

The Glanmore Property Euro Fund Limited

Report and Financial Statements

31 March 2010

Company Number: 44751

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GENERAL INFORMATION

|                                     |  |
|-------------------------------------|--|
| <b>DIRECTORS:</b>                   | Robert Court<br>Leslie Hilton<br>Anthony Pickford<br>Anthony Wands<br>Paul Meader  |
| <b>REGISTERED OFFICE:</b>           | Trafalgar Court<br>Les Banques<br>St Peter Port<br>Guernsey GY1 3QL  |
| <b>MANAGER:</b>                     | Tilney Asset Management International Limited<br>PO Box 424<br>Lefebvre Court<br>St Peter Port<br>Guernsey GY1 3WT                                     |
| <b>ADMINISTRATOR AND SECRETARY:</b> | Northern Trust International Fund Administration<br>Services (Guernsey) Limited<br>Trafalgar Court<br>Les Banques<br>St Peter Port<br>Guernsey GY1 3QL |
| <b>AUDITOR:</b>                     | KPMG Channel Islands Limited<br>PO Box 20<br>20 New Street<br>St Peter Port<br>Guernsey GY1 4AN  |

## The Glanmore Property Euro Fund Limited

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### GENERAL INFORMATION (continued)

**LEGAL ADVISERS TO THE FUND:**

Carey Olsen  
PO Box 98  
Carey House  
Les Banques  
St Peter Port  
Guernsey GY1 4BZ

**CUSTODIAN AND BANKER:**

Northern Trust (Guernsey) Limited  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey GY1 3DA

**INVESTMENT ADVISER:**

Corazon Capital Limited  
Collins Stewart House  
PO Box 45  
The Grange  
St Peter Port  
Guernsey  
GY1 4AX

**THE FUND**

The Glanmore Property Euro Fund Limited ("the Fund") was incorporated with limited liability in Guernsey and registered on 3 May 2006 (registered number 44751). The Fund is an open-ended investment fund authorised as a Class 'B' Collective Investment Scheme by the Guernsey Financial Services Commission under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended.

## The Glanmore Property Euro Fund Limited

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GENERAL INFORMATION (continued)

### **INVESTMENT SUMMARY**

The Fund acts as a feeder vehicle into The Glanmore Property Fund Limited ("Glanmore"), a sterling based fund which invests in the UK property market. As such its investments are comprised entirely of shares in Glanmore.

The purpose of the Fund is to provide euro investors significantly hedged access to The Glanmore Property Fund Limited, which in turn provides its investors with a professionally managed means of participating in the higher yielding sector of the UK commercial property market combined with the potential for capital growth. Glanmore acts as a pooled investment medium for its shareholders, thereby relieving them of the need to select, manage and maintain individual property investments.

Glanmore has acquired a diversified portfolio of commercial properties in the retail, retail warehouse, office and industrial warehouse sectors of the UK market so that shareholders can participate in the attractive rental yields available in those markets as well as any future rental and capital value growth.

Investment decisions for Glanmore are made by the Board as advised by the Manager and reflect the long-term objective to maximise total return made up of rental income plus capital appreciation. The Manager has appointed Cardales UK Limited trading as Deutsche PWM Global Real Estate as its property manager and property investment adviser. It provides advice to the Manager on property matters in relation to Glanmore and is responsible for the efficient day-to-day management of the properties.

The value of the Fund's investments is reflected in the value of the shares, which are principally dependent upon the value of the shares in Glanmore. The value of Glanmore is dependent upon an independent valuation of the investment properties undertaken by the valuers.

## REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 March 2010.

### Activities

The Fund acts as a feeder fund for The Glanmore Property Fund Limited. Therefore, the principal activity of the Fund is that of investment in shares of Glanmore.

### Results

The results for the year are shown in the Statement of Total Return on page 10.

### Dividend

During the year no interim or final dividend was paid (2009: €904,205 and €115,018 respectively).

### Outlook

The financial downturn continues to have an effect on the availability of credit and has had a large and detrimental impact on the lending market in the UK for commercial property.

The recent rally, mainly lead by overseas investors, for prime UK real estate stock appears to have run its course. According to the Investment Property Databank (IPD) UK property Index, yields fell 68bps in the first half of 2010 but this is in tandem with a period of nine successive quarters of rental decline.

The IPD UK property Index for Q2 2010 suggests both property yields and rents are set to plateau. The early rapid recovery appears to have passed which suggests the market may experience a period in the doldrums. Income will make up the bulk of investor returns in the second half of the year.

