



## 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 exist in respect of at least 80% of the surface area of the relevant property.

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

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



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

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Phönix Center, Fürth, Germany

## **Financial Highlights**

#### For the six months ended 31 December 2011

- Total return on Net Asset Value ("NAV") was -13.2%
- Sterling currency NAV decreased by 14.8% to £63.65 million (Euro currency NAV decreased by 7.93% to €76.20 million)
- Losses were 0.48 pence per share
- Cumulative dividends paid relating to the six month period were 1.00 pence per share

#### As at 31 December 2011

- Share price¹ was 41.75 pence per share (30 June 2011: 50.13 pence)
- Gearing<sup>2</sup> was 50.6% (gross) and 48.7% (net) (30 June 2011: 49.7% and 46.9%)



## **Performance Summary**

	Six months ended 31 December 2011	Year ended 30 June 2011	% change
Net Asset Value ("NAV") (£000s)	63,647	74,737	(14.8%)
NAV per share	63.65p	74.74p	(14.8%)
Losses per share	(0.48p)	(4.38p)	n/a
Dividends relating to the period/year	1.00p	3.00p	n/a
Dividends paid during the period/year	1.25p	3.00p	n/a
Share price <sup>1</sup>	41.75p	50.13p	(16.7%)
Share price discount to NAV	34.4%	32.9%	n/a
Gearing (gross) <sup>2</sup>	50.6%	49.7%	n/a
Total assets less current liabilities (£000s) <sup>3</sup>	123,506	140,728	n/a

Total return	Six months ended 31 December 2011	Six months ended 31 December 2010
NAV Total Return	(13.2%)	(3.8%)
Share price Total Return		
- AXA Property Trust	(14.5%)	3.6%
- FTSE All Share Index	(6.2%)	22.0%
- FTSE Real Estate Investment Trust Index	(27.7%)	23.4%

#### 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.
- $^{\rm 3}$  Includes bank debt classified as a current liability.

Source: AXA Investment Managers UK Limited and Datastream

#### **Chairman's Statement**



Charles Hunter, Chairman

Company's intention to restore the 0.75 pence per share dividend at the March 2012 quarter.

The Board of AXA Property Trust Limited remains confident of the future prospects for the Company's portfolio. Given the macro economic and political environment, AXA Property Trust is subject to conditions and market pricing that are outside the control of the Board and Investment Manager. These factors have had an inevitable impact on the half year results. In the first half of 2011 we were pleased to secure bank finance at 50% loan-to-value ratio until 2016, putting the Company on more stable footing; during the second half of 2011 in Euro currency terms, performance has been steady with relatively modest appraised property market valuation declines and further positive progress on active management initiatives.

#### **Results**

AXA Property Trust Limited (the "Company") and its subsidiaries (together the "Group") made a total net loss after tax of £0.48 million for the six months ended 31 December 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 £2.54 million. The unrealised loss on the revaluation of properties was £3.06 million (2.10% of the market value at 30 June 2011) excluding foreign exchange translation effects.

The Net Asset Value ("NAV") at 31 December 2011 was £63.65 million (63.65 pence per share) (30 June 2011: £74.74 million (74.74 pence per share)). The 14.8% decrease since 30 June 2011 was mainly a result of the £6.48 million foreign exchange translation losses, and a £2.88 million unfavourable movement in the mark-to-market fair value of interest rate swap instruments. A dividend of £1.25 million, covered by revenue profit was also paid during the period.

As at close of business on 31 December 2011, the mid market price of the Company's shares on the London Stock Exchange was 41.75 pence (30 June 2011: 50.13 pence), representing a discount of 34.4% to the Company's NAV at 31 December 2011 (30 June 2011: 32.9%).

#### **Dividend**

Following the decision to temporarily reduce the dividend from the September 2011 quarter, the interim dividend of 0.50 pence per share in respect of the December 2011 quarter was declared on 1 February 2012 with a payment date of 24 February 2012.

It remains the Company's intention to restore the 0.75 pence per share dividend at the March 2012 quarter.

The cumulative interim dividends of 1.25 pence per share or £1.25 million declared during the six months to 31 December 2011 were 203% covered by revenue profit. The dividend payments have been met from the Group's cash resources.

The forecast annual dividend yield to 31 December 2012 is 6.6% on the mid market share price at 31 December 2011.

### **Chairman's Statement**

#### **Bank Finance**

The next loan-to-value ("LTV") covenant testing on the main facility of €75.76 million will be at 30 June 2012, where the loan should not be in excess of 50%. Two asset sales at Moosburg and Mühldorf, Germany, were completed in February 2012 at sale prices of €4.22 million and €4.63 million respectively, as part of the asset disposal programme, intended to position the Company for the LTV test. Applying the surplus proceeds from these sales would enable the Company to achieve an LTV of under 50% on the basis of the 31 December 2011 independent property valuation by Knight Frank LLP.

