

AXA Property Trust Limited Annual Report and Consolidated Financial Statements

For the
year ended
30 June 2012

<http://retail.axa-im.co.uk/axa-property-trust>

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.



The Association of
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Contents

Key Financial Information	4
Performance Summary	5
Chairman's Statement	6
Investment Manager's Report	8
Board of Directors	16
Report of the Directors	17
Investment Objective and Investment Policy	22
Directors' Responsibility Statement	23
Independent Auditor's Report to the Members of AXA Property Trust Limited	24
Consolidated Income Statement	26
Consolidated Statement of Comprehensive Income	27
Consolidated Statement of Changes in Equity	27
Consolidated Statement of Financial Position	28
Consolidated Statement of Cash Flows	29
Notes to the Consolidated Financial Statements	30
Corporate Information	55

Key Financial Information

For the year ended 30 June 2012

- Total return on Net Asset Value (“NAV”) was (16.4%)
- Sterling currency NAV decreased by 19.7% to £60.02 million
(Euro currency NAV decreased by 10.4% to €74,182 million)
- Losses were 0.79 pence per share
- Cumulative dividends paid relating to the year were 1.75 pence per share
- Ongoing Charge Figure of 2.09% (2011: 2.01%)

As at 30 June 2012

- NAV was 60.02 pence per share (30 June 2011: 74.74 pence)
- Share price¹ was 31.75 pence per share (30 June 2011: 50.13 pence)
- Gearing² was 50.0% (gross) and 46.0% (net) (30 June 2011: 49.7% and 46.9%)



Performance Summary

	Year ended 30 June 2012	Year ended 30 June 2011	% change
Net Asset Value ("NAV") (£000s)	60,023	74,737	(19.7%)
NAV per share	60.02p	74.74p	(19.7%)
Losses per share	(0.79p)	(4.38p)	n/a
Dividends relating to the year	1.75p	3.00p	n/a
Dividends paid during the year	2.50p	3.00p	n/a
Share price ¹	31.75p	50.13p	(36.7%)
Share price discount to NAV	47.1%	32.9%	n/a
Gearing (gross) ²	50.0%	49.7%	n/a
Total assets less current liabilities (£000s) ³	108,916 ⁵	140,728 ⁴	n/a

Total return	Year ended 30 June 2012	Year ended 30 June 2011
NAV Total Return	(16.4%)	(0.4%)
Share price Total Return		
- AXA Property Trust	(32.7%)	14.2%
- FTSE All Share Index	(3.1%)	25.6%
- FTSE Real Estate Investment Trust Index	(9.6%)	43.8%

Past performance is not a guide to future performance.

¹ Mid market share price (source: Datastream).

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

³ Includes bank debt classified as a current liability.

⁴ Includes cross currency swaps and interest rate cap reclassified to current liabilities.

⁵ Includes cross currency swap classified as current liabilities.

Source: AXA Investment Managers UK Limited and Datastream

Chairman's Statement



Charles Hunter, Chairman

The Board remains confident of the Company's prospects with its main debt facility secured until 2015, although the European economic backdrop and the Euro crisis continue to impact negatively. This has led to the necessity after the year end to suspend the dividend particularly following the tightening of the debt and letting markets in Italy.

Results

The Company and its subsidiaries (together the "Group") made a total net loss after tax of £0.79 million for the year to 30 June 2012. 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 £4.23 million ("revenue profit"). The unrealised loss on the revaluation of properties was £3.17 million (2.17% of the market value at 30 June 2011) excluding foreign exchange translation effects.

The Net Asset Value ("NAV") at 30 June 2012 was £60.02 million (60.02 pence per share), a decline of £14.71 million (19.7%) since 30 June 2011. The decline was a result of the £0.79 million net loss for the year, £8.81 million foreign exchange translation losses and £2.62 million decline in the hedging reserve. A dividend of £2.50 million, covered by revenue profit of £4.23 million was also paid during the year.

The Company's net property yield on current market valuation (after acquisition and operating costs) as at 30 June 2012 was 7.26% (30 June 2011: 7.08%). A detailed yield analysis is included in the Investment Manager's Report on page 12.

As at close of business on 30 June 2012, the mid market price of the Company's shares on the London Stock Exchange was 31.75 pence (31 December 2011: 41.75 pence), representing a discount of 47.1% to the Company's NAV at 30 June 2012 (31 December 2011: 34.4%).

Dividend

As announced on 21 August 2012, the Company has suspended the June 2012 dividend and further dividends for the short-term in order to manage its cash and debt positions more prudently.

The cumulative interim dividends of 2.50 pence per share or £2.50 million paid during the 12 months to 30 June 2012 were 169% covered by revenue profit. The annual dividend yield based on this dividend is 2.50% on the issue price and 7.87% on the mid market share price at 30 June 2012. Please note that past performance is not a guide to future returns.

Bank Finance and Deleveraging

The Group is now in compliance with the 50% loan-to-value ("LTV") covenant following the prepayment of the loan facility down to €64.62 million. A further loan prepayment was made on 25 July 2012 following the disposal of the asset at Treuchtlingen, Germany, resulting in a new loan balance of €60.56 million and an LTV of 49.03%.

As part of the Board's review of the Company's investment strategy, lenders' hardened attitude to renewals and extensions of loans has been taken into account. The Company therefore intends to realise assets considered as non-core in an orderly manner over the next 12-18 months with a view to further paying down the Group's current debt. The Board will undertake a consultation exercise to determine whether the Company should continue in its current form or whether the Board should implement a new strategy, such options to include a broader reconstruction or winding up prior to the 2015 continuation vote.



Prospects

In the Interim report for the six months to 31 December 2011 we predicted a "stable and an increasing dividend flow". The rental income flows continue to cover such payments well, however, European markets, particularly tightened debt markets, make it essential that cash is applied to reducing debt.

The Investment Manager's Report notes the weaknesses of the markets but also notes slightly better medium-term prospects for Northern European occupier and property investment markets. We note too that in recent disposals the Company has been able to achieve sale prices at or close to valuation.

The Board has undertaken a review with the Investment Manager of the Company's future. We still believe, however, that subject to further weakening of the macro environment the current share price places too great a discount on the underlying value.

Charles Hunter

Chairman

19 October 2012

**"the Company
has been able
to achieve sale
prices at or close
to valuation."**

Investment Manager's Report



Martin McGuire, Fund Manager

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 €528 billion of assets under management and over 2,400 employees, operating in 23 countries as at 30 June 2012.

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 540 staff, operating in 22 countries as at 30 June 2012.

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

As the euro crisis has continued into 2012, the point at which we expect an economic recovery has been deferred. The (forward looking) survey-based indicators are suggesting that 2012 will be a lost year for economic growth at a European level, with the eurozone faring worse (preliminary estimates point to -0.2% growth quarter-on-quarter in Q2 2012). Growth will remain weak in 2013 (0.4% for Europe), but some economies will see weaker growth than in 2012 (Germany and Spain in particular). The underlying causes of the most-recent poor levels of household expenditure have been government cut-backs and increased taxation, intended to reduce state deficits. These austerity programmes are typically largest in those countries perceived to have the largest structural problems. Even so, the volume of intra-EU trade is such that a downturn in one country can quickly affect other countries and this has caused both consumer and business confidence and leading indicators to fall in virtually all of the European countries.

Our estimation of the probability of a Greek withdrawal from the euro rose between mid-2011 and early 2012 to reach 90% and has since remained unchanged. This is predicated on the expectation that although Greece will make substantial efforts to meet the austerity and restructuring requirements of the Troika, the cost in terms of loss of output and unemployment will prove unacceptable. We would expect the negative effects of a Greek exit to be most pronounced in the periphery countries, where business and consumer confidence is already weak. Germany, however, faces the risk of being the major contributor to any eurozone bailout funds or fiscal union and may, through such a mechanism, stand to lose much of its recent growth dynamism. In



the short-term, the Nordics would be expected to see a sharp fall in exports, but given the strength of their domestic economies (Denmark aside), we would expect these economies to again emerge amongst the European leaders, particularly as the Nordic governments retain the ability to enact expansionary fiscal policies to stimulate demand.

Conversely, we have moderated our view concerning the potential for a full eurozone break-up, reducing this probability to 15%. This reflects the increasing support being afforded by the Troika and the realisation in the rest of the single currency area that the potential impact of this possibility is somewhat unthinkable. In this scenario (full eurozone break-up), there would be two major implications for our property forecasts. First, a reduction in GDP growth would be expected to translate into weaker rental value growth across all sectors in the short-term. The second impact would be that bond yields would be expected to start rising later and at a slower rate. Given the relationship between bond yields and property yields – a 100 basis point rise in bond yields is estimated to lead to a 20 basis point increase in property yields (although the actual relationship depends on a number of other factors) – this could justify property yields staying lower for longer.