### Redemption Arrangements

Although all shareholders have been separately advised, it should be noted that in order to safeguard the operation of the Fund: -

- a. On 28 December 2007, the Board implemented its powers to extend the redemption notice period from 5 days to six months.
- b. On 21 May 2008, at an EGM of the Fund, shareholders passed a Special Resolution which: -
  - i. allowed postponement of redemptions for up to 12 months;
  - ii. allowed suspension of redemptions for up to 12 months;
  - iii. gave the Board power to allow the withdrawal of redemption requests which took immediate effect.
- c. On the 24 June 2008, the Directors resolved to utilise the power given to them under the Special Resolution to impose a postponement of all redemption requests for a period of six months.
- d. At a Board meeting of the Fund that took place on 13 November 2008, the Board resolved that there should be a continuation of the postponement of redemptions from 30 December 2008 for a further 6 month period.

## REPORT OF THE DIRECTORS (continued)

### **New share issue and events during the year**

On 22 June 2009, at an EGM of the Fund, shareholders passed a Special Resolution which:

- a. increased the authorised share capital of the Fund from €10,000 to €20,000 by the creation of an additional 100,000,000 unclassified shares of 0.01 euro cents;
- b. approved and adopted new articles of incorporation;
- c. allowed postponement of redemptions for a period of up to four years (including the 12 months previously allowed);
- d. created a new class of Participating Feeder Fund B shares ("Fund B Shares") issued at a price of €5 per share.

On 27 August 2009, Glanmore had a participating B share issue ("Glanmore B Shares") issue of 8,225,108 shares at a price £11.55 being at a discount of 50% of the July 2009 share price.

In August 2009, the Fund raised €3,533,026 (net of preliminary expenses) through an equity raise of the Fund B Shares, which was used to invest in the Glanmore B Shares issue. After redeeming €1,772,667 of original Glanmore participating shares ("Glanmore A Shares") in September 2009, the Fund was able to repay previously postponed redemptions of the original participating shares of the Fund ("Fund A Shares").

### **Events after the Year End**

In the period to 31 March 2010 the Fund has received redemption requests totalling €17,986 (at 31 July 2010 NAV) which have not been paid and are payable at the Board of directors' discretion.

In the period since 31 March 2010 the Fund has received additional redemption requests totalling €35,712 (at 31 July 2010 NAV) which have not been paid and are payable at the discretion of the Board of directors.

The share price of Glanmore, for both Glanmore A Shares and Glanmore B Shares, has increased from £15.295 on 31 March 2010 to £15.443 on 31 July 2010, an increase of 0.97%.

The Fund A Share price has increased from €3.400 on 31 March 2010 to €3.414 on 13 August 2010, the date of the August Valuation, an increase of 0.41%. The Fund B Share price has increased from €6.602 on 31 March 2010 to €6.635 on 13 August 2010, an increase of 0.50%.

### **Directors**

The directors of the Fund that served during the year are as listed below:-

Robert Court  
Leslie Hilton  
Anthony Pickford  
Anthony Wands  
Paul Meader

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REPORT OF THE DIRECTORS (continued)

**Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Fund and of the return of the Fund for that period.

In preparing these 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 applicable accounting 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 that the Fund will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008, The Collective Investment Schemes (Class B) Rules 1990 and the principal documents. They have general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

**Disclosure of information to auditors**

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Fund's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Fund's auditor is aware of that information.

**Auditor**

A resolution for the re-appointment of KPMG Channel Islands Limited will be proposed at the forthcoming Annual General Meeting.

Anthony Pickford  
Director

Paul Meader  
Director

27 September 2010

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GLANMORE PROPERTY EURO FUND LIMITED

We have audited the financial statements of The Glanmore Property Euro Fund Limited (the "Fund") for the year ended 31 March 2010 which comprise the Statement of Total Return, the Statement of Changes in Net Assets Attributable to Holders of Participating Redeemable Preference Shares, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Fund's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008 and rule 4.02(3) of the Collective Investment Schemes (Class B) Rules 1990. Our audit work has been undertaken so that we might state to the Fund'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 Fund and the Fund'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**

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are in accordance with UK Accounting Standards, comply with the Companies (Guernsey) Law, 2008 and are properly prepared in accordance with The Collective Investment Schemes (Class B) Rules 1990 and the principal documents. We also report to you if, in our opinion, the Fund has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GLANMORE  
PROPERTY EURO FUND LIMITED (CONTINUED)

**Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 31 March 2010 and of its return for the year then ended;
- are in accordance with UK Accounting Standards;
- comply with the Companies (Guernsey) Law, 2008; and
- have been properly prepared in accordance with The Collective Investment Schemes (Class B) Rules 1990 and the principal documents.

