



### www.axapropertytrust.com

AXA Property Trust Limited is an authorised closed-ended Guernsey registered investment company listed on the London Stock Exchange.

The investment objective of the Company is to secure attractive total returns for shareholders through a combination of dividends and capital appreciation from European properties (including the United Kingdom).

The Company aims to achieve its investment objective through a policy of investing in commercial properties across Europe (including the United Kingdom) which are predominantly freehold (or its equivalent) and in the following segments of the commercial property market: offices, retail (both in and out of town), industrial and 'other' sectors, including leisure and hotels.

Residential investments are not considered except where they form a small part of a larger commercial investment. The Company will not acquire any interests in properties which are in the course of construction unless pre-letting agreements exist in respect of at least 80% of the surface area of the relevant property.

The Company may invest in properties through joint ventures if the terms of any such joint ventures effectively allow it to trigger a disposal of the underlying properties held through the joint ventures or to dispose of its interest in the joint ventures at a time of the Company's choice. The Company will not invest in other investment companies.

Investment decisions are based on analysis of, amongst other criteria, prospects for future capital and income growth, sector and geographic prospects, tenant covenant strength, lease length and initial and equivalent yields.



AXA Property Trust Limited is a member of the Association of Investment Companies

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Nürnberger Center, Treuchtlingen

### **Financial Highlights**

### For the six months ended 31 December 2010

- Total return on Net Asset Value (NAV) decreased by 3.8%
- NAV per share decreased by 5.8%
- Losses were 6.42 pence per share
- Cumulative dividends paid relating to the six month period were 1.50 pence per share

### As at 31 December 2010

- Share price¹ was 46.75 pence per share (30 June 2010: 46.50 pence)
- Gearing<sup>2</sup> was 53.2% (gross) and 44.1% (net) (30 June 2010: 53.7% and 42.1%)
- Including Porto Kali investment, gearing was 57.3% (gross) and 49.0% (net) (30 June 2010: 57.1% and 46.7%)



# **Performance Summary**

	Six months ended 31 December 2010	Year ended 30 June 2010	% change
Net Asset Value (NAV) (£000s)	73,520	78,009	(5.8%)
NAV per share	73.52p	78.01p	(5.8%)
Losses per share	(6.42p)	(1.07p)	n/a
Dividends relating to the period/year	1.50p	3.00p	n/a
Share price <sup>1</sup>	46.75p	46.50p	0.5%
Share price discount to NAV	36.4%	40.4%	n/a
Gearing (gross) <sup>2</sup>	53.2%	53.7%	n/a
Total assets less current liabilities (£000s) <sup>3</sup>	87,058	90,169	n/a

Total return	Six months ended 31 December 2010	Six months ended 31 December 2009
NAV Total Return	(3.8%)	(7.0%)
Share price Total Return		
- AXA Property Trust	3.6%	34.7%
- FTSE All Share Index	22.0%	29.1%
- FTSE Real Estate Investment Trust Index	23.4%	36.3%

### Past performance is not a guide to future performance.

<sup>1</sup>Mid market share price (source: Datastream).

Source: AXA Investment Managers UK Limited and Datastream.

<sup>&</sup>lt;sup>2</sup>Gearing is calculated as overall debt, either gross or net of cash held by the Group over property at fair value.

 $<sup>^{\</sup>rm 3} \text{Includes}$  bank debt previously classified as a long-term liability.

### **Chairman's Statement**



Charles Hunter, Chairman

Values within AXA Property
Trust's portfolio now appear to
have stabilised as expected.
The Investment Manager has
progressed well a number of
active management initiatives
to enhance asset values. It
is less satisfactory to report
that the Company's holding in
the Porto Kali portfolio in The
Netherlands has performed
poorly and has been written
down significantly.

### **Results**

AXA Property Trust Limited (the "Company") and its subsidiaries (together the "Group") made a total net loss after tax of £6.42 million for the six months ended 31 December 2010. Before unrealised movements on the revaluation of investments and derivatives and related deferred tax, foreign exchange losses and other capital items including the Porto Kali impairment referred to below, the Group made a profit of £2.29 million. After capital expenditure of £1.04 million the valuation of the directly held property increased by £0.81 million (excluding foreign exchange translation effects).

The Net Asset Value at 31 December 2010 was £73.52 million (73.52 pence per share), a decline of £4.49 million (5.8%) since 30 June 2010. The decline was mainly a result of the £6.42 million net loss for the period and £3.47 million foreign exchange translation gains.

A dividend of £1.50 million, covered by revenue profit of £2.29 million was also paid during the period.

The Porto Kali portfolio of Dutch office buildings to which the Company has an exposure has been significantly reduced in value during the second half of 2010. As a result and in expectation of continuing poor performance it has been necessary to make an impairment charge of £6.27 million in the condensed consolidated statement of comprehensive income for the six months ended 31 December 2010. The total value of the investment in the Company's balance sheet has been reduced to £0.95 million (including foreign exchange translation movements) as at 31 December 2010.

As at close of business on 31 December 2010, the mid market price of the Company's shares on the London Stock Exchange was 46.75 pence (30 June 2010: 46.50 pence), representing a discount of 36.4% on the Company's Net Asset Value at 31 December 2010 (30 June 2010: 40.4%).

### **Dividend**

The second interim dividend of 0.75 pence per share in respect of the year ending 30 June 2011 was declared on 1 February 2011 with a payment date of 28 February 2011. The cumulative interim dividends of 1.50 pence per share or £1.50 million declared in respect of the six months to 31 December 2010 were 153% covered by revenue profit. The higher dividend cover is mainly due to an improvement in revenue profit resulting from the prevailing lower floating rate of interest on the Group's bank loans. The dividend payment will be met from the Company's cash resources of £12.75 million as at 31 December 2010. The annual dividend yield is 3.0% on the issue price and 6.4% on the mid market share price at 31 December 2010. Please note that past performance is not a guide to future returns.

### **Bank Finance and Hedging**

The loan documentation to refinance the Group's existing loan of €78.64 million is expected to be completed by the end of March 2011.

During the period, the Company introduced a short-term foreign currency hedging strategy in relation to its net investment in subsidiaries, whose functional currency is the Euro. The volatility in the Euro / Sterling exchange rate has given rise to considerable demands on the Company's cash resources in order to maintain this net investment hedge. In light of this and considering investor feedback on the hedging policy, the Investment Manager has recommended discontinuing hedging of the net equity investment in Euros. The Board has accepted this recommendation and as a result the foreign currency hedging contracts in place as at 31 December 2010 in relation to its net investments in Euro will be extinguished by the end of March 2011.

The Company will continue to hedge the net distributable income from Euro denominated subsidiaries using cross currency swaps and the Company will enter into new interest rate swaps and caps to eliminate floating interest rate risk.