The joint venture loan facility at the Company's subsidiary Property Trust Agnadello S.r.l. of €9.00 million (50% of €18.00 million joint venture loan) matured on 21 December 2011. Property Trust Agnadello s.r.l. entered into a new agreement to extend the loan maturity to 14 December 2012.

#### **Prospects**

The risks and uncertainties of the Euro area are well known and are discussed in the Investment Manager's Report. As they say, it is difficult to anticipate much improvement in property market conditions until 2013. Nevertheless, the Company is solidly invested in the economically strongest regions of Europe (80% in Germany and the north), in countries that will be the least negatively impacted by any possible fragmentation of the Eurozone, and in sectors that are resilient (food retail and logistics). We are also able to look towards a stable and an increasing dividend flow which is well covered.

The Investment Manager is working hard to extract further value from the portfolio; while the paucity of funding in most property markets has led to fewer buyers, they have, through diligence over a year and more, proved that individual sales can be achieved at or close to current valuation. It is clear, nevertheless, that it is a "buyers market", and will remain so in the next year, and it is not generally in the interest of long-term investors to sell or be seen to be driven to sell. We do believe it is a market in which medium and long-term value can be found, particularly in buying from sellers under duress. As liquidity in the Group eases this is one of the courses the Board and Investment Manager will consider.

The Board believes that the current share price discounts the Company's value far too greatly but acknowledges the likelihood of the continued volatility in the Euro/Sterling exchange rate, interest rates and other traded security markets and the potential impact these may have on the Company's performance.

**Charles Hunter** Chairman

24 February 2012

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#### **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 €512 billion of assets under management and over 2,400 employees, operating in 23 countries as at 31 December 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 €42 billion of real estate assets under management and over 500 staff, operating in 22 countries as at 31 December 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.

#### **Economic and Market Overview**

The extent of the euro crisis continued to grow during 2011. In February 2011, our estimate of the probability that a euro restructuring would occur in the next two to three years was 25%. By July, that had increased to 35%. In September, we reassessed it to 45%, and we have remained at this level into January 2012. This we believe acknowledges the seriousness of the situation with the euro and the apparent unwillingness or inability of the European politicians to deal effectively with the current stresses within it.

Against the uncertain economic environment, we find ourselves analysing and forecasting the investment markets from a risk perspective rather than a performance perspective. If that was not difficult enough, the risks have been continuously changing in the short-term, so that we now need to consider the risks of risk changing and its impact on the range of outcomes.

The next few months are going to prove critical in finding a medium-term solution to the eurozone crisis. But until that solution is found, investor risk-aversion will continue to focus investment appetite towards the prime, bond-equivalent or 'annuity-style' end of the property market. Investors, in response to elevated risks of tenant default, have been focusing on those assets offering good prospects for capital preservation and secure income. These are typically long-lease, modern assets, let to reputable tenants in core locations; on these criteria, growth prospects have a lower priority.

For investors, strategies will vary significantly depending on their understanding of, and their appetite for, risk. Perhaps equally significantly, the timing of entry and exit points will be critical to achieving outperformance. Long-term 'hold' may well prove disastrous in some of these situations and liquidity will be an important consideration.

#### **Outlook for 2012**

Although our modelling suggests that for the risk-averse investor, prime property is 'fairly-valued' (by which we mean that it is neither over-priced nor under-priced on reasonable assumptions), that description is – we believe – only applicable to those assets that have very little prospect (say less than 5% probability) of a lease event in the next ten years that would temporarily cause a loss of income. As we move through the current economic downturn, risks will be increasing and loss probability estimates rising. Furthermore, there will be a deferral of the point at which positive rental value growth returns and, when it does, the magnitude of that growth.

Taken in combination, we expect that these factors will cause prime yields to rise further in 2012 and, for some markets, into 2013, but the euro crisis will need to be resolved swiftly and conclusively if a deep recession is to be avoided and growth is to return. When it does, risk aversion will gradually reduce, and following possible stabilisation in 2013 and 2014, yields should fall once more in 2015 and 2016 as rental growth resumes.

However, risk aversion arising from the euro crises and other economic risks has widened segmentation between countries. As such, the eurozone outlook masks the more positive occupier prospects for northern European economies (e.g. Germany), compared to the weaker, more indebted countries (e.g. Spain) in the short-term.

#### Short-term outlook for retail

Consumers are feeling the impacts of limited wage growth and high levels of inflation, which is moderating disposable incomes and, as a result, retail sales volumes. At the same time, retailers are having to absorb input price inflation, sacrificing profitability as they are unable to pass cost increases onto price-sensitive consumers. The net effect is a continued squeeze on retailers and they are, more than ever, focusing on having the right number of stores, at the right size, in the right location. Expansion plans have, in many instances, been put on hold and leases on those poor-performing stores are not being renewed. The result, a contraction of demand outside of the better performing locations, is limiting prospects of rental value growth.