*Chartered Accountants*  
28 September 2010

STATEMENT OF TOTAL RETURN

For the year ended 31 March 2010

|   | Notes | 2010     |                    | 2009      |                     |
|---|-------|----------|--------------------|-----------|---------------------|
|   |       | €        | €                  | €         | €                   |
| Net losses on investments   | 2     |          | (7,312,050)        |           | (29,893,572)        |
| Other (losses) / gains  | 3     |          | (606,492)          |           | 3,886,765           |
| Income  | 4     | 246,213  |                    | 1,121,824 |                     |
| Expenses  | 5     | (36,168) |                    | (57,974)  |                     |
| Finance costs: Interest and facility fees   | 6     | (4,781)  |                    | (3,189)   |                     |
|   |       |          |                    |           |                     |
| Net income  |       |          | 205,264            |           | 1,060,661           |
| <b>Total return before distributions</b>  |       |          | <b>(7,713,278)</b> |           | <b>(24,946,146)</b> |
| Finance costs: distributions  | 6     |          | -                  |           | (1,017,814)         |
|   |       |          |                    |           |                     |
| <b>Change in net assets attributable to holders of participating redeemable preference shares</b> |       |          | <b>(7,713,278)</b> |           | <b>(25,963,960)</b> |

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATING REDEEMABLE PREFERENCE SHARES

For the year ended 31 March 2010

|   | 2010        |                   | 2009      |                   |
|---|-------------|-------------------|-----------|-------------------|
|   | €           | €                 | €         | €                 |
| <b>Net assets at the start of the year</b>  |             | <b>28,622,109</b> |           | <b>53,534,164</b> |
| <b>Movement due to issues/redemptions of shares</b>   |             |                   |           |                   |
| Amounts received on issue of shares   | 3,628,317   |                   | 1,051,905 |                   |
| Less: amounts paid on redemption of shares  | (7,597,450) |                   | -         |                   |
|   |             | (3,969,133)       |           | 1,051,905         |
| Changes in net assets attributable to holders of participating redeemable preference shares (see Statement of Total Return) |             | (7,713,278)       |           | (25,963,960)      |
| <b>Net assets at the end of the year</b>  |             | <b>16,939,698</b> |           | <b>28,622,109</b> |

The notes on pages 13 to 21 form an integral part of these financial statements.

The Glanmore Property Euro Fund Limited

BALANCE SHEET

As at 31 March 2010

|   | Notes | 2010             |                   | 2009       |                   |
|---|-------|------------------|-------------------|------------|-------------------|
|   |       | €                | €                 | €          | €                 |
| <b>Assets</b>   |       |                  |                   |            |                   |
| <b>Fixed assets</b>   |       |                  |                   |            |                   |
| Investments   | 1 & 7 |                  | <b>13,802,996</b> |            | 17,379,805        |
| <b>Current Assets</b>   |       |                  |                   |            |                   |
| Debtors   | 8     | -                |                   | 23,519     |                   |
| Derivative contracts  | 3     | -                |                   | 89,194     |                   |
| Bank balances   |       | <b>3,448,849</b> |                   | 11,256,365 |                   |
|   |       |                  | <b>3,448,849</b>  |            | 11,369,078        |
| <b>Total assets</b>   |       |                  | <b>17,251,845</b> |            | <b>28,748,883</b> |
| <b>Liabilities</b>  |       |                  |                   |            |                   |
| Creditors: amounts falling due within one year  | 9     | <b>14,668</b>    |                   | 126,774    |                   |
| Derivative contracts  | 3     | <b>297,479</b>   |                   | -          |                   |
|   |       |                  | <b>312,147</b>    |            | 126,774           |
| <b>Total liabilities excluding net assets attributable to holders of participating redeemable preference shares</b> |       |                  | <b>312,147</b>    |            | 126,774           |
| <b>Net assets attributable to holders of participating redeemable preference shares</b>                             |       |                  | <b>16,939,698</b> |            | <b>28,622,109</b> |
| <b>Net asset value per A share</b>  | 16    |                  | <b>€3.400</b>     |            | €4.977            |
| <b>Net asset value per B share</b>  | 16    |                  | <b>€6.602</b>     |            | -                 |

The financial statements on pages 10 to 21 were approved by the Board of directors on 27 September 2010 and signed on its behalf by:

Anthony Pickford  
Director

Paul Meader  
Director

The notes on pages 13 to 21 form an integral part of these financial statements.

The Glanmore Property Euro Fund Limited

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CASH FLOW STATEMENT

For the year ended 31 March 2010

|  |              | <b>2010</b>               | 2009             |
|--|--------------|---------------------------|------------------|
|  | <i>Notes</i> | €                         | €                |
| Net cash outflow from operating activities     | 10(a)        | <b>(309,208)</b>          | (20,143)         |
| Return on investments and servicing of finance | 10(b)        | <b>206,066</b>            | 4,453,899        |
| Capital expenditure and financial investment   | 10(b)        | <b>(3,735,241)</b>        | -                |
|  |              | <u><b>(3,838,383)</b></u> | <u>4,433,756</u> |
| Financing                                      | 10(b)        | <b>(3,969,133)</b>        | 1,053,314        |
| (Decrease) / increase in cash                  |              | <u><b>(7,807,516)</b></u> | <u>5,487,070</u> |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

|                               |       | <b>2010</b>             | 2009              |
|-------------------------------|-------|-------------------------|-------------------|
|                               |       | €                       | €                 |
| (Decrease) / Increase in cash |       | <b>(7,807,516)</b>      | 5,487,070         |
| Cash at bank at 1 April       | 10(c) | <b>11,256,365</b>       | 5,769,295         |
| Cash at bank at 31 March      | 10(c) | <u><b>3,448,849</b></u> | <u>11,256,365</u> |

The notes on pages 13 to 21 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2010

### 1 PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Fund's financial statements.

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified by the revaluation of investments, they give a true and fair view, have been prepared in accordance with applicable United Kingdom Accounting Standards and the Statement of Recommended Practice "Financial Statements of Authorised Funds" issued by the Investment Management Association in November 2008 and are in compliance with the Companies (Guernsey) Law, 2008.