### **Prospects**

The Investment Manager remains cautious about short-term prospects for European property markets but does not anticipate any significant downward pressure on appraised valuation levels, at least in the current interest rate environment. There are, however, in the Company's portfolio, a number of active management initiatives which will, I believe, provide Net Asset Value and income growth in the year.

Retaining its defensive characteristics, with refinancing agreed and more stable market conditions over the next two years, I am confident of the Company's prospects.

Charles Hunter
Chairman
28 February 2011

### **Investment Manager**

AXA Investment Managers UK Limited (the "Investment Manager", "AXA IM") is the UK subsidiary of AXA Investment Managers, a dedicated asset manager within the AXA Group. AXA Investment Managers is an innovative and fast-growing multi-expertise investment manager with €516 billion of assets under management and over 2,400 employees in 23 countries as at 31 December 2010.

AXA Real Estate Investment Managers UK Limited (the "Real Estate Adviser") is part of the real estate management arm of AXA Investment Managers S.A. ("AXA Real Estate"). AXA Real Estate is a specialist in European real estate investment management with approximately €39.0 billion of real estate assets under management and 500 staff, operating in 22 countries as at 30 September 2010.

Source: AXA Investment Managers UK Limited

### **Fund Manager**

Martin McGuire has headed the AXA Property Trust Fund Management team since December 2007. He is a Chartered Surveyor and Senior European Fund Manager at AXA Real Estate. He has over 30 years' experience in commercial property with a significant proportion of this in Continental European property. Mr McGuire lived for five years in Brussels where he worked for Jones Lang Wootton. In 1985 he joined Standard Life and led their expansion into the Continental European markets where he managed the investment and development programme over many years taking the exposure to in excess of €1.5 billion and was Fund Manager of the Standard Life Investments' €800 million European Property Growth Fund. Latterly he was Investment Director at Standard Life investments and managed the £2 billion Unit Linked Life Fund. He holds a degree in Land Economy from the University of Aberdeen and also an Investment

Management Certificate. He is resident in the United Kingdom.

### **Real Estate Market**

While the core European countries are showing growth, often above expectations, economic conditions in the periphery have deteriorated - Greece has continued to contract and that has now been joined by Ireland, while Spain and Portugal have stagnated. This polarisation is likely to persist for some time.

Consumer price inflation continues to trend upwards, with an initial¹ estimate for the year to December 2010 for the eurozone of 2.2%, breaching the ECB's assumed target of 2%, after 1.9% in November. So far, despite inflationary pressures, the markets are not reflecting an expectation for an early rise in official bank rates and, generally, the consensus amongst economists range from mid-2011 to 2012 or later. However, there are increasing risks that interest rates may be raised in the earlier part, rather than the later part, of that period.

After a marginal rise in transaction volumes² in quarter 3 2010 from quarter 2 2010, quarter 4 2010 registered a rise of 29% - from €22.5 billion to €29.1 billion. All three of the main property sectors participated in the rise to a similar extent, suggesting that purchasers are not expressing particular concerns in pricing for any one particular sector.

Indeed, liquidity has now returned to such an extent that all three sectors are at or above their long-term quarterly transaction volume rates, with retail significantly above its measure. Of course, the type of assets being transacted is significantly different to those of the period prior to the recession; they are now predominantly prime or (at least) core investments, and liquidity for this type of asset is exceptionally high despite (or because of) the continuing price rises.

Throughout the economic crisis, Germany's retail sector has been less volatile than offices. with only a slight drop in prime retail rental values, and then a stabilisation in 2010. According to a retailer survey conducted in quarter 3 2010. Germany shows the strongest prospects for retailer expansion compared to other European countries.

Eurostat Flash Estimate, 1/2011, 4 January 2011

<sup>&</sup>lt;sup>2</sup> Source: DTZ; Based on actual figures for all countries and grossed-up estimates for Germany and The Netherlands

After showing a continuous growth in transaction volumes since the recession, the UK registered a fall of 9% in the fourth quarter, perhaps suggesting a change of emphasis by purchasers. That was more than compensated by dramatic rises in France (up 49% over the quarter) and Germany (up 45% over the quarter). The largest growth was recorded in the smaller or more peripheral markets, clearly indicating that investors are broadening their horizons, although it should not necessarily be seen as implying that there is an acceptance (or at least an acknowledgement) of greater risks - the properties involved are, from the reported transactions, prime or core. We do not believe that these shifts reflect a change in investor geographic preferences. Rather, the perceived attractiveness of the security offered to risk-averse investors by long-leased properties let to low-risk tenants has not abated and has possibly increased - but the availability is limited in any one market. Nevertheless, domestic investors dominate in most markets. a reversal of the relative positions in the boom, signifying that pricing inefficiencies are greater in this phase of the cycle.

### **Outlook for 2011**

The effects of the austerity programmes will obviously vary between countries, but they will all produce one common effect – a squeeze on net disposable income. It will be a tough year for both households and governments. With unemployment only generally marginally below the recessionary peaks, social security payments will still represent a large part of government outgoings, and it is only corporate taxes that are likely to show growth.

In that environment, property will struggle to provide the rental value growth that is needed if capital values are to grow. Prime yields are generally below their long-term averages and have, theoretically, little capacity for further falls, although investors' risk aversion

may still encourage them to compete and drive yields still lower in the short-term.

Prime property may look overpriced to traditional property investors (those who factor in growth), but the prices will be supported for the next oneto-two years as risk averse investors remain willing to take security in place of returns (i.e. their risk premium will remain low). The upward movement of sovereign and corporate bond yields is the largest risk facing investors. In large part, that is linked to the integrity of the eurozone and, although we believe that this will not be resolved for at least the next year, we believe that at least all sovereign debt will remain underwritten by the EU.

#### Short-term outlook for retail

In Europe the prime retail sector is expected to underperform both offices and industrial as demand for retail space is expected to remain subdued in 2011, with occupiers cautious about new expansionary plans.

Medium-term, middle income consumer price-sensitivity and the desire for luxury fashion goods will determine the demand profile in a weak market of relatively low consumer spending. This will fuel strong segmentation in retail trade with limited demand for 'average' retail units. The wider retail sector faces a prolonged period of weakness until economic fundamentals, and retail spending, in particular, recover in 2012 and 2013. The southern European countries, where tougher austerity measures have to be applied, will see the lowest retail rental value growth in Europe.

Germany saw exceptional growth in consumer spending in mid-2010 resulting in a preliminary growth of 0.5% for the whole of 2010. Many institutions forecast strong consumption growth in 2011, and we also expect private consumption to be above the ten-year average of 0.4%.

