

Annual Report and  
Consolidated Financial Statements  
for the year ended  
**30 June 2016**

**AXA  
PROPERTY TRUST  
LIMITED**

## [retail.axa-im.co.uk/axa-property-trust](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 Company is in managed wind-down which will be effected with a view to the Company realising substantially its investments by year end December 2016 in a manner that achieves a balance between maximising the value from the Company's investments and making timely returns of capital to Shareholders.

The Company will cease to make any new investments or undertake capital expenditure except where necessary in the reasonable opinion of the Manager and Board to protect or enhance the value of any existing investments or to facilitate orderly disposals.

Any cash received by the Company as part of the realisation process, following repayment of the allocated loan amounts and any additional payments required under the loan facilities but prior to its distribution to Shareholders, will be held by the Company as cash on deposit and/or as cash equivalents.

The Company will not undertake new borrowing other than for short-term working capital purposes.

Shareholders should expect that, under the terms of the managed wind-down, the Board and the Manager will be committed to distributing as much of the available cash as soon as reasonably practicable having regard to cost efficiency and working capital requirements. Accordingly, in order to minimise the administrative burden, Shareholders should expect that returns of cash will be made regularly but not necessarily as soon as cash becomes available.

# Contents

Key Financial Information	4
Performance Summary	5
Chairman's Statement	6
Investment Manager's Report	7
Board of Directors	14
Report of Directors	15
Corporate Governance Report	20
Audit Committee Report	27
Directors' Remuneration Report	32
Investment Objective and Investment Policy	34
Independent Auditor's Report to the Members of AXA Property Trust Limited	35
Consolidated Income Statement	40
Consolidated Statement of Comprehensive Income	41
Consolidated Statement of Changes in Equity	42
Consolidated Statement of Financial Position	43
Consolidated Statement of Cash Flows	44
Notes to the Consolidated Financial Statements	45
Corporate Information	72



## Key Financial Information

### For the year ended 30 June 2016

- Sterling currency Net Asset Value (“NAV”) is £62.8 million on a pro-forma basis before deduction of share redemptions paid (£38.7 million after deduction of redemption paid).
- Profit was 2.08 pence per share (2015: 7.97 pence per share)
- No dividends were paid relating to the year
- Redemption of shares paid during the year were £16.2 million (2015: £3.8 million)

### As at 30 June 2016

- NAV was 67.20 pence per share (30 June 2015: 57.61 pence)
- Share price<sup>1</sup> was 55.13 pence per share (30 June 2015: 44.75 pence)
- Gearing<sup>2</sup> was 32.1% (gross) and 26.6% (net) (30 June 2015: 35.7% and 31.1%)

<sup>1</sup> Mid market share price (source: Stifel Nicolaus Europe Limited).

<sup>2</sup> Gearing is calculated as overall debt, either gross or net of cash (net of cash allocated to post-quarter distribution, debt repayment and Repts & other commitments) held by the group over property portfolio fair value.

## Performance Summary

	Year ended 30 June 2016	Year ended 30 June 2015	% change
NAV (£000s)	38,694	49,367	(21.6%)
NAV per share	67.20p	57.61p	16.6%
Gain per share	2.08p	7.97p	n/a
Share redemptions paid	£16.2m	£3.8m	326.32%
Share price <sup>1</sup>	55.13p	44.75p	23.20%
Share price discount to NAV	18.0%	22.3%	n/a
Gearing (gross) <sup>2</sup>	32.1%	35.7%	(10.08%)
Total assets less current liabilities (£000s) <sup>3</sup>	40,475	66,910	(39.51%)

The 2016 NAV is presented after deduction of £24.1m of redemption payments.

Total annual return	Year ended 30 June 2016	Year ended 30 June 2015
NAV Total Return <sup>4</sup>	11.2%	5.4%
Share price Total Return		
- AXA Property Trust	29.6%	10.5%
- FTSE All Share Index	2.2%	2.6%
- FTSE Real Estate Investment Trust Index	-8.3%	19.5%

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

<sup>1</sup> Mid-market share price (source: Stifel Nicolaus Europe Limited).

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

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

<sup>4</sup> On a pro-forma basis which includes adjustments to add back any prior NAV reductions from share redemptions.

Source: AXA Investment Managers UK Limited and Stifel Nicolaus Europe Limited

# Chairman's Statement



Charles Hunter, Chairman

**The Company's Manager continues to work hard towards the agreed realisation strategy. During the year two disposals have been completed in Germany and the Netherlands, and £16.2 million returned to shareholders.**

**Subsequent to year end a third sale, at Dasing Germany, was completed, with proceeds of €7.45m applied to reduce borrowing in accordance with the revised agreement with the lender. Also, after the year end, a new under lease agreement was concluded at the shopping centre at Rothenburg Bavaria, which has significantly increased the asset's value and saleability. The Company's two assets in Italy continued to be marketed during 2016.**

## Results

The Company and its subsidiaries (together the "Group") made a total net profit after tax of £1.4 million for the year to 30 June 2016. The Net Asset Value ("NAV") of the Company at 30 June 2016 was £38.7 million (30 June 2015: £49.4 million). Adding back to the NAV the £16.2 million capital returned during the quarter, the NAV increased by £5.5 million (11.2%).

The Company's net property yield on current market valuation (after acquisition and operating costs) as at 30 June 2016 was 9.00% (30 June 2015: 9.00%). A detailed yield analysis is included in the Investment Manager's Report.

The mid-market price of the Company's shares on the London Stock Exchange on 30 June 2016 was 55.13 pence (30 June 2015: 44.75 pence), representing a discount of 18.0% to the Company's NAV at 30 June 2016 (30 June 2015: 22.3%).

## Return of Capital to Shareholders

No dividends were declared during the period and the dividend policy remains unchanged.

The Company returned £5.2 million capital to shareholders by means of a capital redemption on 30 July 2015 and a further £11.0 million on 6 January 2016.

## Bank Finance and Deleveraging

The Group continues to comply with the 60% loan-to-value ("LTV") covenant of the main loan facility with Crédit Agricole and Credit Foncier. In view of the targeted disposal timetable for the Company's remaining real estate assets AXA Property Trust concluded an extension of the Company's loan facility until 31st December 2016. Under the terms of the extension disposal proceeds and net rents will be allocated to debt reimbursement in priority to shareholder distribution.

## Prospects

Terms have been agreed for the sales of two of the Company's three remaining assets, Rothenburg and the 50% stake in the distribution warehouse in Agnadello Italy. While the global and European economic and political backdrop remains uncertain and most real estate transactions take many weeks to conclude, we are quite confident of success with these deals. On the receipt of proceeds of either deal the Company's remaining debt will be discharged. The sale of the multiplex cinema at Curno, east of Milan, is proving challenging, but the Board believes that the prospect of a sale here is reasonable in the next 12 months and therefore the completion sale of the whole of the remaining portfolio.

**Charles Hunter**  
Chairman  
31 October 2016

# Investment Manager's Report



Ian Chappell, 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 active, long term, global multi asset investor with Asset Under Management ("AUM") of €679 billion and over 2,300 employees, at 30 June 2016.

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 IM Real Assets"). AXA IM Real Assets offers a 360° view of real asset markets, investing in both equity and debt, across different geographies and sectors, and via private and listed instruments. AXA IM Real Assets comprises about 600 people in 14 offices around the world, operating in 24 countries.

Source: AXA Investment Managers UK Limited

## Fund Manager

**Ian Chappell** was appointed as the Fund Manager for AXA Property Trust in November 2015. He has very broad experience across Europe's real estate markets, having worked through several market cycles over the past 20 years and transacting and managing real estate assets covering core, core plus and value added strategies.

Ian graduated from Nottingham Trent University in 1991 and also holds a Master of Arts from the University of Newcastle Upon Tyne (1992). He was elected as Member of the Royal Institution of Chartered Surveyors in 1993. Ian is also a member of AXA IM Real Assets' Executive Committee.

## Market Outlook

### Eurozone – Economic environment

Eurozone real gross domestic product grew by 0.6% Quarter-on-Quarter (QoQ) in Q1 2016, more than expected. Growth was principally driven by unexpected improvements in private spending and investment activity. The contribution of net exports continued however to be negative for the third quarter in a row. Among major Eurozone countries, Spain showed the strongest GDP growth (+0.8% QoQ), followed by Germany (+0.7% QoQ) and France (+0.6% QoQ). Italy's growth was moderate, although positive and in slight acceleration (+0.3% QoQ).

Domestic demand is expected to remain the key driver of Eurozone growth; external demand, given recent economic difficulties faced by emerging markets, does represent a potential drag on expansion. Improvements in employment and earnings, as well as subdued inflation continue supporting disposable household income and thus private consumption. In Q2 2016 consumption is estimated to have marginally slowed (+0.3% QoQ), as some temporary effects faded away. Over the rest of 2016, consumption is expected to continue its recent trend rate (+0.4% QoQ) resulting, according to Ifo, INSEE and Istat, in an overall growth rate of 1.7%.

Eurozone growth in investment amounted to +0.8% QoQ in Q1, but is, according to Ifo, expected to decelerate to +0.5% QoQ in Q2 2016, along with the general slowdown in economic activity. Productive investment is likely to be supported by steady improvements in activity and the financial situation of businesses. Furthermore, the new ECB Corporate Sector Purchase Programme should continue easing already favourable financing conditions. Accordingly, investment is expected to gradually accelerate.

The result of the UK referendum has inevitably increased uncertainty over economic growth prospects in the Eurozone: while the short run impact on the activity of the area, via the trade channel, should be limited until Q4 2016, the medium term effect strongly depends upon the timing of the UK's exit and the future trade agreements to be negotiated between UK and the EU.



## Investment Manager's Report continued

All in all, Eurozone GDP is, according to Ifo, INSEE and Istat, expected to expand by 0.3% in Q2 2016 and by 0.4% in Q3. In Q4 the BREXIT effects are likely to drive slowdown in momentum reducing annual average GDP growth for the year to nearer 1.6% slightly weaker than growth seen in 2015 (+1.7%). Under the assumption that oil prices remain stable at \$49 per barrel, and the Dollar/Euro exchange rate fluctuates around 1.12 USD per EUR, inflation is expected to moderately increase during the rest of the year, bringing the annual average to +0.3%.

The German economy had a positive start to 2016, with Q1 GDP growth accelerating materially compared to late 2015. The industrial sector showed strong momentum in January, a notable loss in momentum was however visible throughout Q1 2016. The German economy grew at a seasonally-adjusted 0.7% QoQ in Q1 2016, accelerating from a 0.3% QoQ expansion in the previous quarter. Growth was mainly driven by household spending with foreign trade having a slight downward effect on growth. After a weak start to the second quarter, German business sentiment improved, with the Ifo Business Climate Index rising to 108.7 points in June from 107.8 points in May (seasonally adjusted). The German economy is expected to continue rebalancing over the coming years and both private and government consumption should remain key drivers for growth. Rising wage costs are likely however to place pressure on company profit margins.

The Italian economy grew by 0.3% QoQ in the three months to March of 2016 compared to a 0.2% QoQ expansion in the previous period. Growth was mainly driven by household expenditure and an accumulation of inventories, counter balanced by a slump in exports. Overall, GDP grew by 1.0% YoY in Q1 2016. The constitutional referendum, taking place in late 2016 represents a key risk to the economic outlook and Prime Minister Matteo Renzi has pledged to resign if he loses the referendum. The latest polls suggest the outcome is finely balanced and a resignation by Matteo Renzi could, given most recent polls, potentially lead to the Five Star Movement winning an

absolute majority in subsequent general elections. A period of uncertainty and a further delay in the implementation of crucial reforms would most likely dampen prospective economic growth. Furthermore, a high stock of non-performing loans on Italian banks' balance sheets present further shock risks to the economy with many retail investors exposed to these instruments believing them to be a secure as bank deposits.

### Italian Logistics Market

According to CBRE and as at Q2 2016, prime rents stand at €52.00/sq m/year in Rome and at €50/sq m/year in Milan. RCA reported real estate investment volumes into the industrial sector of €246m over Q2, this excluding the €535m sale concerning 300 Enel buildings. The quarter also saw a slight decrease in prime yields to 6.4%, both in Milan and Rome, representing a decline of 10bps QoQ in both cases. According to CBRE, yields are now down 60bps compared to Q2 2015 in both city markets reflecting increased demand from international investors.

### German Retail Market

The first half of 2016 saw the signing of retail lease contracts representing over 236,500 sq m of retail space, broadly similar to levels seen in the first half of 2015. More than two-thirds of all rental contracts were concluded by international retailers. According to CBRE German prime retail rents remained largely stable over the second quarter of 2016 although Berlin recorded prime rental growth of 1.5%. Retail real estate investment volumes amounted to approximately €4.1bn in the first half of 2016 whilst JLL recorded prime high street yields in the Big 7 centres at 3.70% following a further, albeit slight, decline (by 5 basis points). Yields for shopping centres and retail parks fell by 15 basis points respectively to 4.10% and 5.10%.

### German Logistics Market

During the first six months of 2016, Germany saw a logistics and industrial take up of on aggregate 3.3m sq m with the second quarter being the strongest quarterly result ever recorded. Occupier and developers are particularly active in secondary locations with nearly all of the deals exceeding



20,000 sq m having taken place in these locations. Overall, CBRE expects an all-time record take-up of 6.5m sq m for 2016. Prime rents remained stable year-on-year, with the exceptions of Munich and Berlin where both markets recorded significant rent increases of approximately 3.3% and 0.9% respectively. At €2.1bn, the transaction volume for German logistics properties over the first two quarters of 2016 has exceeded the previous entire year's volume by 45% and recorded a new half-year record. The lack of prime products increasingly results in a shift of investors to a riskier set of existing properties as well as locations outside the top investment locations. The gross initial yield in the prime segment of the top markets declined by 65 basis points over the last 12 months to an average of 5.65%. Munich and Berlin saw prime yields of 5.3% and 5.4% respectively. Smaller cities, such as Bremen, Leipzig, Kassel and Nuremberg, saw yields standing at 5.85%.

