:		
Change in revaluation of investment property	(11,967)	(2,721)
Net gains on financial assets and liabilities held at fair value through profit or loss	(2,328)	(276)
Taxation	12	10
Share of profit of joint venture	(74)	(473)
Finance income	(2,944)	(3,496)
Finance cost	1,700	1,901
Operating cash flows before movements in working capital	**636**	**2,159**
Movements in working capital:		
Movement in trade and other receivables	(150)	(1,574)
Movement in trade and other payables	1,657	969
Cash flows from operations	**2,143**	**1,554**
Interest received	69	58
Interest paid	(1,499)	(1,763)
Taxation paid	(16)	(6)
Cash flows from/(used in) operating activities	**697**	**(157)**
Investing activities		
Acquisition of investments	(7,200)	(2,000)
Acquisition of investment property	(7,781)	-
Redemption of investments	405	2,595
Redemption on preference shares' investment	500	350
Capital expenditure on investment property	(227)	(602)
Loan repayments received	2,843	7,266
Loan interest received	2,854	2,747
CULS interest received	-	352
Dividend income from joint venture	41	124
Dividend income from other investments	361	711
Cash flows (used in)/from investing activities	**(8,204)**	**11,543**
Financing activities		
Bank loan repayments	(398)	(426)
Share buyback	(953)	-
Share buyback costs	(2)	-
Share issue costs	(16)	(19)
Foreign exchange forward settlement	347	322
Foreign exchange forward collateral (paid)/received	(920)	62
Special dividend paid to A shareholders	-	(132)
Dividends paid	(1,684)	(1,483)
Cash flows used in financing activities	**(3,626)**	**(1,676)**
Net (decrease)/increase in cash and cash equivalents	**(11,133)**	**9,710**
Cash and cash equivalents at beginning of year	**14,817**	**5,444**
Exchange translation movement	179	(337)
Cash and cash equivalents at end of year	**3,863**	**14,817**

The accompanying notes on pages 36 to 59 form an integral part of the financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2015	Special reserve £'000	Translation reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
At 1 April 2014	**80,296**	**(2,085)**	**(10,358)**	**7,840**	**75,693**
Total comprehensive income/(expense) for the year					
Profit for the year	-	-	1,930	5,284	7,214
Other comprehensive expense for the year	-	(1,338)	-	-	(1,338)
Total comprehensive (expense)/income for the year	**-**	**(1,338)**	**1,930**	**5,284**	**5,876**
Transactions with owners					
Dividends	-	-	(132)	(1,483)	(1,615)
Share issue costs	(19)	-	-	-	(19)
Share buyback	-	-	-	-	-
Share buyback costs	-	-	-	-	-
Total transactions with owners	**(19)**	**-**	**(132)**	**(1,483)**	**(1,634)**
At 31 March 2015	**80,277**	**(3,423)**	**(8,560)**	**11,641**	**79,935**
Notes 19, 20					

For the year ended 31 March 2016	Special reserve £'000	Translation reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
At 1 April 2015	**80,277**	**(3,423)**	**(8,560)**	**11,641**	**79,935**
Total comprehensive income/(expense) for the year					
Profit for the year	-	-	11,336	4,901	16,237
Other comprehensive income for the year	-	2,104	-	-	2,104
Total comprehensive income for the year	**-**	**2,104**	**11,336**	**4,901**	**18,341**
Transactions with owners					
Dividends	-	-	-	(1,684)	(1,684)
Share issue costs	(16)	-	-	-	(16)
Share buyback	(953)	-	-	-	(953)
Share buyback costs	(2)	-	-	-	(2)
Total transactions with owners	**(971)**	**-**	**-**	**(1,684)**	**(2,655)**
At 31 March 2016	**79,306**	**(1,319)**	**2,776**	**14,858**	**95,621**
Notes 19, 20					

The accompanying notes on pages 36 to 59 form an integral part of the financial statements.

Notes to the financial statements

For the year ended 31 March 2016

1. General information

The Company is a limited liability, closed-ended investment company incorporated in Guernsey. The address of the registered office is given on page 60. The nature of the Group's operations and its principal activities are set out in the Chairman's Statement on pages 3 to 5. The financial statements were approved and authorised for issue on 16 June 2016 and signed by David Jeffreys and Serena Tremlett on behalf of the Board.

2. (a) Significant accounting policies

A summary of the principal accounting policies is set out below. The policies have been consistently applied for all periods presented unless otherwise stated.

The preparation of financial statements in conformity with IFRS, as adopted by the EU, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a high degree of judgement or complexity, or areas where the assumptions and estimates are significant to the financial statements are disclosed in this note.

Basis of preparation

These financial statements have been prepared in accordance with IFRS, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standards Interpretations Committee's interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, and to the extent that they have been adopted by the European Union.

a) Adoption of new and revised Standards

No new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee in the current year have had a material effect on the financial statements.

b) Standards and Interpretations in issue and not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

IFRS 9: Financial Instruments - for accounting periods commencing on or after 1 January 2018*

IFRS 15: Revenue from Contracts with Customers - for accounting periods commencing on or after 1 January 2018*

IFRS 16: Leases - for accounting periods commencing on or after 1 January 2019*

Revised and amended Standards

IFRS 7: Financial Instruments: Disclosures - amendments requiring disclosures about the initial application of IFRS 9 - for accounting periods commencing on or after 1 January 2018*

IFRS 10: Consolidated Financial Statements - amended for sale or contribution of assets between an investor and its associate or joint venture - deferred indefinitely

IFRS 11: Joint Arrangements - amended by accounting for acquisitions of interest in joint operations - for accounting periods commencing on or after 1 January 2016

IFRS 12: Disclosure of Interest in Other Entities - amendments regarding the application of the consolidation exception- for accounting periods commencing on or after 1 January 2016*

IAS 7: Statement of Cash Flows - amendment as result of the Disclosure Initiative - for accounting periods commencing on or after 1 January 2017*

IAS 12: Income Taxes – amendments regarding the recognition of deferred tax assets for unrealised losses - for accounting periods commencing on or after 1 January 2017*

IAS 27: Separate Financial Statements - amended by equity method in separate financial statements - for accounting periods commencing on or after 1 January 2016

IAS 28: Investments in Associates and Joint Ventures - amended for sale or contribution of assets between an investor and its associate or joint venture - for accounting periods commencing on or after 1 January 2016*

In September 2014, the IASB issued further improvements to IFRS, which have become effective for accounting periods commencing on or after 1 January 2016. These covered amendments to five standards.

* Still to be endorsed by the EU

Interpretations

No interpretations, relevant for the Group, are currently in issue.

The Directors anticipate that, with the exception of IFRS 9, the adoption of these standards and interpretations in future periods will not have a material impact on the financial statements of the Group.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or at fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model)

Notes to the financial statements (continued)

For the year ended 31 March 2016

2(a). Significant accounting policies (continued)

and the contractual cash flow characteristics of the financial assets (payments that are solely payments of principal and interest). The recognition and de-recognition requirements for financial assets and financial liabilities are unchanged from those set out in IAS 39.

The classification and measurement requirements of financial liabilities are broadly similar to IAS 39 although the requirements relating to financial liabilities measured at fair value have been amended so that changes in fair value relating to an entity's own credit risk are generally recognised directly in other comprehensive income. IFRS 9 requires one impairment method which would replace the various different methods indicated by IAS 39 that arise from the different categories' classification. At the time of adoption of the new standard it is expected only that the Group's financial assets will be required to be classified in accordance with the new standard and no changes in measurement will be required.

IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17. Accordingly, a lessor will continue to classify its leases as finance leases or operating leases, and account for those two types of leases differently. Therefore, the Directors anticipate that the adoption of this standard will not have a material impact in the financial statements of the Company or the Group.