Looking ahead, we expect the polarisation of the retail sector, which emerged during the 'recovery' period, to strengthen. Whilst luxury, high-margin retailers will continue to compete for the very best locations (in particular those benefiting from tourism spending), cost-conscious consumers will also target discount retailers and well-located convenience shops and increasingly utilise the price comparison element of online retailing to minimise spending. The more 'average' retailers will be most at risk in this limited spending, cost-conscious environment. Long-leased food supermarkets are likely to remain most resilient in the retail sector, given the non-discretionary element of food spending. Equally, prime retail locations and catchment-dominant shopping centres will see continued demand from occupiers seeking sales growth and investors targeting bond-type long-leased income producing properties.

#### Short-term outlook for offices

As eurozone GDP growth has slowed and the prospect of a modest recession has risen, our expectations of rental growth have fallen. However, of all of the sectors, we are still the most positive on rental value growth prospects for average prime offices. While corporate profits have been growing since the trough immediately after the end of the recession and are now close to their previous peak, we expect them to level out and to fall in the next twelve months. However, that will be a return towards a more normal real level, rather than a recessionary dip, as most of the larger companies are well structured to cope with the latest economic downturn. We again, however, refer to the uncertainty of the depth of the downturn and, if that turns into a recession for Europe, a more significant fall can be expected.

The public sector will not be a significant contributor to employment growth until 2015 at the earliest because of the planned spending cuts, which will impact those office markets with high exposure to the public sector - Brussels, Rome, Berlin and the UK regional cities. Although demand from financial and business services occupiers will be below the long-term trend rate (as the current banking semi-crisis causes banks to reduce staff numbers), we believe that office markets with exposure to the banking, finance and professional and business service sectors will remain the stronger performers over the year to 2013.

#### **Short-term outlook for logistics**

Of all of the sectors, logistics should recover the fastest as economic growth returns and surplus capacity is re-absorbed. Air freight and sea port operations (particularly those supporting trade to/from Asia – in particular, China) should be in greater demand than hub operations, but economic obsolescence will prove a more significant risk than previously – suggesting that development may be the preferred route. In the medium-term, occupier requirements may be impacted by the relaxation of customs procedures in Chinese ports that is supporting the growth of bonded logistics parks, within which goods are sorted, packed and priced ready for delivery to store for immediate sale, bypassing the traditional 'hold and sort' distribution centres. An emerging trend, this will be an increasingly relevant consideration for occupier demand.

#### Further ahead: medium-term outlook

Reflecting the differing economic situations in the relevant countries, there will be a north-south divide in occupier market prospects in 2012 and 2013 with positive growth in the northern European economies offset by negative rental growth in the embattled southern European markets. But as stronger economic growth returns, occupier markets will strengthen and rental growth will turn positive in all markets and sectors by 2014. Equally, investor appetite, buoyed by prospects for rental growth, will shift from the very best prime properties to more average assets – and more average markets – and capitalisation yields will start to fall.

In our opinion, whilst the medium-term outlook is favourable, shorter term prospects will be uncertain, pending a resolution of the euro crisis. We expect investors to continue to focus on prime real estate assets, but once secondary de-pricing occurs and uncertainty recedes, riskier assets may be priced appropriately to offset inherent risks. At this time, there are likely to be opportunities to achieve strong returns for those investors willing to make a commitment. This should gain momentum in 2013 or 2014 and secondary assets should witness a resurgence in demand.

#### **Asset Management Update**

During the first six months of the financial year the Portfolio's values remained stable, a trend that has continued since December 2009. Nevertheless the Investment Manager expects the current market conditions to continue to put pressure on rental levels and capital values. The implementation of asset management initiatives, particularly at Fürth, are expected to mitigate this pressure.

At Fürth, following six months of negotiations, a new ten year lease has been signed with international Dutch furniture retailer Seats & Sofas to take the 2,156m² unit previously occupied by the bowling alley operator. Under the terms of the agreement the tenant will pay €153,000 per annum (€6 sqm/month), 20% above the estimated rental value. The Landlord will be required to invest circa €850,000 to deliver the unit in a lettable condition for retail use, including the installation of fenestration to two gable walls. An application for change in use has been submitted to the local authority and is expected to be granted during the first quarter of 2012.

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

This letting will be a significant improvement to the current tenant mix and it will facilitate further lettings and lease re-gearings within the retail park, which combined will have a positive influence on the property valuation over the coming years.

Also at Fürth, existing tenant Voegele has agreed to extend the lease on their 965m² unit by seven years to 2020. The annual rent of €127,000 remains unchanged. The tenant will invest circa €185,000 in fit out upgrade to implement their new national concept. The Landlord has agreed a contribution of four months rent free period.

Still at Fürth, national fast food retailer Schnitzelhuber has agreed to take the unit currently occupied by Caprese on a ten year lease starting 1 January 2012. The new rent has been agreed at €51,500 (and 10% turnover) compared to €42,200 currently paid by Caprese, representing a 22% improvement.

The marketing of the ex-Edeka unit continues in a backdrop of occupational market uncertainty with potential tenants' decision timing increasing substantially.