## Investment Manager's Report continued

### Asset Management Update

The sales of the following assets were completed during the year:

- Phoenix Center, Fuerth
- Smakterweg, Venray

During the year, binding contracts were signed for the sale of the Dasing asset at a price of €7.45 million. The sale subsequently completed on 25 August 2016.

At Rothenberg, the Company's other asset in Germany, negotiations to extend the lease with the anchor tenant, Kaufland, were finalised and marketing commenced during Q3 2016, with good prospects for a sale by the end of the year.

The two Italian assets continued to be marketed and exclusivity was granted to a prospective buyer of the Agnadello asset during Q2 2016. It is anticipated that final terms for the acquisition will be agreed during Q4 2016, along with completion. After expressing interest in the Curno asset, a potential buyer withdrew and the Manager is reviewing disposal options with the Directors. In the meantime, the property's cash flow generation remains robust.

### Property Portfolio at 30 June 2016

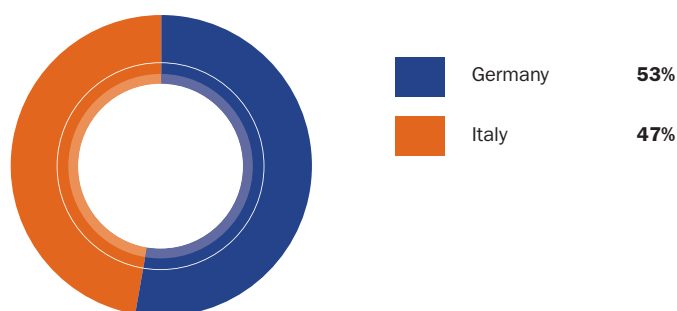
Investment name	Country	Sector	Net yield on valuation <sup>1</sup>	% of total Property Portfolio
Rothenburg ob der Tauber	Germany	Retail	7.99%	39.61%
Curno, Bergamo	Italy	Leisure	9.78%	26.29%
Bergamina, Agnadello	Italy	Industrial	10.03%	20.87%
Am Birkfeld, Dasing	Germany	Industrial	8.66%	13.23%

<sup>1</sup> Source - external independent valuers to the Company, Knight Frank LLP

Details of all properties in the portfolio are available on the Company's website [retail.axa-im.co.uk/axa-property-trust](http://retail.axa-im.co.uk/axa-property-trust) under *Portfolio*.

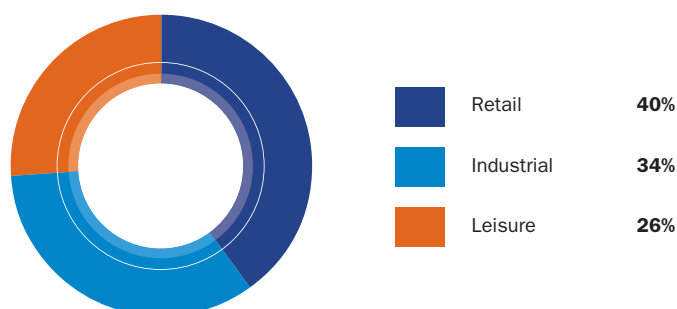
Source: AXA Real Estate Investment Managers UK Limited

### Geographical Analysis at 30 June 2016 by Fair Value



Source: AXA Real Estate Investment Managers UK Limited

### Sector Analysis at 30 June 2016 by Fair Value



Source: AXA Real Estate Investment Managers UK Limited

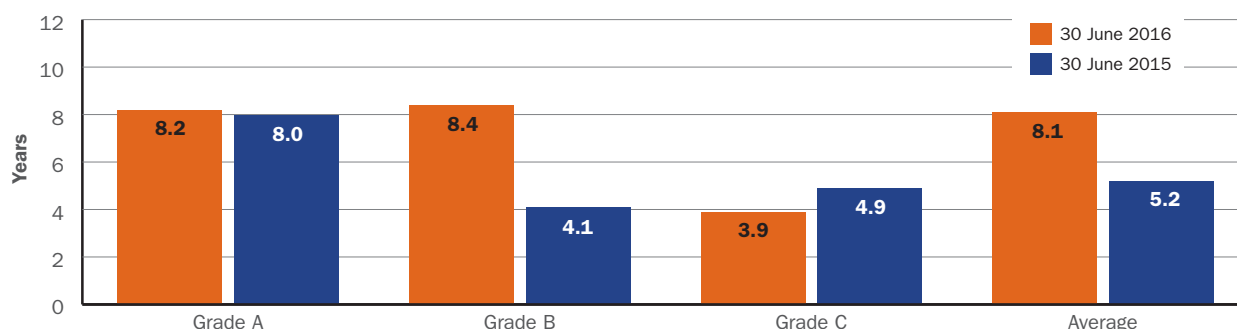
### Covenant Strength Analysis at 30 June 2016

(based on rental income)

Grade A	28.8%	Creditreform:<199; D&B:A 1
Grade B	61.8%	Creditreform:200-249; D&B:B,C,D 1,2
Grade C	5.7%	Creditreform:>250; D&B: D + 3,4
Vacant	3.7%	

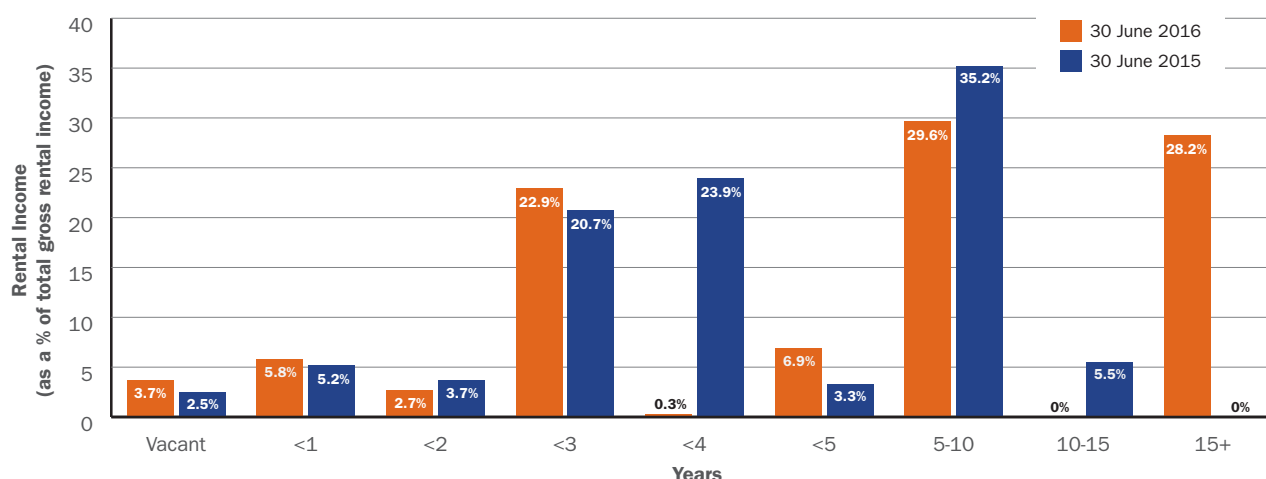
## Investment Manager's Report continued

### Average Unexpired Lease Length Profile weighted by rental income



The Company's tenant covenant profile is strong, with 28.8% of tenants rated Grade A, indicating a high credit rating score. Rental income from Grade A covenants has a weighted unexpired lease length of 8.2 years. The average rent-weighted unexpired lease length for the investment portfolio as at 30 June 2016 was 8.1 years. Vacant space in the portfolio on 30 June 2016, measured using estimated market rent, represented 3.7% of the total gross rental income.

### Lease Expiry Profile weighted by rental income



Source: AXA Real Estate Investment Managers UK Limited

Fund Gearing <sup>1</sup>	30 June 2016	30 June 2015
Property portfolio	£46.79m	£67.69m
Borrowings <sup>2</sup>	£15.02m	£24.16m
Total gross gearing	32.1%	35.7%
Total net gearing	26.6%	31.1%

<sup>1</sup> 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 including the JV asset at Agnadello. Net gearing is calculated as debt less unallocated cash over property portfolio at fair value including the JV asset at Agnadello.

<sup>2</sup> Borrowings include the main facility (£14.93 million), amortised debt issue costs and minority interests.

<b>Gross LTV Covenants<sup>3</sup></b>	<b>30 June 2016</b>	<b>30 June 2015</b>	<b>Maximum</b>
Main loan facility	42.6%	41.0%	60.0%

<sup>3</sup> Gross LTV is calculated as debt over property portfolio at fair value (Agnadello excluded, external valuation provided by the bank).

The Group has remained in compliance with the loan covenants. During the financial year, as assets are sold the related allocated loan amounts were repaid as required under the main loan facility agreement.

In view of the targeted disposal timetable for the Company's remaining real estate assets AXA Property Trust concluded an extension of the Company's loan facility until 31 December 2016. Under the terms of the extension disposal proceeds and net rents will be allocated to debt reimbursement in priority to shareholder distribution.

Of the £9.55 million cash held by the Group including the cash in the Agnadello JV at 30 June 2016, £7.0 million was held to cover potential claims on Reps and Warranties following the disposal of the assets.

<b>Interest Cover Ratio<sup>4</sup> Covenants at 30 June 2016</b>	<b>Historic</b>	<b>Minimum</b>	<b>Projected</b>	<b>Minimum</b>
Main loan facility	332.0%	200.0%	297.3%	185.0%

<sup>4</sup> 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.

At 30 June 2016, the Group had taken on £14.93 million (€17.96 million) of debt (before considering unamortised debt issue costs) relating to the main facility which was 100% hedged by interest rate swaps at 2.795% plus a margin of 2.4%. Interest swap maturity was 1 July 2016 and was not extended with the extension of the loan facility.

## Portfolio Outlook

During the year ended 30 June 2016 the Trust completed the sale of the asset in Venray, The Netherlands and of the asset in Fuerth, Germany. During the quarter ending 30 June 2016 contracts were signed for the sale of the Dasing asset and completion subsequently occurred on 25 August 2016.

With two of the remaining three assets under offer as at the date of this report, the likelihood of further sales during 2016 is good. The marketing of the Curno asset continues, following the withdrawal of interest by a potential purchaser, with the Board and Manager seeking to capitalise on the long-term nature of the income stream.

Although 2016 has been the target for the completion of all disposals, it is now considered that this will extend into 2017, to reflect the potential delays attached to the Curno asset. However, the Manager continues to work closely with the Board on all aspects of the strategy for the portfolio in order to ensure a timely return of capital to shareholders.

## AXA Investment Managers UK Limited

31 October 2016

## Board of Directors

Charles Hunter, Chairman



**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 currently a director of Care South and he was on the Supervisory Board of Schroder Exempt Property Unit Trust until its conversion to a PAIF in 2012. 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.

Stephane Monier



**Stephane Monier** has over 20 years of investment experience (including asset allocation, fixed income and foreign exchange). Mr Monier is currently Chief Investment Officer at Lombard Odier Europe SA. He is responsible for the investment process and the performance for private clients' portfolios in Europe. Mr Monier joined the Lombard Odier group in 2009 on the institutional side (Lombard Odier Investment Managers or LOIM). He was initially Global Head of Fixed Income and Currencies for LOIM and then promoted to Deputy Global Chief Investment Officer. Prior to joining LOIM, Mr Monier was Global Head of Fixed Income and Currencies at Fortis Investments from 2006 to 2009 and he also occupied the very same position at the Abu Dhabi Investment Authority from 1998 to 2006. Prior to Abu Dhabi, Mr Monier 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 Agrotech (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 the United Kingdom.

Gavin Farrell



**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.

Stuart Lawson



**Stuart Lawson** is a Fellow of the Chartered Association of Certified Accountants. He joined Northern Trust in 1988 working in Fund Administration and Trust client accounting before being appointed Head of Finance for the office in 1996 where he established a Risk Management Department. In 2005 he was appointed Chief Administration Officer for Guernsey with local responsibility for finance, risk, compliance, corporate services and communication, and in 2007 he assumed responsibility for Real Estate and Infrastructure Fund Administration services for the EMEA region. He is currently head of Regulatory and Market Change and Product Development in Guernsey, is a Director of a number of client entities and Chairman of Northern Trust (Guernsey) Limited. He has over 30 years of experience in the Financial Services Industry and is resident in Guernsey.

Alphons Spaninks



**Alphons Spaninks** joined AXA IM Real Assets in 2005 as a Senior Asset and Transaction Manager. Since 2006, he has been responsible for managing the Dutch office which currently has a team of five. The Assets under Management in The Netherlands are currently circa €500m. Mr Spaninks was promoted to Regional Head Benelux and Scandinavia in 2008, responsible for Assets under Management of over €2bn and managing a team of professionals in Stockholm and Brussels. He has almost 20 years of experience in commercial functions within various real estate companies. Prior to joining AXA IM Real Assets, Mr Spaninks worked for AZL Vastgoed as Director of Asset Management. Prior to that, he was Regional Director at MOG, a Dutch Property Management company where he began his career as a Property Manager. Mr Spaninks holds a Masters of Science Degree in Building from the Technical University of Eindhoven and a Masters Degree in Real Estate from ASRE (Amsterdam) and is a member of Royal Institution of Chartered Surveyors. He is resident in the Netherlands.

# Report of Directors

The Directors of the Company present their Annual Report together with the Group's Audited Consolidated Financial Statements (the "Financial Statements") for the year ended 30 June 2016. The Directors' Report together with the Financial Statements give a true and fair view of the financial position of the Group. They have been prepared properly, in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and are in accordance with any relevant enactment for the time being in force; and are in agreement with the accounting records.

## Principal Activity and Status

The Company is an Authorised closed-ended investment company domiciled in Guernsey and is registered under the provision of The Companies (Guernsey) Law, 2008 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 2(f) to the Financial Statements together comprise the "Group".

## Going Concern

The discount control provisions established when the Company was launched required a continuation vote to be proposed to shareholders at the Company's Annual General Meeting ("AGM") in 2015. As a result of the large discount to Net Asset Value at which shares were trading there was little chance of raising new capital. After extensive shareholder consultation, the Board resolved not to seek continuation of the Company in 2015 and proposed to shareholders that the Company enter into a managed wind-down. This proposal was approved at an Extraordinary General Meeting ("EGM") held on 26 April 2013.

