

Alpha Real Capital LLP

Report and Financial Statements

Year Ended

31 March 2012

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Alpha Real Capital LLP

Annual report and financial statements for the year ended 31 March 2012

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Highlights

Revenues +200% to £13.5 million

Operating profit +62% to £5.2 million

AUM (average) +70% to £1.5 billion

- Alpha was appointed manager of the £60 million (by property assets) Aberdeen UK Active Fund (renamed Alpha UK Real Estate Fund)
 - Our Freehold Income Trust was awarded best risk/return fund of the decade by FE Trustnet and delivered a 19th consecutive year of inflation beating investment returns
 - Alpha Tiger Property Trust Limited continued to outperform its peer group, the fund has produced a total shareholder return of 155% in excess of its peer group since inception
 - CTC continued its outstanding track record of delivering 100% Business Property Relief from Inheritance Tax for qualifying investors for a 16th consecutive year
-

Alpha Real Capital LLP

Report of the Chief Executive for the year ended 31 March 2012

About Alpha

Alpha Real Capital LLP ("Alpha") is a co-investing international real estate funds manager focused on value-added investing in global real estate markets. Headquartered in London, Alpha operates an international network of offices in the UK, Europe and Asia with a 60-strong professional team. Alpha has approximately £ 1.5 billion of assets under management.

Alpha provides real estate funds management services and co-invests with a wide range of investment partners - including pension funds, life funds, investment trusts, family offices, high net worth individuals and other specialist investors.

Established in 2005, Alpha is jointly owned by Arrco Limited and Rockmount Ventures Limited (both of which are ultimately owned by the PS Gower Personal Settlement, which also owns the Antler Property Group), Phillip Rose, IPGL Fund Services Limited (whose CEO is Michael Spencer) and members of the Alpha management team.

Alpha's experienced management team combines seasoned real estate experience and financial market expertise with bespoke research, analysis and local market knowledge to create value-added property solutions for real estate investors and occupiers.

Alpha operates across diversified investment markets: listed and unlisted property vehicles, open and closed-ended property vehicles, UK and international funds, working with large institutional investors as well as private investors and wealth managers.

£1.5 billion

ASSETS UNDER MANAGEMENT

£13.5 million

REVENUES

£31.1 million

NET ASSET VALUE

Our Aim

Alpha's primary aim is the creation of long-term and rewarding relationships with our investment partners, tenants and other stakeholders.

To deliver this, Alpha utilises its core strengths in establishing, building and managing a range of successful investment platforms across selected international markets with a focus on risk-adjusted value investing that responds to our active management strategies and is capable of delivering attractive risk-adjusted returns.

Alpha continues to create new funds with additional geographic, asset class and investment structure characteristics, to enable our investment partners to access a broad choice of real estate strategies and investment returns.

Our Investment Style

Independently owned and managed by its partners, Alpha has the ability to think freely, allowing Alpha to respond quickly and creatively to opportunity.

Our ability to co-invest alongside our investment partners and funds creates a strong alignment based on genuine partnership.

Investors benefit from Alpha's ability to apply independent local property market knowledge and pro-active asset management to source, finance and manage value-added property investment and development opportunities.

Alpha Real Capital LLP

Chief Executive's Report for the year ended 31 March 2012

Occupiers benefit from Alpha's track record in clearly identifying key individual occupancy and capital efficiency needs of tenants in individual or multiple locations and in delivering flexible partnership-based real estate solutions

We offer each of our stakeholders

- an active-management approach that continuously seeks to add value
- a commitment to innovation
- robust governance and financial accountability
- a strong emphasis on identifying, measuring and controlling risk
- a passion for integrity in all we do and all we think
- a deep respect and genuine spirit of partnership with our investors, business partners and other stakeholders
- an ability to integrate decades of global experience with our local market knowledge

Communication

We strive to be leaders in transparency and provide our investment partners and stakeholders with clear, regular and relevant communication

Investment Process

Alpha operates a robust investment process which integrates local market intelligence, strategic research, active management strategies with financial and risk management

Origination

- Focus on asset selection, valuation metrics and value upside
- Assess and quantify active management opportunities
- Develop asset management strategies

Structuring

- Detailed assessment of valuation fundamentals, rental profile and cashflows
- Forensic due diligence - physical, technical, legal, environmental
- Evaluate financing and structuring options to deliver value and flexibility
- Financial stress testing
- Develop risk management and monitoring strategies

Investment Committee

- Independently review all investments based on risk return profile and strategic portfolio fit
- Sense test and stress test underwriting assumptions
- Review and test detailed due diligence

Active asset management

- Detailed business plan including investment horizon
- Utilise optimum mix of in-house and closely managed service providers
- Partner-based relationships with key tenants

Portfolio management

- Monitor portfolio and asset level characteristics, cashflows, financial covenants, projected IRRs and exit multiples

Optimal exit

- Continually review exit options, pricing and potential buyers

Alpha Real Capital LLP

Chief Executive's Report for the year ended 31 March 2012

Our team

Alpha is headquartered in London with an international network of offices with experienced management teams, deep local market knowledge and an extensive investment sourcing, financing, asset management and realisation track record

The team has experience in real estate, banking and funds management gained with leading organisations from around the world to ensure

- strategic investment selection and detailed due-diligence
- active asset management and value enhancement focus
- financing and structuring expertise and established banking relationships
- local market expertise

Phillip Rose
CEO, Partner
Alpha Real Capital LLP

Phillip 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 and Managing Director of Lend Lease Global Investment. Phillip has been a non-executive director of Great Portland Estates and is a member of the Management Committee for Hermes Property Unit Trust.