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

The Investment Manager has been active in securing the sale of two assets which completed in February 2012. The asset in Moosburg was sold for €4.22 million and Mühldorf at €4.63 million, both supporting the current level of independent valuations. The Board believes that these sales demonstrate the quality of the assets in the portfolio as well as the Investment Manager's ability to realise assets in this challenging environment. This is also a significant step in positioning the Company for the forthcoming LTV test on the main loan facility at 30 June 2012.

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An offer was also received on the asset in Treuchtlingen, however this was not accepted. A further asset, Pankower Allee, an out of town retail centre in the outskirts of Berlin, has been placed on the market and should attract significant interest from investors due to its strong covenant and long leases.

#### Property Portfolio at 31 December 2011

Investment name	Country	Sector	Net yield on valuation <sup>1,2</sup>	% of total assets
Phönix Center, Fürth	Germany	Retail	5.50%	15.03%
Rothenburg ob der Tauber	Germany	Retail	7.49%	12.96%
Curno, Bergamo	Italy	Leisure	6.84%	10.53%
Bergamina, Agnadello	Italy	Industrial	8.14%	8.76%
Bahnhofstraße, Karben	Germany	Retail	7.54%	5.42%
Am Birkfeld, Dasing	Germany	Industrial	8.79%	5.27%
Smakterweg, Venray	The Netherlands	Industrial	9.63%	5.05%
Industriestraße, Montabaur-Heiligenroth	Germany	Retail	8.77%	4.57%
Keyser Center, Antwerp	Belgium	Retail	6.98%	4.38%
Pankower Allee, Berlin	Germany	Retail	6.88%	3.93%
Nürnberger Straße, Treuchtlingen	Germany	Retail	7.74%	3.76%
Other	Germany	Retail	-	17.54%
Total property portfolio			7.33%	97.20%
Other non-current and current assets				2.80%
Total assets				100.00%

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

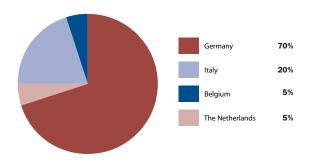
Details of all properties in the portfolio are available on the Company's website www.axapropertytrust.com under, Portfolio - Our Presence.

Source: AXA Real Estate Investment Managers UK Limited



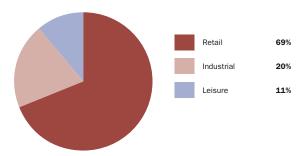
 $<sup>^{\</sup>rm 2}$  Source - external independent valuers to the Company, Knight Frank LLP.

#### Geographical Analysis at 31 December 2011 by Market Value



Rental income from Grade A covenants has a weighted unexpired lease length of 7.4 years.

#### Sector Analysis at 31 December 2011 by Market Value



Source: AXA Real Estate Investment Managers UK Limited

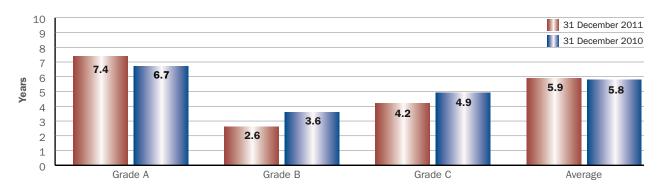
#### **Covenant Strength Analysis at 31 December 2011**

(based on rental income)

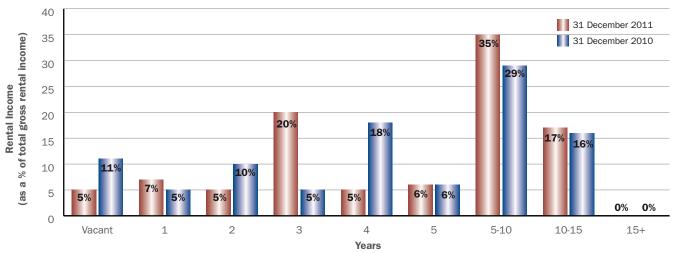
Grade A	57.8%	Creditreform:<199; D&B:A 1
Grade B	13.7%	Creditreform:200-249; D&B:B,C,D 1,2
Grade C	23.5%	Creditreform:>250; D&B: D + 3,4
Vacant	5.0%	

The Company's tenant covenant profile is strong, with 57.8% of tenants rated Grade A, indicating a high credit rating score. Rental income from Grade A covenants has a weighted unexpired lease length of 7.4 years. The average rent-weighted unexpired lease length for the investment portfolio as at 31 December 2011 was 5.9 years. Vacant space in the portfolio on 31 December 2011, measured using market rent, represented 5.0% of the total gross rental income.

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



#### Lease expiry profile weighted by rental income



Source: AXA Real Estate Investment Managers UK Limited

#### **Financing**

#### **Agnadello Loan Facility**

The facility of €9.00 million (50% of €18.00 million) at the joint venture subsidiary Property Trust Agnadello S.r.I. with counterparty Crédit Agricole matured on 21 December 2011, and was extended to 14 December 2012.

The main terms of the facility extension are:

65.00%
€750,000
14/12/2012
2.30% p.a.
2.60% p.a.
€50,000
3.41% p.a.
2.00% p.a.