In accordance with IFRS, the Financial Statements have been prepared on a non-going concern basis reflecting the orderly wind-down of the Group. Accordingly, the going concern basis of accounting is not considered appropriate. All assets and liabilities continue to be measured in accordance with IFRS. The Board recognises that the liquidity of certain holdings is uncertain and the Board will review the most appropriate course of action with regard to these assets over the coming months. The Directors estimate that the remaining wind-down costs to be incurred will be approximately £206,418 (€ 248,381) (30 June 2015: £194,272 (€274,216)). The Board believes that the Group has sufficient funds available to meet its wind-down costs, day-to-day running costs and amounts due in terms of its loan facilities.

## Viability Statement

In accordance with provision C2.2 of the UK Corporate Governance Code, published by the Financial Reporting Council, Directors are required to assess the prospects of the Company over a period longer than the 12 months minimum required by the "Going Concern" provision. As disclosed in the above section, the Company is expected to realise its remaining assets over the next 12 months. Once the investment properties have been sold the Directors will propose that the Company enters into a voluntary liquidation.

The Directors have performed a robust assessment, considering each of the Company's principal risks and uncertainties detailed on pages 25 to 26 and how each of these is managed or mitigated. They have also reviewed the budgeted income and expenditure, forecast cash flows and asset disposal timetable and approach.

The Directors, having performed the above assessments, have a reasonable expectation that the Company has sufficient cash and liquid resources to complete its managed wind down and liquidation in an orderly manner including paying all associated expenses.



# Report of Directors continued

## Investment Objective and Investment Policy

The investment objective and investment policy of the Company are as described on page 34.

## Results and Dividends

The results for the year are set out in the Consolidated Income Statement on page 40. Following shareholder approval at the EGM held on 26 April 2013, the Company will continue the implementation of a managed wind-down.

Although 2016 has been the target for the completion of all disposals, it is now considered that this will extend into 2017, to reflect the potential delays attached to the Curno asset. However the Manager continues to work closely with the Board on all aspects of the strategy for the portfolio in order to ensure a timely return of capital to shareholders. Under the terms of the extension of the loan facility disposal proceeds and net rents will be allocated to debt reimbursement in priority to shareholder distribution.

The Company has made timely returns of capital to shareholders whilst balancing the need to maximise the value from the Company's investments and to provide for sufficient working capital. A resumption of dividend payments is not anticipated.

## Directors

The Directors who held office during the year and as at the date of this report were:

- C. J. Hunter (Chairman)
- G. J. Farrell
- S. C. Monier
- S. J. Lawson
- A. Spaninks

**Mr Hunter** is also a Director of the three direct subsidiaries of AXA Property Trust Limited.

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

**Mr Lawson** is a Director of Northern Trust (Guernsey) Limited, the Company's bankers and member of the same group as the Administrator and Secretary.

**Mr. Spaninks** is the AXA Real Estate Investment Regional Head of Benelux and Scandinavia.

## Management

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 Financial Statements on page 53. During the year, the Board through the Management Engagement Committee has reviewed the appropriateness of the Investment Manager's appointment.

## Alternative Investment Fund Managers Directive

The Company does not expect to be required to comply with the AIFM Directive except to the extent required to permit the marketing of the Company's shares in EEA Member States. In this unlikely circumstance the relevant regime remains the national private placement arrangements in the relevant EEA Member State which may trigger requisite authorisation, possible changes to the governance structure of the Company including the appointment of a depositary, and additional disclosure in the financial statements. The AIFM Directive is likely to increase management costs, including regulatory and compliance costs, of impacted investment managers and investment funds. The Company will seek to minimise this impact where possible.

## International Tax Reporting

For purposes of the US Foreign Accounts Tax Compliance Act, the Company registered with the US Internal Revenue Service ("IRS") as a Guernsey reporting Foreign Financial Institution ("FFI"), received a Global Intermediary Identification Number (GOW47U.99999.SL.831), and can be found on the IRS FFI list.

The Common Reporting Standard ("CRS") is a standard developed by the Organisation for Economic Co-operation and Development ("OECD") and is a global approach to the automatic exchange of tax information. Guernsey has now adopted the CRS which came into effect on 1 January 2016.

The CRS replaced the UK Inter-Governmental Agreement ("IGA") from 1 January 2016. However, it was still necessary to submit the 2014 and 2015 reports for the UK IGA by 30 June 2016. The first report for CRS will be made by the Director of Income Tax in Guernsey by 30 June 2017.

The Company is subject to Guernsey regulations and guidance based on reciprocal information sharing inter-governmental agreements which Guernsey has entered into with the United Kingdom and the United States of America. The Board will take the necessary actions to ensure that the Company is compliant with Guernsey regulations and guidance in this regard.

## 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.

## Articles of Incorporation

At an EGM held on 26 April 2013, a special resolution was passed to amend the Articles of Incorporation. The Board considered that, in light of the managed wind-down, and in order to facilitate the realisation of the Portfolio by the end of the first half of 2017, in a manner that achieves a balance between maximising the value from the Company's investments and making timely returns of capital to shareholders, it was in the best interests of shareholders and the Company as a whole to remove the requirement in the current Articles for a Continuation Resolution to be put to shareholders in 2016, and to make certain other administrative changes and updates to the current Articles.

## Report of Directors continued

At an EGM held on 27 February 2014, a special resolution was passed to amend the Articles of Incorporation. The Board introduced a mechanism for the Redemption of Shares at the discretion of the Board prior to the eventual liquidation of the Company. The purpose of such Redemption Mechanism being to facilitate the return to shareholders of cash proceeds in a cost-efficient manner in accordance with the Investment Policy and Objective.

On 20 July 2015 and 6 January 2016, the Company under the mechanism for the Redemption of Shares purchased and cancelled 9,725,084 and 18,382,104 Shares at a value of £5.2 million and £11.0 million respectively.

Details of the property disposals made during the year are disclosed in note 9 on page 56.

### Independent auditor

KPMG Channel Islands Limited has expressed their willingness to continue in office as auditor and a resolution proposing their re-appointment will be submitted at the forthcoming AGM.

### Directors' Responsibilities

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

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

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

In preparing these 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 Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. As explained in note 2, the Directors do not believe it is appropriate to prepare these Financial Statements on a going concern basis.

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 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, all relevant information has been disclosed to the Company's auditor.

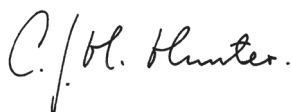
## Directors' Responsibility Statement

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

- (a) These Financial Statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole as at and for the year ended 30 June 2016;
- (b) These Financial Statements, which include information detailed in the Chairman's Statement, Investment Manager's Report, Report of the Directors and Corporate Governance Report 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 2016, and
- (c) These Financial Statements taken as a whole are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Company's performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board by:



**Charles Hunter**  
Chairman  
31 October 2016



**Stuart Lawson**  
Director  
31 October 2016

## Corporate Governance Report

To comply with the UK Listing Regime, the Company must comply with the requirements of the UK Corporate Governance Code (September 2014) (the “UK Code”) issued by the Financial Reporting Council or explain any departures therefrom. The Company is also required to comply with the Code of Corporate Governance issued by the Guernsey Financial Services Commission (the “GFSC Code”).

The Board considers that reporting against the principles and recommendations of the UK Code provides appropriate information to shareholders. Companies reporting against the UK Code are deemed to comply with the GFSC Code. The UK Code is available in the Financial Reporting Council’s website, [www.frc.org.uk](http://www.frc.org.uk).

The Company has complied with the relevant provisions of the UK Code, except for the following provisions relating to:

- the role of the Chief Executive;
- Executive Directors’ remuneration;
- the need for an internal audit function;
- the whistle blowing policy;
- Remuneration Committee; and
- Nomination Committee

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

The Directors are non-executive and the Company does not have employees, hence no Chief Executive or whistle-blowing policy is required. The Board is satisfied that any relevant issues can be properly considered by the Board. There have been no instances of non-compliance, other than those noted above. However, the Directors have satisfied themselves that the Company’s service providers have appropriate whistle-blowing policies and procedures and have received confirmation from the service providers that nothing has arisen under those policies and procedures which should be brought to the attention of the Board.

Details of compliance are noted in the following pages. The absence of an Internal Audit function is discussed in the Audit Committee Report on pages 27 to 31.

### Composition, Independence and Role of the Board

The Board currently comprises of five non-executive Directors. With the exception of Mr Spaninks, all Directors are considered by the Board to be independent of the Company’s Investment Manager.

The Chairman is Mr Hunter. The Chairman of the Board must be independent for the purposes of Chapter 15 of the Listing Rules. Mr Hunter is considered independent because he:

- has no current or historical employment with the Investment Manager; and
- has no current directorships in any other investment funds managed by the Investment Manager except for the three direct subsidiaries of AXA Property Trust Limited.

From April 2014 the Chairman, Gavin Farrell and Stephanie Monier have all served on the Board for over nine years and under the UK Code should be subject to annual re-election. The Board however, take the view that there is significant benefit to the Company arising from continuity and experience among directors and accordingly does not intend to introduce restrictions based on tenure. The Board believes that shareholders should be given the opportunity to review membership of the Board on a regular basis. It has therefore,

determined that in performing their role as Directors, the Chairman, Gavin Farrell and Stephanie Monier do not require to seek annual election.

The Board has overall responsibility for maximising the Company's success by directing and supervising the affairs of the business and meeting the appropriate interests of shareholders and relevant stakeholders, while enhancing the value of the Company and also ensuring protection of investors. A summary of the Board's responsibilities is as follows:

- statutory obligations and public disclosure;
- strategic direction and financial reporting;
- risk assessment and management including reporting compliance, governance, monitoring and control; and
- other matters having a material effect on the Company.

The Board is responsible to shareholders for the overall management of the Company.

The Board needs to ensure that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy. In seeking to achieve this, the Directors have set out the Company's investment objective and policy and have explained how the Board and its delegated Committees operate and how the Directors review the risk environment within which the Company operates and set appropriate risk controls. Furthermore, throughout the Annual Report and Financial Statements the Board has sought to provide further information to enable shareholders to better understand the Company's business and financial performance.

The Board's responsibilities for the Annual Report are set out in the Directors' Responsibility Statement on page 19.

The Board is also responsible for issuing half yearly reports, interim management statements and other price sensitive public reports.

The Board does not consider it appropriate to appoint a Senior Independent Director because the Directors' are all deemed to be independent by the Company except Mr Spaninks. The Board believes it has a good balance of skills and experience to ensure it operates effectively. The Chairman is responsible for leadership of the Board and ensuring its effectiveness.

The Board has engaged external companies to undertake the investment management and administrative activities of the Company. Documented contractual arrangements are in place with these companies which define the areas where the Board has delegated responsibility to them.

The Company holds a minimum of four Board meetings per year to discuss general management, structure, finance, corporate governance, marketing, risk management, compliance, asset allocation and gearing, contracts and performance. The quarterly Board meetings are the principal source of regular information for the Board enabling it to determine policy and to monitor performance, compliance and controls which are supplemented by communication and discussions throughout the year.

A representative of the Investment Manager and Administrator attends each Board meeting either in person or by telephone thus enabling the Board to fully discuss and review the Company's operation and performance. Each Director has direct access to the Investment Manager and Company Secretary and may at the expense of the Company seek independent professional advice on any matter.

## Corporate Governance Report continued

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.

### Re-election

There are provisions in the Company's Articles of Incorporation which requires Directors to seek re-election on a periodic basis. There is no limit on length of service, nor is there any upper age restriction on Directors.

The Board considers that there is significant benefit to the Company arising from continuity and experience among directors, and accordingly does not intend to introduce restrictions based on age or tenure. It does however believe that shareholders should be given the opportunity to review membership of the Board on a regular basis.

In accordance with the Company's Articles of Association, at each AGM all independent Directors who held office at the two previous AGM's and did not retire shall retire from office and shall be available for re-election.

Mr. Spaninks is the AXA Real Estate Investment Regional Head of Benelux and Scandinavia. As a non-independent Director, Mr. Spaninks is available for re-election at each AGM. At the Company's upcoming AGM, Mr Spaninks will retire from office and shall be available for re-election.

The Board are of the opinion that the Board members standing for re-election should be re-elected as they have the right skills and experience to continue to manage the Company through the managed wind-down process.

### Board diversity

The Board has also given careful consideration to the recommendation of the Davies Report on "Women on Boards". As recommended in the Davies Report, the Board has reviewed its composition. However, in view of the Company's managed wind-down position it believes that the current appointments provide an appropriate range of skills, experience and diversity.

### Board evaluation and succession planning

The Directors consider how the Board functions as a whole taking balance of skills, experience and length of service into consideration and also reviews the individual performance of its members on an annual basis.

To enable this evaluation to take place, the Company Secretary will circulate a detailed questionnaire plus a separate questionnaire for the evaluation of the Chairman. The questionnaires, once completed, are returned to the Company Secretary who collates responses, prepares a summary and discusses the Board evaluation with the Chairman prior to circulation to the remaining Board members. The performance of the Chairman is evaluated by the other Directors. On occasions, the Board may seek to employ an independent third party to conduct a review of the Board.

The Board considers it has a breadth of experience relevant to the Company, and the Directors believe that any changes to the Board's composition can be managed without undue disruption. An induction programme has been prepared for any future Director appointments and all Directors receive other relevant training as necessary.



## Board and committee meetings

The table below sets out the number of Board, Audit Committee and Management Engagement Committee meetings held during the year ended 30 June 2016 and, where appropriate, the number of such meetings attended by each Director.

	Board of Directors		Audit Committee		Management Engagement Committee	
	Held	Attended	Held	Attended	Held	Attended
C. J. Hunter	5	5	3	2	2	2
G. J. Farrell	5	5	3	2	2	2
S. C. Monier	5	1	3	1	2	1
S. Lawson	5	5	3	3	2	2
A. Spaninks	5	5	3	1*	2	2*

\* invitee

In addition to the scheduled quarterly Board meetings the Board, or committees thereof, held 2 ad hoc meetings to deal with matters of an administrative nature. These meetings were attended by those Directors who were available at the time.