Throughout the economic crisis, Germany's retail sector has been less volatile than offices, with only a slight drop in prime retail rental values, and then a stabilisation in 2010. According to a retailer survey conducted in quarter 3 2010³, Germany shows the strongest prospects for retailer expansion compared to other European countries. On the basis of this, we expect further strong demand for prime retail space in the top locations but also in the good second-tier cities as those are the cities where the new retailer entrants will also expand into.

#### **Short-term outlook for offices**

European governments have started to implement their significant fiscal austerity packages which are required to reduce budget deficits and appease the bond markets. However, we expect these to impact households and those parts of commerce facing consumers, rather than the business sector as a whole. Consequently, we are relatively more positive on occupier prospects in the office sector. Employment growth in the financial and business services sector will drive overall employment growth, whilst the public sector will not be a significant contributor to employment growth over the forecast period because of the planned austerity programmes. The most positive outlook is for established business centres where growth will stem from stronger tenant demand for prime space and falling availability in the Central Business Districts ("CBDs").

# Short-term outlook for logistics

The logistics industry, in particular, will remain extremely sensitive to costs. We expect a recovery in net new demand for industrial space to be restricted by an acceleration in efficiency gains of warehouse occupiers, whilst tighter lending criteria for SMEs will restrict demand in multi-let industrial property. Demand is expected to remain polarised as logistics hubs tighten further around key points of entry as well as large conurbations.

<sup>&</sup>lt;sup>3</sup> CBRE, 'How active are retailers EMEA?', November 2010

### Further ahead: medium-term outlook

In 2012 and 2013, rental value growth is expected to improve in all sectors, as stronger economic growth returns and occupier markets strengthen.

In our opinion, whilst the medium-term outlook is favourable, shorter term prospects suggest that the recovery in property market capital values will not follow a smooth upward trend. We expect purchasers to restrict themselves to prime real estate assets, as uncertainty engenders risk aversion. This preference for prime may filter through to some of the best quality secondary assets, but the wider secondary market – with short unexpired leases, voids, poor locations - will suffer from a weak short-term growth outlook and a lack of demand. During the latter part of 2011, riskier assets will be relatively cheap - raising the potential for exceptionally-high returns, even on a risk-adjusted basis, for those investors willing to make a commitment. This should gain momentum in 2012 or 2013 as secondary assets witness resurgence in demand.

**Investment Activity** 

The direct property portfolio has experienced a capital value decline of 0.3% over the twelve months to 31 December 2010 in Euro terms. This confirms the Investment Manager's expectations of the stabilization of valuations in 2010. In 2011 the Investment Manager expects valuations to continue to remain stable or increase as a result of the implementation of identified asset management initiatives.

Following a strategic review of the portfolio, the Investment Manager identified a small number of German properties targeted for disposal. Following active marketing, two assets are under offer and the sale of both is expected to be completed by the end of quarter 1 2011.

The focus on comprehensive management of tenants, leases and physical premises remain a priority. Following the signature of a 15.5 year lease by Edeka at the Phoenix Center in Fuerth, Germany, works are progressing and delivery of a new enlarged unit is scheduled for delivery in May 2011. Discussions with the local authorities regarding the future use of the unit to be vacated by Edeka are ongoing and permission has been received to split the unit into two smaller individual units. This is subject to confirmation by the Government of Bavaria which is expected shortly. Several new retailers have shown strong interest in the two new units, including Fressnapf, KIK and Matrazen Concord.

At Koethen a franchisee of Hagebau, a national DIY chain, took the entire 7,183 m<sup>2</sup> property on a 15 year lease.

The Investment Manager remains confident in the future performance prospects for the portfolio and will continue to pursue its existing and new asset management initiatives to further enhance value.

In 2012 and 2013, rental value growth is expected to improve in all sectors, as stronger economic growth returns and occupier markets strengthen.



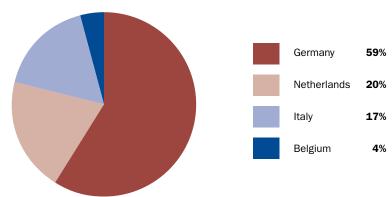
### **Property Portfolio at 31 December 2010**

Investment name	Country	Sector	Net yield on valuation 1,3	% of total assets
Phoenix Center, Fuerth	Germany	Retail	6.18%	12.14%
Rothenburg ob der Tauber	Germany	Retail	7.14%	12.09%
Curno, Bergamo	Italy	Leisure	6.62%	9.62%
Bergamina, Agnadello	Italy	Industrial	7.32%	8.48%
Smakterweg, Venray	Netherlands	Industrial	9.23%	5.09%
Bahnhofstraße, Karben	Germany	Industrial	7.17%	4.99%
Am Birkfeld, Dasing	Germany	Retail	8.31%	4.73%
Industriestraße, Montabaur-Heiligenroth	Germany	Retail	8.15%	4.21%
Keyser Center, Antwerp	Belgium	Retail	6.82%	3.96%
Pankower Allee, Berlin	Germany	Retail	6.99%	3.55%
Nürnberger Straße, Treuchtlingen	Germany	Retail	7.46%	3.42%
Other	Germany	Retail	-	17.70%
Total property portfolio			6.74%	89.98%
Porto Kali investment <sup>2</sup>	Netherlands	Office	6.18%4	0.61%
Other non-current and current assets				9.41%
Total assets				100.00%

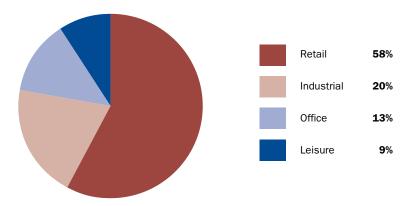
<sup>&</sup>lt;sup>1</sup> Net yield on valuation is based on the current market valuation after deduction of property-specific acquisition costs and operating costs.

Details of all properties in the portfolio are available on the Company's website www.axapropertytrust.com under, Portfolio - Our Presence.

### Geographical Analysis at 31 December 2010 by Market Value



### Sector Analysis at 31 December 2010 by Market Value



Source: AXA Real Estate Investment Managers UK Limited

 $<sup>^{\</sup>rm 2}$  Total value of Porto Kali investment (equity and shareholder loan) is £0.95 million.

<sup>&</sup>lt;sup>3</sup> Source - external independent valuers to the Company, Knight Frank LLP.

<sup>&</sup>lt;sup>4</sup> Source - AXA Real Estate Investment Managers UK Limited.