The principal accounting policies adopted are set out below.

Basis of consolidation

a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and the subsidiary undertakings controlled by the Company, made up to 31 March each year. Control is achieved where the Company has power over the investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power to affect the amount of the investor's returns.

The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisitions or up to the effective date of disposal as appropriate.

When necessary, adjustments are made to the financial statements of subsidiary undertakings to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

b) Joint ventures

The Group applies IFRS 11 to its joint arrangement. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Presentation of statement of comprehensive income

In order to better reflect the activities of an investment company and in accordance with guidance issued by the Association of Investment Companies ("AIC"), supplementary information, which analyses the statement of comprehensive income between items of a revenue and capital nature, has been presented alongside the statement of comprehensive income (see note 20).

Revenue recognition

Rental income and service charge income from investment property leased out under an operating lease are recognised in the statement of comprehensive income on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the net consideration for the use of the property and are therefore also recognised on the same straight line basis. Rental revenues are accounted for on an accruals basis. Therefore, deferred revenue generally represents advance payments from tenants. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably. Upon early termination of a lease by the lessee, the receipt of a surrender premium, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately recognised as revenue.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Other income is recognised when received.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Notes to the financial statements (continued)

For the year ended 31 March 2016

2(a). Significant accounting policies (continued)

Foreign currencies

a) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured in the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

b) Transactions and balances

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in net profit or loss for the year, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in other comprehensive income/(expense).

c) Group companies

The results and financial position of all the Group entities that have a functional currency which differs from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet

(ii) income and expenses for each statement of comprehensive income are translated at the average exchange rate prevailing in the period, and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, the exchange differences arising from the translation of the net investment in foreign entities are taken to equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

For Euro based balances the year end exchange rate used is £1:€1.265 (2015: £1:€1.367) and the average rate for the year used is £1:€1.365 (2015: £1:€1.274). The year-end exchange rate used for Indian rupee (INR) balances is £1:INR 94.969 (2015: £1:INR 92.756) and the average rate for the year used is £1:INR 98.441 (2015: £1:INR 98.408).

Expenses

All expenses are accounted for on an accruals basis and include fees and other expenses paid to the Administrators, the Investment Manager and the Directors. In respect of the analysis between revenue and capital items, presented within the statement of comprehensive income, all expenses have been presented as revenue items except expenses which are incidental to the acquisition of an investment property which are included within the cost of that investment property. The Investment Manager's performance fee is charged to the capital column in the statement of comprehensive income in order to reflect that the fee is due primarily to the capital performance.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of property are added to the costs of those assets until such time as the assets are substantially ready for their intended use. The capitalisation rate is arrived at by reference to the actual rate payable on borrowing acquired for a targeted property, or to the average rate with regard to an acquisition financed out of general borrowings. All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

Taxation

The Company is exempt from Guernsey taxation on income derived outside of Guernsey and bank interest earned in Guernsey. A fixed annual fee of £1,200 was payable to the States of Guernsey in respect of this exemption for the year. No charge to Guernsey taxation arises on capital gains. The Group is liable to foreign tax arising on activities in the overseas subsidiaries. The Group has subsidiary operations in Cyprus and India. The Group also holds investments in Spain, owned through investment entities in Luxembourg and the Netherlands, and in the United Kingdom, owned through investment entities incorporated in Jersey (Cambourne) and Guernsey (Acharn) and owned through limited partnerships incorporated in the UK (PRS investments). The Group is therefore liable to taxation in these overseas jurisdictions.

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted at the balance sheet date.

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

Notes to the financial statements (continued)

For the year ended 31 March 2016

2(a). Significant accounting policies (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

Dividends

Dividends are recognised as a liability in the Group's financial statements in the period in which they become obligations of the Group.

Fair value measurement

The Group measures certain financial instruments such as derivatives, and non-financial assets such as investment property, at fair value at the end of each reporting period, using recognised valuation techniques and following the principles of IFRS 13. In addition, fair values of financial instruments measured at amortised cost are disclosed in the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability

or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost being the fair value of consideration given including related transaction costs.

After initial recognition at cost and/or upon commencement of construction, investment property is carried at its fair value based on half yearly professional valuations made by independent valuers. The valuations are in accordance with standards complying with the Royal Institution of Chartered Surveyors Appraisal and Valuation manual and the International Valuation Standards Committee.

Gains or losses arising from changes in fair value of investment property are included in the statement of comprehensive income in the period in which they arise. Investment property is treated as acquired when the Group assumes the significant risks and returns of ownership and as disposed of when these are transferred to the buyer.

All costs directly associated with the purchase of an investment property and all subsequent expenditures qualifying as acquisition costs are capitalised.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

The investing policy means the Group may invest in real estate opportunities unconstrained by geography, but with a particular focus on the UK, Europe and Asia. At present, for management purposes, the Group is organised into one main operating segment being Europe.

All of the Group's revenue is from entities that are incorporated in Europe.

With the exception of the Galaxia investment (note 14), all of the Group's non-current assets are located in Europe.

Notes to the financial statements (continued)

For the year ended 31 March 2016

2(a). Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group shall offset financial assets and financial liabilities if the Group has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

(a) Financial assets

The Group's financial assets fall into the categories discussed below, with the allocation depending to an extent on the purpose for which the asset was acquired. Although the Group uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions. The Group has not classified any of its financial assets as held to maturity or as available for sale.

Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

(a) (i) Investments held at fair value through profit or loss

Investments are classified as 'fair value through profit or loss' and are initially recognised at cost, being the fair value of the consideration given.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Group's investment strategy. The Group's policy is for the Investment Manager and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Recognition

Purchases and sales of investments are recognised on the transaction date, the date on which the Group commits to purchase or sell the investment.

Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value with transaction costs being expensed in the statement of comprehensive income. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise.

(a) (ii) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They mainly relate to interest bearing loans granted to related and third parties but also arise through rental leases with tenants (e.g. trade receivables and cash and cash equivalents) and incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The effect of discounting on these financial instruments is not considered to be material.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, such impairments directly reduce the carrying amount of the impaired asset and are recognised against the relevant income category in the statement of comprehensive income.

Cash and cash equivalents are carried at cost and consist of cash in hand and short term deposits in banks with an original maturity of three months or less.

(a) (iii) Derivatives at fair value through profit or loss

This category comprises only 'in the money' financial derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the statement of comprehensive income.

The fair value of the Group's derivatives is based on valuations as described in note 24.

(a) (iv) Derecognition of financial assets

A financial asset (in whole or in part) is derecognised either:

- when the Group has transferred substantially all the risks and rewards of ownership, or
- when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the asset or a portion of the asset, or
- when the contractual right to receive cash flow has expired.

Notes to the financial statements (continued)

For the year ended 31 March 2016

2(a). Significant accounting policies (continued)

(b) Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was issued and its characteristics. Although the Group uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values.

(b) (i) Derivatives at fair value through profit or loss

This category comprises only 'out-of-the-money' financial derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the statement of comprehensive income. Other than derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any other financial liabilities as being at fair value through profit or loss.

The fair value of the Group's derivatives is based on the valuations as described in note 24.

(b) (ii) Financial liabilities measured at amortised cost

Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method
- Bank borrowings are initially recognised at fair value net of attributable transaction costs incurred. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method.

(b) (iii) Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the Company or Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the statement of comprehensive income.

(c) Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares and class A shares are classified as equity instruments. For the purposes of the disclosures given in note 23 the Group considers all its share capital, share premium and all other reserves as equity. The Company is not subject to any externally imposed capital requirements.