Outlook for 2013

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.

We expect the continuation of risk aversion to cause prime yields for the best assets in the strongest markets to remain flat in 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. In any eventuality, we do not foresee a return to the kind of economic growth one would have considered to be ‘trend’ in the mid-2000s. When the euro crisis is resolved, one way or another, risk aversion will gradually reduce and economic growth will return.

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

Short-term outlook for retail

The modest recovery in retail markets observed during 2011 faded in the first half of 2012, as economic growth weakened and consumer confidence deteriorated in the context of austerity programme implementation (and extension). As a result, our outlook for rental value growth has fallen. We now expect the eurozone retail rental value declines of 2012 to extend into 2013, followed by a more modest recovery to 2016.

In the short-term, consumer confidence remains depressed by a weak economic environment (limited wage growth and high, but falling, inflation) and shoppers continue to focus their spending on essentials. Where they are exhibiting appetite for discretionary goods, online is proving to be an increasingly preferred option – driven as much by the price comparison opportunities afforded as by the convenience of the sales channel. With limited overall sales growth and the shift of some transactions online, retailers are facing the prospect of declining sales per unit area in physical stores. As a result, they are scrutinising their store portfolios and focusing their space allocations towards markets offering the greatest profitability potential.

This is supporting retailer appetite for space in the strongest locations – those backed by affluent catchments, particularly where these are supplemented by tourism spending and where retailer presence is valuable from a marketing perspective. However, this focus is limited both in geography and in terms of the number of retailers which can operate profitably in those locations at current rental levels. Elsewhere, the prospect of positive rental value growth has weakened as the depth of occupier demand has fallen. Whilst competitive appetite is driving rental growth and encouraging retailers to pay premia for the very best sites, those retailers that are unsuccessful in securing units are unwilling to compromise on location. As such, demand is not cascading down to secondary pitches or more poorly-configured stock, with occupiers increasingly looking to e-commerce as an option to serve locations outside of the catchment of their key trading stores.

Investment Manager's Report **continued**

Short-term outlook for logistics

Macro economic trends are good economic indicators of absorption for logistics space. The weak economic outlook in the interim suggests a more difficult logistics property market indicating low demand for space. There is a strong correlation (0.8) of European GDP to prime industrial rental value growth. Therefore prime rental values are likely to come under downward pressure in the second half of 2012 and 2013 with even stronger falls for secondary property. There is still increasing capacity within existing occupiers properties (grey space) and the economic fundamentals need to be stronger to translate to a wider recovery in the industrial property markets. A more substantive recovery has been pushed out to 2014, with Germany reverting back to long-term trend first within the core western European logistics markets. Timing of the recovery in this sector will depend on the return of expansionary demand from occupiers and will be limited to particular micro-locations supporting key consumption centres (major cities in stronger economies) or key trade hubs.

Rental values for anything outside of prime are still falling and the economic fundamentals need to be stronger to translate to a more meaningful pick-up in prime rental values. This is unlikely to occur before 2014. The industrial and logistics property will fail to recover as strongly as the other sectors as net new demand remains very limited as consumption growth remained muted and void rates remain elevated. In the shorter term the markets in the peripheral locations (especially in southern Europe) will still struggle to absorb the supply overhang following the development boom of 2006-2008 and supply in the stronger locations will be provided to the market through pre-lets and built-to-suits.

Further ahead: medium-term outlook

As a result of the continued uncertainty surrounding the euro crisis, and our expectation of weak economic growth lasting into 2013 and early 2014, we maintain our belief that risk aversion will continue to be at the forefront of investors' minds. Transactional activity slowed during the first half of 2012 and, given the limited availability of the large lot-size, prime stock that investors are chasing, we expect investment volumes for 2012 to be 20-30% below the levels observed in 2011, with even greater falls in southern European markets.

The polarisation, or north-south divide, in current economic situations will continue to impact on occupier market prospects in the medium-term, with positive occupier demand in the stronger northern European economies offsetting negative rental growth in the southern European markets. But as economic growth returns and economic risks recede, bond yields will rise, reflecting reduced appetite for non-growth assets. At the same time, benchmark interest rates will rise to control inflation and this will put upwards pressure on prime property yields from 2014 onwards. Those markets that do not offer the potential for inwards yield shift or reasonable rates of rental growth are likely to see rises in prime property yields in the 2014-2016 period. Our forecasts suggest that investors should be considering prime property in the Southern European markets and secondary property in the stronger northern European markets at this time, as occupier markets begin to recover and pricing is attractive.

Asset Management Update

The primary concern of the Company over the last six months was to secure its financing position by passing the LTV test on the main loan facility due on 30 June 2012. This was successfully completed with the support of the disposal of three assets located in Germany. The underlying Portfolio's values remained stable for the last six months of the financial year despite challenging market conditions, a reflection of the Company's resilient asset base. The re-letting of vacant space is taking longer than expected due to the extended period potential tenants are taking to make a decision on new space.

At Fürth, Germany, permission for change of use on the 2,156m² ex-bowling alley unit to be occupied by Seats & Sofas has been granted and the necessary works are underway. The installation of fenestration to two gable walls has been completed and the tenant is expected to take occupation mid-November.

As a result of this letting, which will be a significant improvement to the current tenant mix, a number of new lettings and lease re-gearings were completed within the retail park. A new five year lease has been signed for the discotheque unit with local operator Maskara. The tenant is expected to invest circa €250,000 in refurbishing and fit-out. Existing tenants Voegele and Danishes & Bettenlager signed lease extensions for 10 years and five years respectively. The Voegele lease now runs until February 2023 and Danishes & Bettenlager until April 2018.

Despite interest from potential tenants on the units previously occupied by Edeka and C&A, no firm offers have been received. This can be attributed to continuing economic uncertainty in the eurozone and tenants' reluctance to make decisions on investments in new locations.



At Dasing, Germany, the tenant DB Schenker is no longer in a position to extend their lease on two units (totalling 7,294m²) due to the cancellation of a contract by one of its clients. The lease was extended by three months to allow DB Schenker to find an alternative client. A new lease extension has been agreed on the remaining 9,580m² expiring in September 2012. The lease will now expire in March 2016.

The Manager was engaged in advanced negotiation with Andreas Schmid AG, Internationale Spedition, a logistics operator, to take the 7,294m² currently occupied by DB Schenker on a 3 month lease. This negotiation has now ceased and the space has been re-introduced to the market.

In Belgium, at the Keyser Center, the works to pedestrianise the Keyser Lei are nearing completion and the positive impact on the attractiveness of this location is evident. As a result a new lease has been agreed for the only vacant unit in the Keyser Center. The new tenant is a franchisee of Simit Sarayi, a modern Turkish bakery café concept with over 150 units globally. This will be the first opening in Belgium following the beginning of its international expansion in 2010. The tenant will occupy the 263m² unit on a 3/6/9 year lease paying €24,000 per annum, a 22% increase on ERV.

At Venray, The Netherlands, the Manager is negotiating with the existing tenant (Xerox) an extension to the current lease expiring in March 2014. A proposal for a 10 year extension has been submitted and a decision is expected by the end of 2012.

The negotiation with the tenant at Agnadello, Italy, for a lease extension beyond June 2014 has not progressed as well as envisaged. The Manager will continue discussions with the tenant as well as look for alternative solutions.

During the second half of the financial year the Investment Manager secured the sale of three assets. The assets in Moosburg and Mühldorf were sold for €4.22 million and €4.63 million respectively, both supporting the level of independent valuations. The asset in Treuchtlingen was sold for €5.69 million, a discount of circa 7% on the valuation. These sales supported the Company in the LTV test on the main loan facility at 30 June 2012.

The Sale and Purchase contract on a further asset, Pankower Allee, Germany, an out of town retail centre in the outskirts of Berlin, was signed on 7 September 2012 and receipt of sale proceeds is expected before the end of 2012. The agreed sale price of €6.58 million supports the level of independent valuation.

In order to support the recent decision to further deleverage the Company, a number of assets will be marketed for sale before the end of 2012.



