

# AXA Property Trust Limited

## Annual Report and

## Consolidated Financial

## Statements

For the  
year ended  
30 June 2011

# [www.axapropertytrust.com](http://www.axapropertytrust.com)

AXA Property Trust Limited is an authorised closed-ended Guernsey registered investment company with a premium listing on the official list and trades on the main market of 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 exists 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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Phönix Center, Fürth, Germany

## Financial Highlights

### For the year ended 30 June 2011

- Total return on Net Asset Value ("NAV") was (0.4%)
- NAV per share decreased by 4.2%
- Losses were 4.38 pence per share
- Cumulative dividends paid relating to the year were 3.00 pence per share
- Total Expenses Ratio of 2.01% (2010: 1.9%)

### As at 30 June 2011

- Share price<sup>1</sup> was 50.13 pence per share (30 June 2010: 46.50 pence)
- Gearing<sup>2</sup> was 49.7% (gross) and 46.9% (net) (30 June 2010: 53.7% and 42.1%)
- Including Porto Kali investment, gearing was 55.2% (gross) and 52.3% (net) (30 June 2010: 57.1% and 46.7%)



## Performance Summary

	Year ended 30 June 2011	Year ended 30 June 2010	% change
Net Asset Value (NAV) (£000s)	74,737	78,009	(4.2%)
NAV per share	74.74p	78.01p	(4.2%)
Losses per share	(4.38p)	(1.07p)	n/a
Dividends relating to the year	3.00p	3.00p	n/a
Share price <sup>1</sup>	50.13p	46.50p	7.8%
Share price discount to NAV	32.9%	40.4%	n/a
Gearing (gross) <sup>2</sup>	49.7%	53.7%	n/a
Total assets less current liabilities (£000s) <sup>3</sup>	140,728	89,569 <sup>4</sup>	n/a

Total return	Year ended 30 June 2011	Year ended 30 June 2010
NAV Total Return	(0.4%)	(3.0%)
Share price Total Return		
- AXA Property Trust	14.2%	21.6%
- FTSE All Share Index	25.6%	21.1%
- FTSE Real Estate Investment Trust Index	43.8%	18.0%

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

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

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

<sup>3</sup> Includes bank debt classified as a current liability.

<sup>4</sup> Includes interest rate swaps reclassified to current liabilities.

Source: AXA Investment Managers UK Limited and Datastream

# Chairman's Statement



Charles Hunter, Chairman

**In severe headwinds AXA Property Trust Limited (the “Company”) has made substantial progress in the year to 30 June 2011. The Board believe it has strengthened its position for the future. Debt finance has been renewed to 2016, the risk of cash flow pressures resulting from the maintenance of a capital currency hedge has been removed, and good progress has been made in letting the largest parts of the retail centre at Fürth in Bavaria, Germany, following the opening of the new Edeka supermarket in June. The market background, while uncertain, appears to have stabilised.**

The challenges have been formidable, but the Investment Manager has worked hard to meet them. The write-down of the Company's share in the office portfolio in The Netherlands (Porto Kali) is a disappointment, but is due to the severity of the impact of the downturn in the secondary Dutch regional office market. In a difficult banking environment lenders have been demanding in negotiations and have imposed unforeseen costs on the Company. The latest potential letting at Fürth will clearly enhance net asset value, but the earlier-than-planned refurbishment costs are likely to lead to a temporary need to reduce dividend payments.

## Results

**The Company has made substantial progress in the year and strengthened its position.**

The Company and its subsidiaries (together the “Group”) made a total net loss after tax of £4.38 million for the year to 30 June 2011. Before movements on the revaluation of investments and derivatives and related deferred tax, foreign exchange gains and losses and other capital items, the Group made a profit of £4.04 million. The unrealised loss on the revaluation of properties was £1.19 million (0.89% of the market value at 30 June 2010) excluding foreign exchange translation effects.

The Net Asset Value (“NAV”) at 30 June 2011 was £74.74 million (74.74 pence per share), a decline of £3.27 million (4.2%) since 30 June 2010. The decline was mainly a result of the £4.38 million net loss for the year and £1.60 million foreign exchange translation gains. A £3.00 million dividend, covered by revenue profit of £4.04 million was also paid in relation to the year.

The Company's net property yield on current market valuation (after acquisition and operating costs) as at 30 June 2011 was 7.08% (30 June 2010: 7.60%). A detailed yield analysis is included in the Investment Manager's Report on page 11.

The Porto Kali portfolio of Dutch office buildings to which the Company has an exposure has experienced adverse market conditions during the financial year. As such, the estimated recoverable value of the Company's remaining investment (in the form of a loan to the Porto Kali portfolio vehicle) has been written down to nil during the year resulting in an impairment expense of £7.30 million. Discussions on an acceptable exit strategy for the portfolio are ongoing. Further analysis of the Porto Kali investment can be found on page 14.

As at close of business on 30 June 2011, the mid market price of the Company's shares on the London Stock Exchange was 50.13 pence (31 December 2010: 46.75 pence), representing a discount of 32.9% on the Company's Net Asset Value at 30 June 2011 (31 December 2010: 36.4%).

# Chairman's Statement

## Dividend

The fourth interim dividend of 0.75 pence per share in respect of the year ended 30 June 2011 was declared on 5 August 2011 and paid on 02 September 2011. The cumulative interim dividends of 3.00 pence per share or £3.0 million declared in respect of the 12 months to 30 June 2011 were 135% covered by revenue profit. The annual dividend yield is 3.0% on the issue price and 6.0% on the mid market share price at 30 June 2011. Please note that past performance is not a guide to future returns.

In order to prudently manage the Company's cash and as a result of capital expenditure requirements, combined with the costs of the recent refinancing, the Company forecasts that the dividend will need to be materially reduced for the next two quarters to build a sufficient cash buffer. This dividend reduction is expected to be a temporary measure and it is the Company's intention to restore the 0.75 pence per share dividend by March 2012.

## Bank Finance and Hedging Strategy

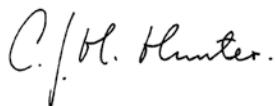
The refinancing of the main facility of €75.76 million with Crédit Agricole Corporate and Investment Bank and Crédit Foncier de France was completed on 28 June 2011. Drawdown of the facility was executed on 1 July 2011 with a maturity date of 1 July 2016. The achievement of this significant step is an important part of the Company's strategy and provides a good basis for the Board and Investment Manager to deliver growth and improve the Company's prospects.

During the year, volatility in the Euro/Sterling exchange rate gave rise to considerable demands on the Company's cash resources in order to maintain the hedging of the net Euro denominated investments and maintain a stable sterling denominated NAV. In the Board's and Investment Manager's view this has become unsustainable and therefore the net investment hedge was discontinued. All foreign currency hedging contracts in place in relation to the Company's net investments in Euro were extinguished at the end of March 2011.

The Company will continue to hedge the net distributable income from Euro denominated subsidiaries using cross currency swaps. In addition, the Group has implemented new interest rate swaps and caps in relation to the new loan to eliminate floating interest rate risk.

## Prospects

While the financial and property markets remain surrounded with challenges and uncertainties, the Company has strengthened its position, and remains focused on some of the more secure markets, including those in Southern Germany, and in food retailing. Off a more stable base and conservatively managed, with the Investment Manager's strong presence in Continental European markets, there are opportunities for growth in asset value and hence the Company, which will be energetically pursued.



**Charles Hunter**  
Chairman  
21 October 2011

**"Off a more stable base and conservatively managed, with the Investment Manager's strong presence in Continental European markets, there are opportunities for growth in asset value and hence the Company, which will be energetically pursued."**

# Investment Manager's Report

## 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 €514 billion of assets under management and over 2,400 employees in 23 countries as at 30 June 2011.

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 €40.1 billion of real estate assets under management and over 500 staff, operating in 22 countries as at 30 June 2011.

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

Two years have already elapsed since the start of the recovery. Gross Domestic Product ("GDP") in Q1 2011 grew by 0.8% in the EU27 and eurozone, a significant improvement from the 0.2% and 0.3% rises of Q4 2010. However, early indicators for Q2 2011 show that the recovery is running out of steam across both the EU27 and eurozone. Household consumption (normally a leading growth factor during this phase of the cycle) is lower than expected, highlighting the fragility of the recovery. Although GDP in Germany in the first quarter grew by 1.3% (5.2% over the year), it fell by just 0.1% in Q2 as imports outpaced exports and consumption contracted.

It is likely that Europe's inflation rate has peaked (even if certain countries' rates, such as the UK's, have not), with the EU27 Consumer Price Index ("CPI") rising by 3.2% in the year to May and the eurozone's at 2.7%. Nevertheless, the eurozone rate remains above the European Central Bank's sub-2% target, albeit slower growth will likely delay any interest rate rises.

Alongside this, eurozone stresses have continued to accelerate during the summer of 2011. The polarisation between government bond yields in the 'stressed countries' (primarily the southern European countries but also Ireland and potentially Italy and Spain) and the 'core countries' has increased. If the euro crisis cannot be contained, it threatens a global downturn and, likely, a global recession.

With the western countries still trying to reduce the sovereign debt incurred in the last recession, a double-dip would not be much more difficult to handle. Yet, even without the stresses with the euro, a double-dip has a 50% probability in historical terms. A fall in GDP growth typically leads to reduced tenant demand and lower rental values although, unlike in most other post-recessionary periods, (non-banking) business sector finances are in remarkably good shape. The problem for the economy is that most businesses do not see any imperative to use that capital to grow and expand their activities.

## The European Real Estate Markets

Prime offices continue to provide rental value growth in contrast to the retail and industrial sectors. Rents rose by 1.7%<sup>1</sup> in Q2 2011, the strongest growth since Q4 2007, although volatility in the data means that caution should be used in interpretation of a single figure. With the exception of the central European countries, where there was no rental value growth, all European regions have seen rents rise over the quarter.

<sup>1</sup>Source: DTZ PMI, July 2011

# Investment Manager's Report

The retail and industrial sectors have seen a less pronounced recovery, with some country exceptions. German retail, for example, after zero growth since mid-2008, has seen rents rise in Q2 2011 by 2.2% as international retailers target the market, attracted by consumer spending growth. Just as in the office sector, rental value growth is occurring in those countries/locations where economic growth is strongest.

The industrial sector is still struggling to absorb the development overhang from 2006-2008 and faces higher vacancy rates (ranging from 15% to 20% across Europe). Net new demand remains limited, with activity driven by consolidation and the re-organisation of supply chains.

Perhaps because of a potential economic double-dip, the markets are becoming cautious again, focusing on the prime/core end of the risk spectrum. The Nordics and Germany offer those defensive qualities and the prospect of some GDP growth translating to rental value growth through tenant expansion.

European quarterly transaction volumes are settling around the long-term average (€26.6 billion). The sector mix – with retail above its long-term average weighting – is a characteristic of this particular recovery, in which the more polarised views of the sector's prospects are facilitating its liquidity. Retail liquidity was notably strong in Germany (25% of all retail transactions during Q2 2011).

In terms of pricing, after a period when property yields appeared poised to rise, prime yields have begun to stabilise or move down in the strongest locations or where security from strong covenants makes this understandable. But there is little evidence that yields are rising in the non-prime parts of the market to reflect inherent tenancy risks. Investor interest should shift to encompass secondary opportunities as rental growth emerges from 2013.

## Outlook for 2012

We have yet to see declining sentiment translate into shifts in real estate investment pricing for most European markets. Similarly, we have yet to see these new pressures build into a shift in investor sentiment – but we expect them to do so. For prime property, yield rises will be marginal – in the region of 10bps in 2012 – and stable in the best locations in the core markets of Central London and Paris Central Business District. By way of comparison, the yield rise from the cyclical low point to the recent cyclical high point was more typically 200bps.

The expected rises are only modest because such assets will continue to appeal to highly risk-averse investors and will, for some, not just be bond substitutes but superior to (government) bonds. Indeed, were it not for the terminal value issues associated with property, we would expect to see property yields below those of government bond yields in most instances. The result will be – for prime property – only a marginal rise in capital values of 0.2% for prime European All Property in 2012. For the eurozone, reflecting the economic weakness of southern Europe, capital growth will be slightly worse at -1.4%.

### Occupier outlook for offices

Rental prospects for offices remain positive, with an expected growth of 3% p.a. until 2013 (2.5% p.a. for retail, 1.9% p.a. for industrial). Significant austerity packages will weigh on consumers, rather than businesses, having a bigger impact on retail and industrial sectors. However, it is expected office rental value growth will underperform retail in 2014 and 2015 as growth slows.

In the short-term, the financial and business services sector will continue to be the strongest component of employment growth, although even this will remain below long-term trend. Recent survey evidence points to more caution about new hires, in line with our economic forecasts of a growth slowdown.

The public sector will not be a significant contributor to employment growth between 2011-2015 due to spending cuts, impacting office markets with a high exposure to government occupiers (Brussels, Rome, Berlin and UK regions). Therefore office markets with exposure to the financial and business service sectors will see stronger performance to 2013.