(d) Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

2(b). Significant accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Investment property

The Group uses the valuation carried out by its independent valuers as the fair value of its investment property. The valuation is based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. Investment property which is in the course of construction is carried at cost plus associated costs and this has been considered by the Directors to represent fair value at the balance sheet date: upon commencement of construction, valuations will be carried out by independent valuers. Refer to note 13 for further details.

(b) Estimate of fair value of indirect property investment - Galaxia

The property interest in Galaxia is classified as an indirect property investment held at fair value through profit or loss and has been included within the financial statements based on the current estimate of realisable value to the Group. In January 2015, the International Chamber of Commerce ('ICC') Arbitration concluded its arbitration proceedings and declared in favour of the Group's claims against Logix Group, which was found to have breached the Terms of the Shareholders Agreement with the Group. The ICC awarded the Group the return of its entire capital invested of INR 450 million, with interest at 18% per annum from 31 January 2011 to 20 January 2015, and the refund of all costs incurred towards the Arbitration. The total award amounts to £9.0 million (the "Award") based on year end exchange rates. Additionally, a further 15% per annum interest on all sums was awarded to the Group from 20 January 2015 until the actual date of payment by Logix of the Award. In April 2015, the Group was notified that Logix has filed a petition, under Section 34 of

Notes to the financial statements (continued)

For the year ended 31 March 2016

2(b). Significant accounting estimates and judgements (continued)

the Indian Arbitration and Conciliation Act 1996, before the Delhi High Court challenging the Award. The challenge to the Award was heard on 15 July 2015, 7 December 2015 and 24 May 2016 with a further hearing scheduled for the 14 July 2016. The Delhi High Court has ordered that the site be placed in a court monitored auction process, with proceeds to be used to repay outstanding ground lease rents with the balance to be held until the outcome of the Arbitration claim. The Directors, taking into consideration legal advice received following Logix's challenge of the Award, consider it appropriate to continue to value the indirect investment at INR 450 million, which is the amount invested but excludes penalty interest payment and other payments awarded in ART's favour due to uncertainty over timing and final value of the Award.

(c) Fair value of derivative contracts

(c) (i) Interest rate cap

The Group estimates the fair value of its derivative interest rate cap contracts based on valuation techniques employed by the contractual counter parties. These techniques are significantly affected by the assumptions used, including discount rates and future cash flows. Further details are given in note 23.

(c) (ii) Fair value of foreign exchange forward contract

The Group estimates the fair value of its foreign exchange forward contract by reference to the difference between the contracted rate as per the contract with the contractual counter party and the relevant forward exchange rate at the balance sheet date. Further details are given in note 23.

(d) Income and deferred taxation

The Group is subject to income and capital gains taxes in numerous jurisdictions. Significant judgement is required in determining the total provision for income and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded such differences will impact the income and deferred tax provisions in the period in which the determination is made.

3. Revenue

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Rental income	5,724	5,981
Service charge income	2,168	2,182
Other income	16	15
Total	**7,908**	**8,178**

At 31 March 2016, the Group recognised non recoverable property operating expenditure as follows:

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Service charge income	2,168	2,182
Property operating expenditure	(3,394)	(3,615)
Non recoverable property operating expenditure	**(1,226)**	**(1,433)**

The Group recognises revenue from its investment in one property: the H2O Shopping Centre in Madrid, Spain.

The H2O Shopping Centre, acquired on 31 March 2010 via a joint venture, is leased on standard institutional Spanish retail operating leases with a minimum guaranteed monthly rent and the possibility for the landlord to earn additional income on most leases if the tenants' turnover exceeds certain pre-set levels. The leases are typically for a minimum guaranteed term of 5 years from the opening of the centre in mid-2007 with 5 year renewal options thereafter, e.g. 5+5+5, and generally a 10 to 15 year term.

Notes to the financial statements (continued)

For the year ended 31 March 2016

3. Revenue (continued)

At 31 March 2016, the Group had contracted with tenants at the H2O Shopping Centre for the following future minimum lease payments:

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Within one year	4,983	5,025
In the second to fifth years inclusive	8,387	8,966
After five years	1,380	2,343
Total	**14,750**	**16,334**

4. Other administration costs

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Auditors' remuneration for audit services	87	83
Accounting and administrative fees	328	293
Non-executive directors' fees	132	132
Other professional fees	265	315
Total	**812**	**823**

The Group has no employees.

5. Finance income

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Bank interest receivable	69	58
Interest receivable on convertible loan stock	-	516
Interest receivable on loans to related parties	2,826	2,922
Foreign exchange gain	49	-
Total	**2,944**	**3,496**

6. Finance costs

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Interest on bank borrowings	1,700	1,899
Foreign exchange loss	-	2
Total	**1,700**	**1,901**

The above finance costs arise on financial liabilities measured at amortised cost using the effective interest rate method. No other losses have been recognised in respect of financial liabilities at amortised cost other than those disclosed above.

Notes to the financial statements (continued)

For the year ended 31 March 2016

7. Taxation

(a) Parent Company

The Parent Company is exempt from Guernsey taxation on income derived outside of Guernsey and bank interest earned in Guernsey. A fixed annual fee of £1,200 was payable to the States of Guernsey in respect of this exemption for the year. No charge to Guernsey taxation arises on capital gains. The Group is liable to foreign tax arising on activities in its overseas subsidiaries. The Company has investments, subsidiaries and joint venture operations in Luxembourg, United Kingdom, the Netherlands, Spain, Cyprus, Jersey and India.

(b) Group

The Group's tax expense for the year comprises:

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Deferred tax	-	-
Current tax	12	10
Tax Expense	**12**	**10**

The charge for the year can be reconciled to the profit/(loss) per the consolidated statement of comprehensive income as follows:

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Tax expense reconciliation		
Profit before taxation	16,249	7,224
Less: income not taxable	(9,747)	(8,057)
Add: expenditure not deductible	6,332	4,021
Un-provided deferred tax asset	(12,792)	(3,149)
Total	**42**	**39**

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Analysed as arising from		
India entity	-	-
Cyprus entities	42	39
Luxembourg entities	-	-
UK investment	-	-
Total	**42**	**39**

Tax at domestic rates applicable to profits in the countries concerned is as follows:

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
India taxation at 22.66%	-	-
Cypriot taxation at 12.50%	5	5
Luxembourg entities at an average rate of 29.22% *	7	5
UK taxation at 20%	-	-
Total	**12**	**10**

* The taxation incurred in Luxembourg mainly relates to the minimum net wealth tax charge of €3,210 per entity.

Notes to the financial statements (continued)

For the year ended 31 March 2016

7. Taxation (continued)

(c) Deferred taxation

The following is the deferred tax recognised by the Group and movements thereon:

	Revaluation of Investment Property	Accelerated tax depreciation	Tax Losses	Other temporary differences	Total
	£'000	£'000	£'000	£'000	£'000
At 31 March 2014	**-**	**-**	**(35)**	**35**	**-**
Release to income	-	3	(237)	234	-
At 31 March 2015	**-**	**3**	**(272)**	**269**	**-**
Release to income	-	1	(74)	73	-
At 31 March 2016	**-**	**4**	**(346)**	**342**	**-**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes available for offset against future profits.

	2016	2015
	£'000	£'000
Deferred tax liabilities	346	272
Deferred tax assets	(346)	(272)
Total	**-**	**-**

At the balance sheet date the Group has unused tax losses of £1.9 million (2015: £1.7 million). Due to the unpredictability of future taxable profits, the Directors believe it is not prudent to recognise a deferred tax asset for the unused tax losses.

Unused tax losses in Luxembourg, Spain and the United Kingdom can be carried forward indefinitely. Unused tax losses in The Netherlands can be carried forward for 9 years. Unused tax losses in Cyprus can be carried forward for 5 years.