Edeka supermarket, Fürth, Germany



Edeka supermarket, Fürth, Germany

Investment Manager's Report **continued**

Property Portfolio at 30 June 2012

Investment name	Country	Sector	Net yield on valuation ^{1,2}	% of total assets
Phönix Center, Fürth	Germany	Retail	5.04%	16.94%
Rothenburg ob der Tauber	Germany	Retail	7.55%	14.10%
Curno, Bergamo	Italy	Leisure	7.03%	11.49%
Bergamina, Agnadelo	Italy	Industrial	8.42%	9.18%
Bahnhofstraße, Karben	Germany	Retail	7.33%	5.90%
Am Birkfeld, Dasing	Germany	Industrial	8.83%	5.72%
Smakterweg, Venray	The Netherlands	Industrial	9.89%	5.39%
Keyser Center, Antwerp	Belgium	Retail	8.01%	4.99%
Industriestraße, Montabaur-Heiligenroth	Germany	Retail	8.65%	4.95%
Pankower Allee, Berlin	Germany	Retail	6.63%	4.39%
Nürnberger Straße, Treuchtlingen	Germany	Retail	7.85%	3.79%
Die Weidenbach, Lindheim - Altenstadt	Germany	Retail	7.44%	2.33%
Braunshweiger Strasse, Berlin	Germany	Retail	8.19%	1.25%
Frankfurter Strasse, Wuerzburg	Germany	Retail	7.24%	3.31%
Eppinger Strasse, Kraichtal	Germany	Retail	7.44%	3.03%
Marie Curie Strasse, Dresden	Germany	Retail	12.37%	1.36%
Elsdorfer Weg, Köthen	Germany	Retail	-	1.88%
Total property portfolio			7.26%	100.00%

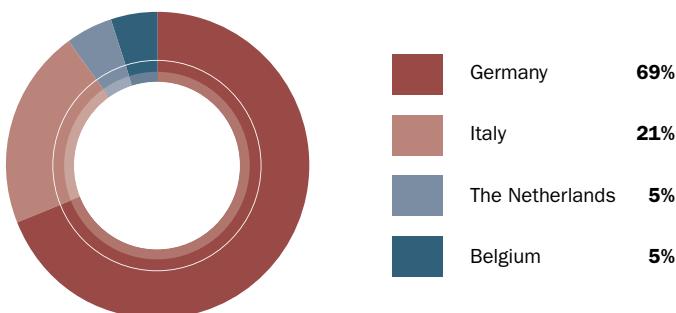
¹ Net yield on valuation is based on the current market valuation after deduction of property-specific acquisition costs and operating costs.

² Source - external independent valuers to the Company, Knight Frank LLP.

Details of all properties in the portfolio are available on the Company's website <http://retail.axa-im.co.uk/axa-property-trust> under, *Portfolio - Our Presence*.

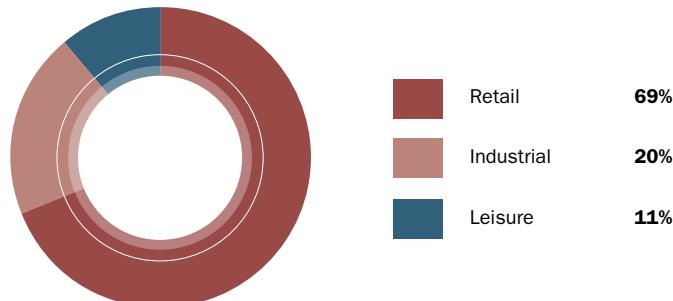
Source: AXA Real Estate Investment Managers UK Limited

Geographical Analysis at 30 June 2012 by Market Value





Sector Analysis at 30 June 2012 by Market Value



Source: AXA Real Estate Investment Managers UK Limited

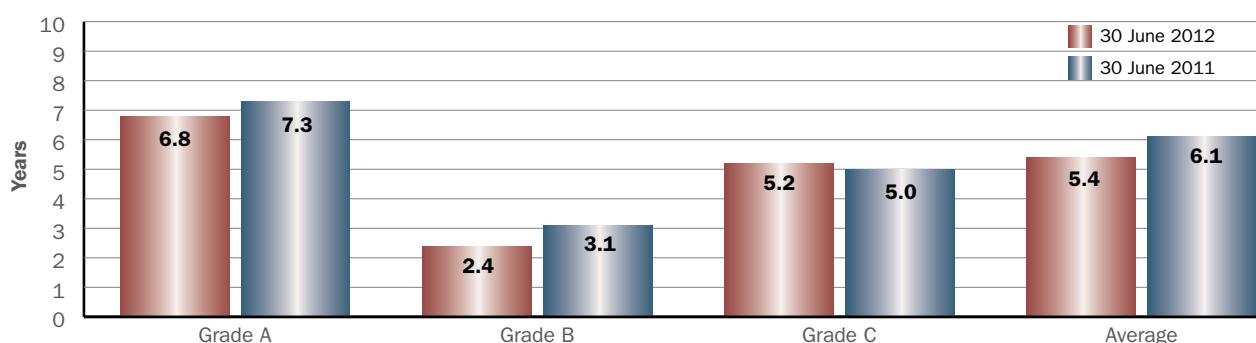
Covenant Strength Analysis at 30 June 2012

(based on rental income)

Grade A	54.9%	Creditreform:<199; D&B:A 1
Grade B	23.8%	Creditreform:200-249; D&B:B,C,D 1,2
Grade C	15.9%	Creditreform:>250; D&B: D + 3,4
Vacant	5.4%	

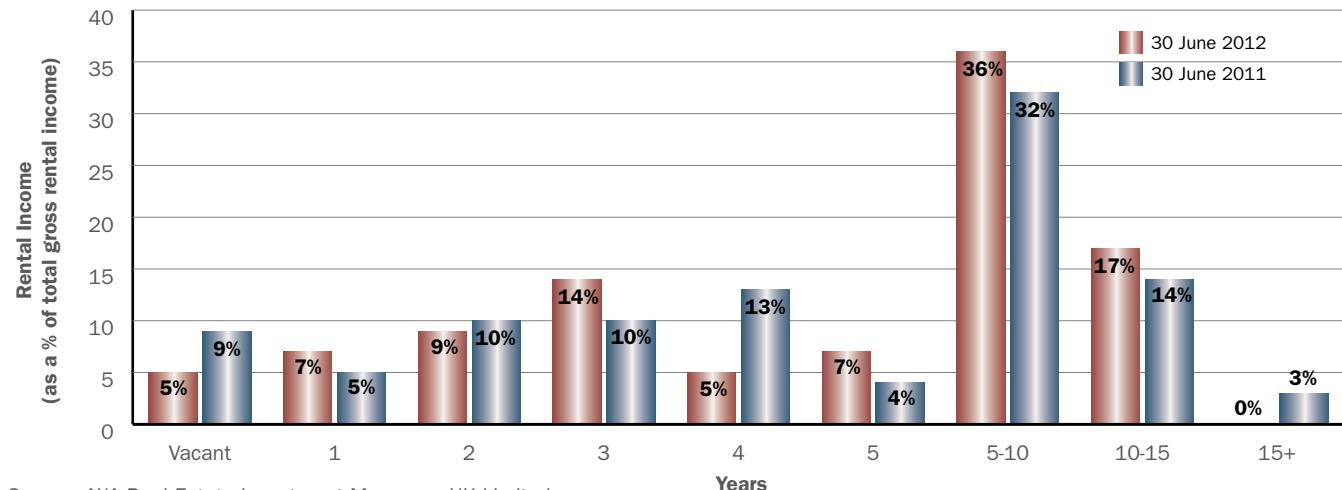
The Group's tenant covenant profile is strong, with 54.9% of tenants rated Grade A, indicating a high credit rating score. Rental income from Grade A covenants has a weighted unexpired lease length of 6.8 years. The average rent-weighted unexpired lease length for the investment portfolio as at 30 June 2012 was 5.4 years compared to 5.9 years at 31 December 2011. Vacant space in the portfolio on 30 June 2012, measured using estimated market rent, represented 5.4% of the total gross rental income compared to 5.0% on 31 December 2011.

Average unexpired lease length profile weighted by rental income



Investment Manager's Report **continued**

Lease expiry profile weighted by rental income



Source: AXA Real Estate Investment Managers UK Limited

Fund Gearing ¹	30 June 2012	30 June 2011
Property portfolio (£ million)	121.73	145.98
Borrowings (£ million)	60.84	72.61
Total gross gearing	50.0%	49.7%
Total net gearing	46.0%	46.9%

¹ Fund gearing is included to provide an indication of the overall indebtedness of the Group and does not relate to any covenant terms in the Group'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 LTV Covenants ²	30 June 2012	30 June 2011	Maximum
Main loan facility	52.0%	55.0%	65.0%
Joint venture Property Trust Agnadello S.r.l.	55.6%	59.6%	65.0%

² Gross LTV is calculated as debt over property portfolio at fair value.

Interest Cover Ratio ³ at 30 June 2012	Historic	Minimum	Projected	Minimum	Net rental income headroom
Main loan facility covenant	290.8%	200.0%	302.4%	185.0%	38.8%
Joint venture Property Trust Agnadello S.r.l.	351.1%	125.0%	554.0%	125.0%	77.4%

³ Interest Cover Ratio 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.

Financing and Hedging Arrangements

Agnadello Loan Facility

The facility of €8.01 million (50% of €16.02 million) at the joint venture subsidiary Property Trust Agnadello S.r.l. with counterparty Crédit Agricole Corporate and Investment Bank matured on 21 December 2011, and was extended to 14 December 2012.