Philip Gower

Philip is the founder of the Antler Property Group and Rockmount Capital, a major Alpha partner. He has been a UK and international commercial and residential real estate investor and developer for over 40 years. Philip founded Antler Property Investments in 1972 and has also created a number of highly successful private companies and joint ventures in real estate, private equity, financial services, manufacturing, and e-tailing.

Michael Spencer
Partner
Alpha Real Capital LLP

Michael is the Group Chief Executive Officer of ICAP, a FTSE 100 financial services company, as well as the CEO of Alpha partner, IPGL. Michael has interests in a variety of financial services companies and many other investments including City Index.

Brad Bauman
Partner
Alpha Real Capital LLP

Brad has over 20 years experience in the real estate, funds management and banking industries in Europe and Australasia. He served as Managing Director of CBRE Financial Services.

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Chief Executive's Report for the year ended 31 March 2012

Mark Rattigan
COO, Partner
Alpha Real Capital LLP

Mark has previously been Chief Operating Officer and Director - Finance and Operations at RREEF (Deutsche Bank's real estate funds management group) based in London. He has over 25 years experience in real estate, funds management and investment banking.

Karl Devon-Lowe
Group Finance Director, Partner
Alpha Real Capital LLP

Karl Devon-Lowe is a Chartered Accountant with over 20 years finance experience in the real estate and leisure sectors. He joined Alpha Real Capital in March 2007 having previously worked in group finance at Hammerson plc and at Heron International as financial controller for its European leisure portfolio. He is also an Associate Member of the Association of Corporate Treasurers.

Nick Friedlos
Partner
Alpha Real Capital LLP

Nick has over 30 years real estate, financial and operational experience and is a Chartered Accountant. He has previously been Chief Executive of Mapeley Limited, a real estate investment and management business, and prior to that was CFO of London Merchant Securities PLC and Land Securities Trillium Limited. Earlier in his career he was a partner in PricewaterhouseCoopers.

Nigel Ashfield
Managing Director, Partner
Alpha Real Property Investment Advisers LLP

Nigel is the fund manager of Freehold Income Trust. He was previously Managing Director of Close Brothers' Property Division where he worked for ten years. Nigel qualified as a Chartered Accountant with PwC in their London SME business assurance division after studying law.

Steven Oliver
Deputy Managing Director, Partner
Alpha Real Property Investment Advisers LLP

Steven is the fund manager for CTC, Europip, Active Commercial Estates, Business Centre Properties and has 18 years experience in banking, investment and property finance. He previously worked in Barclays Private Clients group for over ten years before joining Abbey National in their Specialised Underwriting Division. Steven joined Close Brothers in 2006 and became Deputy Managing Director of the Property Division in 2009.

Anthony Buckley
Operations Director, Partner
Alpha Real Property Investment Advisers LLP

Anthony is responsible for operations across a range of both onshore and offshore commercial and residential property funds. Previously he was Director of Operations at Close Brothers' Property Division for six years. Prior to that, he worked in a public practice in New Zealand for seven years, specialising in business advisory and taxation advice for SMEs and high net worth individuals. Anthony is a Chartered Accountant.

Alpha Real Capital LLP

Chief Executive's Report for the year ended 31 March 2012

Key Funds Review

The Alpha team has established a range of value-adding focused real estate businesses

Alpha Tiger Property Trust Limited (ATPT)

ATPT was established in 2006 and targets investment opportunities across the real estate spectrum, including real estate operating companies, securities, services and other related businesses that offer high returns relative to risk. The Fund's investments are unconstrained by geography, but have a particular focus on the UK, Europe and Asia. Alpha Tiger is a closed-ended Guernsey registered investment company listed on the London Specialist Fund Market. At present, the Fund has investments in India, Spain and the UK. Alpha Tiger continues to outperform its peer group.

Alpha German Property Income Trust Limited (AGPIT)

AGPIT invests in commercial real estate across Germany with strong potential for value enhancement through income growth and active asset management. The Trust owns 31 properties with a value of approximately £141 m and a total lettable area of 182,122 sq m. The portfolio comprises retail properties, logistics properties, offices and car parks. The Trust was established in 2006 and is a closed-ended Guernsey registered investment company, funded by private and institutional equity investors. AGPIT's property valuations have outperformed the CBRE German Capital Value Index since launch.