### Occupier outlook for retail

The cyclical recovery for retail property is expected to be weak in the short-term. Front-loaded austerity packages will squeeze disposable incomes, particularly in 2011 and 2012. The peripheral economies, such as Italy, Spain and Portugal, have been pressured into a more aggressive near-term consolidation path.

# Investment Manager's Report

This will translate to limited rental value growth, exacerbated by the impact of expanding internet sales. Demand for retail space will remain subdued, retailers rationalising space and being cautious about expansion. Any new demand will focus on prime locations (supported by tourists and affluent consumers), with rental declines for secondary stock.

Germany's prime retail areas continue to enjoy strong demand from (international) chain retailers that, having entered the market in 2007/2008, have announced expansion plans for the next couple of years. Initially these retailers have targeted prime locations in the tier-one cities and, if successful, expand to the most attractive second-tier cities (but restricted to prime pitches). Berlin, for example, is experiencing retailer demand with occupiers keen to benefit from strong tourism growth (9.5% in 2010). However, more average and secondary locations will not benefit from similar levels of net new retailer demand or expansions – emphasising a continued polarisation between prime and secondary locations.

Across Europe, prime rental values are estimated to grow by 1.9% on average in 2011, rising to 3.0% p.a. from 2012. Rental value growth will not be a significant factor contributing to performance in the short-term. However, retail spending will normalise to long-term trend by 2014, as austerity packages complete, and prime rental value growth will accelerate from 2014, outperforming offices.

## **Occupier outlook for industrial**

Consumer spending has been a significant contributor in previous recoveries – but is not driving the current phase of the recovery. This is not expected to improve in the short-term, limiting the prospects for both logistics and industrial occupier markets until 2012. This will be more marked in the logistics sector, which is strongly linked to consumption. Whilst freight volumes are back at 2008 levels, growth is slowing. The sharp rebound in trade appears to have run its course. As trade slows, prime European industrial rents will grow by just 1.1% in 2011 and 2.5% in 2012. The picture is even weaker in the eurozone, with only 0.8% rental value growth in 2011 and 1.1% in 2012.

Lettings activity over the past year has largely comprised occupier moves to better quality, more efficient locations, whilst rental values and incentives are favourable. We do not expect this to change before 2013. European occupier net demand will remain below trend with consolidation dominating take-up. Logistics demand will be restricted by an acceleration in efficiency gains for warehouse occupiers, whilst tighter lending criteria for Small and Midsize Enterprises will restrict demand in multi-let warehouses.

With cost pressures rising to the top of the agenda in the second half of 2011, property overheads will come under scrutiny. Availability is expected to remain high in the short-term as primary logistics occupiers (retailers, manufacturers, etc.) increasingly outsource to specialist Third Party Logistics ("3PL") companies, releasing excess space.

## **Medium-term outlook**

Whilst the short-term focus will remain on prime assets – and selected good secondary opportunities with strong covenants – as a result of heightened risk-aversion, medium-term prospects should see investment interest return to selected secondary markets as occupier markets improve from 2013.

## **Investment Activity**

During the year, the value of the direct property portfolio remained relatively stable at €161.6 million providing an average net yield across the portfolio of 7.08% as at 30 June 2011. This confirms the Investment Manager's expectations of the stabilisation of valuations. Due to current market conditions the Investment Manager expects valuation increases are more likely to come from increases in the portfolio income, as a result of the implementation of identified asset management initiatives, rather than yield compression.

At the Phönix Center, Fürth, the Investment Manager has continued to improve the profile and rental levels. The development of the new Edeka unit is now complete and the tenant commenced trading on 27 June 2011. Meanwhile current tenant C&A has signed a new lease, on a larger unit which was previously occupied by ROFU, for a contracted rent of €158,000 for a term of 10 years (subject to a six month rent free period) and will move during Q1 2012. This represents a significant increase on the €93,000 rent previously contracted on the unit.

Terms have also been agreed with an international furniture retailer to take the unit previously occupied by the bowling alley operator, for a term of 15 years and annual rent of €153,000. The lease is expected to be signed during the third quarter of the year and the tenant is expected to take occupation in March 2012, following the successful change in use and required fit out.

# Investment Manager's Report

Discussions have commenced with current tenant Danisches & Bettenlager to merge their current unit with the one to be vacated by C&A into a single 1,697m<sup>2</sup> unit.

At Köthen, following the signing of a 15 year lease with a franchisee of the national DIY retailer Hagebau and the completion of the necessary refurbishment, the tenant has taken occupation and started trading at the end of May 2011.

At Dasing, following the agreement with Deutsch Bahn Schenker in February 2011 to a two year lease extension to July 2012 on 7,294m<sup>2</sup>, terms have been agreed to further prolong their lease until 2014. In exchange the Company has agreed to grant the tenant two months rent free and to carry out a light refurbishment to their social area.

These recent successful asset management initiatives are a significant achievement and are in line with the Company's strategy to enhance income and value.

During the financial year to 30 June 2011 the Investment Manager identified a small number of properties located in Germany targeted for disposal. In April 2011 the Company completed the sale of the asset located in Bernau for €4.15 million. This represented a premium of 18.6% on the valuation as at 31 March 2011. The three remaining assets are being marketed via a national broker with an extensive network of offices and significant experience in the disposal of properties of this nature.

## Property Portfolio at 30 June 2011

Investment name	Country	Sector	Net yield on valuation <sup>1,2</sup>	% of total assets
Phönix Center, Fürth	Germany	Retail	5.59%	14.53%
Rothenburg ob der Tauber	Germany	Retail	7.56%	13.11%
Curno, Bergamo	Italy	Leisure	6.84%	10.26%
Bergamina, Agnadelo	Italy	Industrial	7.65%	8.60%
Bahnhofstraße, Karben	Germany	Retail	7.16%	5.40%
Am Birkfeld, Dasing	Germany	Industrial	5.75%	5.19%
Smakterweg, Venray	The Netherlands	Industrial	9.56%	5.10%
Industriestraße, Montabaur-Heiligenroth	Germany	Retail	8.20%	4.54%
Keyser Center, Antwerp	Belgium	Retail	6.93%	4.30%
Pankower Allee, Berlin	Germany	Retail	7.00%	3.83%
Nürnberger Straße, Treuchtlingen	Germany	Retail	7.46%	3.71%
Other	Germany	Retail	-	17.29%
<b>Total property portfolio</b>			<b>7.08%</b>	<b>95.86%</b>
Other non-current and current assets				4.14%
<b>Total assets</b>				<b>100.00%</b>

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

<sup>2</sup> Source - external independent valuers to the Company, Knight Frank LLP.

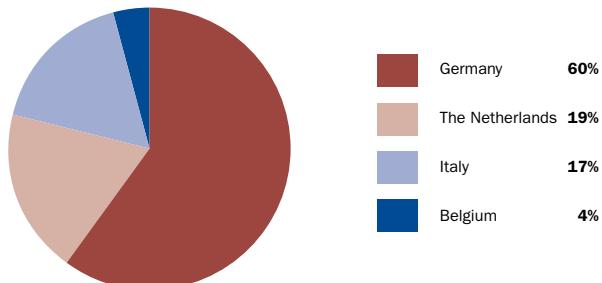
Details of all properties in the portfolio are available on the Company's website [www.axapropertytrust.com](http://www.axapropertytrust.com) under, Portfolio - Our Presence.

Source: AXA Real Estate Investment Managers UK Limited



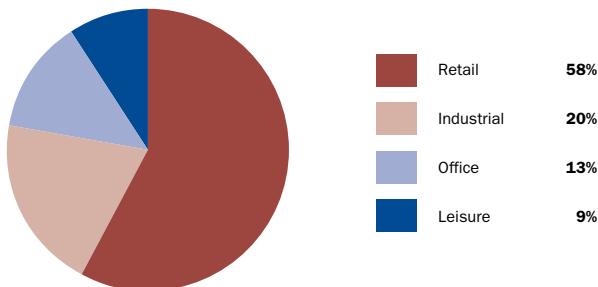
# Investment Manager's Report

## Geographical Analysis at 30 June 2011 by Market Value



The portfolio's income stream remains well protected with a low vacancy rate of 5.1% in respect to the directly held portfolio.

## Sector Analysis at 30 June 2011 by Market Value



Source: AXA Real Estate Investment Managers UK Limited

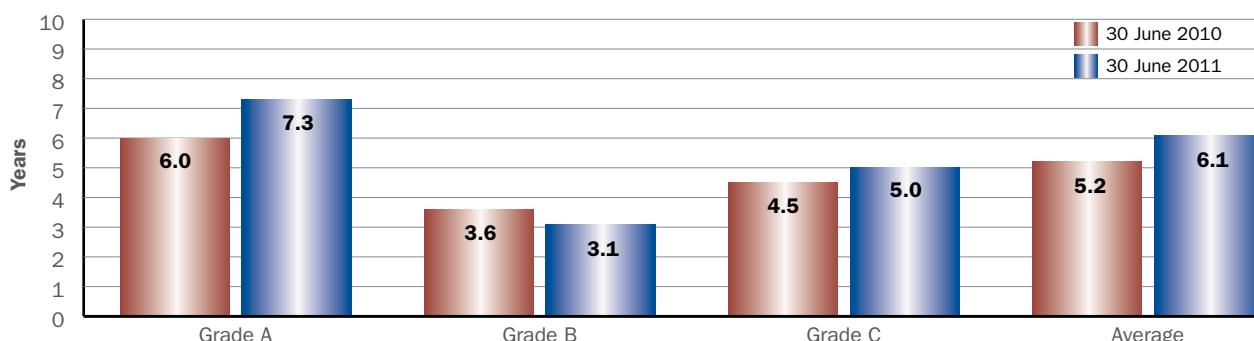
## Covenant Strength Analysis at 30 June 2011

(Based on rental income, and including 12% interest in Porto Kali investment)

Grade A	54.1%	Creditreform:<199; D&B:A 1
Grade B	15.6%	Creditreform:200-249; D&B:B,C,D 1,2
Grade C	20.9%	Creditreform:>250; D&B: D + 3,4
Vacant	9.4%	

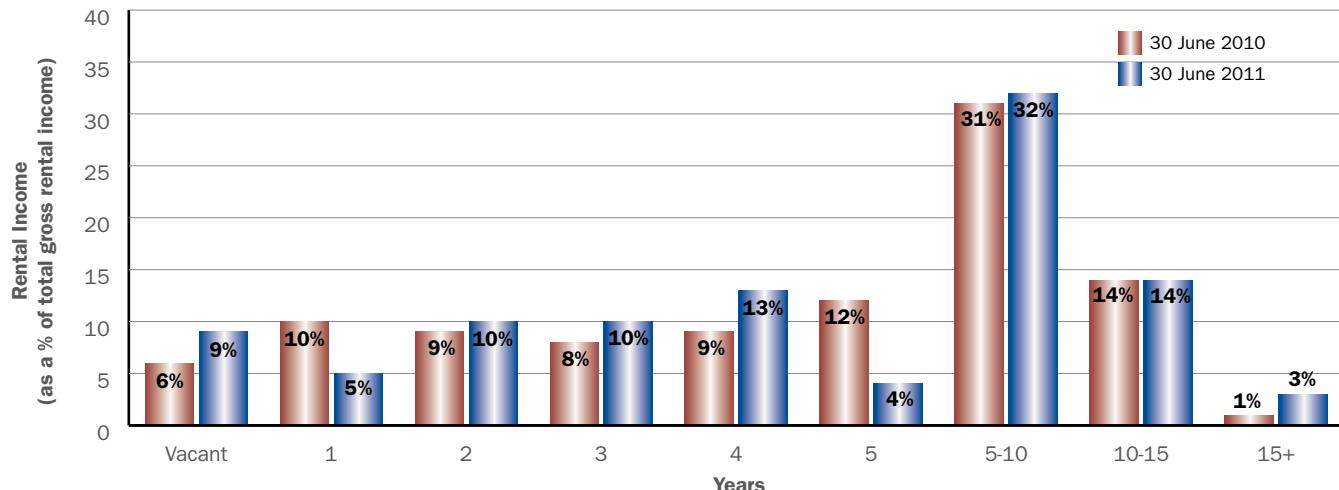
The Company's tenant covenant profile is strong, with 54.1% of tenants rated Grade A, indicating a high credit rating score. Rental income from Grade A covenants has a weighted unexpired lease length of 7.3 years. The average rent-weighted unexpired lease length for the investment portfolio as at 30 June 2011 was 6.1 years compared to 5.8 years at 31 December 2010. Vacant space in the portfolio on 30 June 2011, measured using market rent, represented 9.4% of the total gross rental income compared to 11.0% on 31 December 2010. Excluding the Porto Kali consortium investment, vacancy in the direct portfolio stands at 5.1%.