The main terms of the facility extension are:

Loan to Value on bank's valuation	65.00%
Loan amortisation (March – June 2012)	€750,000
Expiry date	14/12/2012
Margin 21/12/2011 – 21/06/2012	2.30% p.a.
Margin 21/06/2012 – 14/12/2012	2.60% p.a.
Arrangement fee	€50,000
Estimated all-in rate excluding costs	3.41% p.a.
Loan interest capped at	2.00% p.a.

Main Loan Facility

On 2 July 2012, the LTV on the main facility was tested following the bank's valuation of the property portfolio at €129.23 million. The outstanding balance of the main loan as at 30 June 2012 was €70.45 million, following the partial loan repayments in relation to the sale of Moosburg and Mühldorf, Germany in February 2012, resulting in an LTV ratio of 54.52%.

In order to comply with the 50% LTV covenant within the 25 business days permitted under the facility, the Group was required to pay a further €2.61 million. On 25 July 2012, following the disposal of the asset at Treuchtlingen, Germany, a payment of €4.05 from the Treuchtlingen sale was made, resulting in a new loan balance of €60.56 million and an LTV of 49.03%.

The Company and its subsidiaries are now in compliance with the 50% LTV covenant. The new LTV covenant will be 60% from 2 July 2012 through to expiry on 1 July 2016.

Hedging Arrangements

On 1 June 2012, the Group entered into cross currency swaps for the period 16 August 2012 to 16 May 2014, to hedge against the Euro denominated income from the portfolio. In accordance with IFRS, trade date accounting has been applied, and the mark-to-market values of these contracts have been recognised in the financial statements for the year ended 30 June 2012.

Cash Position

The Company and its subsidiaries held total cash of £4.88 million (€6.03 million) at 30 June 2012.

The Group monitors the cash position in all subsidiaries to ensure that all working capital needs are managed across the Group.

Portfolio Outlook

The Company continues to operate in a challenging and volatile occupier and investment environment. The polarisation in the investment market is increasingly evident with very limited transactions in Southern Europe. Investment transactions in the UK, Germany, France and the Nordics accounted for 84%¹ of the total volume in Europe in the first half of 2012. This level of risk aversion is expected to continue for the foreseeable future.

The generally negative European market outlook masks some positive occupier and investment prospects for Northern Europe. Investors are expected to continue to be attracted to countries such as Germany (where the Company is overweight) and to assets with secure income. The Group's secure income profile with 54.9% of Grade A tenants and an average lease length of 5.4 years places the Group in a strong position going forward.

Active asset management will continue to be one of the main areas of focus in order to secure income, particularly at Fürth, Dasing, Venray and Agnadello. However an uncertain economic outlook is certain to continue to make occupiers extremely cautious resulting in delays in their investment decisions.

In light of the recent events the Company's strategy has changed and is now focused on pursuing a structured deleveraging. Following the successful implementation of this strategy, a decision on the future of the Company will be taken in consultation with shareholders.

¹ Source: DTZ

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 Deputy Global Chief Investment Officer at Lombard Odier Investment Managers ("LOIM"). He is responsible for various sectors including money market, government bonds, corporate bonds, emerging market debt, currencies and absolute return. Prior to joining LOIM, 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 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.



Report of the Directors

The Directors present their report and audited Consolidated Financial Statements of the Group for the year ended 30 June 2012.

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 25 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 22.

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 2012 as follows:

	Payment date	Rate per Share
First interim	29 November 2011	0.50p
Second interim	24 February 2012	0.50p
Third interim	25 May 2012	0.75p

Directors

The Directors who held office during the year and as at 30 June 2012 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.

The Directors who held office during the year and their interest in the shares of the Company at 30 June 2012 (all of which were beneficial) were:

C. J. Hunter	31,387
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

Report of the Directors **continued**

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	£19,500
G. J. Farrell	£14,625
R. G. Ray	£14,625
J. M. Marren	£14,625
S. C. Monier	£14,625
	£78,000

At a Board meeting of the Company held on 22 February 2012, the Board resolved to reduce their Directors' fees by 10% for 12 months with effect from 1 April 2012.

The Directors of the subsidiaries of the Group received emoluments amounting to £25,324 (2011: £26,135). Total fees paid to Directors of the Group were £103,273 (2011: £106,171).

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.

Significant Shareholdings

Shareholders with holdings of more than 3% of the issued ordinary shares of the Company as at 21 September 2012 were as follows:

	Number of shares	Percentage
State Street Nominees Limited	33,400,000	33.40%
Transact Nominees Limited	15,750,236	15.75%
Nutraco Nominees Limited	6,113,879	6.11%
HSBC Global Custody Nominee (UK) Limited	3,341,871	3.34%
Rathbone Nominees Limited	3,081,800	3.08%

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.

Changes to the Code take effect for financial years beginning on or after 1 October 2012. Such changes include those concerning gender diversity, extending the remit of and reporting by audit committees and the requirement that external audit be put to tender at least every 10 years. Changes to the meaning of the "comply or explain" regime and changes to Guidance



for Audit Committees also take effect for financial years beginning on or after 1 October 2012. The Board will consider these changes during the next financial year.

The Guernsey Financial Services Commission (“GFSC”) issued its Code of Corporate Governance (the “Guernsey Code”) on 30 September 2011, which came into effect on 1 January 2012. The Guernsey Code replaced the previous GFSC guidance, “Guidance on Corporate Governance in the Finance Sector”. The Guernsey Code provides a framework that applies to all entities licensed by the GFSC or which are registered or authorised as a collective investment scheme. 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 Corporate Governance Guide for Investment Companies (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.

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 auditor together with their remuneration. 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 auditor is appointed to perform non-audit services. The Committee reviews the scope and results of the audit, its cost effectiveness and the

Report of the Directors **continued**

independence and objectivity of the auditor, with particular regard to non-audit fees. Such fees amounted to £36,160 (2011: £38,479) for the Group for the year ended 30 June 2012 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 formal Board, Audit Committee and Management Engagement Committee meetings held during the year ended 30 June 2012 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	3	2	1	1
G. J. Farrell	4	4	3	2	1	1
R. G. Ray	4	4	n/a	n/a	n/a	n/a
J. M. Marren	4	4	3	3	1	1
S. C. Monier	4	4	3	3	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.

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 55 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

Pursuant to the AGM which took place on 15 December 2011 ("2011 AGM"), the Directors are generally empowered to allot up to 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.

This resolution is a standard resolution for investment companies listed under Chapter 15 of the UK Listing Rules. The Directors do not currently intend to allot shares other than to take advantage of opportunities in the market as they arise and only if they believe it would be advantageous to the Company's shareholders to do so. It is expected that the Company will seek this authority at the AGM on an annual basis.

New Articles of Incorporation

At the 2011 AGM, a special resolution was passed to amend the Articles of Incorporation by the deletion of paragraphs 5 to 7 in their entirety and the insertion of new articles 5 to 7A. This resolution dealt with the adoption of pre-emption rights in order to meet new requirements for premium listed companies under the UK Listing Rules which became effective 6 April 2010.

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 AGM.


Charles Hunter

Chairman
19 October 2012


John Marren
Director
19 October 2012

**"The Board
welcomes
shareholders'
views and
places great
importance on
communication
with its
shareholders."**

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 2012.
- (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 2012.

C. J. M. Hunter.

Charles Hunter
Chairman
19 October 2012

John Marren
Director
19 October 2012

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 2012 which comprise the Consolidated Income Statement, 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 23, 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 misstatements or inconsistencies we consider the implications for our report.

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 2012 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. We have nothing to report in respect of our review.

Robert A Hutchinson

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

19 October 2012

Consolidated Income Statement

For the year ended 30 June 2012

	Notes	Year ended 30 June 2012 £000s	Year ended 30 June 2011 £000s
Gross rental income	4	11,444	11,663
Service charge income		491	767
Property operating expenses		(1,916)	(2,095)
Net rental and related income		10,019	10,335
Valuation loss on investment properties	10	(3,172)	(1,188)
Net (loss)/gain on disposal of investment properties	10	(339)	767
Impairment loss	7	-	(7,295)
General and administrative expenses	3, 5	(2,743)	(2,823)
Operating profit/(loss)		3,765	(561)
Net foreign exchange gain		428	5,299
Net loss on financial instruments	22	(304)	(5,816)
Net finance cost	6	(4,381)	(2,988)
Loss before tax		(492)	(4,066)
Income tax expense	19	(297)	(313)
Loss for the year		(789)	(4,379)
Basic and diluted loss per ordinary share (pence)	8	(0.79)	(4.38)

The accompanying notes on pages 30 – 53 form an integral part of these Consolidated Financial Statements.



Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	Year ended 30 June 2012 £000s	Year ended 30 June 2011 £000s
Loss for the year		(789)	(4,379)
Effective portion of changes in fair value of hedges		(2,615)	2,505
Foreign exchange translation (loss)/gain		(8,810)	1,602
Other comprehensive (expense)/income for the year	2	(11,425)	4,107
Total comprehensive expense for the year		(12,214)	(272)

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	Revaluation reserve £000s	Hedging reserve £000s	Revenue reserve £000s	Distributable reserve £000s	Foreign currency reserve £000s	Total £000s
	Note 23	Note 23		Note 23	Note 23	
Balance at 1 July 2011	(43,609)	(1,138)	6,593	92,948	19,943	74,737
Net loss	(3,476)	-	2,687	-	-	(789)
Other comprehensive expense	-	(2,615)	-	-	(8,810)	(11,425)
Total comprehensive expense for the year	(3,476)	(2,615)	2,687	-	(8,810)	(12,214)
Contributions by and distributions to owners						
Dividends to equity holders (Note 9)	-	-	(2,500)	-	-	(2,500)
Balance at 30 June 2012	(47,085)	(3,753)	6,780	92,948	11,133	60,023

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 23	Note 23		Note 23	Note 23	
Balance at 1 July 2010	(35,559)	(3,643)	5,922	92,948	18,341	78,009
Net loss	(8,050)	-	3,671	-	-	(4,379)
Other comprehensive income	-	2,505	-	-	1,602	4,107
Total comprehensive expense for the year	(8,050)	2,505	3,671	-	1,602	(272)
Contributions by and distributions to owners						
Dividends to equity holders (Note 9)	-	-	(3,000)	-	-	(3,000)
Balance at 30 June 2011	(43,609)	(1,138)	6,593	92,948	19,943	74,737

The accompanying notes on pages 30 – 53 form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	30 June 2012 £000s	30 June 2011 £000s
Non-current assets			
Investment properties	10	111,777	145,979
Deferred tax assets	19	58	278
Current assets			
Cash and cash equivalents	14	4,884	4,149
Trade and other receivables	15	1,511	2,199
Investment properties held for sale	11	9,952	-
Total assets		128,182	152,605
Current liabilities			
Trade and other payables	16	2,713	3,249
Current portion of long-term loans	17	16,499	8,128
Derivative financial instruments	22	54	500
Non-current liabilities			
Deferred tax liability	19	703	1,012
Long-term loans	18	44,337	64,483
Derivative financial instruments	22	3,853	496
Total liabilities		68,159	77,868
Net assets		60,023	74,737
Share capital	20	-	-
Reserves	23	60,023	74,737
Total equity		60,023	74,737
Number of ordinary shares		100,000,000	100,000,000
Net asset value per ordinary share (pence)	21	60.02	74.74

The accompanying notes on pages 30 – 53 form an integral part of these Consolidated Financial Statements.

By order of the Board

C. H. Hunter.

Charles Hunter
Chairman
19 October 2012



John Marren
Director
19 October 2012



Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	Notes	Year ended 30 June 2012 £000s	Year ended 30 June 2011 £000s
Operating activities			
Loss before tax		(492)	(4,066)
Adjustments for:			
Unrealised loss on investment properties and financial assets		3,511	8,073
Unrealised loss/(gain) on financial instruments		304	(452)
Decrease/(increase) in trade and other receivables		892	(976)
(Decrease)/increase in trade and other payables		(781)	390
Net finance cost		4,381	2,988
Net foreign exchange gain		(428)	(5,299)
Net cash generated from operations		7,387	658
Interest income received		10	23
Interest paid		(3,016)	(2,700)
Tax paid	19	(483)	(209)
Net cash inflow/(outflow) from operating activities		3,898	(2,228)
Investing activities			
Capital expenditure on completed investment properties	10	(1,678)	(3,909)
Proceeds from disposal of investment properties	10	7,167	3,750
Net cash inflow/(outflow) from investing activities		5,489	(159)
Financing activities			
Crédit Agricole loan facility repaid		(5,097)	(3,062)
Dividends paid	9	(2,500)	(3,000)
Net cash outflow from financing activities		(7,597)	(6,062)
Effect of exchange rate fluctuations		(1,055)	(2,875)
Increase/(decrease) in cash and cash equivalents		735	(11,324)
Cash and cash equivalents at start of the year		4,149	15,473
Cash and cash equivalents at year end		4,884	4,149

The accompanying notes on pages 30 – 53 form an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

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 2012 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 19 October 2012.

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 2011 which did not have any impact on the financial position or performance of the Group:

- (i) *Improvements to IFRSs 2010 as issued by the IASB in May 2010:*
 - *First-time Adoption of IFRSs (Amendments to IFRS 1);*
 - *Financial Instruments: Disclosures (Amendments to IFRS 7);*
 - *Presentation of Financial Statements (Amendments to IAS 1);*
 - *Interim Financial Reporting (Amendments to IAS 34); and*
 - *Customer Loyalty Programmes (Amendments to IFRIC 13).*
- (ii) *IAS 24 Related Party Disclosures (revised 2009)*
- (iii) *Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14)*
- (iv) *Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)*
- (v) *Severe Hyperinflation and Removal of Fixed Dates 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 2015)
- 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)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (Effective 1 January 2013)
- 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)
- Government Loans (Amendments to IFRS 1) (Effective 1 January 2013)
- Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) (Effective 1 January 2013)
- Annual Improvements to IFRSs 2009-2011 Cycle (Effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) (Effective 1 January 2014)

During the next financial year the Directors will assess whether the adoption of these Standards in future periods will have a 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 presentation currency 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 presentation currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit and loss. 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 presentation currency 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 presentation currency at the foreign exchange rates ruling at the statement of financial position date. The income and expenses of foreign operations are translated to presentation currency 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.

(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) 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.

Notes to the Consolidated Financial Statements **continued**

(e) Income recognition

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 income statement on a straight-line basis over the term of the lease. Lease incentives are amortised over the whole lease term.

(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 2012 are expensed in the income statement.

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

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 income statement 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) Non-current assets held for sale

Investment property is transferred to non-current assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such property and its sale must be highly probable.

For the sale to be highly probable:

- The Board must be committed to a plan to sell the property and an active programme to locate a buyer and complete the plan must have been initiated;
- The property must be actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

On re-classification, investment property that is measured at fair value continues to be so measured.

(m) 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.

(n) Loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(o) 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.

Notes to the Consolidated Financial Statements **continued**

(p) 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 income statement.

(q) 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.

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 19.

(r) 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 1 (Valuation Uncertainty). Investor sentiment in Italy is concerned with issues relating to the sovereign debt and perceived possible intervention by the European Bank. Fewer negotiations are resulting in transactions as 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. Accordingly, given the current economic and property market volatility, the valuers recommend that the valuation is kept under regular review.

(s) 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 (t).

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:

(t) Hedge accounting

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

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group 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.

Cash flow hedges which meet the criteria for hedge accounting are accounted for as follows:

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. Where amounts are transferred to and from equity, these amounts are also reflected in other comprehensive income in the statement of comprehensive income.

When a derivative is held as an economic hedge beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item. A derivative instrument that is a designated and effective hedging instrument is classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if: 1) a reliable allocation can be made; and 2) it is applied to all designated and effective hedging instruments.

Note 22 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.

(u) 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.

Notes to the Consolidated Financial Statements **continued**

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. Geographic and Sector analyses of the segment are included in the Investment Manager's Report on pages 12-13.

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. In relation to the nine month period ended 31 March 2012, the Company paid a retainer of £50,000 per annum payable in four equal tranches quarterly in arrears.

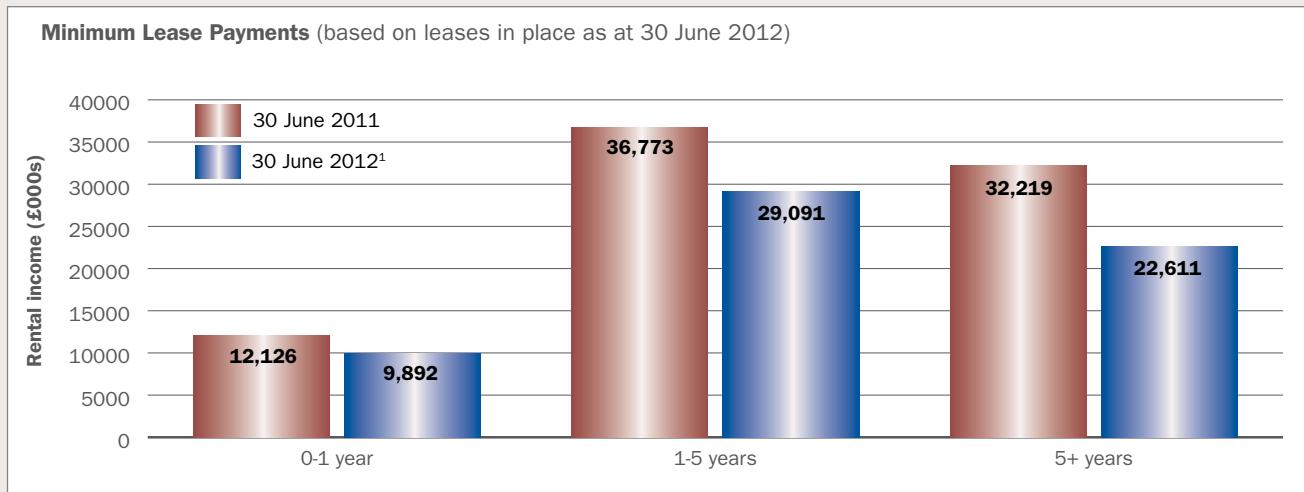
At a Board meeting of the Company held on 22 February 2012, the Board resolved to request a 10% reduction in the retainer fee for a period of one year. Oriel Securities Limited has agreed to the fee reduction request and has therefore reduced the retainer fee by 10%, to £45,000 per annum, for 12 months with effect from 1 April 2012.