Freehold Income Trust (FIT)

FIT is an open-ended Unit Trust. The investment objective of FIT is to provide a secure and stable investment with an attractive income stream and capital growth prospects from a portfolio of over 60,000 freehold residential ground rent investments with a value of approximately £152 million. In its 19 year history, FIT has consistently produced positive, inflation beating investor returns, with regular income and relatively low volatility. Investors in FIT include pension funds, charities, trusts and individuals seeking steady predictable income. FIT was awarded best risk/return fund of the decade by FE Trustnet. FIT delivered returns of approximately 98% to investors over the last 10 year period with very low volatility.

Capital Trading Companies (CTC)

CTC offers private investors a method by which they can operate qualifying trading companies which are eligible for 100% Business Property Relief from Inheritance Tax after a two year qualifying period. CTC has undertaken over 60 projects including house building, forestry, farming and self storage. Over a period of 16 years, CTC has achieved 100% Business Property Relief from Inheritance Tax for all of its qualifying investors, an unsurpassed track record in the investment industry.

Alpha Pyrenees Trust Limited (APT)

Investing primarily in French real estate, APT currently holds 19 properties with a value of approximately £255m and a total lettable area of over 260,000 sq m. The portfolio comprises business parks and offices, warehouse/logistics and retail property. The Trust was established in 2005 and is a closed-ended Guernsey registered investment company listed on the London Stock Exchange.

Alpha Real Capital LLP

Chief Executive's Report for the year ended 31 March 2012

Alpha UK Multi Property Trust Plc (AUMP)

AUMP is a closed-ended Isle of Man investment company listed on the London Stock Exchange with property assets with a value of approximately £90m. The Trust holds a regionally diversified portfolio of multi-let UK light industrial and office property. Alpha became Investment Adviser and Manager in 2010 and led a strategic injection of new capital accompanied by a programme of value-adding asset management initiatives.

Alpha UK Real Estate Fund plc (AURE)

AURE is an Irish resident open ended investment company which is invested in a diversified portfolio of UK commercial property. AURE owns 27 UK properties comprising industrial, office and retail properties valued at £60.9 million as at 31 March 2012. Alpha became Investment Manager of AURE in 2011 and led a strategic injection of new capital accompanied by a programme of value-adding asset management initiatives.

Financial performance

Alpha's consolidated operating profit for the year ending 31 March 2012 is £5.2m (31 March 2011: £3.2m). This represents an operating margin of 38.8% on revenues.

In February 2011 Alpha completed the acquisition of the UK property funds asset management business from Close Brothers plc (via its subsidiary Alpha Real Property Investment Advisors LLP). Additionally, in November 2011 Alpha took over the management of the Aberdeen UK Active Fund. Both businesses have made a positive contribution to operating profits and funds under management over the period since acquisition.

Alpha enjoys a strong balance sheet with no borrowings. The net asset value of Alpha at 31 March 2012 has grown to £31m (31 March 2011: £30m).

Alpha has no borrowings and cash and investments (primarily listed securities) of £29.7m at 31 March 2012 (31 March 2011: £28.5m).

Outlook

Alpha has continued to grow its funds under management during the year to approximately £1.5 billion. Alpha now manages twelve major fund vehicles diversified by geography, property type, sector and investor with investment platforms in the UK, France, Germany, Spain, Scandinavia and India.

Alpha's strong balance sheet and significant cash reserves, provides it with a robust platform from which to continue the expansion of its diversified property funds management business.

	LISTED FUNDS				UNLISTED FUNDS		
INSTITUTIONAL INVESTORS		ATPT	APT	AGPIT	FIT		AURE
PRIVATE INVESTORS / WEALTH MANAGEMENT	AUMP					CTC	

Alpha Real Capital LLP

Report of the members for the year ended 31 March 2012

The members present their report together with the audited financial statements for the year ended 31 March 2012

Principal activity, trading review and future developments

The principal activity of Alpha Real Capital LLP (the "Partnership", "Alpha" or "Alpha Real Capital") is the provision of investment management services. The Partnership is authorised and regulated by the Financial Services Authority. The Chief Executive's report on pages 1 to 6 provides an update on the Partnership's performance for the year. The members are actively exploring opportunities to expand the Partnership's business base and assets under management.

Principal risks and uncertainties

The members are responsible for determining the level of risk acceptable to the Partnership. This is subject to regular review. The members believe the principal risks facing the Partnership are (1) credit risk – the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion and (2) market risk – the risk of loss that arises from adverse movements in cash deposit interest rates and foreign exchange rates.

The members seek to mitigate risks through the application of strict controls, a monitoring process at the operational level of cash flows and fund performance and the use of insurance policies and foreign currency hedge contracts where appropriate. The Partnership has updated its Pillar 3 disclosures, as required under Chapter 11 of the Financial Services Authority's Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU), and includes these on the Partnership's website.