### **Covenant Strength Analysis at 31 December 2010**

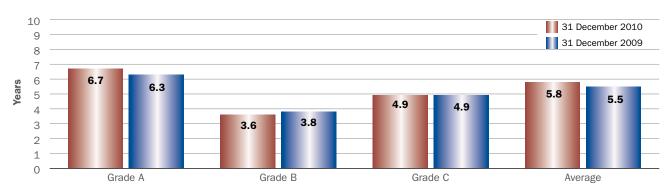
(based on rental income, and including 12% interest in Porto Kali Investment)

Grade A	52.9%	Creditreform:<199; D&B:A 1
Grade B	15.1%	Creditreform:200-249; D&B:B,C,D 1,2
Grade C	21.0%	Creditreform:>250; D&B: D + 3,4
Vacant	11.0%	

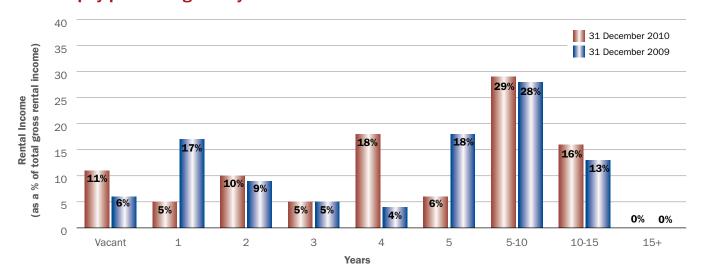
The Company's tenant covenant profile is strong, with 52.9% of tenants rated Grade A, indicating a high credit rating score. Rental income from Grade A covenants has a weighted unexpired lease length of 6.7 years. The average rent-weighted unexpired lease length for the investment portfolio as at 31 December 2010 was 5.8 years<sup>1</sup>. Vacant space in the portfolio on 31 December 2010, measured using market rent, represented 11.0% of the total gross rental income. Excluding the Porto Kali consortium investment, vacancy in the direct portfolio stands at 6.5%.

A large part of vacancy related to the recent departure of OBI at Bernau and additional vacancies in the Porto Kali portfolio.

### Average unexpired lease length profile weighted by rental income



### Lease expiry profile weighted by rental income



Source: AXA Real Estate Investment Managers UK Limited

<sup>&</sup>lt;sup>1</sup> This figure does not include the 15.5 year lease signed to Edeka at Fuerth in November 2009 which will commence once the premises have been constructed, currently expected in May 2011.

### **Financing**

### **Loan Facility Documentation**

The Company is anticipating finalising all documentation in relation to the refinancing of the existing loan of €78.64 million by the first quarter of 2011. Since the signing of the Heads of Terms for the new facility on 30 September 2010 with the lenders, Crédit Agricole Corporate and Investment Bank and Landesbank Berlin/Berlin Hyp, several conditions precedent have been completed including the following:

- a) Due diligence on all properties under the facility, including verification of all easements, title registrations, registered mortgages, review of all tenancy agreements and any other material correspondence;
- b) Analysis of the restructuring of the portfolio as is required to put the new debt at the level of the property-owning subsidiary companies, including a restructuring of intra-group shareholder loans for all property-owning subsidiary companies, and holding companies in the structure;
- c) Documentation for the Company's subsidiaries in relation to the transfer of the shares and loans of Property Trust Agnadello S.r.l. ("PTA") to Property Trust Luxembourg 3 S.à r.l., and Property Trust Koethen S.à r.l. ("PTK") to Property Trust Luxembourg 2 S.à r.l. ("PTL2"), in order to bring the PTK assets under the PTL2 security package, and PTA (financed by a separate facility) removed from it.

### **Hedging Arrangements**

As reported in the latest annual report dated 30 June 2010, the Company had introduced a short-term foreign currency hedging strategy in relation to its net investment in subsidiaries, in Euro. The volatility in the Euro / Sterling exchange rate has given rise to considerable demands on the Company's cash resources in order to maintain this net investment hedge. In order to avoid ongoing demands and considering investor feedback on hedging policy, the Investment Manager has recommended

discontinuing hedging of the net equity investment in Euros. The Board has given due consideration to this recommendation and has decided to discontinue the hedging of the net Euro denominated investments. The foreign currency hedging contracts in place as at 31 December 2010 in relation to its net investments in Euro will be extinguished by the end of March 2011.

The Company will continue to hedge the net distributable income from Euro denominated subsidiaries using cross currency swaps and as part of the refinancing will enter into new interest rate swaps and caps to eliminate floating interest rate risk.

### **Capital Expenditure and Cash Position**

The Company and its subsidiaries held total cash of £12.75 million (€14.88 million) at 31 December 2010. Of this, cash of £6.83 million (€7.97 million) was held on short-term deposit to be realised as required for the capital expenditure programme and other cash requirements.

### Porto Kali Investment and Loan Facility

The Porto Kali portfolio has experienced adverse valuation movements which have accelerated with a 9.1% decline during the second half of 2010. Most of the properties have experienced adverse yield movements of at least 0.25% to 0.75%, as evidence of the widening polarisation

between prime and secondary assets, whilst a number of significant lease breaks and expiries are having a direct impact on the portfolio's value.

The office occupier market in the Netherlands has weakened significantly with an overall market vacancy of circa 14% expected to increase further in the short to medium term. Estimated Rental Values ("ERVs") remain under downward pressure whilst incentives are increasing, especially for multi-let secondary buildings.

Although 14 lease renewals and seven new leases were secured in the last six months for an aggregated rent of €1.46 million per annum, total rent passing for the portfolio has reduced by 10.7% and vacancy has increased further to 31.7%, as a result of tenant consolidation and downsizing. The outlook for office demand remains weak as occupiers - in both public and private sectors - seek to utilise space more efficiently in the current economic environment.

In light of market developments and recent sale experience, a number of alternative scenarios (including an extension of the business plan) have been analysed and were presented to the Porto Kali Shareholders in November 2010. As a result of this exercise, it was agreed that the best strategy for



the portfolio would be an aggressive sales strategy allowing for sales of individual assets and clusters of assets at discount to valuation in order to be able to exit as soon as possible. Initial estimates indicate that further equity to be returned to investors will be limited to 8% of invested equity.

Following the continued depreciation in value, the Loan to Value ratio for the Porto Kali portfolio at 31 December 2010 is 84.7%, exceeding the revised covenant of 80%. Discussions with the lender, HSH Nordbank AG, are in progress and the revised business plan will be shared and reviewed by them. The loan is without recourse to the Company.

As the portfolio continues to experience adverse valuation movements, the forecast performance of the Company's investment (in the form of a loan to the Porto Kali vehicle) has been revised to reflect the continuing weak market conditions, resulting in an impairment charge of £6.27 million in the condensed consolidated statement of comprehensive income for the six months ended 31 December 2010. The total value of the investment in the Company's balance sheet has been reduced to £0.95 million (including foreign exchange translation movements) at the half year. This trend could continue towards a potential total write-off of the remaining investment on the Company's balance sheet.