- (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. In relation to the nine month period ended 31 March 2012, the Administrator was entitled to receive a fixed fee of £65,000 per annum plus a variable fee which was dependant on additional work carried out by the Administrator for the Company from time to time. In addition, the Administrator was entitled to be reimbursed for all reasonable out of pocket expenses incurred in the performance of its duties.

At a Board meeting of the Company held on 22 February 2012, the Board resolved to request a 10% reduction in the administration fee for a period of one year. Northern Trust International Fund Administration Services (Guernsey) Limited has agreed to the fee reduction request and has therefore reduced the variable component of the administration fee by 14% in order to achieve a 10% reduction in the overall fee, and have converted this component of the fee from a time spent basis to a fixed fee basis. With effect from 1 April 2012, Northern Trust Fund Administration Services (Guernsey) Limited's administration fee is £205,000 fixed fee per annum, and is subject to review on 1 April 2013. The Administrator remains 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 2012 amounted to £11.44 million (2011: £11.66 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.



¹Excluding Porto Kali investment which has been written down to nil.

5. General and administrative expenses

	30 June 2012 £'000s	30 June 2011 £'000s
Administration fees	(499)	(491)
General expenses	(276)	(208)
Audit fees	(257)	(200)
Legal and professional fees	(320)	(387)
Directors' fees	(103)	(106)
Insurance fees	(42)	(43)
Sponsor's fees	(50)	(40)
Investment management fees	(1,196)	(1,348)
Total	(2,743)	(2,823)

In relation to the nine month period ended 31 March 2012, each of the Directors received a fee of £15,000 (2011: £15,000) per annum from the Company. The Chairman received a fee of £20,000 (2011: £20,000) per annum. At a Board meeting of the Company held on 22 February 2012, the Board resolved to reduce their Directors' fees by 10% for 12 months with effect from 1 April 2012. As such, each of the Directors receives a fee of £13,500 per annum and the Chairman receives a fee of £18,000 per annum for the period 1 April 2012 to 31 March 2013.

The aggregate remuneration and benefits in kind of the Directors in respect of the Company's year ended 30 June 2012 amounted to £78,000 (2011: £80,000) in respect of the Company and £103,273 (2011: £106,171) in respect of the Group.

Notes to the Consolidated Financial Statements **continued**

6. Net finance cost

	30 June 2012 £000s	30 June 2011 £000s
Interest income from bank deposits	10	21
Finance costs	(4,391)	(3,009)
Total	(4,381)	(2,988)

7. Impairment Loss

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 value of the Company's loan receivable related to the Porto Kali investment as at 30 June 2012 has been written down to £nil (€nil) (2011: £nil (€nil)) as a result of the holding vehicle entering into bankruptcy. The related impairment expense was £nil (€nil) (2011: £7.30 million (€8.52 million)), resulting in a total impairment allowance of £11.55 million (€13.50 million) (2011: £11.55 million, €13.50 million).

8. 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 £0.79 million (2011: £4.38 million) and the weighted average number of Ordinary Shares in issue during the year of 100,000,000 (2011: 100,000,000).

9. Dividends

Dividend payment date	No. of Ordinary Shares	Rate (pence)	30 June 2012 £000s	30 June 2011 £000s
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
2 September 2011	100,000,000	0.75	750	-
29 November 2011	100,000,000	0.50	500	-
24 February 2012	100,000,000	0.50	500	-
25 May 2012	100,000,000	0.75	750	-
Total	2,500		3,000	

The cumulative dividends of £2.50 million paid during the year ended 30 June 2012 were 169% covered by "revenue" profits.

10. Investment properties

	30 June 2012 £000s	30 June 2011 £000s
Cost of investment properties at beginning of year	135,249	134,689
Capital expenditure during the year	1,303	3,788
Disposals during the year	(6,997)	(3,638)
Net (loss)/gain on disposals during the year	(339)	410
Cost of investment properties at end of year	129,216	135,249
Fair value adjustments	(34,885)	(31,374)
Foreign exchange translation	27,398	42,104
Market value of investment properties at end of year	121,729	145,979
Investment properties classified as current assets held for sale (Note 11)	(9,952)	-
Non-current investment properties	111,777	145,979

Investment properties comprise a number of commercial properties that are leased to third parties. The portfolio on page 12 shows the properties acquired by the Group.

The sale of investment properties at Moosburg and Mühldorf, Germany, were completed in February 2012. 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.

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(r), 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:

2012	Germany	The Netherlands	Italy	Belgium
Passing rent per sqm p.a.	€89.59	€55.60	€99.29	€122.12
Estimated rental value (market rent) per sqm p.a.	€94.26	€52.85	€89.61	€117.36
Average net initial yield	7.96%	10.79%	8.19%	8.01%
Average net reversionary yield	8.38%	10.26%	7.43%	7.70%
Inflation rate	2.18%	2.37%	3.26%	3.21%
Long-term vacancy rate	10.30%	13.90%	6.75%	10.70%
Long-term growth in real rental rates	1.80%	0.00%	0.00%	0.00%

Notes to the Consolidated Financial Statements **continued**

2011	Germany	The Netherlands	Italy	Belgium
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%

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 following sensitivity analysis 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 income statement. A 5% increase in the value of the direct properties (after deferred tax) at 30 June 2012 would have increased net assets and income for the year by £4.87 million (2011: £5.84 million). A decrease of 5% would have had an equal but opposite effect.

11. Investment properties held for sale

As at 30 June 2012, the Group held two investment properties which were under offer by third parties.

With regard to the property located at Treuchtlingen, Germany, the sale agreement with the third party was signed and notarised during June 2012. As at 30 June 2012, the assessed fair value of the property was £4.61 million (€5.70 million). As set out in note 27, the disposal of this property was completed during July 2012 at a sale price of €5.70 million (€5.52 million, net of related expenses).

In addition, an offer has been accepted for the asset at Pankower Allee, Berlin, for €6.60 million. The Sale and Purchase contract was signed on 7 September 2012 and receipt of sales proceeds is expected to take place before the end of 2012.

12. Joint ventures

The Group holds a 50% joint venture interest in the equity of the Italian subsidiary Property Trust Agnadelo S.r.l. which holds a logistics warehouse in Agnadelo, Italy. The remaining 50% equity interest is held by European Added Value Fund S.à r.l., a subsidiary of European Added Value Fund Limited.

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 2012 £000s	30 June 2011 £000s
Current assets	270	986
Non-current assets	11,166	13,115
Current liabilities	6,686	628
Non-current liabilities	3,499	11,975

	30 June 2012 £000s	30 June 2011 £000s
Income	1,144	1,138
Expenses including valuation gains and losses on investment property and derivatives	1,239	1,698

13. 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 2012 the fair value of the investment was £nil (2011: £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.

14. Cash and cash equivalents

	30 June 2012 £000s	30 June 2011 £000s
Bank balances	4,884	4,149
Total	4,884	4,149

Interest earned on bank balances is at prevailing floating rates.

15. Trade and other receivables

Amounts falling due within one year:

	30 June 2012 £000s	30 June 2011 £000s
Tax receivable (withholding, corporate and income)	733	717
Other receivables	67	727
VAT receivable	215	353
Rent receivable	103	141
Accrued income	196	170
Prepayments	196	90
Interest on deposits	1	1
Total	1,511	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.