8. Dividends

Dividend reference period	Shares	Dividend	Paid	Date
	'000	per share	£	
Quarter ended 31 March 2015	70,614	0.6p	423,683	17 July 2015
Quarter ended 30 June 2015	70,463	0.6p	422,779	25 September 2015
Quarter ended 30 September 2015	70,263	0.6p	421,579	18 December 2015
Quarter ended 31 December 2015	69,323	0.6p	415,939	25 March 2016
Total			**1,683,980**	

The Company will pay a dividend for the quarter ended 31 March 2016 on 22 July 2016. In accordance with IAS 10, this dividend has not been included in these financial statements as the dividend was declared and paid after the year end. The current intention of the Directors is to pay a dividend quarterly.

Notes to the financial statements (continued)

For the year ended 31 March 2016

9. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	1 April 2015 to 31 March 2016	1 April 2015 to 30 September 2015	1 April 2014 to 31 March 2015
Earnings per statement of comprehensive income (£'000)	16,237	7,922	7,214
Basic and diluted earnings pence per share	**23.1p**	**11.2p**	**10.2p**
Earnings per income statement (£'000)	16,237	7,922	7,214
Net change in the revaluation of investment property	(11,967)	(4,800)	(2,721)
Movement in fair value of investment in ordinary shares	(2,271)	(1,561)	409
Movement in fair value of investments in redeemable preference shares	694	398	1,225
Movement in fair value of interest rate cap (mark to market)	10	10	48
Movement in fair value of the foreign exchange forward (mark to market)	787	114	(551)
Movement in fair value of the joint venture's interest rate swap (mark to market)	(7)	(5)	(7)
Net change in the revaluation of the joint venture's investment property	27	27	(335)
Investment Manager's fees (performance fee)	1,440	-	-
Foreign exchange (gain)/loss	(49)	-	2
Adjusted earnings	**4,901**	**2,105**	**5,284**
Adjusted earnings per share	**7.0p**	**3.0p**	**7.5p**
Weighted average number of ordinary shares (000's)	**70,143**	**70,584**	**70,614**

The adjusted earnings are presented to provide what the Board believes is a more appropriate assessment of the operational income accruing to the Group's activities. Hence, the Company adjusts basic earnings for income and costs which are not of a recurrent nature or which may be more of a capital nature.

10. Net asset value per share

	31 March 2016	30 September 2015	31 March 2015
Net asset value (£'000)	95,621	86,748	79,935
Net asset value per ordinary share	**137.9p**	**123.5p**	**113.2p**
Total number of shares (000's)	**69,323**	**70,263**	**70,614**

11. Investment in subsidiary undertakings

A list of the significant investments in subsidiaries as at 31 March 2016, including the name, country of incorporation and the proportion of ownership interest is given below.

Name of subsidiary undertaking	Class of share	% of class held with voting rights	Country of incorporation	Principal activity
Alpha Tiger Cyprus Holdings Limited	Ordinary shares	100	Cyprus	Holding Company
Alpha Tiger Cyprus Investments No. 1 Limited	Ordinary shares	100	Cyprus	Holding Company
Alpha Tiger Cyprus Investments No. 2 Limited	Ordinary shares	100	Cyprus	Holding Company
Alpha Tiger Cyprus Investments No. 3 Limited	Ordinary shares	100	Cyprus	Holding Company
Luxco 114 SARL	Ordinary shares	100	Luxembourg	Finance company
Luxco 111 SARL	Ordinary shares	100	Luxembourg	Holding Company
KMS Holding BV	Ordinary shares	100	Netherlands	Holding Company
Alpha Tiger Spain 1, SLU	Ordinary shares	100	Spain	Property Company
Alpha Tiger Spain 2, SLU	Ordinary shares	100	Spain	Property Company
Alpha Tiger Guernsey Holdings No.1 Ltd	Ordinary shares	100	Guernsey	Holding Company
ART Resi Unit Trust	Ordinary units	100	Guernsey	Holding Company
Iron Sky 1 Limited	Ordinary shares	100	Guernsey	Holding Company
Iron Sky 2 Limited	Ordinary shares	100	Guernsey	Holding Company

Notes to the financial statements (continued)

For the year ended 31 March 2016

11. Investment in subsidiary undertakings (continued)

The Group also incorporated two limited partnerships in the UK to hold its PRS investments: ART Investments LP, which owns the Unity and Armouries site, and ART Investments 2 LP, which owns the Monk Bridge site.

12. Investment in joint venture

The joint venture in the Scholar Property Holdings Limited group (Cambourne) is accounted for by equity accounting.

The movement in the Group's share of net assets of the joint venture can be summarised as follows:

	31 March 2016 £'000	31 March 2015 £'000
As at 1 April	**1,563**	**1,214**
Group's share of joint venture profits before fair value movements and dividends	94	131
Fair value adjustment for interest rate swap	7	7
Fair value adjustment for investment property	(27)	335
Dividends paid by joint venture to the Group	(41)	(124)
As at 31 March	**1,596**	**1,563**

13. Investment property

	31 March 2016 £'000	31 March 2015 £'000
Fair value of investment property at 1 April	**65,544**	**69,942**
Additions	7,781	-
Subsequent capital expenditure after acquisition	227	602
Movement in rent incentives/initial costs	187	576
Fair value adjustment in the year	11,967	2,721
Foreign exchange movement	6,265	(8,297)
Fair value of investment property at 31 March	**91,971**	**65,544**

The fair value of the H2O property has been arrived at on the basis of an independent valuation carried out at the balance sheet date by Aguirre Newman Valoraciones y Tasaciones S.A. ("Aguirre"). Aguirre are independent valuers and are not connected to the Group.

The valuation basis used is fair value as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuations Standards ("RICS"). The approved RICS definition of fair value is "the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date". See note 24 for details of the property valuation.

The H2O property has been pledged as security for the borrowings in the Spanish SPV in which the property is held (note 18).

In July 2015, ART acquired Unity and Armouries in central Birmingham with planning consent for 90,000 net developable square feet comprising 162 residential apartments with ground floor commercial areas. The site was acquired for £2.4 million (including associated costs) and this has been considered by the Directors to represent fair value at the balance sheet date; the relevant market activity since the investment was made is not considered to be significant in terms of value.

During the quarter to 31 December 2015, ART completed a further investment as part of the Group's PRS strategy: Monk Bridge, a PRS build to own property in Leeds. This is a site with planning consent for residential apartments over 140,000 net saleable square feet with potential for ground floor commercial development within existing disused railway arches. The site was acquired for £3.8 million (including associated costs) and this has been considered by the Directors to represent fair value at the balance sheet date; the relevant market activity since the investment was made is not considered to be significant in terms of value.

In December 2015, ART entered into a purchase agreement to acquire the 40 year leasehold interest in a 6 hectares (15 acres) site at "Acharn", Killin, Perthshire, Scotland. The site has full planning consent and secure grid connection for the installation of a wood fired Combined Heat and Power ("CHP") plant. This CHP project will benefit from long term secure and predictable inflation-linked income streams substantially supported by the Renewable Heat Incentive and Renewable Obligation support mechanisms. Commercial operations are forecast to commence by 2017. As at 31 March 2016, ART has invested a total of £1.5 million on this new acquisition with a total expected investment being £2.5 million. The Acharn site investment is carried at cost plus associated costs and this has been considered by the Directors to represent fair value at the balance sheet date; the relevant market activity since the investment was made is not considered to be significant in terms of value.

Upon commencement of construction, the valuations for the PRS investments and the Acharn site will be carried out by independent valuers in accordance with the Company's accounting policy.

Foreign exchange movement is recognised in other comprehensive income/(expense).