Designated members

The designated members during the year were

P Rose
B J Bauman
Arrco Limited

Members' responsibilities

The members are responsible for preparing the members' report and the financial statements in accordance with applicable law and regulation. The Limited Liability Partnerships (*Accounts and Audit*) (*Application of the Companies Act 2006*) *Regulations 2008* require the members to prepare financial statements for each financial year. Under these regulations the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under these regulations the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Limited Liability Partnership and of the profit or loss of the Group and Limited Liability Partnership for that period. In preparing these financial statements, the members are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Limited Liability Partnership will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the Limited Liability Partnership's transactions, disclose with reasonable accuracy at any time the financial position of the Limited Liability Partnership, and enable them to ensure that the financial statements comply with the Limited Liability Partnerships (*Accounts and Audit*) (*Application of the Companies Act 2006*) *Regulations 2008*. They are also responsible for safeguarding the assets of the Limited Liability Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Alpha Real Capital LLP

Report of the members for the year ended 31 March 2012 (Continued)

Allocation of profits

Any profits are shared among the members as governed by the Limited Liability Partnership Deed (the "Deed") dated 30 September 2005 (as amended from time to time) Members are remunerated solely out of the profits of the Partnership and final allocation of profits to members is made in accordance with the Partnership Deed

Capital

The members may only contribute to the Partnership's capital in accordance with the Deed No member is entitled to interest on their capital

Policy for drawings, subscriptions and repayment of members' capital

The Deed governs policies for members' drawings, subscriptions and repayment of members' capital No drawings or other payments can be made to or on behalf of any members, other than by distribution of profits, without the consent of the members The Partnership will reserve, out of profits before distribution, sufficient funds to provide for the working capital requirements of the business

Disclosure of information to auditor

At the date of making this report each of the LLP's members confirms the following

- So far as each member is aware there is no relevant information needed by the LLP's auditor in connection with the preparation of their report of which the LLP's auditor are unaware, and
- each member has taken all the steps that he/she or it ought to have taken as a member in order to make his/her/ itself aware of any relevant information needed by the LLP's auditor in connection with the preparation of their report and to establish that the LLP's auditor are aware of that information

Auditor

A resolution to re-appoint BDO LLP as auditor will be proposed at the next member's meeting

Approved by the members of the Alpha Real Capital Limited Liability Partnership on 9 July 2012



Phillip Rose
Designated member
9 July 2012

Alpha Real Capital LLP

Independent auditor's report

Independent auditor's report to the members of Alpha Real Capital LLP

We have audited the financial statements of Alpha Real Capital LLP for the year ended 31 March 2012 which comprise the consolidated profit and loss account, the consolidated and partnership balance sheet, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the limited liability partnership's members, as a body, in accordance with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the limited liability partnership'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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the statement of members' responsibilities, the members 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Alpha Real Capital LLP

Independent auditor's report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the limited liability partnership's affairs as at 31 March 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008

Opinion on other matters

In our opinion the information given in the members' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us, or
- the limited liability partnership financial statements are not in agreement with the accounting records and returns,
- we have not received all the information and explanations we require for our audit

BDO LLP

*Alexander Tapp (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
9 July 2012*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Alpha Real Capital LLP

Consolidated profit and loss account for the year ended 31 March 2012

	Note	2012 £	2011 £
Revenue	2	13,488,339	6,730,928
Operating expenses		(2,379,653)	-
Administrative expenses		(6,373,434)	(3,907,145)
Other operating income	9	495,707	400,000
Operating profit	3	5,230,959	3,223,783
Share of operating loss in associate		(277,000)	(25,602)
Interest receivable			
- Group	5	157,706	18,061
- Associate		1,264,086	266,560
Interest payable			
- Associate		(376,422)	(102,721)
Profit on ordinary activities before taxation		5,999,329	3,380,081
Taxation on profit on ordinary activities	6	(43,434)	(35,947)
Profit for the financial year before members' remuneration and profit shares		5,955,895	3,344,134
Profit for the financial year before members' remuneration and profit shares attributable to:			
Members as owners of the parent entity		4,735,653	3,128,336
Non controlling interests		1,220,242	215,798
		5,955,895	3,344,134
Profit for the financial year before members' remuneration and profit shares		4,735,653	3,128,336
Members' profit share charged as an expense	12	(4,735,653)	(3,128,336)
Result for the financial year available for discretionary division among the members		-	-

All amounts relate to continuing activities
The notes on pages 16 to 27 form part of these financial statements

Alpha Real Capital LLP

Consolidated balance sheet at 31 March 2012

	Note	2012 £	2011 £
Fixed assets			
Tangible assets	8	184,464	243,837
Investments – non current	9	25,691,205	23,496,315
		25,875,669	23,740,152
Current assets			
Investments – current	9	-	1,262,963
Debtors	10	4,951,405	3,860,170
Cash at bank and in hand	15	4,022,448	3,705,653
		8,973,853	8,828,786
Creditors. amounts falling due within one year			
Creditors	11	(3,465,352)	(2,540,336)
		5,508,501	6,288,450
Net current assets			
		31,384,170	30,028,602
Net assets attributable to members			
Represented by			
Loans and other debts due to members within one year			
Amounts due to members	12	2,571,452	1,527,341
Equity			
Members' capital classified as equity under FRS 25	12	28,548,902	28,543,902
Total members' interests			
		31,120,354	30,071,243
Non controlling interests			
		263,816	(42,641)
		31,384,170	30,028,602
Total members' interests			
Amounts due to members	12	2,571,452	1,527,341
Members' capital	12	28,548,902	28,543,902
		31,120,354	30,071,243

