Property Investment Portfolio ISA and PEP Plc

Annual Report and Financial Statements

For the sixteen month period ended 31 December 2013

Contents

Officers and Professional Advisers

Directors	P M Cowley A R Buckley P P Scales
Secretary	P P Scales
Administrator	IOMA Fund and Investment Management Limited IOMA House Hope Street Douglas, Isle of Man IM1 1AP
Sponsor and Investment Adviser	Alpha Real Property Investment Advisers LLP 338 Euston Road London NW1 3BG
Auditors	Ernst & Young LLC Rose House 51-59 Circular Road Douglas, Isle of Man IM1 1AZ
Taxation Adviser	Mazars LLP The Pinnacle 160 Midsummer Boulevard Milton Keynes MK9 1FF
Registered Office	IOMA House Hope Street Douglas, Isle of Man IM1 1AP

Directors' Report

Transaction between PIP and ART

During the sixteen month period ended 31 December 2013 (the "Period"), on 3 December 2012 Property Investment Portfolio plc ("PIP") sold its assets to Alpha Real Trust Limited ("ART") in consideration for PIP receiving ART A Shares. On that same date PIP made a capital distribution of these ART A Shares to its shareholders. As a result the Company received 2,122,697 ART A Shares. These ART A Shares were valued at 103.8 pence per share at the time of the capital distribution (based on their net asset value ("NAV") at 30 September 2012).

Although the Company still holds its shares in PIP, following the sale of PIP's assets to ART and capital distribution to shareholders, its shares are valued at £nil. PIP was placed into members' voluntary liquidation on 21 March 2014.

Redemption by Shareholders

As the Company now holds ART A Shares this provides a mechanism for the Board to accept shareholder redemptions of shares from the Company, satisfied by the in specie distribution of ART A Shares, which may be converted into ART Ordinary shares and held by the shareholder or sold in the market.

During the Period the Board accepted redemptions in this manner from shareholders representing 29% of the shareholders of the Company.

Distributions Received from ART

During the Period the Company received £22,288 from ART's first income distribution on 3 May 2013 and £16,204 from ART's second income distribution on 20 December 2013, both representing 1.05 pence per share.

Valuation of the Company's Shares in ART

The Company's investments reduced in value during the Period and resulted in a loss of £792,579; largely due to valuing the ART A shares at the quoted price of the ART Ordinary shares on the Specialist Fund Market of the London Stock Exchange. ART Ordinary shares trade at an approximate discount to NAV of 50%. At Period end the Company held 1,507,099 ART A Shares and the NAV of the Company, inclusive of net cash, was £870,955 (based on the quoted ART Ordinary shares at 30 December 2013 of 56.25 pence per share) as a result the Company's statement of comprehensive income shows a loss for the Period of £792,579. Were the ART A shares to have been recognised at their published NAV of 107.4 pence per share this would have increased the NAV of the Company by £770,880 to £1,641,835 and improve the performance of the Company to a nominal loss of £21,699.

ISA eligibility of ART Ordinary Shares

Since the transaction between PIP and ART in December 2012, the ISA rules have changed. From August 2013 shares listed on the London Stock Exchange's Specialist Fund Market ("SFM"), including ART Ordinary shares are a permissible investment for ISA purposes. At present over 90% of the Company's shares are held on behalf of ISA investors. Now that ISA permissibility may be maintained should a shareholder redeem from the Company, receive ART A Shares and convert them into ART Ordinary Shares, the Board believes that there is no longer a need for the Company to continue.

Recommendation and Extraordinary General Meeting ("EGM")

The Company is convening an EGM to enable shareholders to vote on the proposal to wind up the Company and to transfer its ART A Shares to shareholders together with any residual cash held by the Company (the "Proposal"). The Board believes that it will save costs and ensures shareholders are in a better position by holding shares directly in ART, rather than indirectly, as currently, through the Company. Therefore the Board strongly recommends that shareholders approve the Proposal.

Should the Proposal be approved the Company will make a transfer to shareholders of their proportionate share of ART A Shares together with any residual cash held by the Company.

Therefore an EGM is to be held at IOMA House, Hope Street, Douglas, Isle of Man, IM1 1AP at 10.00am in June 2014 to enable shareholders to vote on the Proposal.

Directors' Report (continued)

Going concern
The Board has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. However, the board recognise that the outcome of the vote to be held at the forthcoming EGM scheduled for June 2014 does create a material uncertainty that casts significant doubt on the Company's ability to continue as a going concern. Further details have been included in note 2b.

Directors
The directors who held office during the period were as follows:-
Patrick Cowley
Philip Scales
Anthony Buckley

Secretary
The secretary who held office during the period was:
Philip Scales

Approval
This report was approved by the board of directors on 2nd May 2014 and signed on its behalf by:

Philip Scales

Patrick Cowley

ALPHA REAL TRUST LIMITED INVESTMENT REVIEW

EXTRACT FROM THE INVESTMENT REVIEW OF ALPHA REAL TRUST LIMITED ("ART") PUBLISHED IN ART'S HALF YEAR REPORT AND FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2013 (DETAILING ART's INVESTMENTS)

HIGH YIELD DEBT

Market overview

The restructuring and refinancing needs of many real estate investment vehicles throughout Europe remain high. The withdrawal of many real estate lenders from the market, or reduced liquidity for those who remain, has left a significant gap in available funding and created substantial investment opportunities for new entrants. Banks continue to deleverage historic loan positions. For those that are still lending on new projects, the availability of new finance is largely focused on prime assets.

Opportunities for new lenders with real estate debt expertise are highly attractive. Competition within the lending market is expected to remain weak for some time, especially for smaller transactions in non-prime sectors where a strong knowledge of the underlying assets is required. ART is well positioned to take advantage of such opportunities as they are identified.

The Investment Manager´s team includes professionals with real estate asset management, debt structuring and origination skills. The recent refinance of the AURE portfolio underlines how ART is able to adapt to changing market dynamics in order to maximise risk-adjusted returns. Contemporaneously with the refinancing of the existing senior debt for a new five year senior debt facility with a traditional real estate lender who was comfortable with the underlying assets but was limited in the amount of loan finance it could provide, ART was able to provide a £6 million follow-on loan earning a coupon of 9% per annum to complete the balance of AURE´s financing needs.