#### **Main Loan Facility**

The next loan-to-value ("LTV") covenant testing on the facility of €75.76 million with Crédit Agricole and Crédit Foncier will be at 30 June 2012, where the loan should not be in excess of 50% LTV ratio. As at 31 December 2011, the LTV ratio, based on the Company's independent valuation from valuers Knight Frank LLP, was 52.2%. The current sales programme explained above aims to achieve the objective of reducing the LTV to 50% at 30 June 2012.

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. This followed the sale of the retail warehouse property at Bernau, Germany on 30 April 2011.

#### **Hedging Arrangements**

As advised in the last annual report, the Company will continue to hedge the net distributable income from Euro denominated subsidiaries using cross currency swaps. As at 31 December 2011 the Company 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. The Company will implement new cross currency contracts to replace the existing contracts upon expiry.

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

The Group held total cash of £2.60 million (€3.11 million) at 31 December 2011.

The total expected capital expenditure over the next twelve months is £1.01 million (€1.21 million) mainly within the Phönix Center at Fürth, Germany. The Group monitors the cash position in all subsidiaries to ensure that all working capital needs are managed across the Group.

#### **Portfolio Outlook**

The delay in finding a viable solution for the eurozone crisis remains the principal downside risk to growth. With Europe, particularly the eurozone countries, bordering on a return to recession, investors are understandably cautious and are reacting by implementing stricter investment criteria.

With the current banking environment unchanged, and perhaps worsening, banks are continuing to exit markets. The much discussed alternative sources of funding, although welcome, are unlikely to fill the gap. This is likely to impact more heavily large scale institutional demand for real estate rather than demand for smaller lot sizes as many of those in the Company's portfolio.

In these uncertain economic times Germany, the Company's principal market, continues to exhibit signs of stability. Although it cannot be said that its economy has not been affected by the eurozone problems, it continues to establish itself as a safe haven in troubled times. Investors are increasingly targeting core real estate in Germany with retail investment the main focus of interest.

Both capital values and rents are likely to remain under pressure for the remainder of the year, particularly away from the prime end of the market, which is starting to look overpriced. Interest in secondary will be subdued although it is expected to grow once the markets start to recover.

Income security should see renewed focus from investors. Assets with strong and secure income, such as those in the Company's portfolio, deliver the security investors seek, demonstrated by the recent successful disposals in Germany.

The Company has continued to pay a dividend of 2.00 pence per annum (0.50 pence per share per quarter) over the last quarter and maintains the intention to reinstate the level of 3.00 pence per annum (0.75 pence per share per quarter) at the March 2012 quarter and will continue to work towards further enhancement of the dividend going forward.

Source: AXA Real Estate Investment Managers UK Limited

#### **Board of Directors**



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



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



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



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



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

## **Directors' Responsibility Statement**

We confirm that to the best of our knowledge:

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

By order of the Board

C. J. H. Hunter.

**Charles Hunter** 

Chairman

24 February 2012

John Marren

Director

24 February 2012

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

#### Introduction

We have been engaged by AXA Property Trust Limited (the "Company") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2011 which comprises the condensed half year consolidated statement of comprehensive income, the condensed half year consolidated statement of changes in equity, the condensed half year consolidated statement of financial position, the condensed half year consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

#### **Directors' Responsibilities**

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

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

#### **Our Responsibility**

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

#### **Scope of Review**

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

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2011 is not prepared, in all material respects, in accordance with IAS 34 and the DTR of the UK FSA.

**Robert A Hutchinson** 

For and on behalf of KPMG Channel Islands Limited Chartered Accountants and Recognised Auditors Guernsey 24 February 2012

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

(unaudited)

#### For the six months ended 31 December 2011

	Notes	Period ended 31 December 2011 £000s	Period ended 31 December 2010 £000s
Gross rental income	3	6,074	5,803
Service charge income		203	314
Property operating expenses		(918)	(1,045)
Net rental and related income		5,359	5,072
Net foreign exchange gain/(loss)		521	(190)
Net foreign exchange gain/(loss)		521	(190)
Valuation (loss)/gain on investment properties	6	(3,061)	817
Impairment loss		-	(6,267)
Net valuation loss on investment properties and financial assets		(3,061)	(5,450)
Loss on forward currency contracts		-	(2,661)
Unrealised gain/(loss) on currency hedge		608	(51)
Unrealised (loss)/gain on other derivatives		(99)	11
Investment management fees		(661)	(678)
Sponsor's fees		(25)	(14)
Administrative expenses	4	(819)	(600)
Total expenses		(996)	(3,993)
Net operating profit/(loss)		1,823	(4,561)
Financial income/expenses			
Interest income from bank deposits		5	11
Finance costs		(1,740)	(1,523)
Loan facility fees		(404)	(238)
Loss before tax		(316)	(6,311)
Income tax expense		(166)	(109)
Loss for the period		(482)	(6,420)
Loss for the period		(482)	(6,420)
Other comprehensive income			
Effective portion of changes in fair value of hedges		(2,881)	(43)
Foreign exchange translation (loss)/gain		(6,477)	3,474
Other comprehensive (expense)/income for the period		(9,358)	3,431
Total comprehensive expense for the period		(9,840)	(2,989)
Basic and diluted loss per ordinary share (pence)		(0.48)	(6.42)

The accompanying notes on pages 22-27 form an integral part of these condensed half year financial statements.