## Average unexpired lease length profile weighted by rental income



# Investment Manager's Report

## Lease expiry profile weighted by rental income



Source: AXA Real Estate Investment Managers UK Limited

Fund Gearing	30 June 2011	30 June 2010
Property portfolio (£ million)	145.98	132.95
Borrowings (£ million)	72.61	71.42
Total gross gearing excluding Porto Kali <sup>1</sup>	49.7%	53.7%
Total net gearing excluding Porto Kali <sup>1</sup>	46.9%	42.1%
Total gross gearing including Porto Kali <sup>1</sup>	55.2%	57.1%

<sup>1</sup> Fund gearing is included to provide an indication of the overall indebtedness of the Company and does not relate to any covenant terms in the Company's loan facilities. Gross gearing is calculated as debt over property portfolio at fair value. Net gearing is calculated as debt less cash over property portfolio at fair value.

Gross Loan to Value Covenants <sup>2</sup>	30 June 2011	30 June 2010	Maximum
Main loan facility	55.0%	53.5%	65.0%
Joint venture Property Trust Agnadello S.r.l.	59.6%	58.8%	65.0%
Consortium investment Porto Kali	98.3%	77.5%	80.0%

<sup>2</sup> Gross Loan to Value ("LTV") is calculated as debt over property portfolio at fair value.

Interest Cover Ratio <sup>3</sup> at 30 June 2011	Historic	Minimum	Projected	Minimum	Net rental income headroom
Main loan facility covenant	n/a	200.0%	283.0%	185.0%	25.8%
Joint venture Property Trust Agnadello S.r.l.	614.8%	125.0%	493.7%	125.0%	74.7%
Consortium investment Porto Kali	185.0%	120.0%	85.0%	120.0%	n/a

<sup>3</sup> Interest Cover Ratio ("ICR") is calculated as net financing expense payable as a percentage of gross rental income less movement in arrears. Net rental income headroom is based on projected interest cover.

## Main Loan Facility and Hedging Strategy

The Group's main loan facility of €78.64 million with Crédit Agricole Corporate and Investment Bank ("Crédit Agricole") and Landesbank Berlin matured on 3 April 2011. Although terms of the refinancing had been agreed and settled with Crédit Agricole, in March 2011 Landesbank Berlin withdrew from the negotiations. The facility was extended to 1 July 2011 in order to allow the Company time to find the replacement bank, Crédit Foncier de France.

On 30 April 2011 the sale of the Bernau retail warehouse property was completed resulting in a payment of €2.88 million (net of valuation gains) reducing the facility to €75.76 million.

The new facility of €75.76 million with Crédit Agricole and Crédit Foncier de France was executed on 28 June 2011. The maturity date of the facility is 1 July 2016.

# Investment Manager's Report

The main terms of the new facility are:

Total amount	€75.76 million
Loan to Value on bank's valuation	55%
Loan to Value test after one year (due 1 July 2012)	50%
Expiry date	1 July 2016
Margin	2.40%
Arrangement fee	1.00%
Amortisation	None
All-in rate excluding costs	4.89%

The loans drawn under the main loan facility are secured through both mortgages and through share pledges on the property vehicles and their holding companies. Specifically, the lenders have taken 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 Agnadelo 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. ("PTL 3") as of 1 January 2011. At the same time, the shares of the subsidiary Property Trust Köthen S.à r.l. have been transferred to PTL 2 to be included in the security package. In addition, the shares of the subsidiary Property Trust Bernau S.à r.l. have been transferred to PTL 3 as of 1 July 2011 to be excluded from the security package.

## Hedging arrangements

The volatility in the Euro/Sterling exchange rate has given rise to considerable demands on the Company's cash resources in order to maintain the net investment hedge. In order to avoid ongoing demands and considering investor feedback on hedging policy, the Company has discontinued hedging of the net equity investment in Euros. As a result, all foreign currency hedging contracts in place in relation to the Company's net investments in Euro were extinguished at the end of March 2011.

The Company will continue to hedge the net distributable income from Euro denominated subsidiaries using cross currency swaps.

The Group has entered into new interest rate swaps and caps for the period of the facility, effective from 1 July 2011 to 1 July 2016, to eliminate floating interest rate risk. Details of the new hedging contracts are below:

	Counterparty	Contract Rate	Notional Amount	% of Facility
Interest Rate Swap	Crédit Agricole	2.79%	€56.82 million	75%
Interest Rate Cap	Crédit Agricole	3.5%	€11.36 million	15%

## Capital Expenditure and Cash Position

The Company and its subsidiaries held total cash of £4.15 million (€4.60 million) at 30 June 2011.

Following the recently agreed lettings, €1.11 million is expected to be spent on capital expenditure over the next twelve months. The Group monitors the cash position in all subsidiaries to ensure that all working capital needs are managed across the Group.

## Porto Kali Investment and Loan Facility

Adverse valuation movement has accelerated further in the first half of 2011 for the Porto Kali portfolio with an overall decline of 15.1% compared to quarter 4 of 2010 on a like for like basis.

Polarisation between prime and secondary (and good secondary compared to tertiary) assets continues to widen with more transactions having been completed in the last few months as vendors have been forced to reduce pricing (at strong discounts to valuation) in order to dispose of vacant or short-term leased properties in secondary locations.

# Investment Manager's Report

Specific submarkets within the portfolio have been hit harder with longer void periods and reduced Estimated Rental Values ("ERV") as a result of high vacancy and limited tenant demand. Yields for assets in these areas have been increased to reflect the lack of investor appetite other than from opportunistic investors with aggressive pricing. In addition, asset specific events such as notices and lease terminations of large tenants also had a detrimental impact on valuation.

Although eight lease renewals and six new leases were secured in the last six months for an aggregated rent of €0.72 million per annum, total rent passing for the portfolio has decreased by another 1%. Portfolio vacancy has reduced to 30.6%, however this is a result of the decreasing rental value of the vacant space and the disposal of two vacant assets. 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.

The agreed 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 is progressing, albeit quite slowly due to the lack of market appetite, unavailability of financing and aggressive pricing from the very few active purchasers.

Due to the ongoing and significant depreciation of the portfolio value, the senior debt Loan to Value ("LTV") ratio at 30 June 2011 increased to 98.3%, in breach of the revised covenant of 80%. The lender, HSH Nordbank AG, have increased the margin on the loan by 250bps, as defined in the facility agreement, as a result of the loan to value breach. Discussions with the lender to agree a mutually acceptable exit strategy are ongoing. The loan is without recourse to the Company.

As the Porto Kali portfolio continues to experience adverse market conditions, the estimated recoverable value of the Company's remaining investment (in the form of a loan to the Porto Kali portfolio vehicle) has been written down to nil on the Company's balance sheet as at 30 June 2011. The resulting impairment expense of £7.30 million has been made in the financial year in the Statement of Comprehensive Income.

## Portfolio Outlook

Eurozone sovereign debt problems have escalated, leading to a sustained period of volatility in financial markets, and increased demand for lower risk asset classes. Despite above target inflation, the major central banks have indicated an unwillingness to tighten monetary policy quickly, helping to keep borrowing rates low and thus supporting property as an attractive investment.

With limited bank financing and continued economic uncertainty, investors are expected to remain focused on high quality assets with growing incomes, maintaining the above-average spread between prime and secondary yields. This strategy is likely to cause strong competition for the best assets, resulting in prime initial yields being driven further down, whilst secondary assets remain outside of the radar.

Whilst the occupational market remains fragile as tenant demand continues to be subdued, German secondary locations are expected to recover faster than in most western European countries, which should trigger an increase in appetite for this kind of asset.

The Company has benefited from the weighting of the portfolio as Germany has been one of the top performers in the eurozone. The Investment Manager expects the outlook for property investment in the Company's principal market to continue to show signs of improving.

The positive portfolio outlook is driven not only by its exposure to Germany but also by its high quality assets, coupled with focused asset management initiatives capable of delivering strong returns. With the completion of the letting at Köthen the Investment Manager's emphasis will be on the repositioning of the Phönix Center in order to enhance value.

As already announced on the London Stock Exchange, there is a strong likelihood that the dividend will need to be materially reduced for the next two quarters as a result of capital expenditure requirements and the costs of the recent refinancing. This dividend reduction is expected to be a temporary measure and it is the Company's intention to restore the 0.75 pence per share dividend by March 2012.

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.

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.



**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.

**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.

# Report of the Directors

The Directors present their report and audited Consolidated Financial Statements of the Group for the year ended 30 June 2011.

## Principal Activity and Status

AXA Property Trust Limited (the "Company") is an Authorised Closed-ended investment scheme domiciled in Guernsey and has a premium listing on the official list and trades on the main market of the London Stock Exchange. Trading in the Company's ordinary shares commenced on 18 April 2005. The Company and the entities listed in note 23 to the Consolidated Financial Statements together comprise the "Group".

The Company is a member of the Association of Investment Companies ("AIC").

## Investment Objective and Investment Policy

The investment objective and investment policy of the Company are as described on page 24.

## Results and Dividends

The results for the year are set out in the attached Consolidated Financial Statements. The Company has paid quarterly dividends related to the year ended 30 June 2011 as follows:

	Payment date	Rate per Share
First interim	29 November 2010	0.75p
Second interim	28 February 2011	0.75p
Third interim	27 May 2011	0.75p
Fourth interim	2 September 2011	0.75p

## Directors

The Directors who held office during the year and as at 30 June 2011 were:

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

**Mr Marren** is a Director of the Administrator, Northern Trust International Fund Administration Services (Guernsey) Limited.

**Mr Farrell** is a Partner of the Company's Guernsey legal advisers, Mourant Ozannes, Advocates and Notaries Public.

**Mr Ray** is Managing Director of AXA Real Estate Investment Managers Belgium S.A.

**Mr Hunter** and **Mr Ray** are also Directors of the three direct subsidiaries of AXA Property Trust Limited.

# Report of the Directors

The Directors who held office during the year and their interest in the shares of the Company at 30 June 2011 (all of which were beneficial) were:

C. J. Hunter	6,200
G. J. Farrell	-
R. G. Ray	-
J. M. Marren	-
S. C. Monier	85,000

Biographical details of each of the Directors are shown on page 16. An evaluation of the performance of individual Directors was carried out during the year which concluded that the Board is performing satisfactorily in the six areas reviewed: Board composition and meeting process, Board information, training, Board dynamics, Board accountability and effectiveness and an evaluation of the Chairman. During the year the Directors of the Company received the following emoluments in the form of fees:

C. J. Hunter	£20,000
G. J. Farrell	£15,000
R. G. Ray	£15,000
J. M. Marren	£15,000
S. C. Monier	£15,000
	<b>£80,000</b>

The Directors of the subsidiaries of the Group received emoluments amounting to £26,135 (2010: £26,792). Total fees paid to Directors of the Group were £106,171 (2010: £106,813).

## Management

AXA Investment Managers UK Limited (the “Investment Manager”) provides management services to the Company. A summary of the contract between the Company and the Investment Manager in respect of the management services provided is given in note 3 to the Consolidated Financial Statements. During the year, the Board has reviewed the appropriateness of the Investment Manager’s appointment. In carrying out the review the Board considered the investment performance of the Company during its accounting year and the capability and resources of the Investment Manager to deliver satisfactory investment performance. It also considered the length of the notice period of the investment management contract and the fees payable to the Investment Manager, together with the standard of the other services provided. Following this review, it is the Directors’ opinion that the continuing appointment of the Investment Manager on the terms agreed is in the interests of shareholders as a whole.

# Report of the Directors

## Significant Shareholdings

Shareholders with holdings of more than 3% of the issued ordinary shares of the Company as at 30 September 2011 were as follows:

	Number of shares	Percentage
State Street Nominees Limited	28,400,000	28.40
Nutraco Nominees Limited	7,163,879	7.16
Transact Nominees Limited	6,684,421	6.68
Nortrust Nominees Limited	5,000,000	5.00
HSBC Global Custody Nominee (UK) Limited	4,941,871	4.94
Rathbone Nominees Limited	3,992,673	3.99
BDS Nominees Limited	3,176,347	3.18

## Corporate Governance

### Introduction

The Listing Rules require that the Company include a statement in its annual report and accounts of how it has applied the main principles set out in The UK Corporate Governance Code (the "Code"), in a manner that would enable Shareholders to evaluate how the principles have been applied. Further, the report and accounts also need to include a statement as to whether the Company has:

- (i) complied throughout the accounting period with all relevant provisions set out in the Code; or
- (ii) not complied throughout the accounting period with all relevant provisions set out in the Code and if so, setting out those provisions it has not complied with; in the case of provisions whose requirements are of a continuing nature, the period which, if any, it did not comply with some or all of those provisions; and the Company's reasons for non-compliance.

In prior periods, as a closed-ended investment company registered in Guernsey, the Company was eligible for exemption from the requirements of the previous Combined Code on Corporate Governance published by the Financial Reporting Council. However, the Board put in place a framework for corporate governance which it believes was appropriate having regard to the Company's size, stage of development and resources and with reference to the recommendations within the Association of Investment Companies' Corporate Governance Guide for Investment Companies (the "AIC Guide"), which enabled the Company to comply with the main requirements of the previous Combined Code on Corporate Governance. As a result of changes to the UK Listing Regime, with effect from 6 April 2010, the Company must comply with the requirements of the Code. The Code applies to investment companies with accounting periods beginning on or after 29 June 2010. The Guernsey Financial Services Commission issued its Code of Corporate Governance (the "Guernsey Code") on 30 September 2011, which will come into effect on 1 January 2012. Companies which report against the Code or the AIC Code of Corporate Governance (the "AIC Code") are also deemed to meet the Guernsey Code.