Alpha UK Real Estate Fund plc ("AURE")

The Company has invested a total of £14.6 million in AURE by way of two loan agreements. AURE is an Irish resident open ended investment company listed on the Irish Stock Exchange, which is invested in a diversified portfolio of UK commercial property (22 properties comprising industrial, office and retail properties valued at £44.4 million as at 30 June 2013).

In 2011, ART provided a £7.5 million three-year convertible loan, which matures in November 2014 and earns a coupon of 6% per annum and a 14% redemption premium if not converted, providing a minimum return of 10.7% per annum. The loan balance currently stands at £8.6 million.

In September 2013, contemporaneous with a refinancing of the existing AURE senior debt for a new five year senior debt facility, the Company announced a further investment in AURE via a £6 million mezzanine loan, with the same maturity as the convertible loan, paying a coupon of 9% per annum.

ART's investments are in a defensive position in the capital structure with the mezzanine loan earning a high risk-adjusted return and the convertible loan earning a preferred minimum return with the potential to benefit from value created through the active asset management of an income focused property portfolio.

Alpha UK Multi Property Trust plc ("AUMP")

Further to equity investment (described below) ART has provided a loan to AUMP.

On 1 July 2013, the Company announced that, in accordance with the Convertible Unsecured Loan Stock ("CULS") Subscription Agreement with AUMP, it redeemed all outstanding CULS in full at par plus the payment of the premium of 18 per cent. The redemption amount was £6.42 million.

ART further announced that it has entered into a loan agreement in which it provided an unsecured loan to AUMP for £6.42 million. The proceeds of the loan were applied to finance the redemption of the CULS.

ALPHA REAL TRUST LIMITED INVESTMENT REVIEW (continued)

The term of the ART loan agreement with AUMP is six months, expiring 31 December 2013 and is extendable by five years to 31 December 2018 with the consent of both the Company and AUMP. The coupon of the loan is 15% per annum compounded quarterly.

ARC is the investment manager of AUMP. ARC is pursuing value enhancement opportunities in the AUMP 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")
Further to the equity investment (described below) ART has provided secured mezzanine finance to Europip, which has security over Europip´s portfolio of commercial assets ranking after the bank loan facilities in the Norway and Mosaic investments with a first charge over an unencumbered property within the Norway portfolio outside the bank security pool of assets. The 12 month loan, which matures on 27 November 2013, pays a coupon of 9% per annum. An extension of the loan is currently being negotiated.

The value of the Norwegian portfolio is NOK 437.7 million (£45.3 million) based on the 30 June 2013 valuation. The current bank debt on the property portfolio is NOK 274 million, representing a LTV of 62.6%. Allowing for a repayment of £0.7 million after the end of the period, ART´s loan position sits between 62.6% and 73.5% loan to value.

Following a series of strategic sales of assets the ART loan has been paid down from £9.1 million at December 2012 to £5.7 million as at 30 September 2013 (and a further reduction to £5.0 million has occurred as at 31 October 2013).

HIGH YIELD EQUITY IN PROPERTY INVESTMENTS

Commercial property market overview
Across the Company´s investment markets there are broader signs of improved sentiment amongst consumers, businesses and financial markets which is helping pave the way for a return of stronger real estate market activity. Whilst still in its relative infancy and with deep variations between markets, an improving macro-economic picture should encourage new buyers and sellers to emerge, giving rise to greater investment opportunities. There is an increasing sense that not only will values remain stable, but that value lost since 2007 will be recaptured as yield compression returns to sectors that were previously overlooked by investors.

Divergence between real estate markets and asset sectors remains high. Demand for core investments has remained robust for some time however supply is limited and pricing competitive. In line with firmer economic sentiment there are increasing signs that investors are seeking to broaden their investment search to sectors that were currently considered less attractive secondary markets, in the UK regions or peripheral European countries, where the opportunity exists to gain higher risk-adjusted returns.

The UK secondary property market, for example is forecast by many commentators to outperform all UK property from 2014 to 2016 supported by strong income returns which are expected to underpin total returns. UK secondary property yields are currently at record high spreads over both bond yields and prime property yields. Although transactional data is still limited, there is an increasing number of reports suggesting that pricing is close to a low point.

The constrained availability of finance continues to act as a brake on transactions, but equally presents potential opportunistic buying opportunities and scope for selective lending, both of which are part of ART´s core investment strategy.

The Company is focused on investments that offer potential to deliver 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.

ALPHA REAL TRUST LIMITED INVESTMENT REVIEW (continued)

ART benefits from the depth of experience, strength and size of the Investment Manager's real estate business which has a broad network of funds under management throughout Europe. This creates opportunities that would not be otherwise available.

H2O, Madrid

The H2O shopping centre was acquired for €83.3 million (£69.8 million) in April 2010 including acquisition costs and funding was provided for a further €5.0 million (£4.2 million) for future capital improvements. The acquisition was financed with a €75.0 million (£62.9 million) seven year syndicated bank facility. ART's total investment in H2O is €16.6 million (£13.9 million).

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.

European Property Investment Portfolio PLC ("Europip")

ART owns a 47% stake in Europip, an Isle of Man domiciled open ended investment company. Europip invests in a directly owned commercial property portfolio in Norway and holds a minority interest in Mosaic Property CEE Limited ("Mosaic"), a Central and Eastern European focused commercial property fund.

Norway:

The Norwegian portfolio comprises directly owned commercial assets in Norway, concentrated around Oslo. The value of the portfolio assets are NOK 437.7 million (£45.3 million) with a passing rental level of NOK 35.7 million (£3.7 million), based on the 30 June 2013 valuation.

Investment management update

- The portfolio is financed by a senior debt facility of £35.2 million (NOK 340 million) arranged in two tranches:

  Facility A: a five year facility with initial funded amount of £30.0 million (NOK 280 million), at a 2.4% margin over NIBOR. This facility is to be amortised at circa £1.1 million (NOK 10.2 million) per annum from cashflows, although the amount of required amortisation will be reduced pro-rata in the event of property sales. £21.7 million (NOK 210 million) of this facility has been fixed for five years at a NIBOR rate of 2.49% p.a.