Notes to the financial statements (continued)

For the year ended 31 March 2016

14. Indirect property investment held at fair value

	31 March 2016 £'000	31 March 2015 £'000
As at 1 April	**4,851**	**4,525**
Foreign exchange movement	(113)	326
As at 31 March	**4,738**	**4,851**

The Galaxia investment is carried at a fair value of INR 450 million (£4.7 million). See note 2 (b) (b) for more details.

Foreign exchange movement is recognised in other comprehensive income/(expense).

15. Investments held at fair value

	31 March 2016 £'000	31 March 2015 £'000
Non-current		
As at 1 April	**6,566**	**11,275**
Additions during the year	3,200	-
Redemptions during the year	(905)	(2,945)
Distributed investment income during the year	-	(130)
Movement in fair value of investments	1,578	(1,634)
As at 31 March	**10,439**	**6,566**

The investments, which are disclosed as non-current investments held at fair value, are as follows:

- Europip (participating redeemable preference shares); Europip provides quarterly valuations of the net asset value of its shares; the net asset value of the investment as at 31 March 2016 was £2.5 million (2015: £3.6 million).
- IMPT (ordinary shares); the ordinary shares of IMPT are traded on the LSE (SFS) and are valued quarterly by reference to market price; the market price of the investment as at 31 March 2016 was £2.4 million (2015: £0.8 million).
- HLP (participating redeemable preference shares); HLP provides half yearly valuations of the net asset value of its shares; during the year ended 31 March 2016, HLP redeemed a total of £0.5 million of shares (2015: £0.4 million); the net asset value of the investment has been calculated by using the unaudited value provided by the directors of HLP on 5 March 2016, this being the closest point to the Group's balance sheet date; the resulting value of the investment was £1.6 million (2015: £2.0 million).
- BCP (participating redeemable preference shares); BCP provides quarterly valuations of the net asset value of its shares; during the year ended 31 March 2015, BCP, following the disposal of its property portfolio, redeemed a total of £2.6 million of shares (circa 95% of ART's holding) and entered into a voluntary liquidation process; in September 2015 the liquidation process completed and ART received a final distribution of £0.4 million.
- During the year, ART purchased 11,336,795 shares of AURE, representing 20.5% of its share capital and voting rights. The consideration paid for the shares was £3.2 million, representing a price of circa £0.28 per share. The investment is fair-valued by reference to the dealing price of the shares provided by AURE at 31 March 2016, which is published on the Channel Islands Securities Exchange: the resulting fair value of the investment as at 31 March 2016 was £4.0 million.
- ART also has an investment in Romulus. Any realised value from this investment is passed exclusively to ART A shareholders. As at 31 March 2016, the net asset value of ART's investment in Romulus was nil (2015: nil).

The Board considers that the above investments will be held for the long term and has therefore disclosed them as non-current assets.

	31 March 2016 £'000	31 March 2015 £'000
Current		
As at 1 April	**15,868**	**13,145**
Additions during the year	4,000	2,000
Distributed investment income in year	(318)	(250)
Undistributed investment income in year	1,381	973
As at 31 March	**20,931**	**15,868**

The Group has invested in income units of FIAF. FIAF allows monthly redemptions and hence the investment is reported as a current asset. During the quarter ended 31 March 2016, ART has made a further £4.0 million investment in FIAF units. FIAF provides monthly pricing of its units. The investment has been valued at the published price of the relevant units in FIAF as at 31 March 2016.

Notes to the financial statements (continued)

For the year ended 31 March 2016

16. Trade and other receivables

	31 March 2016 £'000	31 March 2015 £'000
Non-current		
Loan granted to related party	10,000	22,443
Total	**10,000**	**22,443**
Current		
Trade debtors	1,246	1,225
VAT	111	99
Loan granted to related party	9,600	-
Other debtors	1,492	518
Interest receivable from loans granted to related parties	434	461
Total	**12,883**	**2,303**

Loans granted to related parties can be detailed as follows:

- £10.0 million (31 March 2015: £11.5 million) unsecured loan to IMPT, expiring in December 2018 and carrying a coupon of 15% per annum. In December 2015, IMPT made a loan repayment to ART of £1.5 million, together with applicable exit fees.
- £9.6 million (31 March 2015: £9.6 million) loan to AURE, expiring in November 2016 and carrying a coupon of 9% per annum. The loan is unsecured but ART has the ability to request AURE to provide a first legal charge security over its non-core assets, once certain conditions on AURE's bank borrowings are met and a second priority charge over AURE's other assets. In November 2015, AURE paid ART a rollover fee of £192,000.
- During the year, Europip repaid in full its £1.3 million loan due to ART, together with outstanding interest and exit fees.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. See note 2 (a) (a) (ii) for more details.

17. Trade and other payables

	31 March 2016 £'000	31 March 2015 £'000
Trade creditors	1,906	1,685
Investment Manager's fee payable	1,847	390
Accruals	233	252
Other creditors	13	15
Corporation tax	1	5
Total	**4,000**	**2,347**

Trade creditors and accruals primarily comprise amounts outstanding for trade purchases and ongoing costs. The Group has financial management policies in place to ensure that all payables are paid within the credit time frame.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Notes to the financial statements (continued)

For the year ended 31 March 2016

18. Bank borrowings

	31 March 2016 £'000	31 March 2015 £'000
Current liabilities: interest payable	114	118
Current liabilities: repayments	429	397
Total current liabilities	**543**	**515**
Non-current liabilities: bank borrowings	55,512	51,557
Total liabilities	**56,055**	**52,072**
The borrowings are repayable as follows:		
Interest payable	114	118
On demand or within one year	429	397
In the second to fifth years inclusive	55,512	51,557
After five years	-	-
Total	**56,055**	**52,072**

Movements in the Group's non-current bank borrowings are analysed as follows:

	31 March 2016 £'000	31 March 2015 £'000
As at 1 April	**51,557**	**58,740**
Repayment of borrowings	(398)	(426)
Reclassification to current liabilities	(32)	52
Deferred finance costs	-	(194)
Amortisation of deferred finance costs	211	151
Foreign exchange movement	4,174	(6,766)
As at 31 March	**55,512**	**51,557**

The bank borrowings represent the syndicated loan finance provided to the Spanish SPV, owner of the H2O property in Madrid, Spain.

The Spanish SPV loan was originally provided by a syndicate of three banks (Eurohypo AG, Deutsche Hypothekenbank and Landesbank Hessen-Thuringen Girozentrale). In August 2014, Deutsche Hypothekenbank transferred its share of the loan to MHB Bank AG, a subsidiary of the Lone Star group. The loan has two tranches of debt of which one tranche has an agreed schedule of amortisation as reflected in the repayment table above; the balance of the loans after amortisation is repayable on 4 October 2017. The loans are secured by a first charge mortgage against the Spanish property.

The Spanish property owning SPV has entered into an interest rate cap under which the floating rate element of the interest charge is capped at 2.85% for the full term of the loan on €50 million of the principal borrowings of €75 million (note 23).

Foreign exchange movement is recognised in other comprehensive income/(expense).

Notes to the financial statements (continued)

For the year ended 31 March 2016

19. Share capital

					Number of shares
Authorised					
Ordinary shares of no par value					Unlimited

Issued and fully paid	Ordinary treasury	Ordinary external	Ordinary total	A shares external	Total shares
At 1 April 2015	**6,009,974**	**60,763,429**	**66,773,403**	**9,850,426**	**76,623,829**
Share conversion	-	2,362,159	2,362,159	(2,362,159)	-
Shares cancelled following buyback	-	(506,214)	(506,214)	-	(506,214)
Shares bought back	784,424	(784,424)	-	-	-
At 31 March 2016	**6,794,398**	**61,834,950**	**68,629,348**	**7,488,267**	**76,117,615**

The Company has one class of ordinary shares which carries no right to fixed income and class A shares, which carry the same rights as ordinary shares save that class A shares carry the additional right to participation in the Company's investment in Romulus and the right to convert into ordinary shares on a one for one basis.