#### **Participating redeemable preference shares**

Redeemable preference shares are classified as a financial liability, as the shares are redeemable at the request of the shareholder. As a consequence, the participating redeemable preference shares have been disclosed as a liability on the balance sheet and dividends paid have been described as finance costs in the Consolidated Statement of Total Return.

#### **Investments**

The investments are included at fair value on the balance sheet which is considered to be the Fund's share of the net asset value of Glanmore. Glanmore is subject to a monthly valuation of its investment property, which is prepared on an open market basis as defined by the current edition of The Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

#### **Income**

Dividend income is recognised as income on an ex-dividend date basis. Interest income is recognised on an accruals basis.

#### **Expenses**

All of the Fund's expenses are accounted for on an accruals basis.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 PRINCIPAL ACCOUNTING POLICIES (continued)

#### Financial instruments

Financial assets and liabilities are recognised on the balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Debtors – the Fund's principal debtors do not carry interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liabilities and equity – financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Fund after deducting all of its liabilities.

Derivative contracts - the Fund enters into forward foreign currency contracts to hedge currency exposure. Such contracts are held at fair value in the balance sheet.

Trade and other creditors – trade and other creditors are not interest bearing and are recorded at their nominal value.

#### Taxation

The Fund is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinances 1989 and was charged an annual exemption fee of £600 for the year (2008: £600).

#### Equalisation

Equalisation is the amount included in the issue price of shares (or redemption price) which represents their proportion of the net income of the Fund already accrued up to the date of purchase (or sale). If this charge were not made, the income which existing shareholders could expect to receive would be diluted every time new shares were created. This amount is refunded to shareholders as part of their redemption price or as part of the first distribution after the purchase of shares.

#### Foreign currencies

Transactions in currencies other than euro are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Any gains or losses arising on retranslation are shown in the Statement of Total Return.

#### Distributions

The Fund declares and pays dividends in accordance with its Articles of Association and Guernsey Fund Law.

Glanmore was certified by HM Revenue & Customs as having "distributor status" in 2008. It has been unable to pay sufficient distributions in the year to maintain distributor status due to liquidity constraints and accordingly has not obtained certification for 2009. Due to overlapping financial years with Glanmore, the Fund was certified as having "distributor status" in the year to 31 March 2008 but cannot maintain this in the year to 31 March 2009. It is to be noted that 2009 is the last period to which the UK Distributing Fund regime applies. The Fund will distribute what it considers appropriate in the future with consideration being given to entering into the new UK Reporting Fund regime in due course. The Fund has adopted a similar approach to Glanmore.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**2 NET LOSS ON INVESTMENTS**

The net loss on investments during the year comprises:

|   | 2010<br>€                 | 2009<br>€                  |
|---|---------------------------|----------------------------|
| Loss realised on investments sold in the year             | (9,689,786)               | -                          |
| Net unrealised appreciation / (depreciation) for the year | <u>2,377,736</u>          | <u>(29,893,572)</u>        |
| Net loss on investments                                   | <u><u>(7,312,050)</u></u> | <u><u>(29,893,572)</u></u> |

**3 OTHER (LOSSES) / GAIN**

|  | 2010<br>€               | 2009<br>€               |
|--|-------------------------|-------------------------|
| (Losses) / gain on forward currency contracts and currency revaluation | <u><u>(606,492)</u></u> | <u><u>3,886,765</u></u> |

At 31 March 2010 the Fund had open forward currency contracts for €13,770,173 (2009: €16,925,234) at a forward rate of 1.12 (2009: 1.08) to sterling. The fair value of this contract at 31 March 2010 was €297,479 liability (2009: €89,194 asset). This position was closed out on 21 April 2010 realising a loss of of €190,573.

The uncommitted spot and forward foreign exchange facility, provided by Northern Trust (Guernsey) Limited is such that the total aggregate nominal amount of all foreign exchange contracts permitted under the facility should be limited to the lower of 100% of the net asset value of the Fund or €30m.