Notes to the Consolidated Financial Statements **continued**

16. Trade and other payables

	30 June 2012 £000s	30 June 2011 £000s
Investment manager's fee	358	373
Property manager's fee	32	56
Other	781	582
Tax payable (income, transfer, capital and other)	475	625
Interest payable on loan facility	411	88
Legal and professional fees	116	1,211
VAT payable	150	-
Audit fee	177	124
Administration and Company Secretarial fees	194	144
Property acquisition costs	-	26
Rent prepaid	6	16
Directors' fees	13	4
Total	2,713	3,249

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

17. Current portion of long-term loans

	30 June 2012 £000s	30 June 2011 £000s
Secured bank loan	16,499	8,128

The Group has a 50% interest in the joint venture Property Trust Agnadelo S.r.l. which holds long-term bank debt of £12.96 million (€16.02 million) of which the Group's share is £6.48 million (€8.01 million) as at 30 June 2012 (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 30 June 2012. The bank loan is secured over the property and assets of the joint venture. The Manager is working with the lender for a solution in relation to the pending expiry of the loan.

In relation to the main loan facility, two assets were classified as held for sale as at 30 June 2012 (see note 11), and the related bank loans totalling £5.30 million (€6.55 million) have been classified as a current liability. A loan prepayment of £4.05 million in relation to the Treuchtlingen asset, Germany, was made upon completion of the sale in July 2012.

The breach of loan-to-value ("LTV"), which occurred after 30 June 2012, was based on financial information which was available as at or before the end of the reporting period. Based on this information, the estimated loan prepayment to cure the LTV breach as at 30 June 2012 was £4.72 million (€5.83 million) and has been classified as a current liability.

18. Long-term loans

	30 June 2012 £000s	30 June 2011 £000s
Non-current liabilities		
Secured bank loan	44,249	64,390
Loan due to third party	88	93
Total	44,337	64,483

The main loan facility is with Crédit Agricole Corporate and Investment Bank ("Crédit Agricole") and Crédit Foncier de France ("Crédit Foncier").

The outstanding balance of the main loan as at 30 June 2012 was €70.45 million, following the partial loan repayments in relation to the sale of Moosburg and Mühldorf, Germany in February 2012, resulting in an LTV ratio of 54.52%. In order to comply with the 50% LTV covenant within the 25 business days permitted under the facility, the Group repaid a further €2.61 million.

The Group is now in compliance with the 50% LTV covenant following the prepayment of the loan facility down to €64.62 million. A further loan prepayment was made on 25 July 2012 following the disposal of the asset at Treuchtlingen, Germany, resulting in a new loan balance of €60.56 million and an LTV of 49.03%.

The new LTV covenant will be 60% from 2 July 2012 through to expiry on 1 July 2016.

Other terms of the main loan facility at 30 June 2012 are:

3-month Euribor (fixed 10 May 2012)	0.69%
Margin	2.40%
All-in rate, excluding costs	4.79%
- Swapped portion of loan, 80.7% of loan at 5.20%	4.19%
- Capped portion of loan, 16.1% of loan at 3.09%	0.50%
- Floating portion of loan, 3.2% of loan at 3.09%	0.10%
Arrangement fee	1.00%
Amortisation	None

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

19. Taxation

	30 June 2012 £000s	30 June 2011 £000s
Current tax by country		
Effect of:		
Current tax		
Luxembourg	37	81
Italy	197	210
The Netherlands	11	50
Germany	65	(8)
Total current tax	310	333
Deferred tax		
Investment property	(212)	(111)
Derivatives	-	213
Tax value of loss carried forwards recognised	199	(122)
Total deferred tax	(13)	(20)
Tax charge during the year	297	313
Payment on account	(483)	(209)
Taxation (paid in advance)/payable	(186)	104

Notes to the Consolidated Financial Statements **continued**

Recognised deferred tax assets and liabilities

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

	30 June 2012		
	Assets £000s	Liabilities £000s	Net £000s
Investment property	-	(703)	(703)
Tax value of loss carry forwards recognised	58	-	58
Tax assets/(liabilities)	58	(703)	(645)

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

At 30 June 2012, the Group had unused tax losses amounting to £2.66 million (€3.28 million) (2011: £2.85 million (€3.16 million)) for which no deferred tax asset has been recognised. These tax losses are not expected to expire.

At 30 June 2012, taxable temporary differences associated with investments in subsidiaries for which no deferred tax liability had been recognised totalled £1.53 million (€1.89 million) (2011: £1.78 million (€1.97 million)).

Movement in temporary differences

	1 July 2011 £000s	Recognised in income statement £000s	Foreign exchange translation £000s	30 June 2012 £000s
Investment property	(1,985)	212	198	(1,575)
Investment property - change in tax rate	973	-	(101)	872
Tax value of loss carry forwards recognised	412	(199)	5	218
Tax value of loss carry forwards recognised - change in tax rate	(134)	-	(26)	(160)
Tax assets/(liabilities)	(734)	13	76	(645)

	1 July 2010 £000s	Recognised in income statement £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)
Tax assets/(liabilities)	(933)	294	(95)	(734)

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

20. Share capital

	30 June 2012	30 June 2011
	Share Premium Number of Shares £000s	Share Premium Number of Shares £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 22. It is not subject to externally imposed capital requirements.

The Company was authorised at the Annual General Meeting ("AGM") on 15 December 2011 to make market purchases of up to 14.99% of its Ordinary Shares until the conclusion of the next AGM or 31 December 2012, whichever is earlier. 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 15 December 2011, the Directors are generally empowered to allot up to 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.

21. Net asset value per ordinary share

The Net Asset Value per Ordinary Share at 30 June 2012 is based on the net assets attributable to the ordinary shareholders of £60.02 million (2011: £74.74 million) and on 100,000,000 (2011: 100,000,000) ordinary shares in issue at the Consolidated Statement of Financial Position date.

22. Financial instruments

The table below summarises the amounts recognised in the income statement.

	30 June 2012 £000s	30 June 2011 £000s
Loss on forward currency contracts	-	(5,141)
Loss on currency hedge	(182)	(698)
(Loss)/gain on other derivatives	(122)	23
Total	(304)	(5,816)

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 reviews and agrees 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

Notes to the Consolidated Financial Statements **continued**

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.

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

	Within one year £000s
At 30 June 2012	
Cash and cash equivalents	4,884
Rent receivable	103
Trade and other receivables	1,408
Total	6,395

	Within one year £000s
At 30 June 2011	
Cash and cash equivalents	4,149
Rent receivable	141
Trade and other receivables	2,058
Total	6,348

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.

Considering the pending expiry of the Agnadelo loan in Italy in December 2012, and the lender's intention to withdraw from markets such as Italy, the Company announced on 21 August 2012 its intention to preserve cash to prudently manage the contingent restructuring of this loan. The Company announced the suspension of dividends from this date and also its intention to realise assets considered as non-core. Realisations commencing in the second half of 2012 will facilitate a paydown of the Agnadelo facility should a solution on refinancing or sale of the asset not occur before year end.

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

	Less than 3 months £000s	3-12 months £000s	1-5 years £000s	Total £000s
At 30 June 2012				
Interest bearing loans	-	18,830	53,014	71,844
Trade and other payables	1,883	830	-	2,713
Derivative financial instruments				
Interest rate swaps and caps	-	-	3,742	3,742
Cross currency swaps	54	-	111	165
Total	1,937	19,660	56,867	78,464

At 30 June 2011	Less than 3 months £000s	3-12 months £000s	1-5 years £000s	Total £000s
Interest bearing loans	-	10,696	75,191	85,887
Trade and other payables	2,437	812	-	3,249
Derivative financial instruments				
Interest rate swaps and caps	-	18	-	18
Cross currency swaps	-	482	496	978
Total	2,437	12,008	75,687	90,132

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. At 30 June 2012, the Group had interest rate swaps with a notional contract amount of £45.97 million (€56.82 million) (2011: £nil (€nil)) and interest rate caps with a notional contract amount of £14.87 million (€18.37 million) (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 or loss over the loan period.

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

	Counterparty	Contract Rate	Notional Amount
Interest Rate Swaps	Crédit Agricole	2.795%	€56.82 million
Interest Rate Caps	Crédit Agricole	3.5%	€11.36 million

The Group has entered into an interest rate cap for the period of the Agnadelo loan facility, effective from 2 January 2012 to 14 December 2012, to eliminate floating interest rate risk. Details of the Group's 50% share of the hedging contract is below:

	Counterparty	Contract Rate	Notional Amount
Interest Rate Cap	Crédit Agricole	2.0%	€7.01 million

Interest rate and cross currency hedges

	30 June 2012		30 June 2011	
	Assets £000s	Liabilities £000s	Assets £000s	Liabilities £000s
Current				
Interest rate swaps and caps	-	-	-	18
Cross currency swaps	-	54	-	482
Non-current				
Interest rate swaps and caps	-	3,742	-	-
Cross currency swaps	-	111	-	496
Total	-	3,907	-	996

Notes to the Consolidated Financial Statements **continued**

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 2012 %	30 June 2011 %	30 June 2012 €000s	30 June 2011 €000s	30 June 2012 £000s	30 June 2011 £000s
Interest rate swaps and caps						
Less than 1 year	2.00%	4.50%	7,013	9,000	-	(18)
2 - 5 years	2.795% - 3.50%	-	68,184	-	(3,742)	-
Cross currency swaps						
0 - 2 years	4.00% - 4.63%	4.18% - 4.63%	156,444	101,860	(165)	(978)

The interest rate swaps settle on a quarterly basis. The basis of floating rate is 3-month Euribor which at the year end was 0.65% (2011: 1.55%). The Group will settle the difference between the fixed and floating rate on a net basis.