The Company has the right to reissue or cancel the remaining treasury shares at a later date.

On 9 March 2016, the Company published a circular giving notice of an Extraordinary General Meeting on 1 April 2016. Consistent with the Company's commitment to shareholder value, the Company asked its shareholders to approve a general authority allowing the Company to acquire up to 24.99% of the Voting Share Capital during the period expiring on the earlier of (i) the conclusion of the Annual General Meeting of the Company in 2017 and (ii) 4 September 2017. The shareholders approved the proposal.

During the year ended 31 March 2016, the Company purchased 1,290,638 ordinary shares at an average price (before expenses) of 74 pence per share. Of the purchased ordinary shares, 506,214 were cancelled and 784,424 shares will be held in treasury. As at 31 March 2016, the ordinary share capital of the Company, following the purchase and cancellation of those ordinary shares which were repurchased, was 68,629,348 (including 6,794,398 shares held in treasury). The Company also had 7,488,267 A shares in issue. The total voting rights in ART, following the purchase and cancellation and purchase for treasury of ordinary shares, was 69,323,217.

Post year end, the Company has made no share buybacks and 183,619 A shares were converted into ordinary shares. At the date of signing these financial statements the ordinary share capital of the Company was 68,812,967 (including 6,794,398 shares held in treasury). The Company also has 7,304,648 A shares in issue. The total voting rights in ART are unchanged at 69,323,217.

20. Reserves

The movements in the reserves for the Group are shown on page 35.

Special reserve

The special reserve is a distributable reserve to be used for all purposes permitted under Guernsey company law, including the buy-back of shares and payment of dividends.

Translation reserve

The translation reserve contains exchange differences arising on consolidation of the Group's overseas operations. These amounts may be subsequently reclassified to profit or loss.

Capital reserve

The capital reserve contains increases and decreases in the fair value of the Group's investment property, gains and losses on the disposal of property, gains and losses arising from indirect property investment at fair value together with expenses allocated to capital.

Revenue reserve

Any surplus arising from net profit after tax is taken to this reserve, which may be utilised for the buy-back of shares and payment of dividends.

21. Events after the balance sheet date

After the balance sheet date, a total of 183,619 A Shares were converted into Ordinary Shares (Note 19).

Notes to the financial statements (continued)

For the year ended 31 March 2016

22. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. ARC is the Investment Manager to the Company under the terms of the Investment Manager Agreement and is thus considered a related party of the Company. The current management agreement with the Investment Manager will expire on 21 December 2022.

The Investment Manager is entitled to receive a fee from the Company at an annual rate of 2% of the net assets of the Company, payable quarterly in arrears.

The Investment Manager is also entitled to receive an annual performance fee calculated with reference to total shareholder return ("TSR"), whereby the fee is 20% of any excess over an annualised TSR of 15% subject to a rolling 3 year high water mark. As at 31 March 2016, a performance fee of £1.4 million was due to ARC: the related calculations have been audited by the Group's auditor and the fee has been accrued in the consolidated financial statements.

The Investment Manager has a management agreement directly with the H2O property company, Alpha Tiger Spain 1, SLU under which it earns a fee of 0.9% per annum based upon the gross assets of Alpha Tiger Spain 1, SLU. In order to avoid double charging fees to the Company, the Investment Manager provides a rebate to the Company of a proportion of its current fee equivalent to the value of the Company's net asset value attributable to the H2O investment.

The Company has invested in IMPT where ARC is the Investment Manager. Mark Rattigan, a partner of ARC, is a Director on the Board of IMPT. ARC rebates fees earned in relation to the Company's investment in IMPT.

The Company has invested in FIAF where ARPIA, a subsidiary of ARC, is the Investment Manager. ARC is the Authorised Corporate Director of FIAF. ARC rebates fees earned in relation to the Company's investment in FIAF.

The Company has invested in AURE, where ARC is the Investment Manager. Brad Bauman, a partner of ARC, is a Director on the Board of AURE. ARC rebates fees earned in relation to the Company's investment in AURE.

The Company has invested in Europip, where ARPIA, a subsidiary of ARC, is the Investment Adviser. ARC rebates fees earned in relation to the Company's investment in Europip.

The Company had invested in BCP, where ARPIA, a subsidiary of ARC, was the industry adviser. ARC rebated fees earned in relation to the Company's investment in BCP. BCP is in the process of being dissolved.

The Company has invested in Romulus, where ARPIA, a subsidiary of ARC, is Trust Manager and Property Manager. ARC rebates fees earned in relation to the Company's investment in Romulus.

The Company has invested in Phase 1000, Cambourne Business Park, Cambridge, and ARC was appointed as Asset and Property Manager of the joint venture entity. ARC rebates to ART the relevant proportion of fees earned by ARC, which apply to the Company's investment.

Loans granted to related parties include loans granted to IMPT and AURE. Details of the loan amounts outstanding and interest receivable as at year end are provided in note 16.

Details of the Investment Manager's fees for the year are disclosed on the face of the consolidated statement of comprehensive income and the balance payable at 31 March 2016 is provided in note 17.

Alpha Global Property Securities Fund Pte. Ltd, a wholly owned subsidiary of ARC registered in Singapore, held 22,550,000 shares in the Company at 31 March 2016 (31 March 2015: 22,550,000).

ARC did not hold any shares in the Company at 31 March 2016 (31 March 2015: nil).

The following, being partners of the Investment Manager, have interests in the following shares of the Company at 31 March 2016:

	31 March 2016 Number of shares held	31 March 2015 Number of shares held
IPGL Limited	3,010,100	3,010,100
Brian Frith	1,125,000	1,125,000
Phillip Rose	139,695	139,695
Brad Bauman	55,006	55,006
Ronald Armist	500	500

Details of the Directors' fees and share interests in the Company are included in the Directors Report.

Karl Devon-Lowe, a partner of ARC, received fees of £5,000 (31 March 2015: £5,000) in relation to directorial responsibilities on a number of the Company's subsidiary companies.

Serena Tremlett is also the Managing Director and a major shareholder of Morgan Sharpe Administration Limited, the Company's Administrator and Secretary. During the year the Company paid Morgan Sharpe Administration Limited fees of £95,300 (2015: £81,000) and no amount was outstanding at year end.

Notes to the financial statements (continued)

For the year ended 31 March 2016

23. Financial instruments risk exposure and management

In common with similar businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group from which financial instrument risk arises, are as follows:

Financial assets and liabilities carrying value	31 March 2016	31 March 2015
	£'000	£'000
Current financial assets		
Investment held at fair value	20,931	15,868
Trade and other receivables	12,883	2,303
Cash and cash equivalents	3,863	14,817
Derivatives held at fair value through profit or loss		
Foreign exchange forward contract	-	388
Total current financial assets	**37,677**	**33,376**
Non-current financial assets		
Derivatives held at fair value through profit or loss		
Interest rate cap	-	11
Total derivatives held at fair value through profit or loss	**-**	**11**
Investments held at fair value	10,439	6,566
Indirect property investment at fair value	4,738	4,851
Trade and other receivables	10,000	22,443
Total non-current financial assets	**25,177**	**33,871**
Total financial assets	**62,854**	**67,247**
Current financial liabilities		
Trade and other payables	(4,000)	(2,347)
Bank borrowings	(543)	(515)
Foreign exchange forward contract	(745)	-
Total current financial liabilities	**(5,288)**	**(2,862)**
Non-current financial liabilities		
Bank borrowings	(55,512)	(51,557)
Total non-current financial liabilities	**(55,512)**	**(51,557)**
Total financial liabilities	**(60,800)**	**(54,419)**