  Facility B: a two year term facility for £6.2 million (NOK 60 million), at a 3.1% margin over NIBOR with repayment coming from the sale of two assets

- During the period, the disposal of the Arenga 2 property, which was part of the secured pool of assets for Facility B, completed in July 2013 for NOK 29.5million (£3.0 million). Net sales proceeds were used to amortise Facility B

  As at 30 September the debt balance was £28.6 million (NOK 276.0 million); scheduled quarterly loan amortisation has further reduced bank borrowings to £28.4 million (NOK 274.0 million), reflecting a LTV of 62.6% post period end

- Further amortisation of the ART loan

  - The proceeds from the strategic sales of assets (Bredmyra 1) outside the secured bank facility pool and that of Europip´s asset in Paris have been used to amortise the ART mezzanine facility provided to Europip from £8.8 million as at 31 March 2013 to £5.7 million as at 30 September 2013 which has been further reduced to £5.0 million as at 31 October 2013

ALPHA REAL TRUST LIMITED INVESTMENT REVIEW (continued)

- Occupancy - Norway
  - The Norwegian portfolio´s occupancy rate was 94% at 30 September 2013
  - The Norwegian portfolio weighted average lease length is 4.6 years as at 30 September 2013.

Cambourne Business Park, Phase 1000, Cambridge
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 9,600 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 Citrix Systems, Regus and Netcracker Technology EMEA Ltd (ultimately owned by NEC Corporation) in turn partly sublet to the East of England Ambulance Authority. The property has open B1 Business user planning permission and has potential value-add opportunities.

Phase 1000 is owned in a joint venture partnership with a major overseas investor and was purchased for £23.0 million including acquisition costs with bank finance of £10.8 million. ART´s equity contribution of £1.2 million, which represents 10% of the total equity commitment, is currently delivering an annualised income return of 13.0% as at 30 September 2013.

Alpha UK Multi Property Trust plc ("AUMP")
ART holds 19% of AUMP´s ordinary share capital, representing £0.5 million, as at 30 September 2013, acquired as part of the Property Investment Portfolio plc ("PIP") transaction in 2012.

AUMP is a LSE listed UK property fund with a regionally diversified portfolio of over 50 properties of multi-let light industrial and office assets valued at £78.6 million (at 30 June 2013).

During the period, the facility with Nationwide in respect of the AUMP's wholly owned subsidiary, CHIP (Two) Limited was extended to 28 February 2014. In addition, the facility with Bank of Scotland in respect of the Company's wholly owned subsidiaries, CHIP (One) Limited, CHIP (Three) Limited, CHIP (Four) Limited and CHIP (Five) Limited was extended to 30 November 2013.

Discussions with Bank of Scotland, Nationwide and alternative banks and providers of capital are continuing in order to pursue extensions to, or refinancing of, these borrowings.

CASH AND FREEHOLD GROUND RENTS

Freehold Income Authorised Fund ("FIAF")
The Company had invested a total of £15.5 million as at 30 September 2013 in Freehold Income Authorised Fund ("FIAF") an open-ended fund that invests in UK freehold ground rents with a net asset value of £166.8 million as at 31 August 2013.

Since September 2013, redemptions of £4.5 million have been made by ART, hence the value of the current investment amount is £11.0 million.

The investment is expected to continue to provide a better return than currently earned on the Company's cash balances. FIAF operates a monthly dealing facility to provide liquidity.

Cash
As at 30 September 2013, the ART Group had cash balances of £6.7m.

ALPHA REAL TRUST LIMITED INVESTMENT REVIEW (continued)

OTHER ASSETS

Galaxia, National Capital Region, NOIDA
ART invested INR 450 million (£4.5 million) in the Galaxia project, a development site extending to 11.2 acres which enjoys SEZ status 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 micromarkets in India. The Company has a 50% 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.

Following arbitration hearings in January and May, further hearings were held during August 2013. Both sides are scheduled to present their closing submissions in late 2013, following which the arbitration panel will then review the case and are expected to issue a ruling during the first quarter of 2014.

Notwithstanding the above, the Company is continuing to explore avenues for a sale of the development.

Business Centre Properties Limited ("BCP")
BCP is a business centre fund that owned 3 serviced office properties as at 30 October 2013 each operated by Citibase Plc.

ART has a 95% equity interest in BCP. BCP´s net asset value is concentrated in the ungeared Stratford business centre property (which has been sold on a staged payment basis and a substantial first payment has been made by the purchaser however an extension of the completion timeline has been requested) and the company's liquid cash reserves.

Healthcare & Leisure Property Limited ("HLP")
Healthcare & Leisure Property Limited has invested in companies operating in the hotel, care home, house building and leisure sectors throughout the UK. ART currently has £2.3 million invested in HLP as at 30 September 2013.

ART will continue to benefit from its share of net proceeds from the sales of the underlying assets as they are progressed.

Summary
An improving economic and investor outlook appears to be taking hold in the UK and European investment markets. ART remains active in both its target investment sectors of high yield debt and equity in assets with high risk-adjusted returns typically when there is scope to add value through active asset management and/or the restructuring or recapitalisation of property investment vehicles. As exemplified by the recent loan investment in AURE, the Company continues to source new investment opportunities with strong cash-flows and/or managed risk profiles that are accretive to ART´s earnings position.

ART continues to implement its active management policy and this has seen encouraging results in both directly and indirectly held investments, reflected in a combination of strategic sales and positive letting progress in AUMP, AURE, Europip Norway and at H2O in Spain.

ART remains well placed to find value for its investors in challenging market conditions and to capitalise on new investment opportunities as they emerge.

Brad Bauman and Gordon Smith
For and on behalf of the Investment Manager of ART
21 November 2013

Property Investment Portfolio ISA and PEP Plc

Further information on ART can be found on the ART website (www.alpharealtrustlimited.com) or via the London Stock Exchange.