**4 INCOME**

|                    | 2010<br>€             | 2009<br>€               |
|--------------------|-----------------------|-------------------------|
| Dividends received | 243,374               | 929,700                 |
| Interest           | 2,839                 | 192,124                 |
|                    | <u><u>246,213</u></u> | <u><u>1,121,824</u></u> |

**5 EXPENSES**

|                             | 2010<br>€            | 2009<br>€            |
|-----------------------------|----------------------|----------------------|
| Investment advisory fees    | 18,214               | 33,989               |
| Legal and professional fees | 3,014                | 7,826                |
| Audit fees                  | 5,972                | 9,080                |
| Statutory fees              | 1,772                | 1,278                |
| License fees                | 3,943                | 3,567                |
| Sundry expenses             | 3,253                | 2,234                |
|                             | <u><u>36,168</u></u> | <u><u>57,974</u></u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**6 FINANCE COSTS**

|  | 2010                |           | 2009                    |
|--|---------------------|-----------|-------------------------|
|  | €                   |           | €                       |
| per Share                                  |                     | per Share |                         |
| Interim distribution                       | -                   | 0.16      | 904,205                 |
| Proposed distribution                      | -                   | 0.02      | 115,018                 |
|  | <u>-</u>            |           | <u>1,019,223</u>        |
| Equalisation on shares issued and redeemed | -                   |           | (1,409)                 |
|  | <u>-</u>            |           | <u>1,017,814</u>        |
| Interest and facility fees                 | <u>4,781</u>        |           | <u>3,189</u>            |
| Total finance costs                        | <u><u>4,781</u></u> |           | <u><u>1,021,003</u></u> |

The directors resolved not to pay a dividend in respect of the year end 31 March 2010 due to net income received from Glanmore being insufficient, combined with the need to preserve cash to fund hedging.

**7 INVESTMENTS**

|   | 2010                     | 2009              |
|---|--------------------------|-------------------|
|   | €                        | €                 |
| Market value  |                          |                   |
| At 1 April  | <b>17,379,805</b>        | 47,273,377        |
| Additions - Glanmore A Shares                             | <b>1,950,000</b>         | -                 |
| Additions - Glanmore B Shares                             | <b>3,557,908</b>         | -                 |
| Disposals - Glanmore A Shares                             | <b>(1,772,667)</b>       | -                 |
| Loss on disposal  | <b>(9,689,786)</b>       | -                 |
|   | <u>11,425,260</u>        | <u>47,273,377</u> |
| Net unrealised appreciation / (depreciation) for the year | <b>2,377,736</b>         | (29,893,572)      |
|   | <u>13,802,996</u>        | <u>17,379,805</u> |
| Market value  |                          |                   |
| At 31 March   | <u><b>13,802,996</b></u> | <u>17,379,805</u> |

The underlying investments are in The Glanmore Property Fund Limited ("Glanmore"). At the year end its share price was £15.295 (2009: £30.612).

The underlying investments are denominated in sterling. At 31 March 2010 the euro to sterling exchange rate was 1.121 (2009: 1.079).

On 27 August 2009, Glanmore had a B share issue ("Glanmore B Shares") of 8,225,108 shares at a price £11.55 being at a discount of 50% of the July share price.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**8 DEBTORS**

|                | 2010<br>€ | 2009<br>€     |
|----------------|-----------|---------------|
| Accrued income | -         | 23,519        |
|                | <u>-</u>  | <u>23,519</u> |

**9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                  | 2010<br>€     | 2009<br>€      |
|------------------|---------------|----------------|
| Expense accruals | 14,668        | 11,756         |
| Dividend payable | -             | 115,018        |
|                  | <u>14,668</u> | <u>126,774</u> |

**10 NOTES TO THE CASH FLOW STATEMENT**

**(a) Reconciliation of net income before distributions to net cash outflow from operating activities**

|  | 2010<br>€        | 2009<br>€       |
|--|------------------|-----------------|
| Net income before distributions              | 205,264          | 1,060,661       |
| Dividends received                           | (243,374)        | (929,700)       |
| Interest receivable                          | (2,839)          | (192,124)       |
| Interest payable                             | 4,781            | 3,189           |
| Non-derivative currency gains and losses     | (299,472)        | -               |
| Decrease in operating debtors                | 23,519           | 45,930          |
| Decrease / (increase) in operating creditors | 2,913            | (8,099)         |
|  | <u>(309,208)</u> | <u>(20,143)</u> |

**(b) Analysis of cash flows for headings netted in the cash flow statement**

**RETURN ON INVESTMENTS AND SERVICING OF FINANCE**

|   | 2010<br>€      | 2009<br>€        |
|---|----------------|------------------|
| Dividends received  | 243,374        | 929,700          |
| Interest received   | 2,839          | 168,605          |
| Interest paid   | (4,781)        | (3,189)          |
| Payments to purchase and terminate forward currency contracts | 79,652         | 4,453,758        |
| Distributions paid  | (115,018)      | (1,094,975)      |
|   | <u>206,066</u> | <u>4,453,899</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 NOTES TO THE CASH FLOW STATEMENT (continued)

**CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT**

|  | 2010<br>€          | 2009<br>€ |
|--|--------------------|-----------|
| Payments to acquire investments                                    | (5,507,908)        | -         |
| Receipts from sales of investments                                 | <u>1,772,667</u>   | -         |
| Net cash outflow from capital expenditure and financial investment | <u>(3,735,241)</u> | -         |

No dividends were reinvested in 2010 or 2009.