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

	30 June 2016	30 June 2016	30 June 2015	30 June 2015
C. J. Hunter*	31,463	0.05%	26,892	0.03%
G. J. Farrell	-	-	-	-
S. C. Monier	64,564	0.11%	72,830	0.08%
S. Lawson	-	-	-	-
A. Spaninks	-	-	-	-

\*Charles Hunter holds 23,840 (2015: 26,892) shares whilst his family holds 7,623 (2015: 8,599).

## Committees of the Board

The Board has established Audit and Management Engagement Committees and approved their terms of reference.

### Audit Committee

The Company has established an Audit Committee with formal duties and responsibilities. The Audit Committee meets formally at least twice a year and each meeting is attended by the independent external auditor and Administrator. The Company's Audit Committee is comprised of the entire Board except Mr. Spaninks. The Audit Committee is chaired by Mr. Lawson.

A report of the Audit Committee detailing its responsibilities and its key activities is presented on pages 27 to 31.

## Corporate Governance Report continued

### Management Engagement Committee

The Management Engagement Committee is comprised of the entire Board except Mr. Spaninks. Mr. Hunter is Chairman of the Management Engagement Committee. The Management Engagement Committee meets formally at least once a year.

The Management Engagement Committee has formal duties and responsibilities. The function of the Management Engagement Committee is to ensure that the Company's Management Agreement is competitive and reasonable for the shareholders, along with the Company's agreements with all other third party service providers (other than the external auditors).

During the year the Management Engagement Committee has reviewed the services provided by the Investment Manager as well as the other service providers and have recommended to the Board that their continuing appointments is in the best interest of the shareholders. The last meeting was held on 3 December 2015.

### Nomination Committee

The Board does not have a separate Nomination Committee. The Board as a whole fulfils the function of a Nomination Committee. Any proposal for a new Director will be discussed and approved by the Board.

### Remuneration Committee

In view of its non-executive and independent nature, the Board considers that it is not appropriate for there to be a separate Remuneration Committee as anticipated by the UK Code because this function is carried out as part of the regular Board business. A Remuneration Report prepared by the Board is contained in the Financial Statements on pages 32 to 33.

### Terms of Reference

All Terms of Reference for Committees are available from the Administrator upon request.

### Internal Controls

The Board is ultimately responsible for establishing and maintaining the Company's system of internal controls and for maintaining and reviewing its effectiveness. The system of internal controls is designed to manage rather than to eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss. These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information for publication is reliable. The Board uses a formal risk assessment matrix to identify and monitor risks.

The Board has delegated the management of the Company's investment portfolio and the administration, registrar and corporate secretarial functions including the independent calculation of the Company's NAV and the production of the Annual Report and Financial Statements which are independently audited. Whilst the Board delegates responsibility, it retains accountability for the functions it delegates and is responsible for the systems of internal control.

Formal contractual agreements have been put in place between the Company and providers of these services.

On an ongoing basis board reports are provided at each quarterly board meeting from the Investment Manager, Administrator, Registrar and Company Secretary; and a representative from the Investment Manager is asked to attend these meetings.

In accordance with Listing Rule 15.6.2 (2) R and having formally appraised the performance and resources of the Investment Manager, in the opinion of the Directors their continuing appointment of the Investment Manager on their terms agreed is in the interests of the Company and the shareholders.

In common with most investment companies, the Company does not have an internal audit function. All of the Company's management functions are delegated to the Investment Manager and Administrator which have their own internal audit and risk assessment functions. As such, an internal audit function specific to the Company is therefore considered unnecessary.

## Principal Risks and Uncertainties

The Board is satisfied that by using the Company's risk matrix in establishing the Company's system of internal controls while monitoring the Company's investment objective and policy that the Board has carried out a robust assessment of the principal risks and uncertainties facing the Company during its managed wind-down. The principal risks and uncertainties which have been identified and the steps which are taken by the Board to mitigate them are as follows:

### *Investment Risks*

The Company is exposed to the risk that its portfolio fails to perform in line with the Company's objective, if markets move adversely or if the investments are inappropriately disposed. The Board reviews reports from the Manager at least once a quarter, paying a particular attention to the disposal programme and its underlying assumptions and considerations.

### *Operational Risks*

The Company is exposed to the risk arising from any failures of systems and controls in the operations of the Investment Manager, Administrator and the Sponsor. The Board and its Committees regularly review reports from the Investment Manager and the Administrator on their internal controls.

### *Accounting, Legal and Regulatory Risks*

The Company is exposed to the risk that it may fail to maintain accurate accounting records or fail to comply with requirements of its Prospectus. The accounting records prepared by the relevant service providers are reviewed by the Investment Manager. The Administrator, Sponsor and Investment Manager provide regular updates to the Board on compliance with the Prospectus and changes in regulation.

### *Financial Risks*

The financial risks, including market, credit, liquidity and interest rate risk faced by the Company are set out in note 21 of the Financial Statements on pages 64 to 69. These risks and the controls in place to reduce the risks are reviewed at the quarterly Board meetings.

### *Foreign exchange risk*

The Company is exposed to currency risk given that its investments are denominated in Euro but the presentation currency of the Company is Pound Sterling. As a result of the EU Referendum there has been an increase in the volatility of the EUR/GBP exchange rate. Although the recent movements in the currency are favourable for the Company the Investment Manager reports at least quarterly to the Board on its strategy for managing this risk.

## Corporate Governance Report continued

The Board seeks to mitigate and manage these risks through continual review, policy-setting and enforcement of contractual obligations and will update the risk assessment matrix to reflect any changes to the control environment.

### 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 in writing to the Company at its registered address. The AGM of the Company provides a forum for shareholders to meet and discuss issues with the Directors and Investment Manager of the Company.

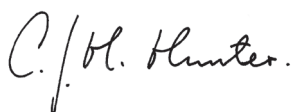
In addition, the Company maintains a website which contains comprehensive information, including regulatory announcements, share price information, financial reports, investment objectives and strategy and investor contacts.

### Significant Shareholdings

As at 28 September 2016, the Company has received of the following interests in 3% or more of the voting rights attaching to the Company's issued shares.

	Shares held	% of issued share capital
State Street Nominees Limited	19,230,712	33.40%
Transact Nominees Limited	11,517,930	20.00%
Chase Nominees Limited	3,515,364	6.11%
Credit Suisse Client Nominees (UK) Limited	2,958,569	5.14%
HSBC Global Custody Nominee (UK) Limited	2,697,524	4.69%

Signed on behalf of the Board by:



**Charles Hunter**  
Chairman  
31 October 2016



**Stuart Lawson**  
Director  
31 October 2016

# Audit Committee Report

Dear Shareholders,

I am pleased to present the Audit Committee's Report for the year ended 30 June 2016, which covers the following topics:

- Responsibilities of the Audit Committee and its key activities during the year,
- Financial reporting and significant areas of judgement and estimation,
- Independence and effectiveness of the external auditor, and
- Internal control and risk management systems.

As advised previously, the Company has implemented a strategy to wind down the portfolio and return capital to investors. The Audit Committee's activities during the year have therefore concentrated on maintaining an appropriate risk and control environment, providing suitable disclosure of progress and residual risks in the Financial Statements, ensuring ongoing engagement from service providers and keeping sufficient liquid funds to meet expenditure for essential or justified items.

## Responsibilities

The Audit Committee reviews and recommends to the Board for approval or otherwise, the Financial Statements of the Company and is the forum through which the independent external auditor reports to the Board of Directors. The independent external auditor and the Audit Committee will meet together without representatives of either the Administrator or Investment Manager being present if either considers this to be necessary.

The role of the Audit Committee includes:

- Monitoring the integrity of the Financial Statements of the Company covering:
  - formal announcements relating to the Company's financial performance,
  - significant financial reporting issues and judgements,
  - matters raised by the external auditors, and
  - appropriateness of accounting policies and practices.
- Reviewing and considering the UK Code and FRC Guidance on Audit Committees
- Monitoring the quality and effectiveness of the independent external auditors which includes:
  - meeting regularly to discuss the audit plan and the subsequent audit report,
  - considering the level of fees for both audit and non-audit work,
  - reviewing independence, objectivity, expertise, resources and qualification, and
  - making recommendations to the Board on the appointment, reappointment, replacement and remuneration.
- Reviewing the Company's procedures for prevention, detection and reporting of fraud, bribery and corruption, and
- Monitoring and reviewing the internal control and risk management systems of the service providers together with the need for an Internal Audit function.

The Audit Committee's full terms of reference can be obtained by contacting the Company's Administrator.

# Audit Committee Report continued

## Financial Reporting

The Audit Committee's review of the Half Yearly Financial Report and Audited Annual Report and Financial Statements focused on the following significant risks;

- investment property portfolio valuation; and
- going concern given the wind-down strategy.

### Valuation of investment property portfolio

The Company's property investment portfolio, including the investments held through the joint venture, had a fair value of £46.8 million as at 30 June 2016 and represented the majority of the total assets of the Company. The investments are all commercial real estate across Europe owned via intermediate holding vehicles and a joint venture, and the valuation of the investments is in accordance with the requirements of IFRS as issued by the International Accounting Standards Board. The valuation estimates are provided by Knight Frank LLP, an external independent valuer. The Manager also commissioned a second independent valuation of the Curno, Italy asset which was undertaken by Jones Lang LaSalle ("JLL") to provide further support to the valuation performed by Knight Frank LLP due to the illiquid nature of the asset. The resulting valuation from JLL was €14.1m, 4.9% less than the Knight Frank LLP valuation. The Audit Committee advised the Board in liaison with the Manager to adopt the official market valuation produced by Knight Frank LLP but to fully disclose the results of the second valuation to shareholders for their information. The Audit Committee considered the fair value of the investments directly or indirectly held by the Group as at 30 June 2016 to be reasonable based on information provided by the Investment Manager, Administrator and the independent external property valuers. All prices are subject to review and oversight by the Investment Manager.

### Going concern

In accordance with IFRS, the Financial Statements have been prepared on a non-going concern basis reflecting the orderly wind-down of the Group. Accordingly, the going concern basis of accounting is no longer considered appropriate. Investment properties continue to be carried at fair value. All other assets and liabilities continue to be measured in accordance with IFRS.

### Audit Findings Report

The independent external auditor reported to the Audit Committee that no material unadjusted misstatements were found in the course of their work. Furthermore, the Manager and Administrator confirmed to the Audit Committee that they were not aware of any material misstatements including matters relating to the Financial Statements presentation.

### Accounting Policies & Practices

The Audit Committee has assessed the appropriateness of the accounting policies and practices adopted by the Company together with the clarity of disclosures included in the Financial Statements. Following a review of the presentations and reports from the Administrator and consulting where necessary with the independent external auditor, the Audit Committee is satisfied that the Financial Statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). It is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

The Audit Committee advised the Board that this Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable.

## Risk Management

The Audit Committee continued to consider the process for managing the risk of the Company and its service providers. Risk management procedures for the Company are detailed in the Company's risk assessment matrix, and is reviewed and approved by the Audit Committee on a regular basis. Regular reports are received from the Investment Manager and Administrator on the Company's risk evaluation process and reviews.

In the context of the managed wind-down, the key risks which the Audit Committee has closely monitored are:

- Asset disposal program
- Ongoing liquidity
- Levels of expenditure
- Engagement from service providers

The Audit Committee recognises that the timely disposal of properties is uncertain and continues to keep under review the most appropriate course of action with regard to these assets and liabilities with the aim of maximising shareholder return.

Through regular briefing sessions and formal bi-annual committee meetings, the Audit Committee has received the necessary information and confirmation that activities have been managed and executed in accordance with plans approved by the Board and established policies and procedures.

### Fraud, Bribery and Corruption

The Audit Committee continues to monitor the fraud, bribery and corruption policies of the Company. The Board receives a confirmation from all service providers that there have been no instances of fraud or bribery.

## The Independent External Auditor

KPMG Channel Islands Limited has been the independent external auditor from the date of the initial listing on the London Stock Exchange. In the circumstances of the Company and expected progress with the managed wind-down process, a change of external auditor is not envisaged given the short remaining life of the Company.

The independence and objectivity of the external auditor is reviewed by the Audit Committee which also reviews the terms under which the independent external auditor is appointed to perform non-audit services. The Audit Committee has established pre-approval policies and procedures for the engagement of the auditor to provide audit, assurance and tax services. The principles on which these are based are that the external auditors may not provide a service which:

- places them in a position to audit their own work
- creates a mutuality of interest
- results in the external auditor developing close relationships with service providers of the Company
- results in the external auditor functioning as a manager or employee of the Company
- puts the external auditor in the role of advocate of the Company

As a general rule, the Company does not utilise external auditors for internal audit work, secondments or valuation advice. Services which are in the nature of audit, such as tax compliance, tax structuring, accounting advice, quarterly reviews and disclosure advice are normally permitted but are subject to prior approval by the Audit Committee.



## Audit Committee Report continued

The Audit Committee has examined the scope and results of the audit, its cost effectiveness and the independence and objectivity with particular regard to non-audit fees, and considers KPMG Channel Islands Limited to be independent of the Company. The following table summarises the remuneration paid to KPMG Channel Islands Limited and to other KPMG member firms for audit and non-audit services provided to the Company during the years ended 30 June 2016 and 30 June 2015.

	30 June 2016 £	30 June 2015 £
Statutory audit	166,962	172,149
<b>Total audit fees</b>	<b>166,962</b>	<b>172,149</b>
Non-audit services	-	-
<b>Total non-audit fees</b>	<b>-</b>	<b>-</b>

### Performance and effectiveness

During the year, when considering the effectiveness of the independent external auditor, the Audit Committee has taken into account the following factors:

- the audit plan presented to them before the audit;
- the post audit report including variations from the original plan;
- changes in audit personnel;
- the independent external auditor's own internal procedures to identify threats to independence; and
- feedback received from both the Investment Manager and Administrator.