Statement of the Directors' Responsibilities in respect of the Financial Statements

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. The directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards. In preparing those financial statements, the directors are required to:

• select suitable accounting policies and then apply them consistently;
• make judgements and estimates that are reasonable and prudent;
• state whether all applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
• prepare the financial statements on the going concern basis unless it is inappropriate to presume the Company will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at anytime the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Acts 1931 to 2004.They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Property Investment Portfolio ISA and PEP Plc

We have audited the financial statements of Property Investment Portfolio ISA and PEP Plc for the sixteen month period ended 31 December 2013 which comprise company statement of comprehensive income, company balance sheet, company statement of changes in net assets attributable to holders of redeemable preference shares, company cash flow statement, growth portfolio statement of comprehensive income, growth portfolio statement of financial position, distribution portfolio statement of comprehensive income, distribution portfolio statement of financial position and the related notes 1 to 7. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

This report is made solely to the Company's members, as a body, pursuant to Section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 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 material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of the Companies Acts 1931 to 2004.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2 to the financial statements, concerning the Company's ability to continue as a going concern. The condition described in note 2 indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Independent Auditors' Report to the Members of Property Investment Portfolio ISA and PEP Plc (continued)

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Acts 1931 to 2004 requires us to report to you if, in our opinion:

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

Ernst & Young LLC
Chartered Accountants
Isle of Man

Date 2nd May 2014

Company Statement of Comprehensive Income

for the sixteen month period ended 31 December 2013

	Notes	Sixteen month period ended 31 December 2013 £	Year ended 31 August 2012 £
Income			
Investment income	2 (c)	**38,492**	-
Interest income		**57**	16
Realised and unrealised loss on investments		**(844,734)**	(416,954)
		(806,185)	**(416,938)**
Expenses			
Administration costs	2 (d)	**13,698**	(16,497)
Other expenses		**(92)**	(50)
Operating loss		**(792,579)**	**(433,485)**
Loss before taxation		**(792,579)**	(433,485)
Taxation	2 (h)	**-**	-
Loss after taxation		**(792,579)**	(433,485)
Other comprehensive income		-	-
Total comprehensive loss		**(792,579)**	(433,485)

Company Balance Sheet
as at 31 December 2013

	Notes	31 December 2013 £	31 August 2012 £
Non current assets			
Financial assets held at fair value through profit or loss	4	**847,744**	2,348,070
Current assets			
Trade and other receivables		**55,021**	27,574
Cash and cash equivalents		**24,612**	14,380
		79,633	41,954
Current liabilities			
Trade and other payables		**(1,401)**	(14,393)
Net current assets		**78,232**	27,561
		925,976	2,375,631
Net assets attributable to the holders of redeemable preference shares		**870,955**	2,348,057
Equity			
Founder share capital	5	**100**	100
Nominal share capital	5	**54,921**	27,474
		925,976	2,375,631

These financial statements were approved by the Board of Directors on 2nd May 2014.

Signed on behalf of the Board of Directors

Philip Scales

Patrick Cowley

Company Statement of Changes in Net Assets Attributable to Holders of Participating Redeemable Preference Shares

for the sixteen month period ended 31 December 2013

	Share Capital of Participating Redeembale Preference Shares	Capital Reserve of Participating Redeembale Preference Shares	Retained Profit	Total
	£	£	£	£
As at 31 August 2011	100,751	9,921,764	(7,045,834)	2,976,681
Total comprehensive loss	-	-	(433,485)	(433,485)
Distributions paid (Note 3)	-	(49,875)	-	(49,875)
Tender offer	(6,331)	(138,933)	-	(145,264)
As at 31 August 2012	**94,420**	**9,732,956**	**(7,479,319)**	**2,348,057**
As at 31 August 2012	94,420	9,732,956	(7,479,319)	2,348,057
Total comprehensive loss	-	-	(792,579)	(792,579)
Distributions paid (Note 3)		(21,777)	-	(21,777)
Redemptions	(27,447)	(635,299)	-	(662,746)
As at 31 December 2013	**66,973**	**9,075,880**	**(8,271,898)**	**870,955**

The capital reserve is a distributable reserve out of which distributions can be made and arose on the cancellation of the share premium account.

Company Cash Flow Statement

for the sixteen month period ended 31 December 2013

	Sixteen month period ended 31 December 2013	**Year ended 31 August 2012**
	£	£
Operating activities		
Loss before tax	**(792,579)**	(433,485)
Adjustment to reconcile loss before tax to net cash flows		
Investment income	**(38,492)**	-
Interest income	**(57)**	-
Realised and unrealised loss on investments	**844,734**	416,954
Decrease in trade and other payables	**(14,285)**	(15,607)
Net cash outflow from operating activities	**(679)**	(32,138)
Investing activities		
Investment income	**38,492**	-
Interest income	**57**	-
Redemption of shares in Property Investment Portfolio PLC	**-**	145,264
Capital distributions received	**-**	87,092
Cash inflow from investing activities	**38,549**	232,356
Financing activities		
Redemption of participating redeemable preference shares	**(7,154)**	(145,264)
Capital distributions paid	**(20,484)**	(49,875)
Cash outflow from financing activities	**(27,638)**	(195,139)
Net cash inflow	**10,232**	5,079
Cash brought forward	**14,380**	9,301
Cash carried forward	**24,612**	14,380

The redemption of participating redeemable preference shares have been satisfied by way of an in specie distribution of ART A Shares. Some redemptions have also included a nominal cash amount.

Growth Portfolio Statement of Comprehensive Income

for the sixteen month period ended 31 December 2013

	Notes	Sixteen month period ended 31 December 2013 £	Year ended 31 August 2012 £
Income			
Investment income	2 (c)	**15,140**	-
Interest income		**19**	-
Realised and unrealised loss on investments		**(365,775)**	(221,103)
		(350,616)	**(221,103)**
Expenses			
Administration costs	2 (d)	**5,515**	(5,939)
Other expenses		**(18)**	-
Operating loss		**(345,119)**	**(227,042)**
Loss before taxation		**(345,119)**	(227,042)
Taxation	2 (h)	**-**	-
Loss after taxation		**(345,119)**	(227,042)
Other comprehensive income		**-**	-
Total comprehensive loss		**(345,119)**	(227,042)