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies.

# Report of the Directors

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the Code, except as set out below.

The Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and as explained in the Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

In view of its non-executive nature and the requirement of the Articles of Incorporation that all Directors retire by rotation at least every three years, the Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by Code provision B.2.3 and principle 3 of the AIC Code, or for a Senior Independent Director to be appointed as recommended by Code provision A.4.1 and principle 1 of the AIC Code, or for there to be a Nomination Committee as recommended by Code provision B.2.1 and principle 9 of the AIC Code. As such, the whole Board together nominates candidates for the Board. Only independent directors vote on candidates for the appointment of new independent directors.

The Board consists solely of non-executive Directors of which Mr Hunter is Chairman. With the exception of Mr Ray all Directors are considered by the Board to be independent of the Company's Investment Manager.

New Directors receive an induction from the Investment Manager and Secretary on joining the Board, and all Directors receive other relevant training as necessary. The Chairman regularly reviews and agrees with each Director their training and development needs.

The Company has no executive directors or employees. All matters, including strategy, investment and dividend policies, gearing, and corporate governance procedures, are reserved for the approval of the Board of Directors. The Board currently meets at least quarterly and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings.

Throughout the year the Audit Committee and the Management Engagement Committee have been in operation.

The Audit Committee, chaired by Mr Marren, operates within clearly defined terms of reference and comprises all of the Directors except for Mr Ray. The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual and Interim Financial Statements, the system of internal control and the terms of the appointment of the auditors together with their remuneration.

# Report of the Directors

It is also the forum through which the auditor reports to the Board of Directors and meets at least twice yearly. The objectivity of the auditor is reviewed by the Audit Committee which also reviews the terms under which the external auditors are appointed to perform non-audit services. The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors, with particular regard to non-audit fees. Such fees amounted to £38,479 (2010: £34,899) for the Company for the year ended 30 June 2011 and related to a review of the interim financial information which is normal practice. Notwithstanding such services the Audit Committee considers KPMG Channel Islands Limited to be independent of the Company and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit.

The Management Engagement Committee, chaired by Mr Hunter, comprises the full Board, except for Mr Ray, and reviews the appropriateness of all service providers, including the Investment Manager's continuing appointment together with the terms and conditions thereof on a regular basis.

The table below sets out the number of Board, Audit Committee and Management Engagement Committee meetings held during the year ended 30 June 2011 and the number of meetings attended by each Director.

	Board of Directors		Audit Committee		Management Engagement Committee	
	Held	Attended	Held	Attended	Held	Attended
C. J. Hunter	4	4	2	2	1	1
G. J. Farrell	4	4	2	1	1	1
R. G. Ray	4	4	n/a	n/a	n/a	n/a
J. M. Marren	4	4	2	2	1	1
S. C. Monier	4	3	2	1	1	1

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Company maintains appropriate Directors' and Officers' liability insurance.

## Going Concern

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

## Internal Controls

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the guidance provided by the Turnbull Committee.

# Report of the Directors

**“The Board welcomes shareholders’ views and places great importance on communication with its shareholders.”**

Such review procedures have been in place throughout the financial year and up to the date of approval of the Annual Report, and the Board is satisfied with their effectiveness. By their nature these procedures can provide reasonable, but not absolute, assurance against material misstatement or loss. At each Board meeting the Board monitors the investment performance of the Company in comparison to its stated objective and against comparable companies. The Board also reviews the Company’s activities since the last Board meeting to ensure that the Investment Manager adheres to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to such policy and guidelines. In addition, at each quarterly Board meeting, the Board receives reports from the Secretary in respect of compliance matters and duties performed on behalf of the Company.

The Board has reviewed the need for an internal audit function. The Board has decided that the systems and procedures employed by the Investment Manager and the Secretary, including their internal audit functions, provide sufficient assurance that a sound system of risk management and internal control, which safeguards the Company’s assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

## **Relations with Shareholders**

The Board welcomes shareholders’ views and places great importance on communication with its shareholders. The Board receives regular reports on the views of shareholders and the Chairman and other Directors are available to meet shareholders if required. The Investment Manager meets with major shareholders on a regular basis and reports to the Board on these meetings. Issues of concern can be addressed by any shareholder by writing to the Company at its registered address (see page 57 for Corporate Information). The Annual General Meeting (“AGM”) of the Company provides a forum for shareholders to meet and discuss issues with the Directors and Investment Manager of the Company.

## **Directors’ Authority to Buy Back Shares**

Any buy back of shares will be made subject to Guernsey law and within guidelines established from time to time by the Board (which will take into account the income and cash flow requirements of the Company) and the making and timing of any buy backs will be at the absolute discretion of the Board. Purchases of shares will only be made through the market for cash at prices below the prevailing Net Asset Value of the shares where the Directors believe such purchases will enhance shareholder value.

Such purchases will also only be made in accordance with the rules of the UK Listing Authority which sets a cap on the price that the Company can pay.

## **Directors’ Authority to Allot Shares on a Non Pre-Emptive Basis**

Changes to the listing regime came into force on 6 April 2010. In accordance with the new provisions of the Listing Rules, the directors of a premium listed company are not permitted from 5 April 2011 to allot new shares (or grant rights over shares) for cash without first offering them to existing shareholders in proportion to their existing holdings.

# Report of the Directors

Pursuant to the AGM which took place on 16 December 2010 ("2010 AGM"), the Directors are generally empowered to allot 10,000,000 Ordinary shares of no par value for cash as if any pre-emption rights in relation to the issue of shares set out in the Listing rules did not apply to any such allotment, for the period expiring on the date falling eighteen months after the date of passing of the resolution or the conclusion of the next AGM, whichever is the earlier. This is equivalent to 10% of the issued Ordinary Share capital of the Company. It is expected that the Company will seek this authority at the AGM on an annual basis.

## New Articles of Incorporation

At the 2010 AGM, a resolution was passed to adopt New Articles of Incorporation with immediate effect which take account of changes introduced by the Companies (Guernsey) Law, 2008.

## Independent auditor

KPMG Channel Islands Limited have expressed their willingness to continue in office as auditor and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

C. H. Hunter.



**Charles Hunter**  
Chairman  
21 October 2011

**John Marren**  
Director  
21 October 2011

# Investment Objective and Investment Policy

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).

## Diversification and Asset Allocation

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 interests 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.

Asset allocation will be determined by taking into account current Listing Rule requirements (see below under 'General') and the Company's investment objective, policy and restrictions.

## Borrowings

The Company has the power under its Articles of Incorporation to borrow up to an amount equal to 50% of the value of the Group's investment properties, valued on a market value basis by an independent valuer at the time of drawdown.

## General

The Company and, where relevant, its subsidiaries will observe the investment restrictions imposed on closed-ended investment companies from time to time by the Listing Rules of the UK Listing Authority.

The Directors do not currently intend to propose any material changes to the Company's investment policy, save in the case of exceptional or unforeseen circumstances.

Any material change to the investment objective or policy described above will only be made following shareholder approval.

While there will be no pre-defined limit on exposures to these factors, the Company's portfolio will be invested and managed, as is currently required by the Listing Rules, in a way which is consistent with its object of spreading investment risk and taking into account the Company's investment objective, policy and restrictions.

# Directors' Responsibility Statement

The Directors are responsible for preparing the Directors' Report and the Consolidated Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law they have elected to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards and applicable law.

The Consolidated Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Consolidated Financial Statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Consolidated Financial Statements; and
- prepare the Consolidated Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Consolidated Financial Statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Disclosure of information to auditors

So far as each Director is aware, there is no relevant information of which the Company's auditor is unaware and has taken all the steps he ought to have taken as a Director to make himself aware of any relevant information and to establish that the Company's auditor is aware of this information.

## Directors' Responsibility Statement

We confirm that to the best of our knowledge and in accordance with DTR 4.1.12R of the Disclosure and Transparency Rules:

- (a) The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as at and for the year ended 30 June 2011.
- (b) The financial report, which includes information detailed in the Chairman's Statement, Investment Manager's and Directors' Reports and Notes to the Consolidated Financial Statements provides a fair review of the development and performance of the Group during the year; and includes a description of the principal risks and uncertainties that the Group faced as at and for the year ended 30 June 2011.

  
C. Hunter.

**Charles Hunter**  
Chairman  
21 October 2011

  
John Marren

Director  
21 October 2011

# Independent Auditor's Report to the Members of AXA Property Trust Limited

We have audited the Group financial statements (the "financial statements") of AXA Property Trust Limited (the "Company" and together with its subsidiaries the "Group") for the year ended 30 June 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the IASB.

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

## **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibility Statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

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

# Independent Auditor's Report to the Members of AXA Property Trust Limited

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2011 and of its loss for the year then ended;
- are in accordance with International Financial Reporting Standards as issued by the IASB; and
- comply with the Companies (Guernsey) Law, 2008.

## Matters on which we are required to report by exception

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

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the nine provisions of the UK Code of Corporate Governance as specified for our review.



**Ewan McGill**

for and on behalf of KPMG Channel Islands Limited  
Chartered Accountants and Recognised Auditors

21 October 2011

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	Year ended 30 June 2011 £000s	Year ended 30 June 2010 £000s
Gross rental income	4	11,663	12,694
Service charge income		767	702
Property operating expenses		(2,095)	(1,798)
<b>Net rental and related income</b>		<b>10,335</b>	<b>11,598</b>
Net foreign exchange gain/(loss)		5,299	(569)
<b>Net foreign exchange gain/(loss)</b>		<b>5,299</b>	<b>(569)</b>
Valuation loss on investment properties		(1,188)	(9,395)
Net gain on disposal of investment property		410	-
Impairment loss	11	(7,295)	(555)
<b>Net valuation loss on investment properties and financial assets</b>		<b>(8,073)</b>	<b>(9,950)</b>
(Loss)/gain on forward currency contracts	20	(5,141)	4,381
(Loss)/gain on currency hedge	20	(698)	1,491
Unrealised gain/(loss) on other derivatives		23	(41)
Investment management fees		(1,348)	(1,353)
Sponsor's fees	3	(40)	(46)
Administrative expenses	5	(1,435)	(1,411)
<b>Total (expenses)/income</b>		<b>(8,639)</b>	<b>3,021</b>
<b>Net operating (loss)/gain</b>		<b>(1,078)</b>	<b>4,100</b>
<b>Financial income/expenses</b>			
Interest income from bank deposits		21	37
Finance costs		(2,497)	(4,018)
Loan facility commitment fees		(512)	(185)
<b>Loss before tax</b>		<b>(4,066)</b>	<b>(66)</b>
<b>Income tax expense</b>	17	<b>(313)</b>	<b>(1,003)</b>
<b>Loss for the year</b>		<b>(4,379)</b>	<b>(1,069)</b>
<b>Loss for the year</b>		<b>(4,379)</b>	<b>(1,069)</b>
<b>Other comprehensive income</b>			
Effective portion of changes in fair value of hedges		2,505	2,098
Income tax relating to interest rate swap		-	(45)
Foreign exchange translation gain/(loss)		1,602	(3,437)
<b>Other comprehensive income/(expense) for the year</b>	2	<b>4,107</b>	<b>(1,384)</b>
<b>Total comprehensive loss for the year</b>		<b>(272)</b>	<b>(2,453)</b>
Basic and diluted loss per ordinary share (pence)	6	(4.38)	(1.07)

The accompanying notes on pages 32 – 55 form an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity

## For the year ended 30 June 2011

	Revaluation reserve £000s	Hedging reserve £000s	Revenue reserve £000s	Distributable reserve £000s	Foreign currency reserve £000s	Total £000s
	Note 21	Note 21		Note 21	Note 21	
<b>Balance at 1 July 2010</b>	<b>(35,559)</b>	<b>(3,643)</b>	<b>5,922</b>	<b>92,948</b>	<b>18,341</b>	<b>78,009</b>
Net loss	(8,050)	-	3,671	-	-	(4,379)
Other comprehensive income	-	2,505	-	-	1,602	4,107
Total comprehensive loss for the year	(8,050)	2,505	3,671	-	1,602	(272)
<b>Contributions by and distributions to owners</b>						
Dividends to equity holders (Note 7)	-	-	(3,000)	-	-	(3,000)
<b>Balance at 30 June 2011</b>	<b>(43,609)</b>	<b>(1,138)</b>	<b>6,593</b>	<b>92,948</b>	<b>19,943</b>	<b>74,737</b>