The Audit Committee reviewed and, where appropriate, challenged the audit plan and the audit findings report of the independent external auditor and concluded that the audit plan sufficiently identified audit risks and that the audit findings report indicated that the audit risks were sufficiently addressed with no significant variations from the audit plan. The Audit Committee considered reports from the independent external auditors on their procedures to identify threats to independence and concluded that the procedures were sufficient.

Given that the managed wind down is expected to be substantially complete within the next 12 months, the Audit Committee will work with the independent external auditor to keep future costs to a minimum.

### Reappointment of external auditors

Consequent to this review process, the Audit Committee has recommended to the Board that a resolution be put to the 2016 AGM for the reappointment of KPMG Channel Islands Limited as independent external auditor. The Board has accepted this recommendation.

## Internal control and risk management systems

The Company outsources the subsidiary company accounting and financial statements production to the Investment Manager, and company accounting, document execution and expense payment to the Administrator. The Audit Committee considers the following matters in this regard:

- regular operations meetings with service providers,
- reporting to the Audit Committee and Board,
- independent opinion of the external auditor, and
- on-going evaluation of performance.

In addition, the Audit Committee reviews and examines externally prepared assessments of the control environment in place at the Investment Manager and the Administrator. No significant failings or weaknesses were identified in these reports.

The Audit Committee has reviewed the need for an internal audit function and has decided that the system and procedures employed by the Investment Manager and the Administrator's internal audit function provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

In finalising the Financial Statements for recommendation to the Board for approval, the Audit Committee has satisfied itself that the Financial Statements taken as a whole are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

A member of the Audit Committee will continue to be available at each AGM to respond to any shareholder questions on the activities of the Audit Committee.



**Stuart Lawson**  
Chairman, Audit Committee  
31 October 2016

# Directors' Remuneration Report

## Introduction

An ordinary resolution for the approval of the Director's Remuneration Report will be put to the shareholders at the AGM to be held on 2 December 2016.

## Remuneration policy

All Directors are non-executive and a Remuneration Committee has not been established. The Board as a whole considers matters relating to the Directors' remuneration. No advice or services were provided by any external person in respect of its consideration of the Directors' remuneration.

The Company's policy is that the fees payable to the Directors should reflect the time spent by the Directors on the Company's affairs and the responsibilities borne by the Directors and be sufficient to attract, retain and motivate directors of a quality required to run the Company successfully. The Chairman of the Board is paid a higher fee in recognition of his additional responsibilities. The policy is to review fee rates periodically, although such a review will not necessarily result in any changes to the rates, and account is taken of fees paid to directors of comparable companies. The Directors of the Company are remunerated for their services at such a rate as the Directors determine provided that the aggregate amount of such fees does not exceed £120,000 per annum.

There are no long term incentive schemes provided by the Company and no performance fees are paid to Directors.

None of the Directors has a service contract with the Company but each of the Directors is appointed by a letter of appointment which sets out the main terms of their appointment. Directors hold office until they retire by rotation or cease to be a director in accordance with the Articles of Incorporation, by operation of law or until they resign.

## Remuneration

Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally. No Directors have been paid additional remuneration outside their normal Directors' fees and expenses.

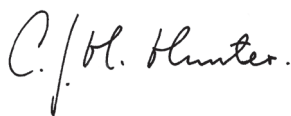
The current annual Directors' fees comprise £18,000 per annum payable to the Chairman and £13,500 per annum payable to the other Directors.

For the year ended 30 June 2016 and 30 June 2015 Directors' fees incurred were as follows:

	30 June 2016 £	30 June 2015 £
C. J. Hunter	18,000	18,000
G. J. Farrell	13,500	13,500
S. C. Monier	13,500	13,500
S. Lawson	13,500	13,500
A. Spaninks	13,500	13,500
	72,000	72,000

The Directors of the subsidiaries of the Group received emoluments amounting to £19,364 (2015: £19,985). Total fees paid to Directors of the Group were £91,364 (2015: £91,985).

Signed on behalf of the Board by:



**Chairman**  
31 October 2016



**Director**  
31 October 2016

## Investment Objective and Investment Policy

At an EGM of the Company held on 26 April 2013, the shareholders resolved to amend the Company's investment policy. The amended investment objective and policy is set out below:

### Investment Objective

The Company is managed with the intention of realising all remaining assets in the Portfolio, in a manner consistent with the principles of prudent investment management and spread of investment risk, with a view to returning capital invested to the shareholders in an orderly manner.

### Investment Policy

The managed wind-down will be effected with a view to the Company substantially realising its investments by year end December 2016 in a manner that achieves a balance between maximising the value from the Company's investments and making timely returns of capital to shareholders. However, at present it is considered that the completion of the sale of certain assets may not occur until the first half of 2017.

The Company will cease to make any new investments or undertake capital expenditure except where necessary in the reasonable opinion of the Manager and Board to protect or enhance the value of any existing investments or to facilitate orderly disposals.

Any cash received by the Company as part of the realisation process, following repayment of the allocated loan amounts and any additional payments required under the loan facilities but prior to its distribution to shareholders, will be held by the Company as cash on deposit and/or as cash equivalents.

The Company will not undertake new borrowing other than for short-term working capital purposes.

Shareholders should expect that, under the terms of the Managed Wind-down, the Board and the Manager will be committed to distributing as much of the available cash as soon as reasonably practicable having regard to cost efficiency, debt repayment and working capital requirements. Accordingly, in order to minimise the administrative burden, shareholders should expect that returns of cash will be made regularly but not necessarily as soon as cash becomes available.

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

## Opinions and conclusions arising from our audit

### Opinion on financial statements

We have audited the consolidated financial statements (the “financial statements”) of AXA Property Trust Limited (the “Company”) and its subsidiaries (together, the “Group”) for the year ended 30 June 2016 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 described in Note 2, the financial statements have been prepared on a non-going concern basis. In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

### Our assessment of risks of material misstatement

The risks of material misstatement detailed in this section of this report are those risks that we have deemed, in our professional judgement, to have had the greatest effect on: the overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team. Our audit procedures relating to these risks were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of these risks, and we do not express an opinion on these individual risks.

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit were as follows:

## Going concern

Refer to page 28 of the Audit Committee Report and Note 2 Significant accounting policies

- **The risk** – On 26 April 2013 an Extraordinary General Meeting was held at which the shareholders approved proposals for a managed wind-down of the Group. Accordingly, the Board of Directors have prepared the financial statements on a non-going concern basis reflecting an orderly managed wind-down of the Group and the continuing measurement of the investment property portfolio at fair value. There is a risk that the Board of Directors may not be able to achieve the wind-down in an orderly manner and if this was the case then it would impact their ability to continue measuring the investment property portfolio at fair value.
- **Our response** – Our audit procedures with respect to going concern included, but were not limited to, holding discussions with the Board of Directors and Investment Manager to understand the ongoing wind-down programme; and obtaining and evaluating the Group's going concern assessment, post year-end cash flow forecasts and loan covenant certificates.

We also considered the going concern disclosure in Note 2 for compliance with International Financial Reporting Standards.

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

## Valuation of investment properties (£30,832,000), investment properties held for sale (£6,191,000) and investment property held indirectly through investment in joint venture held for sale (£10,274,000)

Refer to page 28 of the Audit Committee Report, Note 2 Significant accounting policies, Note 9 Investment properties, Note 10 Investments properties held for sale and Note 11 Investment in joint venture held for sale.

- **The risk** – The Group's direct investment property portfolio accounted for 64.3% of the Group's total assets as at 30 June 2016 and the investment in joint venture held for sale accounted for a further 17.8% of total assets. The fair value of the direct and indirect investment property portfolio (together, the "investment property portfolio") as at 30 June 2016 was assessed by the Board of Directors based on independent valuations prepared by Knight Frank LLP (the "Group's external property valuer") and the second independent valuation on the Curno property prepared by Jones Lang LaSalle SpA ("JLL"). As highlighted in the Audit Committee Report, the valuation of the Group's investment property portfolio, given it represents the majority of the total assets of the Group and requires the use of significant judgement, is a significant area of our audit.
- **Our response** – Our audit procedures with respect to the Group's investment property portfolio included, but were not limited to, testing the design and implementation of the control in relation to the Investment Manager's review over the valuations prepared by the Group's external property valuer; evaluating the competence, objectivity and independence of both the Group's external property valuer and JLL (together, the "external property valuers"); we assessed the appropriateness of the valuation methodologies and assumptions used based on sales offers received as at year end and subsequent to year end, market knowledge and market data, which included undertaking discussions on key findings with the external property valuers and challenging the assumptions used on each property within the investment property portfolio with the exception of the Dasing property, which was subject to a binding sales offer as at year end, with the assistance of our own real estate specialist. We also compared key inputs to the valuations such as rental income, yields, occupancy and tenancy contracts to other audit findings for consistency.

We also considered the Group's investment properties valuation policies and their application as described in Note 2 for compliance with International Financial Reporting Standards in addition to the adequacy of disclosures in Notes 9, 10 and 11 in relation to Investment properties, Investment properties held for sale and Investment in joint venture held for sale.

### Our application of materiality and an overview of the scope of our audit

Materiality is a term used to describe the acceptable level of precision in financial statements. Auditing standards describe a misstatement or an omission as "material" if it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The auditor has to apply judgement in identifying whether a misstatement or omission is material and to do so the auditor identifies a monetary amount as "materiality for the financial statements as a whole".

The materiality for the financial statements as a whole was set at £1,150,000. This has been calculated using a percentage of the Group's net assets (of which it represents approximately 3.0%), which we believe is the most appropriate benchmark as net assets is considered as the prime indicator of potential returns to members in a managed wind-down situation.

We agreed with the audit committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £57,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.



Whilst AXA Property Trust Limited is a Guernsey company, the Group's operations during the year were located in Luxembourg, Germany, Italy and The Netherlands. The Company owns three Luxembourg holding entities through which the Group's operations are owned.

The group audit team performed the audit of AXA Property Trust Limited as a standalone entity. Audits for group reporting purposes were performed by the component auditors in Luxembourg (the "sub-group audit team") on the sub-consolidations of each of the three Luxembourg holding entities with the assistance of sub-group component auditors in Germany and Italy (the "sub-group component auditors"). The combined effect of this approach covered 100% of Group net rental and related income; 100% of Group profit before tax; and 100% of Group total assets and total liabilities.

The audits undertaken for group reporting purposes were all performed to materiality levels set by, or agreed with, the group audit team. These materiality levels were set individually for each component/ sub-group component and ranged from £428,000 to £575,000.

The group audit team sent detailed instructions to the sub-group audit team; and the sub-group audit team sent detailed instructions to the sub-group component auditors. Both sets of instructions covered the significant areas that should be covered by the audit (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the group audit team / sub-group audit team. The group audit team visited the following locations: Luxembourg, Germany and Italy. Telephone meetings were also held with the auditors at these locations.

Our assessment of materiality has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

Whilst the audit process is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather we plan the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant depth of work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the Responsible Individual, to subjective areas of the accounting and reporting process.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

## Disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' Viability Statement on page 15, concerning the principal risks, their management, and, based on that, the directors' assessment and expectation of the Company realising its remaining assets over the next 12 months and the proposed voluntary liquidation thereafter; or
- the disclosures in Note 2 of the financial statements concerning the use of the non-going concern basis of accounting.

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

Under International Standards on Auditing (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for members to assess the Company's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

Under the Companies (Guernsey) Law, 2008, we are required 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 on pages 20 to 26 relating to the Company's compliance with the eleven provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

## Scope of report and responsibilities

### The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008 and, in respect of any further matters on which we have agreed to report, on terms we have agreed with the Company. 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' Responsibilities Statement set out on page 19, 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 ISAs (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

A handwritten signature in black ink, appearing to read 'Lee Clark', with a horizontal line drawn underneath it.

Lee C Clark

**For and on behalf of KPMG Channel Islands Limited**

Chartered Accountants and Recognised Auditors  
Gategny Court, Gategny Esplanade  
St Peter Port  
Guernsey  
GY1 1WR

31 October 2016

# Consolidated Income Statement

For the year ended 30 June 2016

	Notes	Year ended 30 June 2016 £000s	*Restated Year ended 30 June 2015 £000s
Gross rental income	4	3,939	5,738
Service charge income		288	504
Property operating expenses		(1,073)	(1,536)
<b>Net rental and related income</b>		<b>3,154</b>	<b>4,706</b>
Valuation gain on investment properties	9	798	4,431
(Loss)/gain on disposals of a subsidiary and investment properties		(320)	1,503
General and administrative expenses	5	(2,537)	(1,381)
<b>Operating profit</b>		<b>1,095</b>	<b>9,259</b>
Net foreign exchange gain/(loss)		1,370	(603)
Net gain/(loss) on financial instruments	21	521	(114)
Share in (losses)/profit of a joint venture	11	(321)	1,455
Net finance cost	6	(1,094)	(1,807)
<b>Profit before tax</b>		<b>1,571</b>	<b>8,190</b>
Income tax expense	18	(162)	(1,040)
<b>Profit for the year</b>		<b>1,409</b>	<b>7,150</b>
Basic and diluted profit per ordinary share (pence)	7	2.08	7.97

\* see note 2

The accompanying notes on pages 45 to 71 form an integral part of these Financial Statements.

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2016

	Notes	Year ended 30 June 2016 £000s	*Restated Year ended 30 June 2015 £000s
<b>Profit for the year</b>		1,409	7,150
<b>Other comprehensive income</b>			
Hedging reserve recycled to profit or loss	22	762	873
Foreign exchange translation gain/(loss)		3,349	(5,285)
<b>Total items that are or may be reclassified to profit or loss</b>		<b>4,111</b>	<b>(4,412)</b>
<b>Total comprehensive profit for the year</b>		<b>5,520</b>	<b>2,738</b>

\* see note 2

The accompanying notes on pages 45 to 71 form an integral part of these Financial Statements.