The financial statements were approved by the members of the Limited Liability Partnership and authorised for issue on 9 July 2012


Phillip Rose
Designated member

9 July 2012

The notes on pages 16 to 27 form part of these financial statements

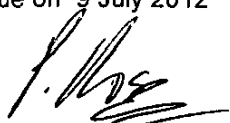
Alpha Real Capital LLP

Partnership balance sheet at 31 March 2012

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	Note	2012 £	2011 £
Fixed assets			
Tangible assets	8	74,885	96,313
Investments	9	27,661,164	25,764,805
		27,736,049	25,861,118
Current assets			
Debtors	10	2,341,132	2,361,553
Cash at bank and in hand		2,540,483	1,891,306
		4,881,615	4,252,859
Creditors: amounts falling due within one year			
Creditors	11	(3,230,879)	(701,524)
		1,650,736	3,551,335
Net current assets			
		29,386,785	29,412,453
Net assets attributable to members			
Represented by:			
Loans and other debts due to members within one year			
Amounts due to members	12	837,883	868,551
Equity			
Members' capital classified as equity under FRS 25	12	28,548,902	28,543,902
Total members' interests			
		29,386,785	29,412,453
Total members' interest			
Amounts due to members	12	837,883	868,551
Members' capital	12	28,548,902	28,543,902
		29,386,785	29,412,453

The financial statements were approved by the members of the Limited Liability Partnership and authorised for issue on 9 July 2012



Phillip Rose
Designated member

9 July 2012

The notes on pages 16 to 27 form part of these financial statements

Alpha Real Capital LLP

Consolidated statement of recognised gains and losses for the year ended 31 March 2012

	2012	2011
	£	£
Profit for the financial year	5,955,895	3,344,134
Currency translation differences		
- Group	1,283	(16,316)
- Associate	(1,073,084)	57,123
	<u>(1,071,801)</u>	<u>40,807</u>
Increase in share of Associate's net assets at 1 April 2011	2,601,055	-
Share of Associate's costs for its share buy back programme	(1,808,894)	-
	<u>792,161</u>	<u>-</u>
Total recognised gains and losses for year	<u>5,676,255</u>	<u>3,384,941</u>

The notes on pages 16 to 27 form part of these financial statements

Alpha Real Capital LLP

Consolidated cash flow statement for the year ended 31 March 2012

	Note	2012 £	2011 £
Net cash inflow from operating activities	14	6,431,763	3,761,607
Returns on investments and servicing of finance			
Interest received		144,214	18,061
		<u>144,214</u>	<u>18,061</u>
Taxation paid		(482)	(32,184)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(31,654)	(157,928)
Investments		(1,901,360)	(1,247,297)
		<u>(1,933,014)</u>	<u>(1,405,225)</u>
Acquisitions and disposals			
Purchase price		-	(2)
Cash acquired with subsidiary undertakings		-	197,262
		<u>-</u>	<u>197,260</u>
Transactions with members			
Payments to members	12	(3,411,902)	(2,816,049)
Capital contributions / (repayments)	12	5,000	(1,209)
		<u>(3,406,902)</u>	<u>(2,817,258)</u>
Transactions with non controlling interests			
Drawings of non controlling interests holders		(918,784)	(262,946)
		<u>(918,784)</u>	<u>(262,946)</u>
Increase / (decrease) in cash	15	<u>316,795</u>	<u>(540,685)</u>

The notes on pages 16 to 27 form part of these financial statements

Alpha Real Capital LLP

Notes forming part of the financial statements for the year ended 31 March 2012

1 Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and in compliance with the Statement of Recommended Practice on Accounting by Limited Liability Partnerships

The following principal accounting policies have been applied

Basis of consolidation

The consolidated financial statements incorporate the results of Alpha Real Capital LLP and all of its subsidiaries at 31 March 2012 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition. Associates are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share of net assets and profits or losses after tax.

Goodwill

Goodwill arising on an acquisition of a subsidiary or associate undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired.

Where the fair value of the consideration paid exceeds the fair value of the net assets acquired, this excess is recorded as goodwill and is amortised over its useful economic life. Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial year following acquisition and at other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Where the fair value of the consideration paid is less than the fair value of the net assets acquired, this negative goodwill is recognised in the profit and loss account in the periods expected to be benefitted.

Revenue

Revenue represents the invoiced value of services provided net of value added tax. Management and incentive fees are recognised as earned in accordance with the relevant investment management agreement.

Operating expenses

Operating expenses reflect costs attributable to adviser commission, bad debt provision and other fund related operating expenses.

Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

Depreciation

Depreciation is provided on all tangible fixed assets to write off the cost or valuation, less estimated residual values, evenly over their estimated useful lives. It is calculated at the following annual rates on a straight-line basis:

Leasehold improvements	-	16.66%
Computer equipment	-	33.33%
Fixtures and fittings	-	20.00% to 33.33%

Alpha Real Capital LLP

Notes forming part of the financial statements for the year ended 31 March 2012 (*Continued*)

1 Accounting policies (*Continued*)

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment in value. Investments held as current assets are stated at the lower of cost and net realisable value.