## For the year ended 30 June 2010

	Revaluation reserve £000s	Hedging reserve £000s	Revenue reserve £000s	Distributable reserve £000s	Foreign currency reserve £000s	Total £000s
	Note 21	Note 21		Note 21	Note 21	
<b>Balance at 1 July 2009</b>	<b>(25,568)</b>	<b>(5,696)</b>	<b>-</b>	<b>92,948</b>	<b>21,778</b>	<b>83,462</b>
Net loss	(9,991)	-	8,922	-	-	(1,069)
Other comprehensive loss	-	2,053	-	-	(3,437)	(1,384)
Total comprehensive loss for the year	(9,991)	2,053	8,922	-	(3,437)	(2,453)
<b>Contributions by and distributions to owners</b>						
Dividends to equity holders (Note 7)	-	-	(3,000)	-	-	(3,000)
<b>Balance at 30 June 2010</b>	<b>(35,559)</b>	<b>(3,643)</b>	<b>5,922</b>	<b>92,948</b>	<b>18,341</b>	<b>78,009</b>

The accompanying notes on pages 32 – 55 form an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Financial Position

As at 30 June 2011

	Notes	30 June 2011 £000s	30 June 2010 £000s
<b>Non-current assets</b>			
Investment properties	8	145,979	132,951
Loan receivable	11	-	6,969
Derivative financial instruments	20	-	1
Deferred tax assets	17	278	135
<b>Current assets</b>			
Cash and cash equivalents	12	4,149	15,473
Trade and other receivables	13	2,199	1,257
<b>Total assets</b>		<b>152,605</b>	<b>156,786</b>
<b>Current liabilities</b>			
Trade and other payables	14	3,249	2,605
Current portion of long-term loans	15	8,128	64,012
Derivative financial instruments	20	500	600
<b>Non-current liabilities</b>			
Deferred tax liability	17	1,012	1,068
Long-term loans	16	64,483	7,412
Derivative financial instruments	20	496	3,080
<b>Total liabilities</b>		<b>77,868</b>	<b>78,777</b>
<b>Net assets</b>		<b>74,737</b>	<b>78,009</b>
Share capital	18	-	-
Reserves	21	74,737	78,009
<b>Total equity</b>		<b>74,737</b>	<b>78,009</b>
Number of ordinary shares		100,000,000	100,000,000
<b>Net asset value per ordinary share (pence)</b>	19	<b>74.74</b>	<b>78.01</b>

The accompanying notes on pages 32 – 55 form an integral part of these Consolidated Financial Statements.

By order of the Board

*C. H. Hunter.*

**Charles Hunter**

Chairman

21 October 2011



**John Marren**

Director

21 October 2011

# Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	Notes	Year ended 30 June 2011 £000s	Year ended 30 June 2010 £000s
<b>Operating activities</b>			
Loss before tax		(4,066)	(66)
Adjustments for:			
Unrealised loss on revaluation of investment properties and financial assets		8,073	9,950
Unrealised gain on forward currency contracts		(784)	(4,381)
Unrealised loss/(gain) on currency hedge		355	(1,491)
Unrealised gain/(loss) on other derivatives		(23)	41
(Increase)/decrease in trade and other receivables		(976)	723
Increase/(decrease) in trade and other payables		390	(763)
Bank interest		(21)	(37)
Interest expense		2,497	4,018
Foreign exchange (gain)/loss		(5,299)	569
Amortisation of loan facility fees		512	185
<b>Net cash generated from operations</b>		<b>658</b>	<b>8,748</b>
Interest income received		23	48
Interest paid		(2,700)	(4,103)
Tax paid	17	(209)	(673)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(2,228)</b>	<b>4,020</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment	8	(3,909)	(1,037)
Proceeds from disposal of investment property	8	3,750	-
<b>Net cash outflow from investing activities</b>		<b>(159)</b>	<b>(1,037)</b>
<b>Financing activities</b>			
Crédit Agricole loan facility repaid		(3,062)	-
Dividends paid	7	(3,000)	(3,000)
<b>Net cash outflow from financing activities</b>		<b>(6,062)</b>	<b>(3,000)</b>
Effect of exchange rate fluctuations		(2,875)	(1,834)
<b>(Decrease) in cash and cash equivalents</b>		<b>(11,324)</b>	<b>(1,851)</b>
Cash and cash equivalents at start of the year		15,473	17,324
<b>Cash and cash equivalents at year end</b>		<b>4,149</b>	<b>15,473</b>

The accompanying notes on pages 32 – 55 form an integral part of these Consolidated Financial Statements.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

## 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 Consolidated Financial Statements of the Company for the year ended 30 June 2011 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 Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), they give a true and fair view and are in compliance with the Companies (Guernsey) Law, 2008.

The Consolidated Financial Statements were approved by the Board of Directors on 21 October 2011.

### Adoption of new and revised standards

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 July 2010 which did not have any impact on the financial position or performance of the Group:

- (i) *Improvements to IFRSs 2009 as issued by the IASB in April 2009:*
  - *Non-current Assets Held for Sale and Discontinued Operations (Amendments to IFRS 5);*
  - *Operating Segments (Amendments to IFRS 8);*
  - *Presentation of Financial Statements (Amendments to IAS 1);*
  - *Statement of Cash Flows (Amendments to IAS 7);*
  - *Leases (Amendments to IAS 17);*
  - *Impairment of Assets (Amendments to IAS 36); and*
  - *Financial Instruments: Recognition and Measurement (Amendments to IAS 39).*
- (ii) *Improvements to IFRSs 2010 as issued by the IASB in May 2010:*
  - *Business Combinations (Amendments to IFRS 3); and*
  - *Consolidated and Separate Financial Statements (Amendments to IAS 27).*
- (iii) *Additional Exemptions for First-time Adopters (Amendments to IFRS 1)*
- (iv) *Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2)*
- (v) *Classification of Rights Issues (Amendments to IAS 32)*
- (vi) *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*
- (vii) *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Amendments to IFRS 1)*

### Standards, interpretations and amendments to published statements not yet effective

At the reporting date of these Consolidated Financial Statements, the following standards, interpretations and amendments, which have not been applied in these Consolidated Financial Statements, were in issue but not yet effective:

- IFRS 9 Financial Instruments (Effective 1 January 2013)
- IFRS 10 Consolidated Financial Statements (Effective 1 January 2013)
- IFRS 11 Joint Arrangements (Effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (Effective 1 January 2013)
- IFRS 13 Fair Value Measurement (Effective 1 January 2013)
- IAS 19 Employee Benefits (amended 2011) (Effective 1 January 2013)
- IAS 27 Separate Financial Statements (2011) (Effective 1 January 2013)
- IAS 28 Investments in Associates and Joint Ventures (2011) (Effective 1 January 2013)
- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) (Effective 1 July 2011)
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1) (Effective 1 July 2011)
- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12) (Effective 1 January 2012)
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) (Effective 1 July 2012)

# Notes to the Consolidated Financial Statements

The Directors anticipate that the adoption of these Standards in future periods will have no material financial impact on the financial statements of the Group.

## **(b) Basis of preparation**

The Consolidated Financial Statements are presented in Sterling which is also the functional currency of the Company. The 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 financial statements in conformity with IFRS 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.

## **(c) Foreign currency translation**

### *(i) Functional and presentation currencies*

The Company's functional currency is Sterling and the subsidiaries' functional currency is Euro. The presentation currency of the Company and the Group is Sterling.

### *(ii) Foreign currency transactions*

Transactions in foreign currencies are translated to Sterling at the spot foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Sterling at foreign exchange rates ruling at the dates the fair value was determined.

### *(iii) Financial statements of foreign operations*

The assets and liabilities of foreign operations, arising on consolidation, are translated to Sterling at the foreign exchange rates ruling at the statement of financial position date. The income and expenses of foreign operations are translated to Sterling at an average rate. Foreign exchange differences arising on retranslation are recognised as a separate component of equity.

## **(d) Basis of consolidation**

### *(i) Subsidiaries*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June each year. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Where properties are acquired by the Group through corporate acquisitions and there are no significant assets or liabilities other than the property, the acquisition has been treated as an asset acquisition. Subsidiaries are accounted for at cost less impairment in the Company's financial statements.

### *(ii) Transactions eliminated on consolidation*

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in preparing the consolidated financial statements.

### *(iii) Non-controlling interests*

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

# Notes to the Consolidated Financial Statements

## (iv) Joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other ventures. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

## (e) Income recognition

Income from certificates of deposit and interest income from banks and subsidiaries are recognised on an effective yield basis.

Rental income from investment property leased out under operating leases is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives are amortised over the whole lease term.

Tracking interest income based on rental yields earned on profit participating loans is accrued as earned.

## (f) Expenses

Expenses are accounted for on an accruals basis.

Service costs for service contracts entered into by the Group acting as the principal are recorded when such services are rendered. The Group is entitled to recover such costs from the tenants of the investment properties. The recovery of costs is recognised as service income on an accrual basis.

## (g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits carried at cost. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## (h) Dividends

Dividends are recognised as a liability in the period in which they become obligations of the Company. All dividends are paid as interim dividends. Interim dividends are recognised when paid. Final dividends are recognised once they are approved by shareholders.

## (i) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

## (j) Investment properties

Investment properties are those which are held to earn rental income and capital appreciation and are recognised as such once all material conditions in the exchanged purchase contracts are satisfied. They are initially recognised at cost, being the fair value of consideration given, including transaction costs and any acquisition costs directly attributable to the acquisition of the property. Acquisition costs incurred on exchanged but not completed contracts are recognised as other assets in the statement of financial position. Acquisition costs on properties under offer which had not exchanged by 30 June 2011 are expensed in the statement of comprehensive income.

After initial recognition, investment properties are measured at fair value using the fair value model with unrealised gains and losses recognised in the statement of comprehensive income. Realised gains and losses upon disposal of properties are recognised in the statement of comprehensive income. Quarterly valuations 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.

# Notes to the Consolidated Financial Statements

Valuations reflect, where appropriate, the types of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their creditworthiness, the allocation of maintenance and insurance responsibilities between lessor and lessees, and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

## **(k) Investments at fair value through profit or loss**

An instrument is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

The equity investment held in the Porto Kali portfolio has been designated by the Directors as fair value through profit or loss in order to achieve an accounting treatment consistent with the Group's other property investments.

## **(l) Loans and receivables**

Loans advanced and other receivables are classified as loans and receivables. Loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

## **(m) Derecognition of financial instruments**

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through arrangement"; or
- the Company has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled.

## **(n) Short-term investments**

Certificates of deposits are measured at fair value which is market value, all having a maturity of less than one year. Certificates of deposits are recognised on acquisition and shown in current assets on the statement of financial position, they are derecognised on disposal with any realised gains or losses being included in the statement of comprehensive income.

## **(o) Impairment**

The carrying amounts of the Group's assets, other than investment property, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

## **(p) Taxation**

The Company has obtained exempt company status in Guernsey under the terms of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and accordingly is subject to an annual fee of £600. The Directors intend to conduct the Group's affairs such that it continues to remain eligible for exemption.

# Notes to the Consolidated Financial Statements

The Company's subsidiaries are subject to income tax on any income arising on investment properties, after deduction of debt financing costs and other allowable expenses. However, when a subsidiary owns a property located in a country other than its country of residence the taxation of the income is defined in accordance with the double taxation treaty signed between the country where the property is located and the residence country of the subsidiary.

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year as determined under local tax law, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous periods.

Deferred income tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset is utilised.

Details of current tax and deferred tax assets and liabilities are disclosed in note 17.

**(q) Significant estimates and judgements**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equate to the related actual results. The estimates and assumptions that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are related to the Group's property valuation policy. Properties are valued quarterly by external independent valuers as at the end of each calendar quarter. Their valuations are reviewed quarterly by the Board.

Quarterly valuations of investment properties are carried out by Knight Frank LLP external independent valuers to the Company, in accordance with the Royal Institution of Chartered Surveyors' ("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.

In view of market instability, the valuers refer to the RICS Valuation Standards Guidance Note 5 (Valuation Uncertainty). Investor sentiment towards property investment has weakened considerably since 2009. Far fewer negotiations are resulting in transactions as many investors wait to see how market pricing will ultimately adjust to changing economic and restrictive credit conditions. In consequence, there are a limited number of comparable transactions. Knight Frank LLP's opinion of Market Value is provided in light of these conditions.

**(r) Derivative financial instruments**

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost which is also deemed to be fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged, as explained in section (s).

The fair value of interest rate swaps and cross currency swaps is the estimated amount that the Group would receive or pay to terminate the swap at the statement of financial position date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

**(s) Hedge accounting**

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

# Notes to the Consolidated Financial Statements

The Company no longer hedges its net investments in Euro. As such, all currency hedging contracts in place as reported at 31 December 2010 in relation to its net investments in Euro have been terminated.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Company would receive or pay to terminate the contract at the statement of financial position date taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates on the valuation date.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

#### *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Note 20 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the Consolidated Statement of Changes in Equity.