### **Portfolio Outlook**

The Investment Manager's focus remains on increasing rental income and good progress has been made so far. The portfolio's income is well secured against strong tenant covenants and a tenant base that is weighted towards the defensive food retail sector.

With the successful completion of the new loan documentation expected by the end of March 2011, the Company will concentrate on renewing and extending leases expiring in 2011 to maximise income and support the

Company's intentions of growing the dividend.

With active marketing of four assets in Germany underway, two of the assets, in Bernau and Treuchtlingen, are currently under offer.

The cautious outlook for the European economy and property market, as well as the continued undersupply of debt will continue to limit the performance of the property market. Despite this, investment activity is expected to improve. A large amount of equity is chasing property and whilst so far prime properties have been the main target, investors may soon be under pressure to spend and could relax their strict investment criteria, turning to secondary assets.

Despite a challenging outlook the Investment Manager believes that the Company portfolio's performance will remain resilient and strong asset management will continue to yield results. Also, the portfolio's exposure to German retail is expected to continue to produce positive results.

Despite a challenging outlook the Investment Manager believes that the Company portfolio's performance will remain resilient and strong asset management will continue to yield results.



Source: AXA Real Estate Investment Managers UK Limited

### **Board of Directors**



**Charles Hunter** (Chairman) has over 30 years of experience in property investment, principally in UK commercial property. He was Head of Property Investment of Insight Investment (formerly Clerical Medical Investment Group) for some nine years and before that Property Director of the investment management subsidiaries of The National Mutual of Australasia group in the United Kingdom. He is on the Supervisory Board of Schroder Exempt Property Unit Trust and a Council member of St Monica Trust, Bristol. Mr Hunter is a Fellow of the Royal Institution of Chartered Surveyors and a member of the Investment Property Forum. He is resident in the United Kingdom.



**Richard Ray** is Managing Director of AXA Real Estate Investment Managers Belgium S.A. He has over 25 years of property experience, especially in the commercial real estate markets in Belgium and in other parts of Europe. Prior to joining AXA, he was the Head of Investment at ATIS REAL August Thouard S.A. From 1987 to 2000, he worked with CB Richard Ellis S.A. (formerly Richard Ellis S.A.), first as an Investment and Valuation Surveyor and then as a Manager in the Investment department. In 1994, Mr Ray was appointed Director of Investment, Valuation and Research. He is a member of the Royal Institution of Chartered Surveyors and certified as a "Titulaire" of the Belgian Institut Professionel de l'immobilier (Real Estate Institute). He is resident in Belgium.



**Stephane Monier** has over 20 years of experience in fixed income, foreign exchange markets and asset allocation. Mr Monier is currently the Global Head of Fixed Income and Currencies at Lombard Odier Darier Hentsch & Cie (LODH). He is responsible for various sectors including money market, government bonds, corporate bonds, emerging market debt, currencies and absolute return. Prior to joining LODH, Mr Monier was Global Head of Fixed Income and Currencies at Fortis Investments from 2006 to 2009. Prior to joining Fortis Investments itself, he was Head of Fixed Income and Currency in the Abu Dhabi Investment Authority (ADIA) from 1998 to 2006 and he spent seven years in JP Morgan Investment Management as a Fixed Income Manager both in London and Paris from 1991 to 1998. Mr Monier has a Masters Degree in Science from INAPG (Paris) and a Masters Degree in International Finance from HEC Graduate School of Business (Jouy en Josas) (France). He is also a CFA charterholder. He is resident in Switzerland.



John Marren is a Director of Northern Trust International Fund Administration Services (Guernsey) Limited where he is Head of Client Servicing. Prior to joining Northern Trust International Fund Administration Services (Guernsey) Limited in 1992, he worked for KPMG in Guernsey where he was responsible for the audit of a portfolio of entities in the finance industry. Mr Marren currently holds a number of non-executive board appointments in fund management and investment companies including several real estate funds. He has a Bachelor of Commerce Degree from University College Galway in Ireland, is a Fellow of the Institute of Chartered Accountants in Ireland and a Member of the Institute of Bankers in Ireland. He is resident in Guernsey.



**Gavin Farrell** is qualified as a Solicitor of the Supreme Court of England and Wales, a French Avocat and an Advocate of the Royal Court of Guernsey. He is a partner at Mourant Ozannes, Advocates & Notaries Public in Guernsey, having worked previously at Simmons and Simmons, both in Paris and London, and specialises in international and structured finance and collective investment schemes. Mr Farrell holds a number of directorships in investment and captive insurance companies. He is resident in Guernsey.

### **Directors' Responsibility Statement**

We confirm that to the best of our knowledge:

- the Condensed Half Year Consolidated Financial Statements have been prepared in accordance with International Accounting Standards 34 Interim Financial Reporting: and
- this Half Year Report provides a fair review of the information required by:
  - a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Condensed Half Year Consolidated Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could materially affect the financial position or performance of the entity.

By order of the Board

C. J. H. Hunter.

**Charles Hunter Chairman** 

28 February 2011

John Marren
Director
28 February 2011

# **Independent Review Report to AXA Property Trust Limited**

### Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2010 which comprises the condensed half year consolidated statement of comprehensive income, the condensed half year consolidated statement of changes in equity, the condensed half year consolidated statement of financial position, the condensed half year consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements. This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

### **Directors' Responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 2, the annual consolidated financial statements are prepared in accordance with IFRSs. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting.

### **Our Responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2010 is not prepared, in all material respects, in accordance with IAS 34 and the DTR of the UK FSA.

Erran M'Ld

Ewan McGill
For and on behalf of KPMG Channel
Islands Limited
Chartered Accountants and Recognised
Auditors
Guernsey

28 February 2011

# **Condensed Half Year Consolidated Statement of Comprehensive Income**

(unaudited)

### For the six months ended 31 December 2010

	Notes	Period ended 31 December 2010 £000s	Period ended 31 December 2009 £000s
Gross rental income	3	5,803	6,473
Service charge income		314	293
Property operating expenses		(1,045)	(831)
Net rental and related income		5,072	5,935
Net foreign exchange loss		(190)	(567)
Net foreign exchange loss		(190)	(567)
Valuation gain/(loss) on investment properties		817	(7,700)
Impairment (loss)/gain	7	(6,267)	857
Net valuation loss on investment properties and financial assets		(5,450)	(6,843)
Loss on forward currency contracts		(2,661)	(5,358)
Unrealised loss on currency hedge		(51)	-
Unrealised gain/(loss) on other derivatives		11	(24)
Investment management fees		(678)	(638)
Sponsor's fees		(14)	(21)
Administrative expenses	4	(600)	(939)
Total expenses		(3,993)	(6,980)
Net operating loss		(4,561)	(8,455)
Financial income/expenses			
Interest income from bank deposits		11	20
Finance costs		(1,523)	(2,041)
Loan facility commitment fees		(238)	(43)
Loss before tax		(6,311)	(10,519)
Income tax expense		(109)	(136)
Loss for the period		(6,420)	(10,655)
Loss for the period		(6,420)	(10,655)
Other comprehensive income			
Effective portion of changes in fair value of derivative instruments		(43)	719
Foreign exchange translation gains		3,474	4,101
Other comprehensive income for the period		3,431	4,820
Total comprehensive loss for the period		(2,989)	(5,835)
Basic and diluted loss per ordinary share (pence)		(6.42)	(10.65)

The accompanying notes on pages 21-26 form an integral part of these condensed half year financial statements.