**FINANCING**

|  | 2010<br>€          | 2009<br>€        |
|--|--------------------|------------------|
| Net issues of participating redeemable preference shares | (3,969,133)        | 1,051,905        |
| Equalisation received                                    | -                  | <u>1,409</u>     |
| Net cash inflow from financing                           | <u>(3,969,133)</u> | <u>1,053,314</u> |

**(c) Analysis of changes in net cash**

|                          | At 1 April 2009<br>€ | Cash Flow<br>€     | At 31 March<br>2010<br>€ |
|--------------------------|----------------------|--------------------|--------------------------|
| Cash at bank and in hand | <u>11,256,365</u>    | <u>(7,807,516)</u> | <u>3,448,849</u>         |

11 CALLED UP SHARE CAPITAL

|   | Authorised<br>No. Shares<br>2010 | Allotted<br>fully paid<br>No. Shares<br>2010 | Authorised<br>No. Shares<br>2009 | Allotted<br>fully paid<br>No. Shares<br>2009 |
|---|----------------------------------|--|----------------------------------|--|
| Management shares of €1 each                                    | 10                               | 2  | 10                               | 2  |
| Unclassified shares of €0.0001 each                             | 199,900,000                      | -  | 99,900,000                       | -  |
| Participating redeemable preference A<br>shares of €0.0001 each | -                                | 3,600,418                                    | -                                | 5,750,878                                    |
| Participating redeemable preference B<br>shares of €0.0001 each | -                                | 711,582                                      | -                                | -  |
|   | <u>199,900,010</u>               | <u>4,312,002</u>                             | <u>99,900,010</u>                | <u>5,750,880</u>                             |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 CALLED UP SHARE CAPITAL (continued)

|  | Authorised<br>Shares<br>2010<br>€ | Allotted<br>fully paid<br>Shares<br>2010<br>€ | Authorised<br>Shares<br>2009<br>€ | Allotted<br>fully paid<br>Shares<br>2009<br>€ |
|--|-----------------------------------|---|-----------------------------------|---|
| Management shares of €1 each                                 | 10                                | 2   | 10                                | 2   |
| Unclassified shares of €0.0001 each                          | 19,990                            | -   | 9,990                             | -   |
| Participating redeemable preference shares of €0.0001 each   | -                                 | 360   | -                                 | 575   |
| Participating redeemable preference B shares of €0.0001 each | -                                 | 71  | -                                 | -   |
|  | <u>20,000</u>                     | <u>433</u>                                    | <u>10,000</u>                     | <u>577</u>                                    |

The management shares have been created in order that the participating redeemable preference shares may be issued. Under the laws of Guernsey, the participating redeemable preference shares must have preference over some other class of share capital. The management shares carry a right to vote but no right to dividends and, in winding up, rank only for a return of the nominal paid-up capital after the return of the nominal capital paid up on participating redeemable preference shares and nominal shares. They have no right to participate in any surplus assets of the Fund.

The unclassified shares may be issued as participating redeemable preference shares or nominal shares. On the redemption of a participating redeemable preference share by the Fund, a nominal share is issued for cash at par on the basis of one nominal share for each participating redeemable preference share redeemed. Participating redeemable preference shares have a right to dividends but nominal shares do not carry the right to dividends.

At any general meeting, each holder of shares who is present in person or by proxy is entitled to one vote on a show of hands for every share held by them; on a poll every person who is present in person or by proxy is entitled to one vote for every share held by them. On a poll or on a show of hands, management shares confer one vote for each share held; nominal shares confer the right to exercise only one vote for each person holding nominal shares at general meetings, irrespective of the number of shares held by each of these persons.

The Articles of Association, as amended following an EGM on 22 June 2009, allow for the postponement of redemptions for a period of up to four years from the date on which such requests are due to be satisfied. Existing redemption requests can be further postponed by the Board of Directors, pursuant to these new provisions. This is in addition to the Board of Directors' power to invoke a full suspension of redemptions.

On 22 June 2009, at an EGM of the Fund, shareholders passed a Special Resolution which:

- a. increased the authorised share capital of the Fund from €10,000 to €20,000 by the creation of an additional 100,000,000 unclassified shares of 0.01 euro cents;
- b. approved and adopted new articles of incorporation;
- c. allowed postponement of redemptions for a period of up to four years (including the 12 months previously allowed);
- d. created a new class of Fund B Shares at a price of €5 per share.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 11 CALLED UP SHARE CAPITAL (continued)

In August 2009, the Fund raised €3,533,026 (net of preliminary expenses) through an equity raise of the Fund B Shares, which was used to invest in the Glanmore B Shares issue. After redeeming €1,772,667 of original Glanmore participating shares ("Glanmore A Shares") in September 2009, the Fund was able to repay previously postponed redemptions of the original participating shares of the Fund ("Fund A Shares").