Growth Portfolio Statement of Financial Position

as at 31 December 2013

	Notes	31 December 2013 £	31 August 2012 £
Non current assets			
Financial assets held at fair value through profit or loss	4	**354,754**	909,962
Current assets			
Cash and cash equivalents		**10,299**	-
		10,299	-
Current liabilities			
Amount due to Distribution portfolio		**-**	(6,505)
Other creditors		**(461)**	(5,776)
		(461)	(12,281)
		364,592	897,681
Net assets attributable to the holders of redeemable preference shares		**364,592**	897,681
Net assets per Growth Portfolio income share		**0.12**	**0.23**
Net assets per Growth Portfolio accumulation share		**0.13**	**0.25**

Distribution Portfolio Statement of Comprehensive Income

for the sixteen month period ended 31 December 2013

	Notes	Sixteen month period ended 31 December 2013 £	Year ended 31 August 2012 £
Income			
Investment income	2 (c)	**23,352**	-
Interest income		**37**	16
Realised and unrealised loss on investments		**(478,958)**	(195,851)
		(455,569)	(195,835)
Expenses			
Administration costs	2 (d)	**8,183**	(10,558)
Other expenses		**(74)**	(50)
Operating loss		**(447,460)**	(10,608)
Loss before taxation		**(447,460)**	(206,443)
Taxation	2 (h)	**-**	-
Loss after taxation		**(447,460)**	(206,443)
Other comprehensive income		**-**	-
Total comprehensive loss		**(447,460)**	(206,443)

Distribution Portfolio Statement of Financial Position
as at 31 December 2013

	Notes	31 December 2013 £	31 August 2012 £
Non current assets			
Financial assets held at fair value through profit or loss	4	**492,990**	1,438,108
Current assets			
Cash and cash equivalents		**14,313**	14,380
Amounts due from Growth portfolio		**-**	6,505
		14,313	20,885
Current liabilities			
Other creditors		**(940)**	(8,617)
Net current assets		**13,373**	12,268
Net assets attributable to the holders of redeemable preference shares		**506,363**	1,450,376
Net assets per Distribution Portfolio income share		**0.13**	**0.24**
Net assets per Distribution Portfolio accumulation share		**0.14**	**0.27**

Notes to the Financial Statements
for the sixteen month period ended 31 December 2013

1. Operations

The Company was incorporated in the Isle of Man on 10 November 2004 as a closed-ended, Isle of Man registered investment company, established to act as a feeder fund for investors who wish to invest in Property Investment Portfolio plc ("PIP"). PIP invested in a specialist range of funds providing a diversified exposure to UK and European property markets. The Company was created with two portfolios, Growth and Distribution, which invested in the similarly named portfolios of PIP. The Growth portfolio was designed to provide a return weighted more towards capital growth than income, while the Distribution portfolio was designed to provide a return weighted more towards income than capital growth.

On 3 December 2012 PIP sold its assets to Alpha Real Trust Limited ("ART") in consideration for PIP receiving ART A Shares. On that same date PIP made a capital distribution of these ART A shares to its shareholders. As a result the Company received 2,122,697 ART A shares, valued at 103.8 pence per share at the time of the capital distribution (based on their net asset value ("NAV") at 30 September 2012). The Board of the Company had changed its investment policy to enable the Company to hold ART A shares.

The shares of the Company are listed on the Channel Islands Stock Exchange. The Company has no employees.

2. Accounting Policies

a) Basis of accounting

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also to comply with the relevant Isle of Man law.

This financial period has been extended to sixteen months following the change of year end to 31 December. The change of year end was made so the Company's financial reporting would be in line with the quarterly reporting dates of PIP and ART.

The financial statements for the sixteen month period ended 31 December 2013 (the comparative financial statements refer to the year ended 31 August 2012) have been prepared under the historical cost accounting convention except in respect of the measurement at fair value (as opposed to cost) of investments in other funds.

b) Going concern

The Board has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future.

However, an extraordinary general meeting has been scheduled for June 2014 where by the shareholders will be asked to vote on the proposal to wind up the Company and transfer its ART A shares to the shareholders together with any residual cash held by the Company. The board has concluded that the circumstances surrounding this continuation vote represents a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern. Although the directors have recommended to the shareholders to vote to accept the proposal, the shareholders can still reject this proposal and continue the Company in its current form. Therefore the directors have elected to prepare the financial statements on a going concern basis given no definitive decision has been made regarding the future of the Company. The financial statements do not reflect any adjustments that would have to be made should this not be the case. The majority of the operational expenses of the Company are met by the Sponsor and Investment Adviser.

c) Income

Investment income and short-term deposit income are accounted for on an accruals basis.

Notes to the Financial Statements (continued)

for the sixteen month period ended 31 December 2013

2. Accounting Policies (continued)

d) Expenses

All the annual costs of running the Company, including the fees payable to the Directors and appointed auditor, will be met by the Sponsor, Alpha Real Property Investment Advisers LLP. The costs of a capital nature, such as any capital restructuring or reorganisation, are paid by the Company.

e) Financial instruments

(i) Classification
The Company designated its assets and liabilities into categories in accordance with IAS 39.

(ii) Financial assets and liabilities at fair value through profit or loss
This category of financial assets and liabilities at fair value through profit or loss consists of financial assets and liabilities held for trading. These include investments in other funds. These instruments are acquired or incurred principally for the purpose of generating a profit from fluctuation in price.

(iii) Initial measurement
Purchases and sales of financial instruments are accounted for at trade date. Realised gains and losses on disposal of financial instruments are calculated using the average cost method. Financial instruments categorised at fair value through profit or losses are measured initially at fair value, with transaction costs for such instruments being recognised directly in the Statement of Comprehensive Income.

(iv) Subsequent measurement
After initial measurement, the Company measures financial instruments which are classified as at fair value through profit or loss at their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of financial instruments is based on the quoted price of the ART Ordinary shares on the Specialist Fund Market of the London Stock Exchange. Subsequent changes in the fair value of financial instruments at fair value through profit or loss are recognised in the Statement of Comprehensive Income.

f) Trade date accounting

All 'regular way' purchases and sales of financial assets are recognised on the 'trade date', the day that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that requires delivery of the asset within the time frame generally established by regulation or convention in the market place.

g) Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the cashflow statement, cash and cash equivalents consist of cash in hand and bank deposits.

h) Taxation

The Company is resident in the Isle of Man and as no income is derived from Isle of Man land and property or Isle of Man banking business, the Company is subject to taxation at a standard rate of 0%.

i) Segmental reporting

The directors are of the opinion that the Company is engaged in a single segment of business being investment in other investment property funds which is carried out in the one geographical segment, Europe.