Financial liability and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and their balance sheets translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings and from translating the profit and loss account at an average rate are taken to reserves.

Leases

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. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the Partnerships benefit.

Taxation

The tax payable on the LLP's profits is a personal liability of the members during the year. Corporate taxation on overseas subsidiaries is provided at the prevailing tax rates in the relevant jurisdictions.

Pension benefits

The group operates a defined contribution scheme. Contributions payable are charged to the profit and loss account in the year to which they relate.

Alpha Real Capital LLP

Notes forming part of the financial statements for the year ended 31 March 2012 (Continued)

2 Revenue

	2012 £	2011 £
Group revenue consists of		
Fee income	13,488,339	6,730,928

Fee income is wholly attributable to the principal activity of the Group, and arises within the United Kingdom, the Isle of Man and the Channel Islands

3 Operating profit

	2012 £	2011 £
Group operating profit has been arrived at after charging		
Depreciation	88,721	47,777
Auditor's remuneration – audit services	60,922	42,437
Auditor's remuneration – taxation services	24,386	47,250
Operating lease payments	341,429	277,130
Impairment of goodwill arising on acquisition of associate	-	153,513

4 Employees

	2012 £	2011 £
Staff costs consist of		
Wages and salaries	3,368,662	1,437,073
Social security costs	483,460	228,912
Pension	106,156	9,736
	<u>3,958,278</u>	<u>1,675,721</u>

The average number of employees during the year was 54 (2011 34)

Alpha Real Capital LLP

Notes forming part of the financial statements for the year ended 31 March 2012 (*Continued*)

5 Interest receivable	2012 £	2011 £
Bank interest receivable	135,468	18,061
Interest receivable on Convertible Unsecured Loan Stock (CULS)	22,238	-
	157,706	18,061
	157,706	18,061
6 Taxation on profit on ordinary activities	2012 £	2011 £
Group foreign tax	22,291	29,264
Share of associate tax	36,211	6,683
	58,502	35,947
Dividend withholding tax	(15,068)	-
	43,434	35,947
	43,434	35,947

The Group tax assessed for the year is different to the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before taxation	5,801,469	3,380,081
	5,801,469	3,380,081
Corporation tax in the UK of 26% (2011 - 28%)	1,508,382	946,423
Effect of Income taxed as members' personal tax	(1,449,880)	(910,476)
	58,502	35,947
	58,502	35,947

7 Members' share of profits

Profits and losses are shared by the members at the end of the year in accordance with agreed profit and loss sharing arrangements governed by the Partnership Agreement. Members are required to make their own provision for pensions and other benefits from their profit shares.

	Number
Average number of members	10
	10
	£
Average profit per member	595,590
	595,590
Entitlement of partner with largest profit share	1,903,501
	1,903,501
	1,903,501

Alpha Real Capital LLP

Notes forming part of the financial statements for the year ended 31 March 2012 *(Continued)*

8 Fixed Assets

8 a) Intangible assets

Group	Goodwill on consolidation £
<i>Cost</i>	
At 1 April 2011 and 31 March 2012	(246,487)
<i>Negative goodwill / impairment</i>	
At 1 April 2011 and 31 March 2012	246,487
<i>Net book value</i>	
At 1 April 2011 and 31 March 2012	-

8 b) Tangible assets

Group	Leasehold Improvements £	Fixtures and fittings £	Computer Equipment £	Total £
<i>Cost</i>				
At 1 April 2011	104,349	219,032	124,746	448,127
Additions	-	134	31,520	31,654
Disposals and currency translation	-	(7,849)	(16,840)	(24,689)
At 31 March 2012	104,349	211,317	139,426	455,092
<i>Depreciation</i>				
At 1 April 2011	48,234	73,725	82,331	204,290
Depreciation provided	15,268	50,121	23,332	88,721
Disposals and currency translation	-	(5,163)	(17,220)	(22,383)
At 31 March 2012	63,502	118,683	88,443	270,628
<i>Net book value</i>				
At 31 March 2012	40,847	92,634	50,983	184,464
At 31 March 2011	56,115	145,307	42,415	243,837

Alpha Real Capital LLP

Notes forming part of the financial statements for the year ended 31 March 2012 *(Continued)*

8 b) Tangible assets *(Continued)*

Partnership	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
<i>Cost</i>				
At 1 April 2011	104,349	47,097	61,568	213,014
Additions	-	-	12,066	12,066
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2012	104,349	47,097	73,634	225,080
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 April 2011	48,234	21,095	47,372	116,701
Depreciation provided	15,268	9,420	8,806	33,494
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2012	63,502	30,515	56,178	150,195
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2012	40,847	16,582	17,456	74,885
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	56,115	26,002	14,196	96,313
	<hr/>	<hr/>	<hr/>	<hr/>

Alpha Real Capital LLP

Notes forming part of the financial statements for the year ended 31 March 2012 *(Continued)*