# Consolidated Statement of Changes in Equity

## For the year ended 30 June 2016

	Notes	Revenue reserve £000s	Hedging reserve £000s	Distributable reserve £000s	Foreign currency reserve £000s	Total £000s
<b>Balance at 1 July 2015 as restated*</b>		<b>(41,898)</b>	<b>(762)</b>	<b>85,049</b>	<b>6,978</b>	<b>49,367</b>
Share redemptions	19	-	-	(16,193)	-	(16,193)
Profit for the year		1,409	-	-	-	1,409
Hedge reserve recycled	22	-	762	-	-	762
Other comprehensive income		-	-	-	3,349	3,349
<b>Balance at 30 June 2016</b>		<b>(40,489)</b>	<b>-</b>	<b>68,856</b>	<b>10,327</b>	<b>38,694</b>

## For the year ended 30 June 2015

	Notes	Revenue reserve £000s	Hedging reserve £000s	Distributable reserve £000s	Foreign currency reserve £000s	Total £000s
<b>Balance at 1 July 2014</b>		<b>(46,065)</b>	<b>(4,618)</b>	<b>88,848</b>	<b>12,263</b>	<b>50,428</b>
Prior year adjustment		(2,983)	2,983	-	-	-
<b>Balance at 1 July 2014 as restated*</b>		<b>(49,048)</b>	<b>(1,635)</b>	<b>88,848</b>	<b>12,263</b>	<b>50,428</b>
Share redemptions	19	-	-	(3,799)	-	(3,799)
Profit for the year		7,150	-	-	-	7,150
Hedge reserve recycled	22	-	873	-	-	873
Other comprehensive loss		-	-	-	(5,285)	(5,285)
<b>Balance at 30 June 2015 as restated*</b>		<b>(41,898)</b>	<b>(762)</b>	<b>85,049</b>	<b>6,978</b>	<b>49,367</b>

\* see note 2

The accompanying notes on pages 45 to 71 form an integral part of these Financial Statements.

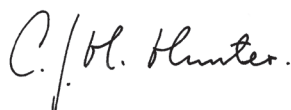
# Consolidated Statement of Financial Position

For the year ended 30 June 2016

	Notes	30 June 2016 £000s	30 June 2015 £000s
<b>Non-current assets</b>			
Investment properties	9	30,832	23,886
Deferred tax assets	18	-	86
<b>Current assets</b>			
Cash and cash equivalents		8,806	8,078
Trade and other receivables	13	1,492	888
Investment properties held for sale	9	6,191	34,892
Investment in joint venture held for sale	11	10,274	9,053
<b>Total assets</b>		<b>57,595</b>	<b>76,883</b>
<b>Current liabilities</b>			
Trade and other payables	14	2,213	1,582
Short term loans	15	14,907	7,971
<b>Non-current liabilities</b>			
Deferred tax liability	18	351	596
Provisions	17	1,253	367
Long-term loans	16	111	16,189
Derivative financial instruments	21	66	811
<b>Total liabilities</b>		<b>18,901</b>	<b>27,516</b>
<b>Net assets</b>		<b>38,694</b>	<b>49,367</b>
Share capital		-	-
Reserves		38,694	49,367
<b>Total equity</b>		<b>38,694</b>	<b>49,367</b>
Number of ordinary shares	19	57,577,470	85,684,658
<b>Net asset value per ordinary share (pence)</b>	<b>20</b>	<b>67.20</b>	<b>57.61</b>

The accompanying notes on pages 45 to 71 form an integral part of these Financial Statements.

By order of the Board



**Charles Hunter**  
Chairman  
31 October 2016



**Stuart Lawson**  
Director  
31 October 2016

# Consolidated Statement of Cash Flows

## For the year ended 30 June 2016

	Notes	Year ended 30 June 2016 £000s	*Restated Year ended 30 June 2015 £000s
<b>Operating activities</b>			
Profit before tax		1,571	8,190
Adjustments for:			
Gain on valuation and disposals of a subsidiary and investment properties		(476)	(5,934)
Shares in losses/(profits) of joint venture	11	321	(1,455)
(Gain)/Loss on financial instruments	21	(521)	114
(Increase)/Decrease in trade and other receivables		(473)	897
Increase/(Decrease) in provisions		887	(789)
Increase/(Decrease) in trade and other payables		371	(602)
Net finance cost	6	1,094	1,807
Net foreign exchange (profit)/loss		(1,370)	603
<b>Net cash generated from operations</b>		<b>1,404</b>	<b>2,831</b>
Interest income received		249	288
Interest paid		(1,020)	(1,681)
Tax received/(paid)		283	(792)
<b>Net cash inflow from operating activities</b>		<b>916</b>	<b>646</b>
<b>Investing activities</b>			
Capital expenditure on completed investment properties	9	-	(19)
Proceeds from disposals of a subsidiary and investment properties	9	33,488	11,902
<b>Net cash inflow from investing activities</b>		<b>33,488</b>	<b>11,883</b>
<b>Financing activities</b>			
Redemption of shares	19	(16,193)	(3,799)
Finance costs		-	(27)
Bank loan facility repaid	16	(13,740)	(4,956)
<b>Net cash used in financing activities</b>		<b>(29,933)</b>	<b>(8,782)</b>
Effect of exchange rate fluctuations		(3,743)	1,323
<b>Increase in cash and cash equivalents</b>		<b>728</b>	<b>5,070</b>
Cash and cash equivalents at start of the year		8,078	3,008
<b>Cash and cash equivalents at the year end</b>		<b>8,806</b>	<b>8,078</b>

\* see note 2

The accompanying notes on pages 45 to 71 form an integral part of these Financial Statements.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

## 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 (the "Financial Statements") of the Company for the year ended 30 June 2016 comprise the Financial Statements of the Company and its subsidiaries (together referred to as the "Group").

## 2. Significant accounting policies

### (a) Basis of preparation

The Financial Statements which show a true and fair view have been prepared in accordance with International Financial Reporting Standards ("IFRS") which comprise standards and interpretations issued by the International Accounting Standards Board ("IASB") and are in compliance with The Companies (Guernsey) Law, 2008. The Financial Statements have been prepared on a non-going concern basis, and the accounting policies, presentation and methods of computation are consistent with this basis, as disclosed in the going concern paragraph below.

#### Prior year adjustment

Following the decision at the EGM on 26 April 2013, to enter into a managed wind down of the Company, the criteria for hedge accounting the interest rate and cross currency swaps was no longer met and therefore hedge accounting ceased to apply from 1 January 2013 onwards. As such, since 1 January 2013 the hedge reserve should have been recycled to the income statement in the same period during which the hedged forecast cash flows affected profit or loss, being as and when paydowns on the instruments were made rather than only being recycled in their totality when the instruments matured or were settled. Whilst this has no impact on Net Asset Value, Total Comprehensive Profit and Net cash generated from operations in the statement of cash flows, it has resulted in an decrease in profit for the year in the prior year of £593,000 from £7,743,000 to £7,150,000, with an equal and opposite increase in other comprehensive income for the year, and a transfer between hedging reserve and revenue reserve at the beginning of that year of £2,983,000. The prior year basic and diluted profit per ordinary share decreases as a result from 8.63 pence to 7.97 pence.

### (b) Going concern

The discount control provisions established when the Company was launched required a continuation vote to be proposed to shareholders at the Company's Annual General Meeting in 2015. As a result of the large discount to Net Asset Value at which shares were trading there was little chance of raising new capital. After extensive shareholder consultation, the Board resolved not to seek continuation of the Company in 2015 and proposed to shareholders that the Company enter into a managed wind-down. This proposal was approved at an EGM held on 26 April 2013.

The Financial Statements have been prepared on a non-going concern basis reflecting the orderly wind-down of the Group. Accordingly, the going concern basis of accounting is not considered appropriate. All assets and liabilities continue to be measured in accordance with IFRS. The Board recognises that the timely disposal of properties is uncertain and continues to keep under review the most appropriate course of action with regard to these assets over the coming months with the aim of maximising shareholder return. As at June 2016, the completion of all sales is foreseen in the course of 2017.

The Directors estimate that the wind-down costs will be approximately £206,418 (30 June 2015: £194,272). The Board believes that the Group has sufficient funds available to meet its wind-down costs, day-to-day running costs and amounts due in terms of its loan facilities.

# Notes to the Consolidated Financial Statements

## continued

### (c) Adoption of new standards and its consequential amendments

*Standard, interpretation and amendments to published statements currently effective*

There are no new standards nor amendments effective as of 1 July 2015 that have had a significant impact on the Group's Financial Statements.

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

There are no accounting standards that have been issued and are not yet effective that are likely to have an impact on the financial statements as the wind up of the Group is estimated to take place in 2017.

### (d) Significant estimates and judgements

The preparation of the Group's Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

#### (i) Judgements:

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the Financial Statements:

##### *Functional currency*

As disclosed in note 2(e), the Group's functional currency is Sterling and the subsidiaries' functional currency is the Euro. The Board of Directors considers that the Parent Company's functional currency is Sterling, as the capital raised, return on capital and dividends paid by the Parent Company are in Sterling. The Euro most faithfully represents the economic effect of the underlying transactions, events and conditions of the subsidiaries. The Euro is the currency in which the subsidiaries measure their performance and reports their results.

##### *Going concern*

The Financial Statements have been prepared on a non-going concern basis reflecting the orderly wind-down of the Group. Further discussions of the Board's decision to wind-down the Group, can be found in note 2(b).

##### *Classification of investment properties as held for sale*

The Group has classified certain investment properties as held for sale. In establishing whether an investment property may be transferred to held for sale, the investment 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, as discussed in note 2(o).

##### *Lease classification*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

#### (ii) Estimates and assumptions:

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Financial Statements

were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising which are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### *Revaluation of investment properties*

The Group carries its investment properties at fair value, with changes in fair value being recognised in the Consolidated Income Statement.

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 Group, in accordance with the Royal Institution of Chartered Surveyors' ("RICS") Appraisal and Valuation Standards. The properties have been valued in accordance with the definition of the RICS Valuation which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation is based on the highest and best use of the investment properties.

In view of market instability, the valuers refer to the RICS Valuation Standards Guidance Note 1 (Valuation Uncertainty). The key assumptions used to determine the market value of the investment properties are explained further in note 2(l).

#### *Taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the timing and amount of future taxable income. The Group estimates its tax receivables and liabilities after taking into account the impact of tax laws and regulation and the timing and amount of future taxable income.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of the deferred tax asset that can be recognised, based upon timing and the level of future taxable profits. Details of tax losses recognised as a deferred tax asset and the amount of unused tax losses held by the Group, refer to note 18.

#### *Provisions*

In determining the provision for wind-down costs, estimates of costs have been obtained from the Broker, Administrator and other parties involved in the managed wind-down of the Company. The carrying amount of the provision as at 30 June 2016 was £206,418 (£194,272).

#### *Value of financial instruments*

The Group hold financial instruments that are not quoted in active markets, such as interest rate swaps. These swaps are valued at their fair value as communicated by the bank at each quarter end.

### **(e) Foreign currency translation**

#### **(i) 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 Consolidated 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 the Consolidated Income Statement.

# Notes to the Consolidated Financial Statements

## continued

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.

### (ii) Exchange differences on 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 Consolidated 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 in other comprehensive income and as a separate component of equity.

### (f) Basis of consolidation

#### (i) Subsidiaries

The 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 Financial Statements.

#### (iii) Joint ventures

The Group's interest in jointly controlled entities are accounted for using the equity method. 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 ("Downstream transaction"). The Group recognises 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 ("Upstream transaction"). When downstream transactions provide evidence of a reduction in the net fair value of the assets sold, or of an impairment loss of those assets, those losses shall be recognised in full by the investor. When upstream transactions provide evidence of a reduction in the net fair value of the assets to be purchased or of an impairment loss of those assets, the investor shall recognise its share in those losses.

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	Country of incorporation	Date of incorporation	Ownership interest %	Principal activities
Property Trust Luxembourg 1 S.à r.l.	Luxembourg	20 July 2005	100	Holding Company
Property Trust Luxembourg 2 S.à r.l.	Luxembourg	24 November 2005	100	Holding Company
Property Trust Luxembourg 3 S.à r.l.	Luxembourg	2 June 2006	100	Holding Company
<b>Total</b>				

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.

The companies shown in the table below are directly 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:

Subsidiaries	Country of incorporation	Ownership interest %
<b>Property Trust Luxembourg 1 S.à r.l.</b>		
Property Trust Netherlands 1 B.V. (in liquidation)	Netherlands	100
<b>Property Trust Luxembourg 2 S.à r.l.</b>		
Property Trust Rothenburg 1 S.à r.l.	Luxembourg	100
Property Trust Dasing S.à r.l.	Luxembourg	100
Multiplex 1 S.r.l.	Italy	100
<b>Property Trust Luxembourg 3 S.à r.l.</b>		
Property Trust Agnadello S.r.l.	Italy	50
Property Trust Kali S.à r.l.	Luxembourg	100

**(g) Income recognition**

Interest income from banks is recognised on an effective yield basis.

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

**(h) Expenses/Other Income**

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 charged income on an accrual basis.

**(i) 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.

**(j) 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.

**(k) Provisions**

A provision is recognised in the Consolidated 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.

# Notes to the Consolidated Financial Statements

## continued

### (I) 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. Investment properties are initially recognised at cost, being the fair value of consideration given, including associated transaction costs. Any subsequent capital expenditure incurred in improving investment properties is capitalised in the period during which the expenditure is incurred and included within the book cost of the properties.

After initial recognition, investment properties are measured at fair value using the fair value model with unrealised gains and losses recognised in the Consolidated Income Statement. Realised gains and losses upon disposal of properties are recognised in the Consolidated 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 in accordance with the definition of the RICS Valuation which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation is based on the highest and best use of the investment properties.

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 Consolidated Income Statement during the financial period in which they are incurred.

Investment properties are derecognised when they have been disposed. Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within gain/(loss) on disposals of subsidiaries and investment properties.

### (m) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**(n) Financial instruments***(i) 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.

*(ii) 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.

*(iii) 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.

*(iv) Derivative financial instruments*

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities. However, as disclosed in note 22, hedge accounting for these derivative financial instruments has ceased to apply.

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.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the Consolidated Statement of Financial Position date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

*(v) 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.

**(o) Assets held for sale**

Investment property is transferred to 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.