Notes to the Financial Statements (continued)

for the sixteen month period ended 31 December 2013

2. Accounting Policies (continued)

j) Share Classes

(i) Participating redeemable preference shares and nominal shares

The unclassified shares of the Company can be issued as participating redeemable preference shares or nominal shares. Participating redeemable preference shares are redeemable at the shareholder's option and are classified as financial liabilities. Dealing in the shares of the Company was suspended between 22 February 2008 and 31 August 2011.

These preference shares can be sold back to the Company and cancelled subject to the discretion of the directors in exchange for an in-specie distribution of ART A shares equal to a proportionate share of the Company's net asset value.

(ii) Founder shares

The Company's founder shares are classified as equity in accordance with the Company's articles of association. The shares do not participate in the profits of the Company.

k) Significant judgements and estimates

The Company initially invested in PIP and now invests in ART, both of which invested or invest in a range of specialist property funds and property assets. Property and property related assets are inherently difficult to value because of the individual nature of each property. As a result, the valuations of the investments are subject to substantial uncertainty.

The Company has recognised its investment in ART at the quoted price of the ART Ordinary shares on the Specialist Fund Market of the London Stock Exchange of 56.25 pence per ART Ordinary share at 31 December 2013. This is a 47.6% discount to the published NAV of ART A shares of 107.4 pence per share at 31 December 2013 (ART Ordinary shares at 31 December 2013 had an NAV of 106.5 pence per share).

l) Changes and future changes in accounting standards

The following standards, amendments and interpretations have been issued but are not yet effective. The Company intends to adopt applicable standards when they become effective. Dates given are for the start of the effective period:

- IFRS 9 Financial Instruments: Classification and Measurement (January 2018)
- IFRS 10 Consolidated Financial statements (1 January 2013)
- IFRS 11 Joint Arrangements (1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (1 January 2013)
- IFRS 13 – Fair Value Measurement (1 January 2013)

The standards, amendments and interpretations listed above will either have no significant effect on the Company or will require alteration or addition to disclosure within the financial statements. There will be no significant impact on the financial position or performance of the Company although additional disclosure regarding the financial instruments will be required.

Notes to the Financial Statements (continued)

for the sixteen month period ended 31 December 2013

3. Distributions Paid

	31 December 2013	31 August 2012
Growth Portfolio	**£**	**£**
Fifth capital distribution paid 23 December 2011		
- Income shares 0.5000 pence per share	**-**	2,304
- Accumulation shares 0.5500 pence per share	**-**	17,754
Sixth capital distribution paid 26 November 2013		
- Income shares 0.2828 pence per share	**676**	-
- Accumulation shares 0.3078 pence per share	**8,424**	-
Distributions paid on the Growth Portfolio	**9,100**	20,058
Distribution Portfolio		
Fifth capital distribution paid 23 December 2011		
- Income shares 0.5000 pence per share	**-**	20,005
- Accumulation shares 0.5600 pence per share	**-**	9,812
Sixth capital distribution paid 26 November 2013		
- Income shares 0.3123 pence per share	**7,866**	-
- Accumulation shares 0.3531 pence per share	**4,811**	-
Distributions paid on the Distribution Portfolio	**12,677**	29,817
Total distributions paid by the Company	**21,777**	49,875

Notes to the Financial Statements (continued)

for the sixteen month period ended 31 December 2013

4. Financial Assets Held at Fair Value through Profit or Loss

Growth Portfolio	31 December 2013 Holding No. of shares	31 December 2013 Fair value £	31 August 2012 Holding No. of shares	31 August 2012 Fair value £
Property Investment Portfolio PLC – Growth Portfolio Income Shares	-	-	403,458	104,939
Property Investment Portfolio PLC – Growth Portfolio Accumulation Shares	-	-	2,730,741	805,023
Alpha Real Trust Limited - A Shares	**630,673**	**354,754**	-	-
Total Growth Portfolio		**354,754**		909,962

Distribution Portfolio	31 December 2013 Holding No. of shares	31 December 2013 Fair value £	31 August 2012 Holding No. of shares	31 August 2012 Fair value £
Property Investment Portfolio PLC – Distribution Portfolio Income Shares	-	-	3,526,618	958,182
Property Investment Portfolio PLC – Distribution Portfolio Accumulation Shares	-	-	1,443,820	479,926
Alpha Real Trust Limited - A Shares	**876,426**	**492,990**	-	-
Total Distribution Portfolio		**492,990**		**1,438,108**
Total Portfolio		**847,744**		**2,348,070**

Please see note 6d for classification of investments under the fair value hierarchy.

Notes to the Financial Statements (continued)

for the sixteen month period ended 31 December 2013

5. Share Capital

Authorised	31 December 2013 £	31 August 2012 £
100 founder shares of £1.00 each	**100**	100
50,000,000 unclassified shares of £0.01 each	**500,000**	500,000
	500,100	500,100

Issued	Number of Shares	Issued Share Capital
a) Founder shares		
As at 31 August 2012	100	100
Issued in the period	-	-
As at 31 December 2013	**100**	**100**

Notes to the Financial Statements (continued)

for the sixteen month period ended 31 December 2013

5. Share Capital (continued)

b) Participating redeemable preference shares: Growth Portfolio

Participating redeemable preference shares of £0.01 each are issued to investors within the Growth Portfolio, who elect for the accumulation or income option.