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

(unaudited)

#### For the six months ended 31 December 2011

	Revaluation reserve £000s	Hedging reserve £000s	Revenue reserve £000s	Distributable reserve £000s	Foreign currency reserve £000s	Total £000s
Balance at 1 July 2011	(43,609)	(1,138)	6,593	92,948	19,943	74,737
Net loss	(2,552)	-	2,070	-	-	(482)
Other comprehensive expense	-	(2,881)	-	-	(6,477)	(9,358)
Total comprehensive expense for the period	(2,552)	(2,881)	2,070	-	(6,477)	(9,840)
Contributions by and distributions to owners						
Dividends to equity holders (Note 5)	-	-	(1,250)	-	-	(1,250)
Balance at 31 December 2011	(46,161)	(4,019)	7,413	92,948	13,466	63,647

#### For the six months ended 31 December 2010

	Revaluation reserve £000s	Hedging reserve £000s	Revenue reserve £000s	Distributable reserve £000s	Foreign currency reserve £000s	Total £000s
Balance at 1 July 2010	(35,559)	(3,643)	5,922	92,948	18,341	78,009
Net loss	(5,490)	-	(930)	-	-	(6,420)
Other comprehensive income	-	(43)	-	-	3,474	3,431
Total comprehensive expense for the period	(5,490)	(43)	(930)	-	3,474	(2,989)
Contributions by and distributions to owners						
Dividends to equity holders (Note 5)	-	-	(1,500)	-	-	(1,500)
Balance at 31 December 2010	(41,049)	(3,686)	3,492	92,948	21,815	73,520

The accompanying notes on pages 22-27 form an integral part of these condensed half year financial statements.

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

#### As at 31 December 2011

	Notes	<b>31 December 2011</b> £000s (Unaudited)	30 June 2011 £000s (Audited)
Non-current assets	Notes	(Ullaudited)	(Addited)
Investment properties	6	125,956	145,979
Deferred tax assets		74	278
Current assets			
Cash and cash equivalents		2,603	4,149
Trade and other receivables	7	1,434	2,199
Investment properties held for sale	6	7,163	-
Total assets		137,230	152,605
Current liabilities			
Trade and other payables	8	1,981	3,249
Current portion of long-term loans	9	11,374	8,128
Derivative financial instruments	10	369	500
Non-current liabilities			
Deferred tax liability		790	1,012
Long-term loans	9	56,076	64,483
Derivative financial instruments	10	2,993	496
Total liabilities		73,583	77,868
Net assets		63,647	74,737
Share capital		-	-
Reserves		63,647	74,737
Total equity		63,647	74,737
Number of ordinary shares		100,000,000	100,000,000
Net asset value per ordinary share (pence)		63.65	74.74

The accompanying notes on pages 22-27 form an integral part of these condensed half year financial statements.

By order of the Board

C. J. H. Hunter.

Charles Hunter
Chairman

24 February 2012

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**John Marren**Director
24 February 2012

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

(unaudited)

#### For the six months ended 31 December 2011

	Period ended 31 December 2011 £000s	Period ended 31 December 2010 £000s
Operating activities		
Loss before tax	(316)	(6,311)
Adjustments for:		
Unrealised loss on revaluation of investment properties and financial assets	3,061	5,450
Unrealised loss on forward currency contracts	-	1,141
Unrealised (gain)/loss on currency hedge	(608)	51
Unrealised loss/(gain) on other derivatives	99	(11)
Decrease/(increase) in trade and other receivables	985	(485)
Decrease in trade and other payables	(1,639)	(507)
Bank interest	(5)	(11)
Interest expense	1,740	1,523
Foreign exchange (gain)/loss	(521)	190
Amortisation of loan facility fees	404	238
Net cash generated from operations	3.200	1,268
Interest income received	6	13
Interest paid	(1,385)	(1,415)
Tax paid	(323)	(251)
Net cash inflow/(outflow) from operating activities	1,498	(385)
Investing activities		
Acquisition of property, plant and equipment	(1,470)	(1,040)
Net cash outflow from investing activities	(1,470)	(1,040)
Financing activities		
Dividends paid	(1,250)	(1,500)
Net cash outflow from financing activities	(1,250)	(1,500)
Effect of exchange rate fluctuations	(324)	197
Decrease in cash and cash equivalents	(1,546)	(2,728)
Cash and cash equivalents at start of the period	4,149	15,473
Cash and cash equivalents at period end	2,603	12,745

The accompanying notes on pages 22-27 form an integral part of these condensed half year financial statements.