#### **(t) Determination and presentation of operating segments**

The Board of Directors is charged with setting the Company's investment strategy in accordance with the Prospectus. They have delegated the day to day implementation of this strategy to its Investment Manager but retain responsibility to ensure that adequate resources of the Company are directed in accordance with their decisions. The investment decisions of the Investment Manager are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Board. The Investment Manager has been given full authority to act on behalf of the Company. Under the terms of the Investment Management Agreement dated 18 April 2005, subject to the overall supervision of the Board, the Investment Manager advises on the general allocation of the assets of the Company between different investments, advises the Company on its borrowing policy and geared investment position, manages the investment of the Company's subscription proceeds and short-term liquidity in fixed income instruments and advises on the use of (and management of) derivatives and hedging by the Company. Whilst the Investment Manager may make the investment decisions on a day to day basis regarding the allocation of funds to different investments, any changes to the investment strategy or major allocation decisions have to be approved by the Board, even though they may be proposed by the Investment Manager. The Board therefore retains full responsibility as to the major allocations made on an ongoing basis. The Investment Manager will always act under the terms of the Prospectus and the Investment Management Agreement dated 18 April 2005 which cannot be radically changed without the approval of the Board of Directors.

The Board has considered the requirements of IFRS 8, 'Operating Segments'. The Board is of the view that the Company is engaged in a single segment of business, being investment in properties in Europe including the United Kingdom.

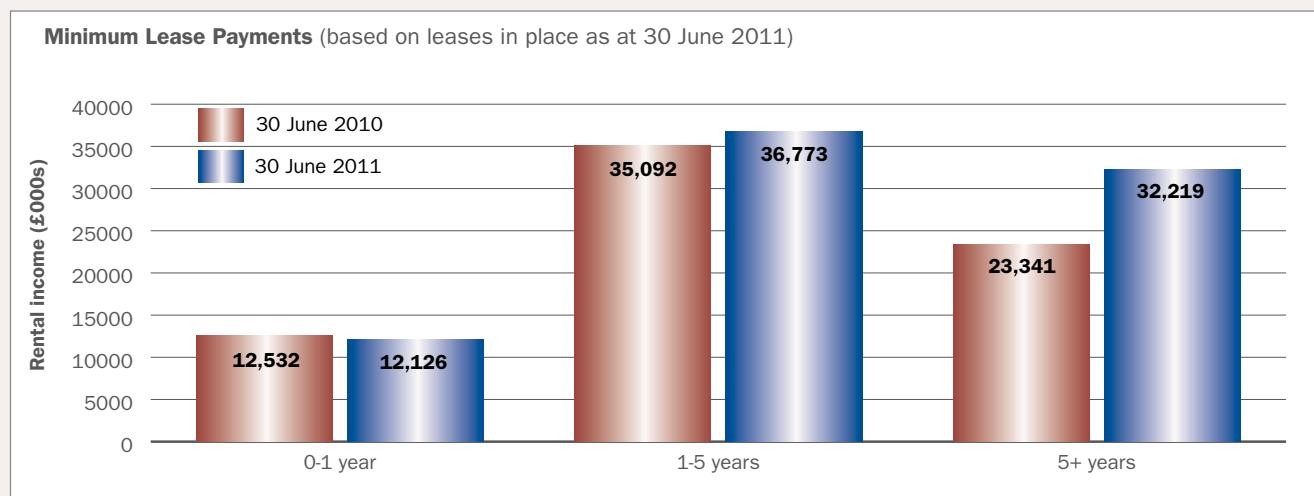
# Notes to the Consolidated Financial Statements

## 3. Material agreements

- (i) AXA Investment Managers UK Limited has been appointed as the Investment Manager of the Group pursuant to an Investment Management Agreement dated 18 April 2005. The Investment Manager is responsible for advising the Group on the overall management of the Group's investments and for managing the Group's investments in fixed income instruments in accordance with the Group's investment objective and policy, subject to the overall supervision of the Directors. Under the terms of the Investment Management Agreement, the Investment Manager is entitled to a management fee of 90 basis points per annum of gross assets together with reasonable expenses payable quarterly in arrears. The management fee shall be reduced by an amount equal to the fees payable to the Real Estate Adviser by the property subsidiaries such that the total fees payable by the Group to the Investment Real Estate Adviser and Investment Manager will not exceed 90 basis points per annum. Either party may terminate the Investment Management Agreement with not less than 12 months' notice in writing.
- (ii) Oriel Securities Limited is Sponsor and Broker to the Company. The Company will pay a retainer of £50,000 per annum payable in four equal tranches quarterly in arrears.
- (iii) Northern Trust International Fund Administration Services (Guernsey) Limited is Administrator, Secretary and Registrar to the Company pursuant to the Administration Agreement dated 13 April 2005. The Administrator is entitled to receive a fixed fee of £65,000 per annum plus a variable fee which is dependant on additional work carried out by the Administrator for the Company from time to time. In addition, the Administrator shall be entitled to be reimbursed for all reasonable out of pocket expenses incurred in the performance of its duties.

## 4. Gross rental income

Gross rental income for the year ended 30 June 2011 amounted to £11.66 million (2010: £12.69 million). The Group leases out all of its investment property under operating leases and are structured in accordance with local practices in Belgium, Germany, Italy and The Netherlands. Leases in Belgium follow the 3/6/9 structure, whereas the Group's leases in Germany, Italy and The Netherlands have fixed terms of typically between 5 and 10 years. All leases benefit from indexation.



# Notes to the Consolidated Financial Statements

## 5. Administrative expenses

	30 June 2011 £000s	30 June 2010 £000s
Administration fees	(491)	(488)
General expenses	(208)	(423)
Audit fees	(200)	(189)
Legal and professional fees	(387)	(161)
Directors' fees	(106)	(107)
Insurance fees	(43)	(43)
<b>Total</b>	<b>(1,435)</b>	<b>(1,411)</b>

Each of the Directors receives a fee of £15,000 (2010: £15,000) per annum from the Company. The Chairman receives a fee of £20,000 (2010: £20,000) per annum. The aggregate remuneration and benefits in kind of the Directors in respect of the Company's year ended 30 June 2011 amounted to £80,000 (2010: £80,000) in respect of the Company and £106,171 (2010: £106,813) in respect of the Group.

## 6. Basic and diluted loss per Share

The basic and diluted loss per share for the Group is based on the net loss for the year of £4.38 million (2010: £1.07 million) and the weighted average number of Ordinary Shares in issue during the year of 100,000,000 (2010: 100,000,000).

## 7. Dividends

Dividend payment date	No. of Ordinary Shares	Rate (pence)	30 June 2011 £000s	30 June 2010 £000s
28 August 2009	100,000,000	0.75	-	750
27 November 2009	100,000,000	0.75	-	750
26 February 2010	100,000,000	0.75	-	750
28 May 2010	100,000,000	0.75	-	750
27 August 2010	100,000,000	0.75	750	-
29 November 2010	100,000,000	0.75	750	-
28 February 2011	100,000,000	0.75	750	-
27 May 2011	100,000,000	0.75	750	-
<b>Total</b>			<b>3,000</b>	<b>3,000</b>

A further dividend of £750,000 (0.75 pence per share) was declared on 5 August 2011. The ex-dividend date was 17 August 2011 and the payment date was 2 September 2011.

The cumulative dividends of £3.00 million declared in respect of the year ended 30 June 2011 were 135% covered by "revenue" profits.

# Notes to the Consolidated Financial Statements

## 8. Investment properties

	30 June 2011 £000s	30 June 2010 £000s
<b>Cost at the beginning of year</b>	<b>134,689</b>	<b>134,277</b>
Capital expenditure	3,788	412
Disposal during the period	(3,638)	-
Net gain on disposal	410	-
<b>Cost of investment properties</b>	<b>135,249</b>	<b>134,689</b>
Fair value adjustments	(31,374)	(30,596)
Foreign exchange translation	42,104	28,858
<b>Market value</b>	<b>145,979</b>	<b>132,951</b>

Investment properties comprise a number of commercial properties that are leased to third parties. The portfolio on page 11 shows the properties acquired by the Group.

On 30 April 2011, the sale of the retail warehouse property in Bernau, Germany, to a major German furniture retailer was completed. The sale price achieved was €4.15 million (€4.028 million, net), which was 18.6% in excess of the valuation as at 31 March 2011.

The fair value of investment property has been determined on the basis of open market value in accordance with the RICS Appraisal and Valuation Standards. Open market value is the estimated amount for which a property should exchange on the date of valuation, in an arm's-length transaction. Quarterly valuations are carried out at 31 March, 30 June, 30 September and 31 December by Knight Frank LLP external independent valuers. As set out in note 2(q), in arriving at their estimates of open market value, the valuers have used their market knowledge and professional judgement and not only relied on historical transactional comparables. The significant assumptions made relating to valuations are set out below:

<b>2011</b>	<b>Germany</b>	<b>The Netherlands</b>	<b>Italy</b>	<b>Belgium</b>
Passing rent per sqm p.a.	€90.57	€54.51	€82.24	€122.12
Estimated rental value (market rent) per sqm p.a.	€96.78	€52.85	€74.28	€114.92
Average net initial yield	6.79%	10.01%	7.33%	6.93%
Average net reversionary yield	7.30%	9.69%	6.55%	6.74%
Inflation Rate	2.00%	1.90%	2.30%	3.30%
Long-term vacancy rate	9.70%	17.50%	8.70%	12.55%
Long-term growth in real rental rates	1.70%	4.62%	0.00%	7.30%

<b>2010</b>	<b>Germany</b>	<b>The Netherlands</b>	<b>Italy</b>	<b>Belgium</b>
Passing rent per sqm p.a.	€96.59	€54.51	€81.14	€119.09
Estimated rental value (market rent) per sqm p.a.	€91.92	€52.85	€74.28	€114.56
Average net initial yield	7.76%	8.82%	6.84%	6.94%
Average net reversionary yield	7.36%	8.54%	6.20%	6.92%
Inflation Rate	1.20%	0.90%	1.60%	2.30%
Long-term vacancy rate	10.40%	16.46%	8.88%	12.22%
Long-term growth in real rental rates	0.30%	3.10%	0.00%	3.80%

# Notes to the Consolidated Financial Statements

## Market Price Risk

Property and property related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where a sale occurs shortly after the valuation date. Rental income and the market value for properties are generally affected by overall conditions in the local economy, such as growth in Gross Domestic Product ("GDP"), employment trends, inflation and changes in interest rates. Changes in GDP may also impact employment levels, which in turn may impact the demand for premises. Furthermore, movements in interest rates may affect the cost of financing for real estate companies.

Both rental income and property values may be affected by other factors specific to the real estate market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of the bankruptcy or the insolvency of tenants, the periodic need to renovate, repair and release space and the costs thereof, the costs of maintenance and insurance, and increased operating costs. The Investment Manager addresses market risk through a selective investment process, credit evaluations of tenants, ongoing monitoring of tenants and through effective management of the properties.

## Market price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to property valuation risks at the reporting date. Any changes in market conditions will directly affect the profit or loss reported through the statement of comprehensive income. A 5% increase in the value of the direct properties (after deferred tax) at 30 June 2011 would have increased net assets and income for the year by £5.84 million (2010: £5.32 million). A decrease of 5% would have had an equal but opposite effect.

The underlying property portfolio of the indirect property fund (Porto Kali) has decreased significantly during the year, resulting in negative net assets of the portfolio. As a result, the investment in the Company's statement of financial position has been reduced to nil (see note 11). A 5% increase in the underlying Porto Kali property portfolio at 30 June 2011 would have had nil impact on the net assets and income for the year (2010: £0.82 million increase). Similarly, a decrease of 5% would have had a nil impact (2010: nil).

## 9. Joint ventures

On 16 October 2006 the Group disposed of 50% of the equity in the Italian subsidiary Property Trust Agnadelo S.r.l. which holds a logistics warehouse in Agnadelo, Italy. The equity was acquired by European Added Value Fund S.à r.l., a subsidiary of European Added Value Fund Limited ("EAVF"). The Manager of EAVF is Partnership Incorporations Limited, which has appointed AXA Real Estate Investment Managers UK Limited to act as real estate adviser to EAVF. The transaction was at arm's-length, at no gain or loss and the sale price represented market value. The underlying property value was confirmed by Knight Frank LLP independent valuers to the Company.

The Group is entitled to a proportionate share of the rental income received and bears a proportionate share of the outgoings. The following amounts are included in the Group financial statements as a result of the proportionate consolidation of Property Trust Agnadelo S.r.l.:

	30 June 2011 £000s	30 June 2010 £000s
Current assets	986	395
Non-current assets	13,115	12,527
Current liabilities	628	392
Non-current liabilities	11,975	10,760

	30 June 2011 £000s	30 June 2010 £000s
Income	1,138	1,154
Expenses including valuation gains and losses on investment property and derivatives	1,698	754

# Notes to the Consolidated Financial Statements

## 10. Other investments

Financial assets designated at fair value through profit or loss includes the 12% equity investment held in the holding company of the Dutch office portfolio Porto Kali. The investment was acquired for £1.02 million on 22 June 2007. At 30 June 2011 the fair value of the investment was nil (2010: nil) as the portfolio of underlying entities reported negative net assets, largely as a result of capitalised acquisition costs which have since been included in unrealised losses on the fair valuation of the property portfolio.