# **Condensed Half Year Consolidated Statement of Changes in Equity**

(unaudited)

### For the six months ended 31 December 2010

Balance at 1 July 2010	Revaluation reserve £000s	Hedging reserve £000s	Revenue reserve £000s 5,922	Distributable reserve £000s	Foreign currency reserve £000s 18.341	Total £000s 78,009
Net loss	(5,490)	-	(930)	-		(6,420)
Other comprehensive income	-	(43)	-	-	3,474	3,431
Total comprehensive loss for the period	(5,490)	(43)	(930)	-	3,474	(2,989)
Contributions by and distributions to owners			(4.500)			(4.500)
Dividends to equity holders  Balance at 31 December 2010	(41,049)	(3,686)	(1,500) <b>3.492</b>	92.948	21.815	(1,500) <b>73.520</b>

### For the six months ended 31 December 2009

	Revaluation reserve £000s	Hedging reserve £000s	Revenue reserve £000s	Distributable reserve £000s	Foreign currency reserve £000s	Total £000s
Balance at 1 July 2009	(25,568)	(5,696)	-	92,948	21,778	83,462
Net loss	(6,843)	-	(3,812)	-	-	(10,655)
Other comprehensive income	-	719	-	-	4,101	4,820
Total comprehensive loss for the period	(6,843)	719	(3,812)	-	4,101	(5,835)
Contributions by and distributions to owners						
Dividends to equity holders	-	-	-	(1,500)	-	(1,500)
Balance at 31 December 2009	(32,411)	(4,977)	(3,812)	91,448	25,879	76,127

The accompanying notes on pages 21-26 form an integral part of these condensed half year financial statements.

# **Condensed Half Year Consolidated Statement of Financial Position**

### As at 31 December 2010

	Notes	31 December 2010 £000s (Unaudited)	30 June 2010 £000s (Audited)
Non-current assets		(enduated)	(Flucitou)
Investment properties	6	141,005	132,951
Loan receivable	7	947	6,969
Derivative financial instruments	11	-	1
Deferred tax assets		51	135
Current assets			
Cash and cash equivalents		12,745	15,473
Trade and other receivables	8	1,953	1,257
Total assets		156,701	156,786
Current liabilities			
Trade and other payables	9	2,292	2,605
Current portion of long-term loans	10	67,351	64,012
Non-current liabilities			
Deferred tax liability		1,010	1,068
Long-term loans		7,623	7,412
Derivative financial instruments	11	4,905	3,680
Total liabilities		83,181	78,777
Net assets		73,520	78,009
Share capital		-	-
Reserves		73,520	78,009
Total equity		73,520	78,009
Number of ordinary shares		100,000,000	100,000,000
Net asset value per ordinary share (pence)		73.52	78.01

The accompanying notes on pages 21-26 form an integral part of these condensed half year financial statements.

By order of the Board

Charles Hunter Chairman 28 February 2011 John Marren
Director
28 February 2011

# **Condensed Half Year Consolidated Statement of Cash Flows**

(unaudited)

### For the six months ended 31 December 2010

	Period ended 31 December 2010 £000s	Period ended 31 December 2009 £000s
Operating activities	20000	20000
Loss before tax	(6,311)	(10,519)
Adjustments for:		
Unrealised loss on revaluation of investment properties and financial assets	5,450	6,843
Unrealised loss on forward currency contracts	1,141	5,358
Unrealised loss on currency hedge	51	-
Unrealised gain on other derivatives	(11)	24
(Increase)/decrease in trade and other receivables	(485)	859
Decrease in trade and other payables	(507)	(904)
Bank interest	(11)	(20)
Interest expense	1,523	2,041
Foreign exchange loss	190	567
Amortisation of loan facility fees	238	43
Net cash generated from operations	1,268	4,292
Interest income received	13	31
Interest paid	(1,415)	(2,100)
Tax paid	(251)	(317)
Net cash (outflow)/inflow from operating activities	(385)	1,906
Investing activities		
Acquisition of investment properties	(1,040)	(192)
Net cash outflow from investing activities	(1,040)	(192)
Financing activities		
Dividends paid	(1,500)	(1,500)
Net cash outflow from financing activities	(1,500)	(1,500)
Effect of exchange rate fluctuations	197	101
(Decrease)/increase in cash and cash equivalents	(2,728)	315
Cash and cash equivalents at start of the period	15,473	17,324
Cash and cash equivalents at period end	12,745	17,639

The accompanying notes on pages 21-26 form an integral part of these condensed half year financial statements.

### 1. Operations

AXA Property Trust Limited (the "Company") is a limited liability, closed-ended investment company incorporated in Guernsey. The Company invests in commercial properties in Europe which are held through its subsidiaries. The Condensed Half Year Consolidated Financial Statements of the Company for the six month period ended 31 December 2010 comprise the Financial Statements of the Company and its subsidiaries (together referred to as the "Group").

### 2. Significant accounting policies

### (a) Statement of compliance

The Condensed Half Year Consolidated Financial Statements have been prepared in accordance with the Disclosure Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim Financial Reporting'. They do not include all of the information required for the full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2010, which were prepared under full IFRS requirements.

#### (b) Basis of preparation

The same accounting policies and methods of computation have been applied to the Condensed Half Year Consolidated Financial Statements as in the Consolidated Financial Statements for the year ended 30 June 2010.

The Condensed Half Year Consolidated Financial Statements are presented in Sterling which is also the functional currency of the Company. The Condensed Half Year Consolidated Financial Statements have been prepared on a historical cost basis except for the measurement of the investment properties, derivative financial instruments and financial assets designated at fair value through profit or loss.