#### 1. Operations

AXA Property Trust Limited (the "Company") is a limited liability, closed-ended investment company incorporated in Guernsey. The Company invests in commercial properties in Europe which are held through its subsidiaries. The Condensed Half Year Consolidated Financial Statements of the Company for the six month period ended 31 December 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 Condensed Half Year Consolidated Financial Statements have been prepared in accordance with the Disclosure Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim Financial Reporting'. They do not include all of the information required for the full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2011, which were prepared under full IFRS requirements.

#### (b) Basis of preparation

The same accounting policies and methods of computation have been applied to the Condensed Half Year Consolidated Financial Statements as in the Consolidated Financial Statements for the year ended 30 June 2011.

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

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

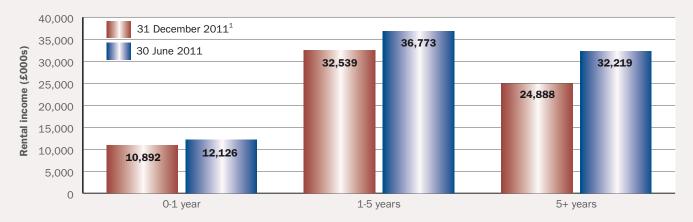
Quarterly valuations of investment properties are carried out by Knight Frank LLP, external independent valuers, in accordance with the RICS Appraisal and Valuation Standards. The properties have been valued on the basis of open market value, which is the estimated amount for which a property should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

#### (c) Determination and presentation of operating segments

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.

#### 3. Gross rental income

Minimum Lease Payments (based on leases in place as at 31 December 2011)



Gross rental income for the six months ended 31 December 2011 amounted to £6.07 million (2010: £5.80 million). The Group leases out all of its investment property under operating leases.

#### 4. Administrative expenses

	31 December 2011 £000s	31 December 2010 £000s
Administration fees	(256)	(254)
General expenses	(157)	(22)
Audit fees	(155)	(109)
Legal and professional fees	(177)	(140)
Directors' fees	(53)	(53)
Insurance fees	(21)	(22)
Total	(819)	(600)

#### 5. Dividends

Dividend payment date	No. of Ordinary Shares	Rate (pence)	31 December 2011 £000s	31 December 2010 £000s
27 August 2010	100,000,000	0.75	-	750
29 November 2010	100,000,000	0.75	-	750
2 September 2011	100,000,000	0.75	750	-
29 November 2011	100,000,000	0.50	500	-
Total			1,250	1,500

A further dividend of £500,000 (0.50 pence per share) was approved by the Board of Directors on 31 January 2012 and declared on 1 February 2012. The ex-dividend date was 8 February 2012 and the payment date is 24 February 2012.

#### 6. Investment properties

	31 December 2011 £000s	30 June 2011 £000s
Cost of investment properties at beginning of period/year	135,249	134,689
Capital expenditure during the period/year	1,051	3,788
Disposal during the period/year	-	(3,638)
Net gain on disposal during the period/year	-	410
Cost of investment properties at end of period/year	136,300	135,249
Fair value adjustments	(34,435)	(31,374)
Foreign exchange translation	31,254	42,104
Market value of investment properties at end of period/year	133,119	145,979
Investment properties classified as current assets held for sale	(7,163)	-
Non-current investment properties	125,956	145,979

<sup>&</sup>lt;sup>1</sup> Excluding Porto Kali investment which has been written down to nil.

#### Investment property held for sale

As at 31 December 2011, the Group held two investment properties that were under offer from a third party. The sale agreement with the third party for both properties was signed and notarised during December 2011. As at 31 December 2011, the assessed fair values of the properties at Moosburg and Mühldorf, Germany, were £3.42 million ( $\[ \in \]$ 4.09 million) and £3.74 million ( $\[ \in \]$ 4.49 million) respectively. As set out in Note 13, the disposal of these properties were completed during February 2012, realising, after taking into account attributable expenses, losses on book value of £0.56 million ( $\[ \in \]$ 0.67 million) and £0.85 million ( $\[ \in \]$ 1.02 million) respectively.

#### 7. Trade and other receivables

#### Amounts falling due within one year:

	31 December 2011 £000s	30 June 2011 £000s
Witholding tax receivable	756	717
Other receivable	19	727
VAT receivable	265	353
Rent receivable	153	141
Accrued income	118	170
Prepayments	122	90
Interest on deposits	1	1
Total	1,434	2,199

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.

#### 8. Trade and other payables

	31 December 2011 £000s	30 June 2011 £000s
Investment manager's fee	331	373
Property manager's fee	14	56
Other	152	582
Tax	445	625
Interest payable on loan facility	443	88
Legal and professional fees	149	1,211
VAT payable	162	-
Audit fee	118	124
Administration and Company Secretarial fees	123	144
Property acquisition costs	24	26
Rent prepaid	13	16
Directors' fees	7	4
Total	1,981	3,249

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

#### 9. Long-term loans

The Group has a 50% interest in the joint venture Property Trust Agnadello S.r.I. which holds total long-term bank debt of £15.04 million (€18.0 million) of which the Group's share is £7.52 million (€9.0 million) as at 31 December 2011 (30 June

2011: £8.13 million (€9.0 million)). The term of the loan has been extended for one year until 14 December 2012 and as such, remains classified as a current liability on the Consolidated Statement of Financial Position as at 31 December 2011. The bank loan is secured over the property and assets of the joint venture.