## 11. Loan receivable

The Porto Kali joint investment was funded by equity of £1.02 million (€1.50 million) and a Euro-denominated shareholder loan (non-Group loan receivable) of £9.11 million (€13.53 million). The loan is unsecured, bears interest at Euribor plus 2.25% per annum and is repayable on 18 June 2017.

The estimated recoverable value of the Company's loan receivable related to the Porto Kali investment as at 30 June 2011, using a discounted cash flow model in the Group accounts, has been written down to £nil (€nil) (2010: £6.97 million (€8.5 million)). The related impairment expense was £7.30 million (€8.52 million), resulting in a total impairment allowance of £11.55 million (€13.50 million) (2010: £4.25 million, €4.98 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 two 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. The negative present value of the loan receivable as at 30 June 2011 indicates the loan is not recoverable.

## 12. Cash and cash equivalents

	30 June 2011 £000s	30 June 2010 £000s
Bank balances	4,149	5,514
Fixed deposits	-	9,959
<b>Total</b>	<b>4,149</b>	<b>15,473</b>

Interest earned on bank balances is at prevailing floating rates.

## 13. Trade and other receivables

### Amounts falling due within one year:

	30 June 2011 £000s	30 June 2010 £000s
Withholding tax receivable	717	613
Other receivable	727	32
VAT receivable	353	208
Rent receivable	141	164
Accrued income	170	150
Prepayments	90	87
Interest on deposits	1	3
<b>Total</b>	<b>2,199</b>	<b>1,257</b>

The book values of trade and other receivables are considered to be approximately equal to their fair value. Rent receivable is non-interest bearing and typically due within 30 days. Other receivable includes a deposit payment of £0.56 million (€0.62 million) in relation to the construction costs of the new Edeka unit at Fürth, Germany. This receivable is due by August 2011.

# Notes to the Consolidated Financial Statements

## 14. Trade and other payables

	30 June 2011 £000s	30 June 2010 £000s
Investment manager's fee	373	379
Property manager's fee	56	28
Other	582	755
Tax	625	477
Interest payable on loan facility	88	320
Legal and professional fees	1,211	154
VAT payable	-	153
Audit fee	124	154
Administration and Company Secretarial fees	144	107
Property acquisition costs	26	24
Rent prepaid	16	19
Directors' fees	4	10
Sponsor fees	-	25
<b>Total</b>	<b>3,249</b>	<b>2,605</b>

Trade payables are non-interest bearing and are normally settled on 30-day terms.

## 15. Current portion of long-term loans

	30 June 2011 £000s	30 June 2010 £000s
Secured bank loan	8,128	64,012

The Group has a 50% interest in the joint venture Property Trust Agnadelo S.r.l. which holds bank debt of £8.13 million (€9.0 million) as at 30 June 2011. The loan matures in December 2011 and has been re-classified as a current liability on the Consolidated Statement of Financial Position as at 30 June 2011. The bank loan is secured over the property and assets of the joint venture. Terms are being discussed to refinance the facility.

As at 30 June 2011, the main facility of €75.76 million (30 June 2010: €78.64 million) previously classified as a current liability has been refinanced for a further 5 years. See note 16 for further details.

## 16. Long-term loans

	30 June 2011 £000s	30 June 2010 £000s
<b>Non-current liabilities</b>		
Secured bank loan	64,390	7,331
Loan due to third party	93	81
<b>Total</b>	<b>64,483</b>	<b>7,412</b>

The Group's secured bank loan of €78.64 million with Crédit Agricole Corporate and Investment Bank ("Crédit Agricole") and Landesbank Berlin matured on 3 April 2011 and was extended until 1 July 2011 in order to allow the Company time to complete the refinancing of the loan. On 28 June 2011, the refinancing of the secured bank loan was executed with Crédit Agricole and Crédit Foncier de France ("Crédit Foncier") for a total amount of €75.76 million. The new facility is for a period of five years and matures on 1 July 2016. As at 30 June 2011, the new loan facility has been recognised as a long-term liability and the previous liability of €78.64 million has been derecognised.

# Notes to the Consolidated Financial Statements

The main terms of the new facility are:

Total amount	€75.76 million
Loan to Value on bank's valuation	55%
Loan to Value test after one year (due 1 July 2012)	50%
Expiry date	1 July 2016
Margin	2.40%
Arrangement fee	1.00%
Amortisation	None
All-in rate excluding costs	4.89%

The new facility is secured through both mortgages and through share pledges on the property vehicles and their holding companies.

## 17. Taxation

	30 June 2011 £000s	30 June 2010 £000s
<b>Reconciliation of effective tax rate</b>		
Effect of:		
Current tax		
Luxembourg	81	-
Italy	210	207
The Netherlands	50	82
Germany	(8)	288
<b>Total current tax</b>	<b>333</b>	<b>577</b>
<b>Deferred tax</b>		
Investment property	(111)	483
Derivatives	213	-
Tax value of loss carried forwards recognised	(122)	(57)
<b>Total deferred tax</b>	<b>(20)</b>	<b>426</b>
<b>Tax charge during the year</b>		
Payment on account	(209)	(673)
<b>Taxation payable</b>	<b>104</b>	<b>330</b>

# Notes to the Consolidated Financial Statements

## Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

	30 June 2011		
	Assets £000s	Liabilities £000s	Net £000s
Investment property	-	(1,012)	(1,012)
Derivatives	-	-	-
Tax value of loss carry forwards recognised	278	-	278
<b>Tax assets/(liabilities)</b>	<b>278</b>	<b>(1,012)</b>	<b>(734)</b>

	30 June 2010		
	Assets £000s	Liabilities £000s	Net £000s
Investment property	-	(1,023)	(1,023)
Derivatives	-	(45)	(45)
Tax value of loss carry forwards recognised	135	-	135
<b>Tax assets/(liabilities)</b>	<b>135</b>	<b>(1,068)</b>	<b>(933)</b>

## Movement in temporary differences

	1 July 2010 £000s	Recognised in statement of comprehensive income £000s	Foreign exchange translation £000s	30 June 2011 £000s
Investment property	(1,906)	111	(190)	(1,985)
Investment property - change in tax rate	882	-	91	973
Derivatives	(45)	61	(16)	-
Tax value of loss carry forwards recognised	293	122	(3)	412
Tax value of loss carry forwards recognised - change in tax rate	(157)	-	23	(134)
<b>Tax assets/(liabilities)</b>	<b>(933)</b>	<b>294</b>	<b>(95)</b>	<b>(734)</b>

	1 July 2009 £000s	Recognised in statement of comprehensive income £000s	Foreign exchange translation £000s	30 June 2010 £000s
Investment property	(1,514)	(483)	91	(1,906)
Investment property - change in tax rate	918	-	(36)	882
Derivatives	-	(45)	-	(45)
Tax value of loss carry forwards recognised	234	57	2	293
Tax value of loss carry forwards recognised - change in tax rate	(149)	-	(8)	(157)
<b>Tax assets/(liabilities)</b>	<b>(511)</b>	<b>(471)</b>	<b>49</b>	<b>(933)</b>

The Company is exempt from Guernsey taxation. The general income tax rate in Guernsey is 0%.

# Notes to the Consolidated Financial Statements

## 18. Share capital

	30 June 2011	30 June 2010		
	Number of Shares	Share Premium £000s	Number of Shares	Share Premium £000s
Shares of no par value issued and fully paid	100,000,000	100,000	100,000,000	100,000

### Capital risk management

The Company's capital is represented by the Ordinary Shares, revaluation reserves, capital reserves, hedging reserves, distributable reserves and foreign exchange reserves. The capital of the Company is managed in accordance with its investment policy in pursuit of its investment objective, both of which are set out on page 24. It is not subject to externally imposed capital requirements.

The Company was authorised at the Annual General Meeting ("AGM") on 16 December 2010 to make market purchases of up to 14.99% of its Ordinary Shares until the earlier of the next AGM or 31 December 2011. Purchases will only be made at prices below the prevailing Net Asset Value of the shares where the Directors believe such purchases will enhance shareholder value. In the Prospectus (issued by the Company on 18 April 2005), the Directors stated their intention to seek annual renewal of this authority. Share buy backs are at the discretion of the Board.

Additionally, following the AGM which took place on 16 December 2010, the Directors are generally empowered to allot 10,000,000 Ordinary shares of no par value for cash as if any pre-emption rights in relation to the issue of shares set out in the Listing rules did not apply to any such allotment. This is equivalent to 10% of the issued Ordinary Share capital of the Company. It is expected that the Company will seek this authority at the AGM on an annual basis.

## 19. Net asset value per ordinary share

The Net Asset Value per Ordinary Share at 30 June 2011 is based on the net assets attributable to the ordinary shareholders of £74.74 million (2010: £78.01 million) and on 100,000,000 (2010: 100,000,000) ordinary shares in issue at the Consolidated Statement of Financial Position date.

## 20. 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 instruments 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 review and agree policies for managing its risk exposure. These policies are summarised below.

### 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's 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.

# Notes to the Consolidated Financial Statements

At the reporting date, the carrying amounts of the financial assets exposed to credit risk were as follows:

At 30 June 2011	Within one year £000s	1-2 years £000s	2-5 years £000s	More than 5 years £000s	Total £000s
Cash and cash equivalents	4,149	-	-	-	4,149
Rent receivable	141	-	-	-	141
Trade and other receivables	2,058	-	-	-	2,058
Derivative financial instruments	-	-	-	-	-
Loan receivable	-	-	-	-	-
<b>Total</b>	<b>6,348</b>	-	-	-	<b>6,348</b>

At 30 June 2010	Within one year £000s	1-2 years £000s	2-5 years £000s	More than 5 years £000s	Total £000s
Cash and cash equivalents	15,473	-	-	-	15,473
Rent receivable	164	-	-	-	164
Trade and other receivables	1,093	-	-	-	1,093
Derivative financial instruments	-	1	-	-	1
Loan receivable	-	-	-	6,969	6,969
<b>Total</b>	<b>16,730</b>	<b>1</b>	-	<b>6,969</b>	<b>23,700</b>

## 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 enables 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.

The table below summarises the maturity profile of the Group's financial liabilities.

At 30 June 2011	Less than 3 months £000s	3-12 months £000s	1-5 years £000s	Total £000s
Interest bearing loans	-	8,128	64,483	72,611
Trade and other payables	2,437	812	-	3,249
<b>Derivative financial instruments</b>				
Interest rate swaps and caps	-	18	-	18
Cross currency swaps	-	482	496	978
Forwards	-	-	-	-
<b>Total</b>	<b>2,437</b>	<b>9,440</b>	<b>64,979</b>	<b>76,856</b>

# Notes to the Consolidated Financial Statements

At 30 June 2010	Less than 3 months £000s	3-12 months £000s	1-5 years £000s	Total £000s
Interest bearing loans	-	64,012	7,412	71,424
Trade and other payables	1,444	1,161	-	2,605
<b>Derivative financial instruments</b>				
Interest rate swaps and caps	600	-	61	661
Cross currency swaps	-	-	1,420	1,420
Forwards	-	-	1,599	1,599
<b>Total</b>	<b>2,044</b>	<b>65,173</b>	<b>10,492</b>	<b>77,709</b>

## 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 and Crédit Foncier at floating interest rates. The Group historically sought to manage 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 4.50% became effective until the maturity of the related loans. At 30 June 2011, the Group had interest rate caps with a notional contract amount of £8.13 million (€9.0 million) (2010: £71.75 million (€87.64 million)). At 30 June 2011, a 1% increase in the interest rates (*ceteris paribus*) would have had a nil impact on the Group's equity (2010: £0.60 million increase). Similarly a decrease of 1% would have had a nil impact (2010: £0.60 million decrease).

As part of the refinancing of the €75.76 million loan facility, the Group has entered into new interest rate swaps and caps for the period of the facility, effective from 1 July 2011 to 1 July 2016, to eliminate floating interest rate risk. Details of the new hedging contracts are below:

	Counterparty	Contract Rate	Notional Amount	% of Facility
Interest Rate Swap	Crédit Agricole	2.79%	€56.82 million	75%
Interest Rate Cap	Crédit Agricole	3.5%	€11.36 million	15%

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 or loss over the loan period.

# Notes to the Consolidated Financial Statements

## Interest rate and cross currency hedges

	30 June 2011		30 June 2010	
	Assets £000s	Liabilities £000s	Assets £000s	Liabilities £000s
<b>Non-current</b>				
Interest rate swaps and caps	-	18	1	661
Cross currency swaps	-	978	-	1,420
	<b>-</b>	<b>996</b>	<b>1</b>	<b>2,081</b>

The following table details the notional principal amounts, fair values and maturity profiles of the remaining items of interest rate swap and foreign exchange swap contracts outstanding as at the reporting date.

## Cash flow hedge

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	30 June 2011 %	30 June 2010 %	30 June 2011 €000s	30 June 2010 €000s	30 June 2011 €000s	30 June 2010 €000s
<b>Interest rate swaps and caps</b>						
Less than 1 year	4.50%	-	9,000	-	(18)	-
2 - 5 years	-	3.82% - 4.72%	-	78,635	-	(660)
<b>Cross currency swaps</b>						
0 - 2 years	4.18% - 4.63%	-	101,860	-	(978)	-
2 - 5 years	-	4.18% - 4.63%	-	148,568	-	(1,420)

The interest rate swaps settle on a quarterly basis. The basis of floating rate is 3-month Euribor which at the year end was 1.55% (2010: 0.77%). The Group will settle the difference between the fixed and floating rate on a net basis.