9 Investments

Group	Convertible Unsecured Loan Stock (CULS) £	Joint Ventures £	Associates £	Total £
Non current and current investments				
<i>Cost and net book value</i>				
At 1 April 2011				
- Non current	-	-	23,496,315	23,496,315
- Current	-	1,262,963	-	1,262,963
Investment made	1,901,360	-	-	1,901,360
Transfer to other debtors	-	(1,262,963)	-	(1,262,963)
Share of associate profit for the year	-	-	574,453	574,453
Share of associate currency translation differences	-	-	(1,073,084)	(1,073,084)
Increase share of Associate's net assets at 1 April 2011	-	-	2,601,055	2,601,055
Share of Associate's costs for its share buy back programme	-	-	(1,808,894)	(1,808,894)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2012 (Non current)	1,901,360	-	23,789,845	25,691,205
	<hr/>	<hr/>	<hr/>	<hr/>

Partnership	Subsidiaries £	Associates £	Total £
Fixed asset investments			
<i>Cost and net book value</i>			
At 1 April 2011			
Investment in year	2,303,655	23,461,150	25,764,805
	1,896,359	-	1,896,359
	<hr/>	<hr/>	<hr/>
At 31 March 2012	4,200,014	23,461,150	27,661,164
	<hr/>	<hr/>	<hr/>

Alpha Real Capital LLP

Notes forming part of the financial statements for the year ended 31 March 2012 *(Continued)*

9 Fixed asset investments *(Continued)*

	Country of incorporation	Percentage owned and voting rights	Principal activity
Subsidiary undertakings:			
Alpha Real Property Investment Advisers LLP	England and Wales	98.50%	Property fund management
Alpha Antler REIM LLP	England and Wales	84.00%	Property management services
Alpha Global Property Securities Fund PTE Limited	Singapore	100.00%	Investment company
Alpha Real Capital France SARL	France	100.00%	Property management services
Alpha Real Capital Germany GmbH	Germany	100.00%	Property management services
Alpha Real Capital India Pvt Ltd	India	100.00%	Property management services
Associate undertakings:			
Alpha Tiger Property Trust Limited	Guernsey	44.37% *	Property investment company
Joint ventures:			
LuxCo 111 Sari	Luxembourg	49.00%	Investment company
KMS Holdings BV	Netherlands	49.00%	Investment company

* As at 31 March 2012

Convertible Unsecured Loan Stock (CULS)

On the 31 January 2012, Alpha Global Property Securities Fund PTE Limited subscribed for £1.9 million of convertible unsecured loan stock ("CULS") in Alpha German Property Income Trust Limited ("AGPIT"). The CULS carry an annual coupon of 7% and can be converted at any time up to and including 10 February 2016 into Sterling Shares at an agreed Conversion Price in accordance with paragraph 5(a) of the agreement. The CULS attract a 4% pa redemption premium if not converted. The CULS are included in the accounts at cost.

H2O Option

During a prior year, Alpha Global Property Securities Fund PTE Limited ("Alpha Global") invested in the joint venture structure for the H2O investment. This is treated as a current investment held for sale.

On 30 March 2012, Alpha Tiger Property Trust (ATPT) announced that it has agreed to exercise its option to fully consolidate H2O. Alpha Global initially invested €1.5 million. ATPT will pay €2.1 million to Alpha Global in accordance with the option arrangements. The transaction is expected to complete in September 2012. The members have accrued the gain of £495,707 in these financial statements.

Alpha Real Capital LLP

Notes forming part of the financial statements for the year ended 31 March 2012 *(Continued)*

10 Debtors

	2012 Group £	2012 Partnership £	2011 Group £	2011 Partnership £
Trade debtors	2,287,180	1,771,716	3,361,551	1,683,657
Other debtors *	2,320,390	430,799	280,516	333,398
Amount due from group undertakings	-	29,403	-	309,524
VAT recoverable	113,622	94,354	13,346	-
Prepayments and accrued income	230,213	14,860	204,757	34,974
	<u>4,951,405</u>	<u>2,341,132</u>	<u>3,860,170</u>	<u>2,361,553</u>

All amounts shown under debtors fall due for payment within one year

* Other debtors includes the accrual for the principal and premium receivable on exercise of the H2O option (note 9)

11 Creditors: amounts falling due within one year

	2012 Group £	2012 Partnership £	2011 Group £	2011 Partnership £
Trade creditors	692,821	477,491	500,179	230,832
Amount due to group undertakings	63,796	2,406,689	-	-
Other tax and social security	449,931	77,553	389,341	20,395
Other creditors	441,663	-	86,266	-
Accruals	1,817,141	269,146	1,564,550	450,297
	<u>3,465,352</u>	<u>3,230,879</u>	<u>2,540,336</u>	<u>701,524</u>

All amounts shown under creditors fall due for payment within one year

Alpha Real Capital LLP

Notes forming part of the financial statements for the year ended 31 March 2012 *(Continued)*