In addition, two assets were held for sale as at 31 December 2011 (see note 6), and their related bank loans totalling £3.86 million (€4.62 million) have been classified as current liabilities. The bank loans will be repaid upon completion of the sales.

Non-current long-term loans were £55.98 million for the main facility with Crédit Agricole and Crédit Foncier, and £0.09 million due to other third parties.

#### 10. Financial instruments

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

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

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. The Group'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.

#### Liquidity risk

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

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

#### Interest rate risk

Floating rate financial assets comprise the cash balances which bear interest at rates based on bank base rates. The Group is exposed to cash flow risk as the Group borrows funds under the loan facility with Crédit Agricole and Crédit Foncier at floating interest rates. The Group manages this risk by using interest rate swaps and caps denominated in Euro. As part of the refinancing of the main loan facility, the Group entered into new interest rate swaps and caps for the period of the facility, effective from 1 July 2011 to 1 July 2016. At 31 December 2011, the Group had interest rate swaps with a notional contract amount of £47.46 million (€56.82 million) (30 June 2011: £nil (€nil)) and interest rate caps with a notional contract amount of £17.01 million (€20.36 million) (30 June 2011: £8.13 million (€9.0 million)).

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

#### Foreign currency risk

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

As at 31 December 2011, the Company 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 amounts deferred in equity are recycled in profit or loss in periods when the hedged item is recognised in the profit or loss.

The unrealised gain of £0.61 million for the period ended 31 December 2011 relating to the cash flow hedges has been recognised in the Consolidated Statement of Comprehensive Income. The Company will implement new cross currency contracts to replace the existing contracts upon expiry.

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).

31 December 2011	Level 1 £000s	Level 2 £000s	Level 3 £000s
Liabilities measured at fair value			
Interest rate swaps	-	2,993	-
Currency hedges	-	369	-
Forwards	-	-	-
Total	-	3,362	-

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

#### 11. 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 £1,725 (2010: £nil) which was settled during the period.

**Mr Marren**, a Director of the Company, is also a Director of Northern Trust International Fund Administration Services (Guernsey) Limited ("Northern Trust"), the Administrator, Secretary and Registrar for the Company. The total charge to the consolidated statement of comprehensive income during the period in respect of Northern Trust administration fees was £127,668 (2010: £135,717) of which £nil (2010: £52,031) remained payable at the period end.

Under the Investment Management Agreement, fees are payable to the Investment Manager, Real Estate Adviser and other entities within the AXA Group. These entities are involved in the planning and direction of the Company and Group, as well as controlling aspects of their day to day activity, subject to the overall supervision of the Directors. During the period, fees of £660,932 (2010: £677,935) were expensed to the consolidated statement of comprehensive income. The total amount payable at the period end was £344,622 (2010: £418,725).

All the above transactions were undertaken at arms-length.

#### 12. 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.I. which holds long-term bank debt of £15.04 million (€18.0 million) secured over the property and shares of the joint venture. Property Trust Agnadello s.r.I has provided a guarantee to the lender, Crédit Agricole, for £7.52 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

A new ten year lease has been signed with international Dutch furniture retailer Seats & Sofas to take the 2,156m² unit at the Phönix Center. The Group will be required to invest €850,000 to deliver the unit in a lettable condition for retail use. An application for change in use has been submitted to the local authority and is expected to be granted during the first quarter of 2012.

Following the ten year lease signed by the tenant C&A in 2011, the Group will invest €161,000 in 2012 to deliver an enlarged unit for the tenant. In addition, €200,000 capital expenditure has been earmarked to refurbish other units upon signing new leases.

The total expected capital expenditure requirements in relation to the Phönix Center are budgeted at €1.21 million (£1.01 million).

#### 13. Subsequent events

#### **Asset Sales**

The sale of the investment properties at Moosburg and Mühldorf, Germany, were completed in February. The sale price achieved for Moosburg was €4.22 million (€4.09 million, net of related expenses), which was 1.25% in excess of the Company's independent valuation as at 31 December 2011. The sale price achieved for Mühldorf was €4.63 million (€4.48 million, net of related expenses), which was 1.99% below the Company's independent valuation as at 31 December 2011.



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

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

#### **Registered Office**

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

#### **Investment Manager**

AXA Investment Managers UK Limited 7 Newgate Street London EC1A 7NX United Kingdom

#### **Real Estate Adviser**

AXA Real Estate Investment Managers UK Limited 155 Bishopsgate London EC2M 3XJ United Kingdom

#### **Sponsor and Broker**

Oriel Securities Limited 150 Cheapside London EC2V 6ET United Kingdom

#### **Administrator, Secretary and Registrar**

Northern Trust International Fund
Administration Services (Guernsey) Limited
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Channel Islands

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