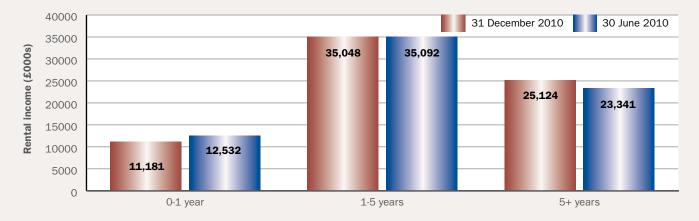
The preparation of the Condensed Half Year Consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Quarterly valuations of investment properties are carried out by Knight Frank LLP, external independent valuers, in accordance with the RICS Appraisal and Valuation Standards. The properties have been valued on the basis of open market value, which is the estimated amount for which a property should exchange on the date of valuation, in an arm's-length transaction.

### 3. Gross rental income

Gross rental income for the six months ended 31 December 2010 amounted to £5.80 million (2009: £6.47 million). The Group leases out all of its investment property under operating leases.

Minimum Lease Payments (based on leases in place as at 31 December 2010)



### 4. Administrative expenses

	31 December 2010 £000s	31 December 2009 £000s
Administration fees	(254)	(252)
General expenses	(22)	(321)
Audit fees	(109)	(126)
Legal and professional fees	(140)	(165)
Directors' fees	(53)	(53)
Insurance fees	(22)	(22)
Total	(600)	(939)

### 5. Dividends

Dividend payment date	No. of Ordinary Shares	Rate (pence)	31 December 2010 £000s	31 December 2009 £000s
28 August 2009	100,000,000	0.75		750
27 November 2009	100,000,000	0.75		750
27 August 2010	100,000,000	0.75	750	-
29 November 2010	100,000,000	0.75	750	-
Total			1,500	1,500

A further dividend of £750,000 (0.75 pence per share) was approved by the Board of Directors on 31 January 2011. The exdividend date was 9 February 2011 and the payment date is 28 February 2011.

### **6. Investment properties**

	31 December 2010 £000s	30 June 2010 £000s	
Cost at the beginning of year	134,689	134,277	
Capital expenditure	1,031	412	
Cost of investment properties	135,720	134,689	
Fair value adjustments	(29,779)	(30,596)	
Foreign exchange translation	35,064	28,858	
Market value	141,005	141,005 132,951	

### 7. Loan receivable

The estimated recoverable value of the Company's loan receivable related to the Porto Kali investment as at 31 December 2010, using a discounted cash flow model in the Group accounts, has been reduced to £0.95 million (£1.11 million). The related impairment expense in the Group accounts was £6.27 million (£7.41 million) (2009: reversal of impairment loss £0.86 million (£0.97 million)), resulting in a total impairment allowance of £10.62 million (£12.39 million) (2009: £2.89 million).

The discounted cash flow model involves the projection of expected cash receipts such as gross income less vacancy and collection losses and less operating and financial expenses for a period of 2 years starting from January 2011 along with an estimate of the exit value. To this projected cash flows series, a discount rate of 3% was applied, based on current short-term Eurozone interest rates plus a risk margin, to establish an indication of the present value of the loan.

### 8. Trade and other receivables

	31 December 2010 £000s	30 June 2010 £000s
Witholding tax receivable	737	613
Other receivable	558	32
VAT receivable	316	208
Rent receivable	130	164
Accrued income	109	150
Prepayments	102	87
Interest on deposits	1	3
Total	1,953	1,257

### 9. Trade and other payables

	31 December 2010 £000s	30 June 2010 £000s
Investment manager's fee	378	379
Property manager's fee	40	28
Other	495	755
Tax	386	477
Interest payable on loan facility	399	320
Legal and professional fees	120	154
VAT payable	188	153
Audit fee	114	154
Administration and Company Secretarial fees	126	107
Property acquisition costs	24	24
Rent prepaid	12	19
Directors' fees	10	10
Sponsor fees	-	25
Total	2,292	2,605

### 10. Current portion of long-term loans

As at 31 December 2010, the Group's main loan facility with Crédit Agricole Corporate and Investment Bank and Landesbank Berlin/Berlin Hyp was fully drawn to £67.35 million (€78.64 million) (30 June 2010: £64.01 million, €78.64 million). The loan matures on 3 April 2011. The Heads of Terms in respect of refinancing the loan facility was signed on 30 September 2010, and the Company is anticipating finalising all documentation in relation to the refinancing of the loan facility by the end of March 2011. Upon completion of the refinancing, the new loan amount will be re-classified as a long-term loan.

### 11. Financial instruments

The Group is exposed to various types of risk that are associated with financial instruments. The Group's financial instruments comprise bank deposits, cash, derivative financial instrument receivables and payables that arise directly from its operations. The carrying value of financial assets and liabilities approximate the fair value.

The main risks arising from the Group's financial instruments are market risk, credit risk, liquidity risk, interest risk and currency risk. The Board reviews and agrees policies for managing the Group's risk exposure. These policies are summarised below and have remained unchanged for the period under review.

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. The Group and Company's exposure and the credit-ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-ratings agencies.

### Liquidity risk

The Group may encounter liquidity risk when realising assets or otherwise raising funds to meet financial commitments. Investments in property are relatively illiquid, however, the Group has mitigated this risk by investing in desirable properties in strong locations.

The Group prepares forecasts annually in advance which enable the Group's operating cash flow requirements to be anticipated and ensures that sufficient liquidity is available to meet foreseeable needs and to invest any surplus cash assets safely and profitably. The Group also monitors the cash position in all subsidiaries to ensure that any working capital needs are addressed as early as possible.

#### Interest rate risk

Floating rate financial assets comprise the cash balances which bear interest at rates based on bank base rates. The Group is exposed to cash flow risk as the Group borrows funds under the loan facility with Crédit Agricole Corporate and Investment Bank at floating interest rates. The Group manages this risk by using interest rate swaps and caps denominated in Euro. Following maturity of the swaps on 30 July 2010 (main loan facility), interest rate caps with a strike rate of 4.5% have become effective until the maturity of the related loans. At 31 December 2010, the Group had interest rate swaps with a notional contract amount of £nil (€nil) (June 2010: £64.38 million (€78.64 million)).

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit and loss over the loan period.

#### Foreign currency risk

The European subsidiaries will invest in properties using currencies other than Sterling, the Company's functional and presentational currency, and the statement of financial position may be significantly affected by movements in the exchange rates of such currencies against Sterling. The Group will review and manage currency exposure in accordance with its hedging strategy.

The Group has hedged foreign currency exposure in respect of £1.14 million (€1.60 million) quarterly interest receipts in Euro over the next two years through the use of cross currency swaps. All cross currency swap contracts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from movement in exchange rates of the Euro against Sterling.