12 Members' interests

	Members' capital (classified as equity) £	Amounts due to members £	Total £
Group			
Members' interests at 1 April 2011	28,543,902	1,527,341	30,071,243
Members' remuneration charged as an expense	-	4,735,653	4,735,653
	28,543,902	6,262,994	34,806,896
Members' interests after profit for the year			
Capital contribution	5,000	-	5,000
Currency translation differences	-	(1,071,801)	(1,071,801)
Drawings	-	(3,411,902)	(3,411,902)
Increase in share of Associate's net assets at 1 April 2011	-	2,601,055	2,601,055
Share of Associate's costs for its share buy back programme	-	(1,808,894)	(1,808,894)
	28,548,902	2,571,452	31,120,354
Partnership			
Members' interests at 1 April 2011	28,543,902	868,551	29,412,453
Members' remuneration charged as an expense	-	3,381,234	3,381,234
	28,543,902	4,249,785	32,793,687
Members' interests after profit for the year			
Capital contribution	5,000	-	5,000
Drawings	-	(3,411,902)	(3,411,902)
Capital repayment	-	-	-
	28,548,902	837,883	29,386,785

Members' other interests and other debts rank after unsecured creditors in the event of a winding up

13 Partnership profit and loss account

The Partnership has taken advantage of the exemption not to disclose the Partnership profit and loss account. Included in the consolidated profit and loss account is a profit of £3,381,234 (2011 £2,602,333) relating to the Partnership.

Alpha Real Capital LLP

Notes forming part of the financial statements for the year ended 31 March 2012 *(Continued)*

14 Reconciliation of operating profit to net cash inflow from operating activities

	2012 £	2011 £
Operating profit	5,230,959	3,223,783
Depreciation	88,721	47,777
Increase in debtors	(1,077,741)	(1,316,730)
Increase in creditors	903,601	1,966,415
Derecognition of fixed asset investment	1,262,963	120,272
Negative goodwill arising on acquisition of Alpha Real Property Investment Advisers LLP (note 8a)	-	(400,000)
Impairment of goodwill arising on acquisition of associate (note 8a)	-	153,513
Currency translation	23,260	(33,423)
	6,431,763	3,761,607
Net cash inflow from operating activities	6,431,763	3,761,607

15 Reconciliation of net cash outflow to movement in net cash

	2012 £	2011 £
Increase / (decrease) in cash	316,795	(540,685)
Cash at start of year	3,705,653	4,246,338
	4,022,448	3,705,653
Cash at end of year	4,022,448	3,705,653

16 Commitments under operating leases

The Group had annual commitments under non-cancellable operating leases as set out below

	2012 £	2011 £
Within one year	-	49,238
In two to five years	263,918	231,819
After five years	-	-
	263,918	281,057
	263,918	281,057

All operating leases are in respect of rent of land and buildings

17 Ultimate controlling parties

At 31 March 2012 the ultimate controlling parties were the designated members

Alpha Real Capital LLP

Notes forming part of the financial statements for the year ended 31 March 2012 *(Continued)*

18 Related party transactions

The Partnership recognises members and associate companies as related parties and the transactions with these parties are detailed below. Transactions with the Partnership's subsidiaries, which are related companies, are eliminated on consolidation and are not disclosed in this note.

The Partnership provided property and investment management services of £1,460,281 (2011 £821,660) to Alpha Tiger Property Trust Limited, an associate company, and at the 31 March 2012 the balance of fees owed to due to the Partnership was £167,694 (2011 £332,191).

Alpha Antler REIM LLP, a subsidiary entity, has provided property and asset management services to a UK property portfolio owned by the Rockmount Capital group, a group owned by a discretionary trust which is also a controlling party of the Partnership. Fees of £1,023,104 were charged in the year (2011 £866,564). Additionally, Rockmount Capital group companies have recharged administrative costs of £189,610 (2011 £236,199) to the Alpha group.

Alpha Real Property Investment Advisers LLP, a subsidiary entity, has incurred £111,171 in respect of rent and occupational recharges from Antler Property Corporation plc, a company owned by a discretionary trust which is also a controlling party of the Partnership. As at 31 March 2012 it also had a creditor position of £49,056 with Alpha Tiger Property Trust Limited an associate company of Alpha Real Capital LLP, the controlling party of Alpha Real Property Investment Advisers LLP.

Alpha Real Capital LLP
Members and Information

Members

P Rose *
B J Bauman *
Arrco Limited *
R Armist
IPGL Fund Services Limited
K Devon-Lowe
M Rattigan
Rockmount Ventures Limited
N Friedlos (appointed 26 September 2011)
Sir John Beckwith (retired 3 July 2012)

* Designated members

Registered office

3rd Floor, 1b Portland Place, London, W1B 1PN

Registered number

OC312705

Auditor

BDO LLP, 55 Baker Street, London, W1U 7EU

Lawyers

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S J Berwin, 10 Queen Street Place, London, EC4R 1BE
Reed Smith LLP, The Broadgate Tower, 20 Primrose Street, London, EC2A 2RS
Osborne Clarke, 1 London Wall, City of London, EC2Y 5EB

Bankers

Royal Bank of Scotland Plc, ABN Amro Bank N V , Barclays PLC, Commerzbank, HSBC Bank Plc, Santander UK Plc