# Notes to the Consolidated Financial Statements

## continued

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.

As the Company's investment properties are expected to be realised through sale on uncertain dates in the future expected during 2016 and 2017, the Company has applied judgement in classifying investment properties as held for sale. On re-classification, an investment property that is measured at fair value continues to be so measured.

### (p) Impairment

The carrying amounts of the Group's assets, other than investment property, are reviewed at each Consolidated 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 Consolidated 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 £1,200 (2015: £1,200). 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 Consolidated 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 Consolidated Statement of Financial Position date, except in the case of investment properties, where deferred tax is provided for the effect of the sale of the properties. 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 18.



**(r) Hedge accounting**

Prior to January 2013, the Group designated certain hedging instruments, which included derivatives and non-derivatives in respect of interest rate risk as cash flow hedges based on the requirements of IAS 39. As the forecast transaction was no longer expected to occur, hedge accounting was discontinued prospectively.

**(s) Determination and presentation of operating segments**

The Board of Directors are 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 advised on the general allocation of the assets of the Company between different investments, advised the Company on its borrowing policy and geared investment position, managed the investment of the Company's subscription proceeds and short-term liquidity in fixed income instruments and advised on the use of (and management of) derivatives and hedging by the Company.

Information presented to the Board by the Investment Manager is based on IFRS.

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 and to the changes to the investment objective and investment policy approved at an EGM held on 26 April 2013, which cannot be radically changed without the approval of the Board of Directors.

The Board has considered the requirements of IFRS 8, 'Operating Segments'. The Board is of the view that the Group is engaged in a single segment of business, being investment in properties in Europe. Geographic and Sector analyses of the segment are included in the Investment Manager's Report on page 11.

**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.

# Notes to the Consolidated Financial Statements

## continued

In view of the change to the Investment Objective and Policy, the Manager agreed to amend the Management Fee arrangements with effect from 1 January 2013 in order to provide better alignment with the objective of the Managed Wind-down, such that the Manager and/or its Associates will receive in aggregate (refer to note 5 Investment management fees and Performance fee):

- a management fee of 1.10 per cent. of NAV (as opposed to 0.90 per cent. of gross assets) per annum to be paid quarterly in arrears based on the NAV at the end of the relevant quarter,
- transaction fees of 0.35 per cent. of the gross sales price achieved on each asset sale; and
- a performance fee of 12.5 per cent. of cash returned to shareholders in excess of 90 per cent. of NAV as at 31 December 2012, with threshold percentage of NAV increasing by 5 per cent. per annum with effect from 1 January 2015 (such that, by way of example, the threshold percent for the 12 month from and including 1 January 2015 (such that the threshold percentage for the 12 months from and including 1 January 2015 was 85 per cent of NAV as of 31 December 2012 and increased to 90 per cent from and including January 2016 and so on for each consecutive year).

This amendment of the management fee was approved by a resolution of the shareholders on 26 April 2013.

- (ii) Stifel Nicolaus Limited (formerly known as Oriel Securities Limited) is Sponsor and Broker to the Company. Fees incurred in 2016 totalled £25,000 (2015: £25,000).
- (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. Fees incurred in 2016 totalled £145,000 (2015: £145,000).

## 4. Gross rental income

Gross rental income for the year ended 30 June 2016 amounted to £3.94 million (30 June 2015: £5.74 million). The Group leases out all of its investment property under operating leases and are usually structured in accordance with local practices in Germany and Italy. All leases benefit from indexation.

**Minimum Lease Payments** (based on leases in place as at 30 June 2016)

	30 June 2016 £000s	30 June 2015 £000s
0-1 year	3,706	8,589
1-5 years	11,105	23,909
5+ years	15,625	15,401

The leasing arrangements are negotiated by the local Asset Managers, who send recommendations to the Fund Managers and a request for approval.

The lease arrangement with the main tenant of the Rothenburg property has been renewed in September 2016 and extended until October 2031.

## 5. General and administrative expenses

	30 June 2016 £000s	30 June 2015 £000s
Administration fees	(284)	(292)
General expenses	(694)	(975)
Audit fees	(167)	(172)
Legal and professional fees	(218)	(151)
Directors' fees	(91)	(92)
Insurance fees	(14)	(38)
Liquidation costs	(12)	59
Sponsor's fees	(25)	(25)
Investment management fees	(311)	(426)
Performance fee	(721)	731
<b>Total</b>	<b>(2,537)</b>	<b>(1,381)</b>

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. At a Board meeting of the Company held on 13 June 2013, the Board resolved to continue to maintain the 10% reduction in fees. As such, each of the Directors receives a fee of £13,500 (2015: £13,500) and the Chairman receives a fee of £18,000 (2015: £18,000).

The aggregate remuneration and benefits in kind of the Directors in respect of the Company's year ended 30 June 2016 amounted to £72,000 (2015: £72,000) in respect of the Company and £91,364 (2015: £91,985) in respect of the Group.

## 6. Net finance cost

	30 June 2016 £000s	30 June 2015 £000s
Interest income from bank deposits	1	-
Interest income from JV partners	248	288
Finance costs	(1,343)	(2,095)
<b>Total</b>	<b>(1,094)</b>	<b>(1,807)</b>

## 7. Basic and diluted loss per Share

The basic and diluted gain or loss per share for the Group is based on the net profit for the year of £1.4 million (2015: net profit of £7.15 million) and the weighted average number of Ordinary Shares in issue during the year of 67,651,518 (2015: 89,682,623).

# Notes to the Consolidated Financial Statements

## continued

### 8. Dividends

The Company has suspended dividends from June 2012 in order to prudently manage its cash and debt positions. No dividends were declared or paid during 2014, 2015 and 2016.

### 9. Investment properties

	30 June 2016 £000s	30 June 2015 £000s
<b>Fair value of investment properties at beginning of year</b>	<b>58,778</b>	<b>73,676</b>
Capital expenditure during the year	-	19
Opening fair value of assets sold during the year	(28,020)	(10,503)
Fair value adjustments	797	4,431
Foreign exchange translation	5,468	(8,845)
<b>Fair value of investment properties at the end of the year</b>	<b>37,023</b>	<b>58,778</b>
Investment properties classified held for sale (note 10)	(6,191)	(34,892)
<b>Net investment properties</b>	<b>30,832</b>	<b>23,886</b>

All investment properties are carried at fair value.

During the year, the following investment properties were sold:

- Smakterweg (Venray, Netherlands) completed in December 2015. Sales price achieved was €6.62 million (£4.8 million).
- Phoenix Center (Fuerth, Germany) completed in September 2015. Sales price achieved was €34.0 million (£25.2 million)

The properties have been valued on the basis of fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quarterly valuations are carried out at 31 March, 30 June, 30 September and 31 December by Knight Frank LLP, external independent valuers. A second external valuation has been performed for the Curno asset by Jones Lang LaSalle at 30 June and revealed no material change in the fair value.

The fair value of investment properties and investment properties held for sale are analysed by valuation method, according to the levels of the fair value hierarchy. 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).

The investment properties and investment properties held for sale are valued via a level 3 (Rothenburg, Agnadello, Curno) and via level 2 (Dasing) valuation (2015: all level 3).

The significant assumptions made relating to valuations are set out below:

### 2016 significant assumptions

2016	Industrial	Retail	Leisure	Total
Gross Estimated rental value per sqm p.a	€ 41.08	€ 132.11	€ 179.95	
-range	€ 37.5-44.02	€ 132.11	€ 179.95	€ 37.5-179.95
-weighted average	€ 41.50	€ 132.11	€ 179.95	€ 113.79
Net initial yield				
-range	8.43%-10.09%	7.72%	9.78%	7.72%-10.09%
-weighted average	9.56%	7.72%	9.78%	8.89%
Reversionary yield				
-range	9.89%-10.43%	6.58%	8.68%	6.58%-10.43%
-weighted average	10.10%	6.58%	8.68%	8.33%
True equivalent yield				
-range	10.09%-10.22%	6.88%	9.76%	6.88%-10.22%
-weighted average	10.40%	6.88%	9.76%	8.84%

### 2015 significant assumptions

2015	Industrial	Retail	Leisure	Total
Gross Estimated rental value per sqm p.a	€ 42.00	€121.60	€ 180.00	€ 64.79
-range	€ 37.50-44.00	€108.00-141.00	€180.00	€37.50-180.00
-weighted average	€ 41.40	€ 121.36	€180.00	€ 109.14
Net initial yield				
-range	7.21%-9.53%	6.87%-10.19%	9.05%	6.87%-10.19%
-weighted average	8.60%	8.05%	9.05%	8.35%
Reversionary yield				
-range	9.20%-9.58%	6.54%-8.42%	8.03%	6.54%-9.58%
-weighted average	9.35%	7.29%	8.03%	7.96%
True equivalent yield				
-range	9.41%-9.85%	6.82%-9.07%	9.03%	6.82%-9.85%
-weighted average	9.59%	7.68%	9.03%	8.41%

An increase/decrease in ERV will increase/decrease valuations, while an increase/decrease to yield decreases/increases valuations. The table below sets out the sensitivity of the valuation to changes of 50 basis points in yield.

The external valuer has carried out its valuation using the comparative and investment methods. The external valuer has made the assessment on the basis of a collation and analysis of appropriate comparable investment and rental transactions. The market analysis has been undertaken using market knowledge, enquiries of other agents, searches of property databases, as appropriate and any information provided to them. The external valuer is adhering to the RICS Valuation – Professional Standards.

# Notes to the Consolidated Financial Statements

## continued

### 2016 sensitivity

Movement	Industrial	Retail	Leisure
Increase of 50 basis points	Decrease of €1.08 million	Decrease of €1.4 million	Decrease of €0.80 million
Decrease of 50 basis points	Increase of €1.21 million	Increase of €1.60 million	Increase of €0.90 million

### 2015 sensitivity

Movement	Industrial	Retail	Leisure
Increase of 50 basis points	Decrease of €1.0 million	Decrease of €3.35 million	Decrease of €1.0 million
Decrease of 50 basis points	Increase of €1.1 million	Increase of €3.85 million	Increase of €0.85 million

Venray was excluded from the calculations 2015 as it was no longer strictly valued as an investment, but as a site value plus the residual lease income.

## 10. Investment properties held for sale

As at 30 June 2016, the Group classified 1 property (Dasing) as held for sale (30 June 2015: 2 properties (Curno; Fuerth)).

## 11. Investment in joint venture held for sale

The Group holds a 50% joint venture interest in the equity of the Italian joint venture Property Trust Agnadello S.r.l. which holds a logistics warehouse in Agnadello, 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's interest in Property Trust Agnadello S.r.l. is accounted for using the equity method in the Financial Statements, which approximates the lower of its carrying amount and its fair value less cost to sell.

The following table summarises the financial information of Property Trust Agnadello S.r.l. which also reconciles the summarised financial information to the carrying amount of the Group's interest in the joint venture:

### Summarised Consolidated Statement of Financial Position

	30 June 2016 £000s	30 June 2015 £000s
Current assets	20,965	18,469
Current liabilities	(17,183)	(14,637)
<b>Net assets (100%)</b>	<b>3,782</b>	<b>3,832</b>
Group's share of net assets (50%)	50%	50%
<b>Group's share of net assets</b>	<b>1,891</b>	<b>1,916</b>
Loan balances due to joint venture partners	8,383	7,137
<b>Carrying amount of interest in joint venture</b>	<b>10,274</b>	<b>9,053</b>

**Summarised Consolidated Income Statement**

	30 June 2016 £000s	30 June 2015 £000s
Net rental and related income	1,460	1,512
Valuation (losses)/gains on investment property	(1,271)	2,117
Total administrative and other expenses	(157)	(172)
Other income	1	5
Financial expenses	(486)	(568)
(Loss)/profit before tax	(453)	2,894
Income tax (expense)/gain	(189)	16
(Loss)/profit for the year	(642)	2,910
<b>Group's share of (loss)/profit for the year</b>	<b>(321)</b>	<b>1,455</b>

**Summarised Consolidated Statement of Comprehensive Income**

	30 June 2016 £000s	30 June 2015 £000s
(Loss)/profit for the year	(642)	2,910
Total comprehensive (loss)/income for the year	(642)	2,910
<b>Group's share of comprehensive (loss)/income for the year</b>	<b>(321)</b>	<b>1,455</b>

**12. Other investments**

Financial assets designated at fair value through profit or loss included a 12% equity investment held in Porto Kali Holdings B.V, a holding company of the former held Dutch office portfolio. The shares held by Property Trust Kali S.à r.l in Porto Kali Holdings B.V. were transferred to Stichting Porto Kali II, a charitable foundation, on 25 February 2016.

**13. Trade and other receivables**

	30 June 2016 £000s	30 June 2015 £000s
Tax receivable (withholding, corporate and income)	367	505
Investment property sold receivable	282	13
Other receivables	347	92
VAT receivable	24	67
Management fee receivable	156	-
Rent receivable	116	45
Accrued income	129	140
Prepayments	71	26
<b>Total</b>	<b>1,492</b>	<b>888</b>

The carrying 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

### 14. Trade and other payables

	30 June 2016 £000s	30 June 2015 £000s
Investment manager's fee	165	196
Property manager's fee	37	21
Tax payable (income, transfer, capital and other)	888	581
Interest payable on loan facility	99	148
Legal and professional fees	93	56
VAT payable	13	35
Audit fee	170	151
Administration and Company Secretarial fees	79	70
Rent prepaid	9	56
Other	660	268
<b>Total</b>	<b>2,213</b>	<b>1,582</b>

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

The carrying values of trade and other payables are considered to be approximately equal to their fair value.

### 15. Short-term loans

	30 June 2016 £000s	30 June 2015 £000s
Secured bank loan	14,907	7,971

The main loan facility is with Crédit Agricole Corporate and Investment Bank ("Crédit Agricole") and Crédit Foncier de France ("Crédit Foncier"). On 30 June 2016 the main loan facility was refinanced and is due to mature on 31 December 2016.

The outstanding balance of the main loan as at 30 June 2016 was €17.96 million (£14.9 million) (30 June 2015: €34.50 million (£24.16 million)) (before capitalised debt issue costs) as a result of the partial loan repayments following the various asset disposals during the period.