	As at 31 August 2011	**Issues**	**Redemptions**	**As at 31 August 2012**
Income shares	480,903	-	(20,005)	460,898
Accumulation shares	3,459,044	-	(231,002)	3,228,042
Total Growth Portfolio Shares	3,939,947	-	(251,007)	3,688,940
Growth Portfolio Share Capital £	39,399	-	(2,510)	36,889

	As at 31 August 2012	**Issues**	**Redemptions**	**As at 31 December 2013**
Income shares	**460,898**	**-**	**(227,751)**	**233,147**
Accumulation shares	**3,228,042**	**-**	**(548,228)**	**2,679,814**
Total Growth Portfolio Shares	**3,688,940**	**-**	**(775,979)**	**2,912,961**
Growth Portfolio Share Capital £	**36,889**	**-**	**(7,760)**	**29,130**

Notes to the Financial Statements (continued)

for the sixteen month period ended 31 December 2013

5. Share Capital (continued)

c) Participating redeemable preference shares: Distribution Portfolio

Participating redeemable preference shares of £0.01 each are issued to investors within the Distribution Portfolio, who elect for the accumulation or income option.

	As at 31 August 2011	Issues	Redemptions	As at 31 August 2012
Income shares	4,273,217	-	(272,293)	4,000,924
Accumulation shares	1,862,030	-	(109,811)	1,752,219
Total Distribution Portfolio Shares	6,135,247	-	(382,104)	5,753,143
Distribution Portfolio Share Capital £	61,352	-	(3,821)	57,531

	As at 31 August 2012	Issues	Redemptions	As at 31 December 2013
Income shares	**4,000,924**	**-**	**(1,578,810)**	**2,422,114**
Accumulation shares	**1,752,219**	**-**	**(389,866)**	**1,362,353**
Total Distribution Portfolio Shares	**5,753,143**	**-**	**(1,968,676)**	**3,784,467**
Distribution Portfolio Share Capital £	**57,531**	**-**	**(19,687)**	**37,845**

Notes to the Financial Statements (continued)
for the sixteen month period ended 31 December 2013

5. Share Capital (continued)

d) Nominal shares

Issued	Number of Shares	Issued Share capital £
As at 31 August 2011	2,114,301	21,143
Transferred from Growth and Distribution Portfolios	633,111	6,331
Transferred to Growth and Distribution Portfolios	-	-
As at 31 August 2012	**2,747,412**	**27,474**
As at 31 August 2012	2,747,412	27,474
Transferred from Growth and Distribution Portfolios	2,744,655	27,447
Transferred to Growth and Distribution Portfolios	-	-
As at 31 December 2013	**5,492,067**	**54,921**

e) Voting and other rights

Holders of founder shares are entitled to one vote for each share held. Holders of participating and nominal shares are not entitled to attend or vote at general meetings.

f) Dividends

Holders of participating shares are entitled to dividends as and when declared by the Company. Holders of founder and nominal shares are not entitled to dividends.

g) Winding up

On winding up, the assets available for distribution to shareholders will be applied as follows.

First, in the repayment, *pari passu* to holders of the participating shares, of the nominal amount paid thereon;

Secondly, in the repayment, *pari passu* to the holders of nominal shares, of the nominal amount paid thereon;

Thirdly, in the repayment, *pari passu* to the holders of founder shares, of the nominal amount paid thereon.

Fourthly, the surplus of assets then remaining shall be distributed among holders of participating shares which their respective holdings of participating shares in the relevant sub-class represent at the commencement of winding up.

Notes to the Financial Statements (continued)

for the sixteen month period ended 31 December 2013

6. Financial Instruments and associated risk

The Company's investment objective was to provide holders of redeemable preference shares with a level of income together with the prospect of income and capital growth from indirectly investing in a special range of funds providing a diversified exposure to UK and European property markets.

Consistent with that objective, the Company's financial instruments comprise a single investment in ART A shares, which then invests in a range of specialist quoted and unquoted property investment funds held at fair value through profit or loss. In addition, the Company holds cash as well as having debtors and creditors that arise directly from its operations. The Company has not entered into any derivative transactions during the period under review. It is the Company's policy that no trading in derivative instruments shall be undertaken.

The principal risks arising from the Company's financial instruments and portfolio management activities are:

- Liquidity risk
- Market risk
- Credit risk

The Board reviews and agrees policies for managing its risk exposure. These policies are summarised below and have remained unchanged for the period under review.

a) Liquidity Risk

Liquidity risk is the risk the Company is exposed to in realising assets or otherwise raising funds in order to meet financial commitments.

Liquidity risk exposure is increased by the market for investments being illiquid at certain times: therefore, it may be difficult to deal in any such investments or to obtain reliable information about their value or the extent of the risks to which the investments are exposed. In certain circumstances this may prevent realisation of the Company's financial assets.

Risk Management

The asset allocation of the investment portfolio was wholly with Property Investment Portfolio PLC ("PIP") as was required under the Company's prospectus. PIP sold its assets to Alpha Real Trust Limited ("ART") in exchange for ART A shares, which were distributed to PIP's shareholders, including the Company. This represents a concentration of risk.

Notes to the Financial Statements (continued)

for the sixteen month period ended 31 December 2013

6. Financial Instruments and associated risk (continued)

a) Liquidity Risk (continued)

Exposure

The preference shares are redeemable on any business day at the discretion of the Directors and any redemption shall be made on such business day as the Directors may decide. Any redemption shall be satisfied by an in-specie distribution of ART A shares.

Financial liabilities	Due on demand £	Due within 3 months £	Due between 3 and 12 months £	Due in over 12 months £	Total £
As at 31 December 2013	**872,356**	**-**	**-**	**-**	**872,356**
As at 31 August 2012	**2,362,450**	**-**	**-**	**-**	**2,362,450**

b) Market Risk

Market risk arises from uncertainty about future prices of financial instruments held. It represents potential losses which the Company may suffer arising from price movements in the ART Ordinary shares.

This market risk comprises three elements - interest rate risk, currency rate risk and other price risk.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

Risk management

The Company's policy is to accept a degree of interest rate risk.

Exposure

The Company's only interest bearing financial instruments are its cash and bank balances which are deposited on normal commercial terms.

As at 31 December 2013 the Company is exposed to a variable rate interest on cash and bank balances of £24,612 (31 August 2012: £14,380). All other assets and liabilities are non-interest bearing.

Notes to the Financial Statements (continued)
for the sixteen month period ended 31 December 2013

6. Financial Instruments and associated risk (continued)

b) Market Price Risk (continued)

(i) Interest rate risk (continued)

Sensitivity

The following table illustrates the sensitivity of the Company's loss after taxation for the period/year and net assets to an increase or decrease of 0.5% in interest rates. This level of change is considered reasonable based on observations of current market conditions. The analysis is based on the company's monetary financial instruments held at the balance sheet date and with other variables held constant.