#### Net investment hedging

The Company uses forward contracts as a hedge to its net investment in subsidiaries, whose functional currency is the Euro. During the period, the Company followed a short-term hedging strategy. Two of the three long-term forward currency contracts with a notional amount of £68.55 million (&80 million) were closed, resulting in a payment from the Group of £520,132. The Company entered into three short-term forward currency contracts, two of which lapsed during the period resulting in a payment from the Group of £999,901. The short-term forward currency contract as at 31 December 2010 has a total face value of &50.0 million at a &/£ forward rate of 1.174 with the counterparty, Citibank N.A..

The volatility in the Euro / Sterling exchange rate has given rise to considerable demands on the Company's cash resources in order to maintain this net investment hedging strategy. The Board has given due consideration to investor feedback and a recommendation from the Investment Manager and has decided to discontinue the hedging of the net Euro denominated investments. The foreign currency hedging contracts in place as at 31 December 2010 in relation to its net investments in Euro will be extinguished by the end of March 2011.

As at 31 December 2010, the Company had hedged the Sterling equivalent of €90.0 million (including €40.0 million of the remaining long-term forward currency contract) of the Company's NAV in Euro.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

	Level 1	Level 2	Level 3
31 December 2010	£000s	£000s	£000s
Assets measured at fair value			
Interest rate swaps	-	-	-
Liabilities measured at fair value			
Interest rate swaps	-	30	-
Currency hedges	-	1,471	-
Forwards	-	3,404	-
Total	-	4,905	-
	Level 1	Level 2	Level 3
30 June 2010	£000s	£000s	£000s
Assets measured at fair value			
Interest rate swaps	-	1	-
Liabilities measured at fair value			
Interest rate swaps	-	661	-
Currency hedges	-	1,420	-
Forwards	-	1,599	-
Total	-	3,680	-

### 12. Related party transactions

The Directors are responsible for the determination of the Company's investment objective and policy and have overall responsibility for the Group's activities including the review of investment activity and performance.

**Mr Hunter,** Chairman of the Company and **Mr Ray,** a Director of the Company, form the majority of the Directors of its subsidiaries, Property Trust Luxembourg 1 S.à r.l., Property Trust Luxembourg 2 S.à r.l. and Property Trust Luxembourg 3 S.à r.l. and are able to control the investment policy of the Luxembourg subsidiaries to ensure it conforms with the investment policy of the Company. **Mr Ray** is also a Managing Director of AXA Real Estate Investment Managers Belgium S.A.

**Mr Farrell,** a Director of the Company, is also a partner in Mourant Ozannes, the Guernsey legal advisers to the Company. The total charge to the statement of comprehensive income during the period in respect of Mourant Ozannes legal fees was £nil (2009: £1,620) which was settled during the period.

**Mr Marren**, a Director of the Company, is also a Director of Northern Trust International Fund Administration Services (Guernsey) Limited ("Northern Trust"), the Administrator, Secretary and Registrar for the Company. The total charge to the statement of comprehensive income during the period in respect of Northern Trust administration fees was £135,717 (2009: £124,950) of which £52,031 (2009: £nil) remained payable at the period end.

Under the Investment Management Agreement, fees are payable to the Investment Manager, Real Estate Adviser and other entities within the AXA Group. These entities are involved in the planning and direction of the Company and Group, as well as controlling aspects of their day to day activity, subject to the overall supervision of the Directors. During the period, fees of £677,935 (2009: £638,001) were expensed to the statement of comprehensive income. The total amount payable at the period end was £418,725 (2009: £836,220).

All the above transactions were undertaken at arms-length.

### 13. Commitments

#### **Guarantees**

The Company has provided mortgages over the properties in the amount of €78.64 million in favour of the lenders, Crédit Agricole Corporate and Investment Bank and Landesbank Berlin/Berlin Hyp, as security for the main loan facility.

In addition to the main loan facility, the Group has a 50% interest in the joint venture Property Trust Agnadello S.r.I. which holds long-term bank debt of £15.42 million (€18.0 million) secured over the property and shares of the joint venture. The Company has provided a guarantee to the lender, Crédit Agricole Corporate and Investment Bank, for £7.71 million (€9.0 million) on a several basis. The joint venture partner, European Added Value Fund Limited, has guaranteed the remaining 50% of the loan.

#### **Commitments**

Following the Group's signature of a 15.5 year lease with Edeka Grundstücksgesellschaft Nordbayern-Sachsen-Thüringen mbH at the Group's Phoenix Center retail park at Fuerth in Bavaria, Germany, construction works are progressing on schedule and within budget on the new Edeka unit and delivery is scheduled for May 2011. As at 31 December 2010, €1.28 million of the committed €3.65 million has been spent on the development of the new Edeka unit. The cost of refurbishing the former Edeka premises is budgeted at €1.19 million. The project shows a yield on total cost (including current valuation of land and the former Edeka unit) of 9.43%.

In addition, in December 2010 the Group signed a 15 year lease with a franchisee of the national DIY retailer Hagebau for annual rent of  $\[ \le 250,000 \]$  at its property in Koethen, Germany. In return the Group has agreed a tenant incentive of  $\[ \le 440,000 \]$  and  $\[ \le 160,000 \]$  in respect of improvement works, with a concession of 18 months rent free. In January 2011 the unit was handed over for the start of fit out works.

### 14. Subsequent events

#### **Main loan facility**

Under the new loan facility agreement, the lenders, Crédit Agricole Corporate and Investment Bank and Landesbank Berlin/Berlin Hyp, will take security over the shares of the Company's direct subsidiaries Property Trust Luxembourg 1 S.à r.l. and Property Trust Luxembourg 2 S.à r.l. ("PTL 2"). In order to remove Property Trust Agnadello S.r.l. from the security package (as this subsidiary company is financed under a separate facility), the 50% joint venture share holding in this company has been transferred to Property Trust Luxembourg 3 S.à r.l. as of January 2011. Similarly, the shares of the subsidiary Property Trust Koethen S.à r.l. have been transferred to PTL 2 to be included in the security package.

### Hedging

During the period, the Company introduced a short-term foreign currency hedging strategy in relation to its net investment in subsidiaries, whose functional currency is the Euro.

The volatility in the Euro / Sterling exchange rate has given rise to considerable demands on the Company's cash resources in order to maintain this net investment hedging strategy. The Board has given due consideration to the Investment Manager's recommendation and to investor feedback and has decided to discontinue the hedging of the net Euro denominated investments. The foreign currency hedging contracts in place as at 31 December 2010 in relation to its net investments in Euro will be extinguished by the end of March 2011.

## **Corporate Information**

### **Directors (All non-executive)**

C. J. Hunter (Chairman)
G. J. Farrell
R. G. Ray
J. M. Marren
S. C. Monier

### **Registered Office**

Trafalgar Court Les Banques St Peter Port Guernsey GY1 3QL Channel Islands

### **Investment Manager**

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