### 12 DIRECTORS' INTERESTS

Until he retired on 31 December 2009, Robert Court was a director of Tilney Investment Management, Cardales UK Limited and Tilney Group Limited which was acquired by the Deutsche Bank Group in December 2006 and owns Tilney Asset Management International Limited.

Mr Wands is an employee of the Deutsche Bank Group.

Paul Meader is a director of Corazon Capital Limited which charged a fee of €18,214 to the Fund in the year for investment advisory services (2009: €33,989).

None of the directors have holdings in the Fund.

### 13 RELATED PARTY TRANSACTIONS

#### Fees Payable to the Manager

The management fee is charged at 0.25% p.a. of aggregate gross assets of the Fund. However, during this year the fee has been waived.

In addition, the Manager shall be entitled to receive a front-end fee not exceeding 4.5% of the subscription price. The Manager meets the majority of the running expenses of the Fund, including administrator's fees, custodian's fees, monthly property valuation fees, all marketing and public relations costs and many other items of expenditure. The Manager did not take any front end fees during the year (2009: €nil).

### 14 CONTROLLING PARTY

The ultimate controlling party is Deutsche Bank A.G. which owns 70.46% of the issued participating redeemable preference shares through its nominee company Citco Global Custody NV Ref Tin Tin III SPC: The Glanmore.

### 15 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES

#### Liquidity risk

As detailed in the Directors' Report, on 28 December 2007, the liquidity of Glanmore has been restricted. In order to ensure the on-going liquidity of the Fund, the directors put in place a range of measures, including obtaining powers to postpone, suspend or part pay redemption requests. The directors consider that these measures are sufficient to ensure the on-going liquidity of the Fund.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**15 FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (continued)**

As detailed in the Directors' Report, the Board of directors have been provided with powers to postpone, suspend or part pay redemption requests. Shareholders have also been given the option to withdraw a pending redemption request. These additional powers are required to ensure that equivalent restrictions are in place to match those imposed by the Board of The Glanmore Property Fund Limited. The directors consider that the additional powers will ensure they have the ability to manage the settlement of the Fund's liabilities to ensure it continues to be a going concern.

**Foreign currency risk**

The Fund's investments and a number of its other assets and liabilities are denominated in sterling. As detailed in note 3, the Fund uses hedging arrangements to mitigate its sterling exposure and to neutralise the impact of currency fluctuations for euro investors. The Fund maintains an appropriate cash buffer to cover for currency fluctuations in order to fulfil any future obligations.

The highest and lowest month end exchange rates for euro against sterling during the year, were as follows:

|         |       |
|---------|-------|
| Highest | 1.174 |
| Lowest  | 1.097 |

**16 NET ASSET VALUE**

|                             | Attributable to<br>Fund A Shares<br>€ | Attributable to<br>Fund B Shares<br>€ | Total<br>€ |
|-----------------------------|---------------------------------------|---------------------------------------|------------|
| Net asset value of the Fund | 12,242,055                            | 4,697,643                             | 16,939,698 |
| Shares in issue             | 3,600,418                             | 711,582                               |            |
| Net asset value share       | €3.400                                | €6.602                                |            |

As detailed in Note 11, the Fund B Shares were issued in August 2009 at a price of €5. A separate pool of assets is maintained for each share class.

**17 POST BALANCE SHEET EVENTS**

Since the balance sheet date 31 March 2010 events have occurred as follows:

In the period to 31 March 2010 the Fund has received redemption requests totalling €17,986 (at 31 July 2010 NAV) which have not been paid and are payable at the Board of directors' discretion.

In the period since 31 March 2010 the Fund has received additional redemption requests totalling €35,712 (at 31 July 2010 NAV) which have not been paid and are payable at the discretion of the Board of directors.

The share price of Glanmore, for both Glanmore A Shares and Glanmore B Shares, has increased from £15.295 on 31 March 2010 to £15.443 on 31 July 2010, an increase of 0.97%.

The Fund A Share price has increased from €3.400 on 31 March 2010 to €3.414 on 13 August 2010, the date of the August Valuation, an increase of 0.41%. The Fund B Share price has increased from €6.602 on 31 March 2010 to €6.635 on 13 August 2010, an increase of 0.50%.

**18 CONTINGENT LIABILITY - REDEMPTIONS**

On 22 June 2009 at an EGM of the Fund, shareholders passed a special resolution which allowed postponement and suspension of redemptions for up to four years and gave the Board power to allow the withdrawal of redemption requests.

At the year end, postponed redemption requests totalled €17,913 based on net asset value of the Fund as at 31 March 2010.