Notes to the financial statements (continued)

For the year ended 31 March 2016

23. Financial instruments risk exposure and management (continued)

Net changes in realised and unrealised gains or losses on financial instruments can be summarised as follows:

	31 March 2016 £'000	31 March 2015 £'000
Realised gains or losses on loans and receivables		
Bank interest receivable	69	58
Interest receivable on convertible loan stock	-	516
Interest receivable on loans granted to related parties	2,826	2,922
Impairment of trade and other receivables	35	(67)
Net realised gains on loans and receivables	**2,930**	**3,429**
Unrealised gains and losses on financial assets and liabilities held at fair value through profit or loss		
Movement in fair value of interest rate cap	(10)	(48)
Movement in fair value of foreign exchange forward contract	(787)	551
Movement in fair value of investments	1,577	(1,634)
Undistributed investment income	1,187	831
Realised gains and losses on financial assets and liabilities held at fair value through profit or loss		
Dividend received from investments held at fair value	43	64
Distributed investment income	318	512
Net gains on financial assets and liabilities held at fair value through profit or loss	**2,328**	**276**

Net interest income can be summarised as follows:

	31 March 2016 £'000	31 March 2015 £'000
Bank interest receivable	69	58
Interest receivable on convertible loan stock	-	516
Interest receivable on loans granted to related parties	2,826	2,922
Interest on bank borrowings	(1,700)	(1,899)
Net interest income	**1,195**	**1,597**

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Project monitoring

Projects are monitored through regular Project Control Meetings held with development partners to discuss progress and monitor risks. The Investment Manager attends these meetings and reports to the Board on a quarterly basis.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

The Group policy is to maintain its cash and cash equivalent balances with a number of financial institutions as a means of diversifying credit risk. The Group monitors the placement of cash balances on an ongoing basis and has policies to limit the amount of credit exposure to any financial institution.

With regards to the investment property business, a property advisor monitors the tenants in order to anticipate and minimise the impact of default by occupational tenants. Where possible, tenants' risk is mitigated through rental guarantees. The Group meets with the tenant frequently and monitors its financial performance closely.

Notes to the financial statements (continued)

For the year ended 31 March 2016

23. Financial instruments risk exposure and management (continued)

With regards to the loans granted to AURE and IMPT, the Board continues to monitor the financial performance of both companies. The Board, having considered the publically available information provided by AURE (see page 9) and IMPT (see page 11), currently considers that the amounts owed are fully recoverable.

With regard to its other investments, the Group receives regular updates from the relevant Investment Manager as to the performance of the underlying investments and assesses its credit risk as a result.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising these risks such as maintaining sufficient cash and other highly liquid current assets. Cash and cash equivalents are placed with financial institutions on a short term basis reflecting the Group's desire to maintain a high level of liquidity in order to enable timely completion of investment transactions.

The following table illustrates the contractual maturity analysis of the Group's financial liabilities.

31 March 2016	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Trade and other payables	3,999	-	-	-	**3,999**
Interest payable on bank borrowings	1,468	746	-	-	**2,214**
Bank borrowings	429	55,855	-	-	**56,284**
Foreign exchange forward contract	745	-	-	-	**745**
Total	**6,641**	**56,601**	**-**	**-**	**63,242**

31 March 2015	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Trade and other payables	2,342	-	-	-	**2,342**
Interest payable on bank borrowings	1,509	1,498	761	-	**3,768**
Bank borrowings	397	397	51,687	-	**52,481**
Total	**4,248**	**1,895**	**52,448**	**-**	**58,591**

Market risk

(a) Foreign exchange risk

The Group operates in India and Spain and is exposed to foreign exchange risk arising from currency exposures with respect to Indian Rupees and Euros. Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations.

The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency.

The Group does not currently hedge its Indian foreign currency exposure and only partially hedges its Euro currency exposure through a foreign exchange forward contract: the Group entered into this contract to hedge €5 million of Euro exposure.

The Board monitors the Group's exposure to foreign currencies on a quarterly basis as part of its Risk Management review.

A strengthening of the Rupee by 5 Rupees against Sterling (representing management's assessment of a reasonably possible change) would increase the net assets by £263,000 (2015: £276,000). A weakening of the Rupee by 5 Rupees would decrease net assets by £236,000 (2015: £248,000). A strengthening of the Euro by 5 cents would increase the net assets by £1,302,000 (2015: £578,000). A weakening of the Euro by 5 cents would decrease net assets by £1,203,000 (2015: £537,000).

(b) Cash flow and fair value interest rate risk

The Group's interest rate risk arises primarily from long term borrowings. The Group has interest rate caps, entered into by the Spanish property owning SPV, under which the floating rate element of the interest charge is capped at 2.85% for the full term of the loan on €50 million of the principal borrowings of €75 million.

The Group also holds significant cash balances and loan assets which accrue interest based on variable interest rates.

The Group's cash flow is periodically monitored by the Board.

The sensitivity analysis below is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, changes in interest rate and changes in market value.

For the Group, a decrease of 100 basis points in interest rates would result in an increase in post-tax profits of £546,000 (2015: £386,000). An increase of 100 basis points in interest rates would result in a decrease in post-tax profits of £546,000 (2015: £386,000).

Notes to the financial statements (continued)

For the year ended 31 March 2016

23. Financial instruments risk exposure and management (continued)

(c) Price risk

The Company announced on 28 May 2010 that it had entered into a Settlement Agreement with Logix Group under which it has sold its interest in its Technova investment and has agreed a floor price mechanism for the sale of the Galaxia project. The Settlement Agreement lapsed on 28 May 2011 returning the parties to the pre-existing agreement. The terms of the pre-existing agreement provide for a minimum return of INR 450 million and an additional preferred return and profit. As detailed in note 14, in January 2015, the ICC Arbitration concluded its arbitration proceedings and declared in favour of the Group's claims against Logix Group. The Award granted by the ICC to the Group equals £9.0 million, based on year end exchange rates; plus 15% per annum interest on all sums awarded until the actual date of payment by Logix. The Directors, taking into consideration legal advice received following Logix's challenge of the Award, consider it appropriate to continue to value the indirect investment at INR 450 million, which is the amount invested but excludes penalty interest payment and other payments awarded in ART's favour due to uncertainty over timing and final value of the Award.

The Group has invested in income units of FIAF, a fund offering monthly redemptions (note 15). FIAF is an open ended unauthorised unit trust which operates a monthly dealing facility to provide investment liquidity. The value of the income units are assessed monthly and are subject to fluctuation.

The Group has invested in IMPT's ordinary shares, which are traded on the LSE so are subject to market fluctuation.

The Group has invested in Ordinary Shares in AURE and Participating Redeemable Preference Shares in Europip and HLP; the value of these shares is assessed regularly and is subject to fluctuation: AURE provide pricing monthly, Europip quarterly and HLP half yearly.

If the price of the aggregated investments in Participating Redeemable Preference Shares had increased by 5%, with all other variables held constant, this would have increased the net assets value of the Group by £207,000 (31 March 2015: £287,000). Conversely, if the price of the aggregated investments in Participating Redeemable Preference Shares had decreased by 5% this would have decreased the net assets value of the Group by £207,000 (31 March 2015: £287,000).

(d) Fair values

The following methods and assumptions were used to estimate fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments
- The fair value of the derivative interest rate cap contracts is determined by reference to an applicable valuation model employed by the contractual counter parties; valuations are provided quarterly
- The fair value of the foreign exchange forward contract is determined by reference to the quarter end one year forward market rate provided by the contractual counter party
- The fair value of the Galaxia investment is based on quarterly Directors' estimate of the recoverable amount based upon legal advice
- The fair value of the investment in IMPT's ordinary shares, which are traded on the LSE, is based upon the mid price of the ordinary shares at the balance sheet date
- The fair value of the investment in AURE is based upon the dealing price of the shares provided by AURE at the balance sheet date, which is published on the Channel Islands Securities Exchange
- The fair value of the FIAF, HLP and Europip's investments is based upon the price provided by the issuers for the relevant share class owned: this is calculated by reference to the net asset value of the respective investment. These net asset values are based on observable inputs and therefore are deemed to be level 2 financial assets (see note 24).