	31 Dec 2013 0.5% increase £	**31 Dec 2013 0.5% decrease £**	31 Aug 2012 0.5% increase £	31 Aug 2012 0.5% decrease £
Change in loss after taxation for the period/year & net assets	**123**	**(123)**	72	(72)

The assessment does not take into account the impact of interest rate changes on the market value of investments the Company holds.

(ii) Foreign Currency Risk

Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The functional currency of the Company is Sterling and the Company does not hold foreign currency denominated financial instruments. However the Company has indirect exposure through some of ART's investments.

(iii) Other Price Risk

Other price risks (i.e. price changes not arising from interest rate or currency risk) may affect the cash flows from and value of financial instruments.

Risk Management

The Company has a single investment in ART. Diversification of risk is achieved though the underlying risk management policies, considering the asset allocation, of ART.

Notes to the Financial Statements (continued)

for the sixteen month period ended 31 December 2013

6. Financial Instruments and associated risk (continued)

b) Market risk (continued)

(iii) Other Price Risk (continued)

Exposure and Sensitivity

The following table illustrates the sensitivity of the Company's loss after taxation for the period/year and net assets to an increase or decrease of 10% in market price of ART Ordinary shares. This level of change is considered reasonable based on observations of current market conditions. The analysis assumes other variables remain constant.

	31 Dec 2013 10% Increase £	**31 Dec 2013 10% Decrease £**	31 Aug 2012 10% Increase £	31 Aug 2012 10% Decrease £
Change in loss after taxation for the period/year & net assets	**84,774**	**(84,774)**	234,807	(234,807)

c) Credit Risk

Credit risk is the risk of suffering a loss due to a counterparty to a transaction with the Company failing to meet its obligations.

Risk management

The asset allocation of the investment portfolio is wholly with ART as per the Company's prospectus. This represents a concentration of risk.

ART's Investment Manager minimises credit risk by reviewing the creditworthiness of counterparties where ART's cash deposits are held. ART's cash deposits are held with a number of financial institutions as a means of diversifying credit risk and these deposits are monitored regularly.

Exposure

As at the period/year end the maximum exposure to credit risk, based on selected items in the balance sheet, is summarised as follows:

	31 Dec 2013 Balance sheet £	**31 Dec 2013 Maximum exposure £**	31 Aug 2012 Balance sheet £	31 Aug 2012 Maximum exposure £
Current assets:				
Trade and other receivables	**55,021**	**55,021**	27,574	27,574
Cash and cash equivalents	**24,612**	**24,612**	14,380	14,380
	79,633	**79,633**	41,954	41,954

Notes to the Financial Statements (continued)

for the sixteen month period ended 31 December 2013

6. Financial Instruments and associated risk (continued)

d) Fair Values

The carrying amount of the financial assets and liabilities in the financial statements are equal to their fair values. The fair value of the financial assets and liabilities are included at an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the 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 following table shows an analysis of the fair values of financial instruments recognised in the statement of financial position by level of the fair value hierarchy.

As at 31 December 2013, the Company held the following financial instruments measured at fair value:

31 Dec 13

	Level 1 £	Level 2 £	Level 3 £	Total fair value £
Financial assets held at fair value through the profit and loss	-	847,744	-	847,744

31 Aug 12

	Level 1 £	Level 2 £	Level 3 £	Total fair value £
Financial assets held at fair value through the profit and loss	-	-	2,348,070	2,348,070

The different levels of the fair value hierarchy are explained below:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2 – Use of a model with inputs (other than quoted prices included within Level 1) that are directly or indirectly observable market data.

Level 3 – Use of a model with inputs that are not based on observable data.

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 during the period. Following the sale by PIP of its assets to Alpha Real Trust Limited ("ART") in consideration for PIP receiving ART A Shares which were distributed to its shareholders, including the Company, its financial instruments have been reclassified from level 3 to level 2.

Notes to the Financial Statements (continued)
for the sixteen month period ended 31 December 2013

6. Financial Instruments and associated risk (continued)

d) Fair Values (continued)

	As at 31 Aug 2011 £	Capital Distributions £	Redemptions £	Unrealised & realised gain on Investment £	As at 31 Aug 2012 £
Financial assets held at fair value through the profit and loss £	2,997,380	(87,092)	(145,264)	(416,954)	2,348,070

	As at 31 Aug 2012 £	Capital Distributions £	Redemptions £	Unrealised & realised gain on Investment £	As at 31 Dec 2013 £
Financial assets held at fair value through the profit and loss £	2,348,070	-	(655,592)	(844,734)	847,744

The Company invested in PIP and now invests in ART, both of which invested or invest in a range of specialist property funds and property assets. Property and property related assets are inherently difficult to value because of the individual nature of each property. As a result, the valuations of the investments are subject to substantial uncertainty.

The Company has recognised its investment in ART at the quoted price of the ART Ordinary shares on the Specialist Fund Market of the London Stock Exchange of 56.25 pence per ART Ordinary share at 31 December 2013. This is a 47.6% discount to the published NAV of ART A shares of 107.4 pence per share at 31 December 2013 (ART Ordinary shares at 31 December 2013 had an NAV of 106.5 pence per share).

7. Capital management

The primary objective of the Company’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support the business and maximise shareholder value. The Company is not exposed to externally imposed capital requirements.

8. Events after the balance sheet date

The Company is convening an EGM to enable shareholders to vote on the proposal to wind up the Company and to transfer its ART A Shares to shareholders together with any residual cash held by the Company. The EGM is to be held at IOMA House, Hope Street, Douglas, Isle of Man, IM1 1AP in June 2014 to enable shareholders to vote on the proposal.

9. Related party transactions

Under IAS 24, Alpha Real Trust Limited is considered a related party. Alpha Real Capital LLP (the parent company of Alpha Real Property Investment Advisers LLP, the Sponsor and Investment Adviser of the Company) is also the Investment Adviser and Manager of Alpha Real Trust Limited.