## The Glanmore Property Euro Fund Limited

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### INVESTMENT PORTFOLIO (unaudited)

As at 31 March 2010

|  | <b>Open Market<br/>Value<br/>€</b> | <b>% of Gross<br/>Assets<br/>2010</b> | % of Gross<br>Assets<br>2009 |
|--|------------------------------------|---------------------------------------|------------------------------|
| <u>Listed investments</u>                                  |                                    |                                       |                              |
| 540,084.167 A Shares in The Glanmore Property Fund Limited | 9,260,573                          | 54.67                                 | 60.45                        |
| 264,917.861 B Shares in The Glanmore Property Fund Limited | 4,542,423                          | 26.82                                 | -                            |
| Total value of investments                                 | <u>13,802,996</u>                  | <u>81.48</u>                          | <u>60.45</u>                 |
| Other net assets   | 3,136,702                          | 18.52                                 | 39.55                        |
| Net Asset Value  | <u><u>16,939,698</u></u>           | <u><u>100.00</u></u>                  | <u><u>100.00</u></u>         |

### SUMMARY OF MATERIAL PORTFOLIO CHANGES (unaudited)

For the year ended 31 March 2010

#### **PURCHASES**

€

|  |                         |
|--|-------------------------|
| 114,727.668 A shares in The Glanmore Property Fund Limited | 1,950,000               |
| 264,917.861 B shares in The Glanmore Property Fund Limited | 3,557,908               |
| Total purchases for the period                             | <u><u>5,507,908</u></u> |

#### **SALES**

|  |                         |
|--|-------------------------|
| 100,820.370 A shares in The Glanmore Property Fund Limited | 1,772,667               |
| Total sales for the period                                 | <u><u>1,772,667</u></u> |

## CUSTODIAN'S RESPONSIBILITIES AND REPORT

### **Statement of Custodian's responsibilities in respect of the financial statements of the Fund**

The Custodian shall be responsible for taking into its custody or under its control all the assets of The Glanmore Property Euro Fund Limited.

### **Report of the Custodian**

We hereby state that in our opinion the Manager has managed The Glanmore Property Euro Fund Limited during the year ended 31 March 2010 in accordance with the provisions of (i) its principal documents, and (ii) the Collective Investment Schemes (Class B) Rules 1990 made under The Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Northern Trust (Guernsey) Limited  
27 September 2010

ADDITIONAL INFORMATION NOT FORMING PART OF THE  
AUDITED FINANCIAL STATEMENTS (CONTINUED)  
as at 31 March 2010

| <b>Portfolio Turnover Rate</b>  |                     |            |
|---|---------------------|------------|
|   | <b>2010</b>         | 2009       |
|   | €                   | €          |
| Additions and capital expenditure (Note 7)  | <b>5,507,908</b>    | -          |
| Disposals of investments (Note 7)   | <b>(11,462,453)</b> | -          |
| <b>TOTAL OF PROPERTY TRANSACTIONS</b>   | <b>(5,954,545)</b>  | -          |
| Issues of units   | <b>3,628,317</b>    | 1,051,905  |
| Redemptions of units  | <b>(7,597,450)</b>  | -          |
| <b>TOTAL OF VALUE OF TRANSACTIONS</b>   | <b>(3,969,133)</b>  | 1,051,905  |
| <b>AVERAGE OF TOTAL NET ASSETS</b>  | <b>21,141,006</b>   | 42,952,953 |
| <b>PORTFOLIO TURNOVER RATE</b>  | <b>-9.4%</b>        | -2.4%      |
| Average of total net assets represents the average of the net asset value of the Fund at valuation dates during the year. |                     |            |

ADDITIONAL INFORMATION NOT FORMING PART OF THE  
AUDITED FINANCIAL STATEMENTS (CONTINUED)

as at 31 March 2010

| <b>Total Expenses Ratio</b>   |                   |             |
|---|-------------------|-------------|
| <b>EXPENSES (Note 5)</b>  | <b>2010</b>       | <b>2009</b> |
|   | €                 | €           |
| <b>Other expenses</b>   |                   |             |
| Investment advisory fees  | <b>18,214</b>     | 33,989      |
| Legal and professional fees   | <b>3,014</b>      | 7,826       |
| Audit fees  | <b>5,972</b>      | 9,080       |
| Statutory fees  | <b>1,772</b>      | 1,278       |
| License fees  | <b>3,943</b>      | 3,567       |
| Sundry expenses   | <b>3,253</b>      | 2,234       |
| <b>TOTAL OPERATING EXPENSES EXCLUDING FINANCE COSTS</b>   | <b>36,168</b>     | 57,974      |
| <b>AVERAGE OF TOTAL NET ASSETS</b>  | <b>21,141,006</b> | 42,952,953  |
| <b>TOTAL EXPENSES RATIO</b>   | <b>0.17%</b>      | 0.13%       |
| Average of total net assets represents the average of the net asset value of the Fund at valuation dates during the year. |                   |             |