As a result the carrying values less impairment provision of loans and receivables and financial liabilities measured at amortised cost are approximate to their fair values.

Note 24 contains details regarding the fair value measurement of the interest rate cap contracts.

Capital risk management

The Board's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board regularly reviews the adequacy of the Group's level of borrowings by monitoring its compliance with the relevant bank covenants.

Notes to the financial statements (continued)

For the year ended 31 March 2016

24. Fair value measurement

IFRS 13 requires disclosure of the fair value measurement of the Group's assets and liabilities, the related valuation techniques, the valuations' recurrence and the inputs used to assess and develop those measurements.

The Group discloses fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the asset or liability is categorised is determined on the basis of the lowest input that is significant to the fair value measurement. Assets and liabilities are classified in their entirety into one of the three levels.

Investment property is valued on a recurring basis: half yearly.

The Group's valuers derive the fair value of the investment property by applying the methodology and valuation guidelines as set out by the Royal Institution of Chartered Surveyors in the United Kingdom. This approach is based on discounting the future net income receivable from properties to arrive at the net present value of that future income stream. Future net income comprises the rent secured under existing leases, less any known or expected non-recoverable costs and the current market rent attributable to vacant units. The consideration basis for this calculation excludes the effects of any taxes on the net income. The discount factors used to calculate fair value are consistent with those used to value similar properties, with comparable leases in each of the respective markets. A decrease in the net rental income or an increase in the discount rate will decrease the fair value of the investment property.

Investment property in the course of construction (the Unity and Armouries, Monk Bridge and Acharn investments) are carried at cost plus associated costs and this has been considered by the Directors to represent fair value at the balance sheet date. Upon commencement of construction, valuations will be carried out by independent valuers in accordance with the Company's accounting policy.

Indirect property investment at fair value, investments held at fair value and derivative contracts are valued on a recurring basis as indicated in note 23.

The following table shows an analysis of the fair values of assets and liabilities recognised in the balance sheet by level of the fair value hierarchy described above:

31 March 2016	Assets and liabilities measured at fair value			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets measured at fair value				
Non-current				
Investment property (note 13)	-	-	91,971	91,971
Indirect property investment at fair value (note 14)	-	-	4,738	4,738
Investments held at fair value	2,352	8,087	-	10,439
Interest rate cap	-	-	-	-
Current				
Investments held at fair value	-	20,931	-	20,931
Assets for which fair values are disclosed				
Non-current				
Trade and other receivables	-	10,000	-	10,000
Current				
Trade and other receivables	-	12,883	-	12,883
Liabilities measured at fair value				
Current				
Foreign exchange forward contract	-	(745)	-	(745)
Liabilities for which fair values are disclosed				
Current				
Trade and other payables	-	(4,000)	-	(4,000)
Bank borrowings	-	(543)	-	(543)
Non-current				
Bank borrowings	-	(55,512)	-	(55,512)

Notes to the financial statements (continued)

For the year ended 31 March 2016

24. Fair value measurement (continued)

31 March 2015	Assets and liabilities measured at fair value			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets measured at fair value				
Non-current				
Investment property (note 13)	-	-	65,544	65,544
Indirect property investment at fair value (note 14)	-	-	4,851	4,851
Investments held at fair value	834	5,732	-	6,566
Interest rate cap	-	11	-	11
Current				
Investments held at fair value	-	15,868	-	15,868
Foreign exchange forward contract	-	388	-	388
Assets for which fair values are disclosed				
Non-current				
Trade and other receivables	-	22,443	-	22,443
Current				
Trade and other receivables	-	2,303	-	2,303
Liabilities for which fair values are disclosed				
Current				
Trade and other payables	-	(2,347)	-	(2,347)
Bank borrowings	-	(515)	-	(515)
Non-current				
Bank borrowings	-	(51,557)	-	(51,557)

The Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Movements in level 3 of the fair value measurements, during the year ended 31 March 2016, can be summarised as follows:

	Investment property	Indirect property investment at fair value
	£'000	£'000
At 1 April 2015	**65,544**	**4,851**
Additions	7,781	-
Subsequent capital expenditure after acquisition	227	-
Movement in rent incentives/initial costs	187	-
Fair value adjustment	11,967	-
Effect of foreign exchange	6,265	(113)
At 31 March 2016	**91,971**	**4,738**

Notes to the financial statements (continued)

For the year ended 31 March 2016

24. Fair value measurement (continued)

There were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements during the year ended 31 March 2016.

The fair value of investment property is based on unobservable inputs and it is therefore disclosed as level 3. The following methods, assumptions and inputs were used to estimate fair values of investment property:

31 March 2016 - H2O Shopping centre, Madrid (Spain)

Class of investment property	Carrying amount / fair value '000	Area (square meters)	Valuation technique	Significant unobservable inputs	Range/value
Europe	£84,190 (€106,500)	51,825	Discounted cash flow	Gross Estimated Rental Value ('ERV') per sqm p.a.	€5.00/€165.00
				Discount rate	10.50%

31 March 2015 - H2O Shopping centre, Madrid (Spain)

Class of investment property	Carrying amount / fair value '000	Area (square meters)	Valuation technique	Significant unobservable inputs	Range/value
Europe	£65,544 (€89,598)	51,825	Discounted cash flow	Gross Estimated Rental Value ('ERV') per sqm p.a.	€6.00/€129.50
				Discount rate	11.75%

At H2O, the high rage of ERVs reflects the nature of the shopping centre assets which typically comprise units ranging from in-mall kiosks of less than 10 square metres to large floorplate retailers which can occupy units in excess of 3,000 square metres.

The Directors assessed at the balance sheet date whether the Group's investment property is being exploited according to its highest and best use and they are satisfied that this is the case.

The PRS investments in Unity and Armouries and Monk Bridge and the Acharn investment, which are investment properties in the course of construction, are carried at cost plus associated costs and this has been considered by the Directors to represent fair value at the balance sheet date; the relevant market activity since the investment was made is not considered to be significant in terms of value.

25. Commitments

The Group had no un-provided material commitments within its Group undertakings.

Directors and Company information

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Jeff Chowdhry
Roddy Sage
Phillip Rose
Serena Tremlett

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Shareholder information

Further information on the Company, compliant with the SFS regulations, can be found at the Company's website: www.alpharealtrustlimited.com

Investment Manager
The Company is advised by Alpha Real Capital LLP which is authorised and regulated by the Financial Conduct Authority in the United Kingdom

Change of address
Communications with shareholders are mailed to the addresses held on the share register. In the event of a change of address or other amendment, please notify the Company's Registrar under the signature of the registered holder.

Share price
The Company's Ordinary Shares are listed on the SFS of the London Stock Exchange.

Financial calendar

Financial reporting	Reporting/Meeting dates	Dividend period	Ex-dividend date	Record date	Payment date
Annual report published	1 July 2016	Quarter ending 31 March 2016	30 June 2016	1 July 2016	22 July 2016
Annual General Meeting	8 August 2016				
Trading update statement (Qtr 1)	19 August 2016	Quarter ending 30 June 2016	1 September 2016	2 September 2016	23 September 2016
Half year report	18 November 2016	Quarter ending 30 September 2016	1 December 2016	2 December 2016	16 December 2016

Alpha Real Trust

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