Interest re-pricing

	As at 30 June 2012			
	Effective interest rate %	Total as per statement of financial position £000s	Floating rate	
			Fixed rate £000s	3 months or less £000s
Financial assets				
Cash and cash equivalents		4,884	-	4,884
Total		4,884	-	4,884
Financial liabilities				
Current portion of long-term loans	3.14%	16,499	-	16,499
Long-term loans	3.09% - 5.0%	44,337	88	44,249
Total		60,836	88	60,748
As at 30 June 2011				
	Effective interest rate %	Total as per statement of financial position £000s	Floating rate	
			Fixed rate £000s	3 months or less £000s
Financial assets				
Cash and cash equivalents		4,149	-	4,149
Total		4,149	-	4,149
Financial liabilities				
Current portion of long-term loans	2.18%	8,128	-	8,128
Long-term loans	4.89% - 5.0%	64,483	94	64,389
Total		72,611	94	72,517

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 30 June 2012, the Group has hedged foreign currency exposure in respect of £0.35 million (€0.50 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. During the year ended 30 June 2012, the hedged item was recognised in profit and loss on a quarterly basis.

On 30 April 2012, two of the three cross currency swap contracts with National Australia Bank Ltd expired. As a result, in accordance with the Company's accounting policy, the previous hedge accounting retained in equity of £1.11 million in relation to these cross currency swap contracts has been reversed to the income statement. In addition, the gain of £0.48 million for the year, relating to these contracts, has been recognised in the income statement.

The remaining cross currency swap contract expires on 31 August 2012. The unrealised gain of £0.44 million for the year ended 30 June 2012 relating to this cash flow hedge has been recognised in the income statement.

On 1 June 2012, to replace the existing contracts upon expiry, the Group entered into cross currency swaps for the period 16 August 2012 to 16 May 2014. In accordance with IFRS, trade date accounting has been applied, and the mark-to-market values of these contracts have been recognised in the financial statements for the year ended 30 June 2012. Details of the hedging contracts are below:

	Counterparty	Contract Rate	Notional Amount
Cross Currency Swaps	Crédit Agricole	4.0%	€112.00 million

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	Net exposure £000s
At 30 June 2012	6,394	(63,549)	(57,155)
At 30 June 2011	6,295	(75,860)	(69,565)

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 2012	+5% -5%	2,858 (2,858)
At 30 June 2011	+5% -5%	3,478 (3,478)

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).

Notes to the Consolidated Financial Statements **continued**

	Level 1 £000s	Level 2 £000s	Level 3 £000s
30 June 2012			
Liabilities measured at fair value			
Interest rate swaps and caps	-	3,742	-
Cross currency swaps	-	165	-
Total	-	3,907	-

	Level 1 £000s	Level 2 £000s	Level 3 £000s
30 June 2011			
Liabilities measured at fair value			
Interest rate swaps and caps	-	18	-
Cross currency swaps	-	978	-
Total	-	996	-

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

30 June 2012				
Counterparty	Settlement date	Average exchange rate	Notional amount €000s	Fair value £000s
Cross currency swaps				
National Australia Bank Ltd	31/08/2012	1.43	44,444	(54)
Crédit Agricole Corporate & Investment Bank	16/05/2014	1.25	112,000	(111)

30 June 2011				
Counterparty	Settlement date	Average exchange rate	Notional amount €000s	Fair value £000s
Cross currency swaps				
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)

30 June 2012				
Counterparty	Settlement date	Fixed interest rate	Notional amount €000s	Fair value £000s
Interest rate swaps				
Crédit Agricole Corporate & Investment Bank	01/07/2016	2.795%	56,820	(3,609)
Interest rate caps				
Crédit Agricole Corporate & Investment Bank	14/12/2012	2.00%	7,013	-
Crédit Agricole Corporate & Investment Bank	01/07/2016	3.50%	11,364	(133)

30 June 2011				
Counterparty	Settlement date	Fixed interest rate	Notional amount €000s	Fair value £000s
Interest rate swaps				
Crédit Agricole Corporate & Investment Bank	n/a	n/a	-	-
Interest rate caps				
Crédit Agricole Corporate & Investment Bank	02/01/2012	4.50%	9,000	(18)

23. 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 income statement 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 2012 £000s	30 June 2011 £000s
Balance at beginning of financial year	(1,138)	(3,643)
Movement on cash flow hedges:		
Interest rate swaps	(3,609)	890
Cross currency swaps	994	799
Net change in fair value of hedges	(2,615)	1,689
Movement on forward currency contracts:		
Forward currency contracts	-	816
Balance at end of financial year	(3,753)	(1,138)

(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 currency reserves

Foreign currency 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.

24. 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 income statement during the period in respect of Mourant Ozannes legal fees was £1,725 (2011: £19,965), of which £nil (2011: £12,643) 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 income statement during the period in respect of Northern Trust administration fees was £219,756 (2011: £235,491) of which £51,250 (2011: £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 £1.20 million (2011: £1.35 million) were expensed to the income statement of which £0.36 million (2011: £0.37 million) remained payable at the year end.

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

Notes to the Consolidated Financial Statements **continued**

25. 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 owned 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
Total	2,695				

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 %
Property Trust Luxembourg 1 S.à r.l.		
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 Mühldorf 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.	Netherlands	100
Keyser Center N.V.	Belgium	0.05
Property Trust Luxembourg 2 S.à r.l.		
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
Property Trust Luxembourg 3 S.à r.l.		
Property Trust Agnadello S.r.l.	Italy	50
Property Trust Bernau S.à r.l.	Luxembourg	100
Property Trust Kali S.à r.l.	Luxembourg	100

26. Commitments

Guarantees

The Company has provided mortgages over the properties 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 Agnadelo S.r.l. which holds bank debt of £12.96 million (€16.02 million), of which the Group's share is £6.48 million (€8.01 million), secured over the property and shares of the joint venture. Property Trust Agnadelo S.r.l. has provided a guarantee to the lender, Crédit Agricole, for £6.48 million (€8.01 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

Works to change the use of and to refurbish the unit to be occupied by international Dutch furniture retailer Seats & Sofas are underway. The landlord is contributing with a total budget of €850,000 of which €325,807 is still outstanding and expected to be fully utilised by November 2012.

The total expected capital expenditure requirements in relation to the Phönix Center are budgeted at €725,807 which includes a budget of €400,000 for the refurbishment of the vacant unit if necessary.

27. Subsequent events

Asset sales

The sale of the investment property located at Treuchtlingen, Germany, was completed during July 2012. The sale price achieved was €5.70 million (€5.52 million, net of related expenses).

The Sale and Purchase contract on a further asset, Pankower Allee, Germany, was signed on 7 September 2012 and receipt of sales proceeds is expected before the end of 2012. The agreed sale price of €6.58 million supports the level of independent valuation.

Main loan facility

The Group is now in compliance with the 50% LTV covenant following the prepayment of the loan facility down to €64.62 million. A further loan prepayment was made on 25 July 2012 following the disposal of the asset at Treuchtlingen, Germany, resulting in a new loan balance of €60.56 million and an LTV of 49.03%.

Liquidation of SPVs

The Manager will seek to merge or wind up redundant holding companies from planned disposals within a short time frame to avoid ongoing administrative expenses.

Suspension of dividends and Strategy

The Board's review of the position of the Company in August 2012 concluded that three independent and manageable issues had created a cumulative and adverse impact on the Company, which required a change in strategy to prioritise prudent cash management over retaining a dividend payment. These were:

- The stated intention of Crédit Agricole to require redemption of the Agnadelo loan in December 2012;
- The reduced cash surplus in the Group to meet any required paydown of the loan; and
- The delay of the notarisation of Pankower Allee which suggested higher execution risk to the sale being completed and cash receipts made available in the last quarter of the year.

Corporate Information



Directors (All non-executive)

C. J. Hunter (Chairman)

G. J. Farrell

R. G. Ray

J. M. Marren

S. C. Monier

Registered Office

Trafalgar Court

Les Banques

St Peter Port

Guernsey GY1 3QL

Channel Islands

Investment Manager

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

PO Box 255

Trafalgar Court

Les Banques

St Peter Port

Guernsey GY1 3QL

Channel Islands

Auditor

KPMG Channel Islands Limited

20 New Street

St Peter Port

Guernsey

GY1 4AN

www.axa-im.co.uk

<http://retail.axa-im.co.uk/axa-property-trust>

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