## Interest re-pricing

	Effective interest rate %	As at 30 June 2011		
		Total as per statement of financial position £000s	Fixed rate £000s	Floating rate 3 months or less £000s
<b>Financial assets</b>				
Loan receivable	-	-	-	-
Cash and cash equivalents	-	4,149	-	4,149
<b>Total</b>	<b>4,149</b>	<b>-</b>	<b>-</b>	<b>4,149</b>
<b>Financial liabilities</b>				
Current portion of long-term loans	2.18%	8,128	-	8,128
Long-term loans	4.89% - 5.0%	64,483	94	64,389
<b>Total</b>	<b>72,611</b>	<b>94</b>	<b>-</b>	<b>72,517</b>

# Notes to the Consolidated Financial Statements

		As at 30 June 2010		
	Effective interest rate %	Total as per statement of financial position £000s	Fixed rate £000s	Floating rate 3 months or less £000s
<b>Financial assets</b>				
Loan receivable		6,969	-	6,969
Cash and cash equivalents		15,473	-	15,473
<b>Total</b>		<b>22,442</b>	-	<b>22,442</b>
<b>Financial liabilities</b>				
Current portion of long-term loans	2.05%	64,012	-	64,012
Long-term loans	1.49% - 5.0%	7,412	81	7,331
<b>Total</b>		<b>71,424</b>	<b>81</b>	<b>71,343</b>

## 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.

As part of the recent refinancing of the Company's €75.76 million facility, two of the five cross currency swap contracts with Crédit Agricole were terminated on 31 March 2011 resulting in payments from the Group of £276,461 and £65,824. As a result, in accordance with the Company's accounting policy, the previous hedge accounting retained in equity of £0.8 million in relation to these cross currency swap contracts has been reversed to the Consolidated Statement of Comprehensive Income. In addition, the gain of £0.31 million for the year, relating to these contracts, has been recognised in the Consolidated Statement of Comprehensive Income.

As at 30 June 2011, the Group has hedged foreign currency exposure in respect of £0.77 million (€1.10 million) quarterly interest receipts in Euro 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.

The unrealised gain of £0.13 million for the year ended 30 June 2011 relating to the three remaining cash flow hedges has been recognised in the Consolidated Statement of Comprehensive Income. The Group will implement new cross currency contracts to replace the existing contracts upon expiry.

## Net investment hedging

The Company previously used certain forward contracts as a hedge of its net investment in subsidiaries, whose functional currency is the Euro. During the first half of the financial year, the Company followed a short-term hedging strategy during which two of the three long-term forward contracts with a notional amount of £72.2 million (€80.0 million) were closed, resulting in a payment from the Group of £520,132. At the same time, the Company also entered into short-term forward currency contracts, each with a notional amount of £45.2 million (€50.0 million).

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

In accordance with the Company's accounting policy, the previous hedge accounting retained in equity of £0.8 million in relation to these forward contracts has been reversed to the Consolidated Statement of Comprehensive Income. In addition, the gain of £1.60 million for the year, relating to these forward contracts, has been recognised in the Consolidated Statement of Comprehensive Income.

# Notes to the Consolidated Financial Statements

The following table sets out the total exposure to foreign currency risk and the net exposure to foreign currency of monetary assets and liabilities based on notional amounts.

	Monetary assets £000s	Monetary liabilities £000s	Forward foreign exchange contracts £000s	Net exposure £000s
At 30 June 2011	6,295	(75,860)	-	(69,565)
At 30 June 2010	23,594	(74,029)	96,649	46,214

## Foreign currency risk sensitivity

The following table demonstrates the sensitivity to potential fluctuations in the Euro exchange rate (ceteris paribus) of the Group's equity.

	Increase/decrease in Euro exchange rate	Effect on equity £000s
At 30 June 2011	+5%	3,478
	-5%	(3,478)
At 30 June 2010	+5%	(2,311)
	-5%	2,311

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).

30 June 2011	Level 1 £000s	Level 2 £000s	Level 3 £000s
<b>Assets measured at fair value</b>			
Interest rate swaps			
Interest rate swaps	-	-	-
<b>Liabilities measured at fair value</b>			
Interest rate swaps	-	18	-
Currency hedges	-	978	-
Forwards	-	-	-
<b>Total</b>	-	<b>996</b>	-

30 June 2010	Level 1 £000s	Level 2 £000s	Level 3 £000s
<b>Assets measured at fair value</b>			
Interest rate swaps			
Interest rate swaps	-	1	-
<b>Liabilities measured at fair value</b>			
Interest rate swaps	-	661	-
Currency hedges	-	1,420	-
Forwards	-	1,599	-
<b>Total</b>	-	<b>3,680</b>	-

# Notes to the Consolidated Financial Statements

The Group had the following derivative contracts outstanding as at the reporting date:

30 June 2011				
Counterparty	Settlement date	Average exchange rate	Foreign currency €000s	Fair value £000s
<b>Forward currency contracts</b>				
Crédit Agricole Corporate & Investment Bank	n/a	n/a	-	-
30 June 2010				
Counterparty	Settlement date	Average exchange rate	Foreign currency €000s	Fair value £000s
<b>Forward currency contracts</b>				
Crédit Agricole Corporate & Investment Bank	30/06/2015	1.19 - 1.25	120,000	(1,599)
30 June 2011				
Counterparty	Settlement date	Average exchange rate	Notional amount €000s	Fair value £000s
<b>Cross currency swap</b>				
National Australia Bank Ltd.	30/04/2012	1.42 - 1.44	57,416	(482)
National Australia Bank Ltd.	31/08/2012	1.43	44,444	(496)
Crédit Agricole Corporate & Investment Bank	n/a	n/a	-	-
30 June 2010				
Counterparty	Settlement date	Average exchange rate	Notional amount €000s	Fair value £000s
<b>Cross currency swap</b>				
National Australia Bank Ltd.	30/04/2012	1.42 - 1.44	57,416	(573)
National Australia Bank Ltd.	31/08/2012	1.42	44,444	(533)
Crédit Agricole Corporate & Investment Bank	30/04/2012	1.23 - 1.44	46,707	(314)
30 June 2011				
Counterparty	Settlement date	Fixed interest rate	Notional amount €000s	Fair value £000s
<b>Interest rate swaps</b>				
Crédit Agricole Corporate & Investment Bank	n/a	n/a	-	-
<b>Interest rate caps</b>				
Crédit Agricole Corporate & Investment Bank	02/01/2012	4.50%	9,000	(18)
30 June 2010				
Counterparty	Settlement date	Fixed interest rate	Notional amount €000s	Fair value £000s
<b>Interest rate swaps</b>				
Crédit Agricole Corporate & Investment Bank	30/07/2010	3.82% - 4.72%	78,635	(600)
<b>Interest rate caps</b>				
Crédit Agricole Corporate & Investment Bank	02/01/2012	4.50%	87,636	(61)

# Notes to the Consolidated Financial Statements

## 21. Reserves

### (a) **Revaluation reserves**

Revaluation reserves of the Group arose from the revaluation of investment properties, financial assets and derivatives. The amounts in these reserves have already been recognised through the Consolidated Statement of Comprehensive Income and therefore are an allocation of the results for the year.

### (b) **Hedging reserves**

Hedging reserves comprise the effective portion of the cumulative net change in the fair value of hedging instruments.

	30 June 2011 £000s	30 June 2010 £000s
Balance at beginning of financial year	(3,643)	(5,696)
<b>Movement on cash flow hedges:</b>		
Interest rate swaps	890	2,210
Currency swaps	799	(157)
<b>Movement on forward currency contracts:</b>		
Forward currency contracts	816	-
<b>Balance at end of financial year</b>	<b>(1,138)</b>	<b>(3,643)</b>

### (c) **Distributable reserves**

Distributable reserves arose from the cancellation of the share premium account pursuant to the special resolution passed at the Extraordinary General Meeting on 13 April 2005 and approved by the Royal Court of Guernsey on 24 June 2005.

### (d) **Foreign exchange reserves**

Foreign exchange reserves arose as a result of the translation of the financial statements of foreign operations, the functional and presentation currency of which is not Sterling.

## 22. 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 consolidated statement of comprehensive income during the period in respect of Mourant Ozannes legal fees was £19,965 (2010: £7,604), of which £12,643 (2010: £nil) remained payable at the year end.

**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 consolidated statement of comprehensive income during the period in respect of Northern Trust administration fees was £235,491 (2010: £216,489) of which £nil (2010: £nil) remained payable at the year 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 year, fees of £1.35 million (2010: £1.35 million) were expensed to the consolidated statement of comprehensive income of which £0.37 million (2010: £0.38 million) remained payable at the year end.

All the above transactions were undertaken at arm's-length.

# Notes to the Consolidated Financial Statements

## 23. Group entities

AXA Property Trust Limited, the Company, is the parent of the Group. It was incorporated in Guernsey on 5 April 2005. The Company owns the following subsidiaries as at the reporting date:

Subsidiaries	Investment in subsidiaries £000s	Country of incorporation	Date of incorporation	Ownership interest %	Principal activities
Property Trust Luxembourg 1 S.à r.l.	1,292	Luxembourg	20 July 2005	100	Holding Company
Property Trust Luxembourg 2 S.à r.l.	1,251	Luxembourg	24 November 2005	100	Holding Company
Property Trust Luxembourg 3 S.à r.l.	152	Luxembourg	2 June 2006	100	Holding Company
<b>Total</b>	<b>2,695</b>				

Owned by 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. as at the reporting date:

	Country of incorporation	Ownership interest %
<b>Property Trust Luxembourg 1 S.à r.l.</b>		
Property Trust Karben S.à r.l.	Luxembourg	100
Property Trust Treuchtlingen S.à r.l.	Luxembourg	100
Property Trust Altenstadt S.à r.l.	Luxembourg	100
Property Trust Wuerzburg S.à r.l.	Luxembourg	100
Property Trust Moosburg S.à r.l.	Luxembourg	100
Property Trust Muehldorf S.à r.l.	Luxembourg	100
Property Trust Berlin 1 S.à r.l.	Luxembourg	100
Property Trust Fürth S.à r.l.	Luxembourg	100
Property Trust Berlin 4 S.à r.l.	Luxembourg	100
Property Trust Netherlands 1 B.V.	The Netherlands	100
Keyser Center N.V.	Belgium	0.05
<b>Property Trust Luxembourg 2 S.à r.l.</b>		
Property Trust Bernau S.à r.l.	Luxembourg	100
Property Trust Köthen S.à r.l.	Luxembourg	100
Property Trust Rothenburg 1 S.à r.l.	Luxembourg	100
Property Trust Rothenburg 2 S.à r.l.	Luxembourg	100
Property Trust Kraichtal S.à r.l.	Luxembourg	100
Property Trust Montabauer S.à r.l.	Luxembourg	100
Property Trust Dasing S.à r.l.	Luxembourg	100
Property Trust Dresden S.à r.l.	Luxembourg	100
Keyser Center N.V.	Belgium	99.95
Multiplex 1 S.r.l.	Italy	100
<b>Property Trust Luxembourg 3 S.à r.l.</b>		
Property Trust Agnadello S.r.l.	Italy	50
Property Trust Kali S.à r.l.	Luxembourg	100

# Notes to the Consolidated Financial Statements

## 24. Commitments

### Guarantees

The Company has provided mortgages over the properties in the amount of €75.76 million in favour of the lenders, Crédit Agricole and Crédit Foncier, 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.l. which holds long-term bank debt of £16.26 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, for £8.13 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

#### *Fürth, Germany*

Following the Group's signature of a 15.5 year lease with Edeka, construction works for a new larger unit at the Phönix Center have been completed at a cost of €3.54 million as at 30 June 2011.

C&A has signed a new 10 year lease and will take an enlarged unit at the Phönix Center. Terms have also been agreed with an international furniture retailer to take another unit.

Further capital expenditure requirements in relation to the Phönix Center are budgeted at €1.11 million in the next financial year to 30 June 2012.

#### *Köthen, Germany*

As reported at 31 December 2010, a 15 year lease was signed with a franchisee of the national DIY retailer Hagebau for an annual rent of €250,000. The Group agreed to a tenant incentive of €0.60 million in respect of improvement works, with a concession of 19.5 months rent free.

The fit out works have been completed and the tenant started trading at the end of May 2011.

## 25. Subsequent events

### Main loan facility

Further to the sale of the retail warehouse property at Bernau, Germany, on 1 July 2011 the shares in the subsidiary company Property Trust Bernau S.à r.l. were transferred to Property Trust Luxembourg 3 S.à r.l. in order to remove it from the security package of the facility.

# Corporate Information



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R. G. Ray

J. M. Marren

S. C. Monier

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