All bank loans have been classified as current liabilities as the facility is due to expire within the next 12 months. Following the sale of Dasing, £2.59 million (£3.11m) and £2.80 million (€3.37m) of the loan was repaid respectively in August and September 2016. The remaining loan balance of £9.54 million (€11.48m) is expected to be repaid using the proceeds from the asset sales due to be completed by 31 December 2016.

The Group is in compliance with the loan covenants including the Loan to Value covenant of 60%.



Other terms of the main loan facility at 30 June 2016 are:

Expiry date	31 December 2016
LTV to expiry	60%
3-month Euribor	(0.29%)
Margin	2.40%
All-in rate swap	5.20%
Arrangement fee	1.00%
Amortisation	Net sales proceeds and net rents are allocated to loan reimbursement

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

The carrying value of these loans approximates their fair value.

## 16. Long-term loans

	30 June 2016 £000s	30 June 2015 £000s
<b>Non-current liabilities</b>		
Secured bank loan	-	16,099
Loan due to third party	111	90
<b>Total</b>	<b>111</b>	<b>16,189</b>

## 17. Provisions

	30 June 2016 £000s	30 June 2015 £000s
<b>Non-current</b>		
Provision for performance fees	893	173
Provision for wind-down costs	206	194
Provision for sale Dasing	154	-
<b>Total</b>	<b>1,253</b>	<b>367</b>

# Notes to the Consolidated Financial Statements

## continued

### 18. Taxation

	30 June 2016 £000s	30 June 2015 £000s
Effect of:		
Current tax		
Luxembourg	12	12
Italy	170	158
The Netherlands	(116)	89
Germany	280	314
<b>Total current tax</b>	<b>346</b>	<b>573</b>
Deferred tax		
Investment property	(184)	467
<b>Total deferred tax</b>	<b>(184)</b>	<b>467</b>
<b>Tax charge during the year</b>	<b>162</b>	<b>1,040</b>

#### Recognised deferred tax assets and liabilities

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

30 June 2016	Assets £000s	Liabilities £000s	Net £000s
Investment property	-	(351)	(351)
Tax value of loss carry forwards recognised	-	-	-
<b>Tax assets/(liabilities)</b>	<b>-</b>	<b>(351)</b>	<b>(351)</b>

30 June 2015	Assets £000s	Liabilities £000s	Net £000s
Investment property	-	(596)	(596)
Tax value of loss carry forwards recognised	86	-	86
<b>Tax assets/(liabilities)</b>	<b>86</b>	<b>(596)</b>	<b>(510)</b>

At 30 June 2016, the Group had unused tax losses amounting to £2.4 million (€2.8million) (2015: £1.5 million (€2.1 million)) for which no deferred tax asset has been recognised as they are not expected to be utilised.

At 30 June 2016, taxable temporary differences associated with investments in subsidiaries for which no deferred tax liability had been recognised totalled £nil (€nil) (2015: £nil (€nil)).

#### Movement in temporary differences

	1st July 2015 £000s	Recognised in income statement £000s	Foreign exchange translation £000s	30 June 2016 £000s
Investment property	(510)	184	(25)	(351)
Tax value of loss carry forwards recognised	-	-	-	-
<b>Tax assets/(liabilities)</b>	<b>(510)</b>	<b>184</b>	<b>(25)</b>	<b>(351)</b>

	1st July 2014 £000s	Recognised in income statement £000s	Foreign exchange translation £000s	30 June 2015 £000s
Investment property	(183)	(467)	140	(510)
Tax value of loss carry forwards recognised	26	(26)	-	-
<b>Tax (liabilities)/assets</b>	<b>(157)</b>	<b>(493)</b>	<b>140</b>	<b>(510)</b>

The Parent Company is exempt from Guernsey taxation.

## 19. Share capital

	30 June 2016 Number of Shares	30 June 2016 Share Premium £000s	30 June 2015 Number of Shares	30 June 2015 Share Premium £000s
Shares of no par value issued and fully paid	57,577,470	100,000	85,684,658	100,000

### Capital management

The Company's capital is represented by the Ordinary Shares, revaluation reserves, revenue reserves, hedging reserves, distributable reserves and foreign exchange reserves. The share premium is included in the distributable reserve presented in the Consolidated Statement of Changes in Equity. 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 34. It is not subject to externally imposed capital requirements. The Ordinary shares carry rights regarding dividends, voting, winding-up and redemptions which are detailed in full in the Company's Memorandum and Articles of Incorporation.

The Company was authorized at the Annual General Meeting ("AGM") on 3 December 2015 to make market purchases of up to 14.99% of its Ordinary Shares until the conclusion of the next AGM or 31 December 2016, whichever is earlier. Purchases would only be made at prices below the prevailing Net Asset Value of the shares where the Directors believe such purchases would 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, pursuant to the AGM which took place on 3 December 2015 ("2015 AGM"), the Directors shall not apply and shall be excluded in relation to the issue of up to an aggregate number of Ordinary Shares as represents less than 10 per cent. of the number of Ordinary Shares admitted to trading on the London Stock Exchange.

The following redemptions of shares have been done under the mechanism for the Redemption of Shares as approved at the EGM held on 27 February 2014:

Redemption date	Capital Returned	Shares Cancelled
19 March 2014	1,999,957	3,641,580
9 April 2014	2,099,903	3,823,572
30 October 2014	1,999,547	3,668,894
14 May 2015	1,799,022	3,181,296
20 July 2015	5,197,083	9,725,084
6 January 2016	10,996,174	18,382,104
	<b>24,091,686</b>	<b>42,422,530</b>

# Notes to the Consolidated Financial Statements

## continued

### 20. Net asset value per ordinary share

The Net Asset Value per Ordinary Share at 30 June 2016 is based on the net assets attributable to the ordinary shareholders of £38.69 million (2015: £49.37 million) and on 57,577,470 (2015: 85,684,658) ordinary shares in issue at the Consolidated Statement of Financial Position date.

### 21. Financial risk management

The table below summarises the amounts recognised in the Consolidated Income Statement in relation to derivative financial instruments.

	30 June 2016 £000s	*Restated 30 June 2015 £000s
Hedging reserve recycled to consolidated income statement	(762)	(873)
Net gain on derivative instruments	1,283	759
<b>Total gain/(loss) recognised in Consolidated Income Statement</b>	<b>521</b>	<b>(114)</b>

\* see note 2

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, loans 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 foreign currency risk. The Board review and agree policies for managing its risk exposure. These policies are summarised below.

#### Market Price Risk

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

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

#### Market price sensitivity analysis

The sensitivity analysis 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 Consolidated Income Statement. A 5% increase in the value of the direct properties (after deferred tax) at 30 June 2016 would have increased net assets and income for the year by £1.8 million (2015:

£2.9 million). A decrease of 5% would have had an equal but opposite effect. The ratio of cash, cash equivalents and trade and other receivables to the NAV is 26%.

### Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at June 2016, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. The Group's and Company's exposure and the credit-ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-ratings agencies. The Group banks with Barclays Bank plc which has a Fitch rating of A, HSBC Bank plc with a Fitch rating of AA- and BIL with a Fitch rating of BBB+.

Cash and cash equivalents and trade and other receivables presented in the consolidated statement of financial position are subject to credit risk with maturities within one year. The Company's maximum credit exposure is limited to the carrying amount of financial assets recognised as at the Consolidated Statement of Financial Position date.

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

<b>As at 30 June 2016</b>	<b>Within one year £000s</b>
Cash and cash equivalents	8,806
Rent receivable	116
Trade and other receivables	1,057
<b>Total</b>	<b>9,979</b>

<b>As at 30 June 2015</b>	<b>Within one year £000s</b>
Cash and cash equivalents	8,078
Rent receivable	45
Trade and other receivables	843
<b>Total</b>	<b>8,966</b>

### Liquidity risk

Liquidity risk is the risk that the Company will encounter in realising assets or otherwise raising funds to meet financial commitments in a reasonable timeframe or at a reasonable price.

The Group invests the majority of its assets in investment properties which are relatively illiquid, however, the Group has mitigated this risk by investing in desirable properties in strong locations. The Group prepares forecasts in advance which enables the Group's operating cash flow requirements to be anticipated and ensures that sufficient liquidity is available to meet foreseeable needs and to invest any surplus cash assets safely and profitably. The Group also monitors the cash position in all subsidiaries to ensure that any working capital needs are addressed as early as possible.

The Company has continued to suspend the payment of dividends to prudently manage cash during the wind-down phase.

# Notes to the Consolidated Financial Statements

## continued

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

<b>As at 30 June 2016</b>	<b>Less than 3 months £000s</b>	<b>3-12 months £000s</b>	<b>1-3 years £000s</b>	<b>Total £000s</b>
Interest bearing loans	-	14,907	111	15,018
Trade and other payables	1,136	1,077	-	2,213
Derivative financial instruments				
- Interest rate swaps	66	-	-	66
<b>Total</b>	<b>1,202</b>	<b>15,983</b>	<b>111</b>	<b>17,296</b>

<b>As at 30 June 2015</b>	<b>Less than 3 months £000s</b>	<b>3-12 months £000s</b>	<b>1-5 years £000s</b>	<b>Total £000s</b>
Interest bearing loans	-	-	16,189	16,189
Current portion of long-term loans	-	7,971	-	7,971
Trade and other payables	-	1,582	-	1,582
Derivative financial instruments				
- Interest rate swaps and caps	-	-	811	811
<b>Total</b>	<b>-</b>	<b>9,553</b>	<b>17,000</b>	<b>26,553</b>

The external loan of £14.9 million will be reimbursed using the net rents and net disposal proceeds received until 31 December 2016. Refinancing is not foreseen for the moment. In case of a delay in the further sales process of the remaining properties; a refinancing discussion will be launched with the lenders

### 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 denominated in Euro. At 30 June 2016, the Group had interest rate swaps with a notional contract amount of £16.26 million (€19.57 million) (30 June 2015: £24.44 million (€34.50 million)).

Following the orderly and managed wind-down of the Group and as discussed in note 2(b), and the consequent repayment of external loans, hedging reserves of £0.762 million loss deferred in equity related to the interest rate swaps that were cancelled and settled during the year were recycled to profit or loss for the year ended 30 June 2016 (2015: £0.873 million loss). The net gain on interest rate swaps recognised in profit or loss for the period ended 30 June 2016 is £1.28 million (2015: £0.76 million gain).

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:

	<b>Counterparty</b>	<b>Contract Rate</b>	<b>Notional Amount</b>
Interest Rate Swaps	Credit Agricole	2.795%	19.569 million

	30 June 2016 Assets £	30 June 2016 Liabilities £	30 June 2015 Assets £	30 June 2015 Liabilities £
<b>Non-current</b>				
Interest rate swaps	-	66	-	811
	-	66	-	811

### Cash Flow Hedge

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

	Maturity	Average contracted fixed interest rate %	Notional principal amount €000s	Fair value £000s
30 June 2016	<1 years	2.795%	19,569	(66)
30 June 2015	2-5 years	2.795% - 3.50%	34,497	(811)

The interest rate swaps settle on a quarterly basis. The basis of floating rate is 3-month Euribor which at the year-end was -0.29% (2015: -0.014%). The Group will settle the difference between the fixed and floating rate on a net basis.

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 re-measurement to fair value is recognised immediately in profit or loss.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the Consolidated Statement of Financial Position date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2016	Level 1 £000s	Level 2 £000s	Level 3 £000s
<b>Liabilities measured at fair value</b>			
Interest rate swaps and caps	-	66	-
<b>Total</b>	-	66	-

30 June 2015	Level 1 £000s	Level 2 £000s	Level 3 £000s
<b>Liabilities measured at fair value</b>			
Interest rate swaps and caps	-	811	-
<b>Total</b>	-	811	-

# Notes to the Consolidated Financial Statements

## continued

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

30 June 2016				
Counterparty	Settlement date	Fixed interest rate	Notional amount €000s	Fair value £000s
<b>Interest rate swaps</b>				
Crédit Agricole Corporate & Investment Bank	1/7/2016	2.795%	19,569	(66)

30 June 2015				
Counterparty	Settlement date	Fixed interest rate	Notional amount €000s	Fair value £000s
<b>Interest rate swaps</b>				
Crédit Agricole Corporate & Investment Bank	1/7/2016	2.795%	34,497	(811)

### Interest re-pricing

30 June 2016			
	Total as per statement of financial position £000s	Fixed rate £000s	Floating rate 3 months or less £000s
<b>Financial assets</b>			
Cash and cash equivalents	8,806	-	8,806
<b>Total</b>	<b>8,806</b>	<b>-</b>	<b>8,806</b>
<b>Financial liabilities</b>			
Current portion of long-term loans	14,907	-	14,907
Long-term loans	111	111	-
<b>Total</b>	<b>15,018</b>	<b>111</b>	<b>14,907</b>

30 June 2015			
	Total as per statement of financial position £000s	Fixed rate £000s	Floating rate 3 months or less £000s
<b>Financial assets</b>			
Cash and cash equivalents	8,078	-	8,078
<b>Total</b>	<b>8,078</b>	<b>-</b>	<b>8,078</b>
<b>Financial liabilities</b>			
Current portion of long-term loans	7,971	-	7,971
Long-term loans	16,189	90	16,099
<b>Total</b>	<b>24,160</b>	<b>90</b>	<b>24,070</b>



**Foreign currency risk**

The European subsidiaries will invest in properties using currencies other than Sterling, the Company's functional and presentational currency, and the Consolidated Statement of Financial Position may be significantly affected by movements in the exchange rates of such currencies against Sterling.

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
As 30 June 2016	9,979	(16,582)	(6,603)
As 30 June 2015	8,350	(25,742)	(17,392)

**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 and income £000s
As 30 June 2016	+5%	333
	-5%	(333)
As 30 June 2015	+5%	860
	-5%	(860)

**22. Reserves****(a) Revaluation reserves**

Revaluation reserves of the Group arose from the revaluation of investment properties, financial assets and derivatives. The amounts in these reserves have already been recognised through the Consolidated 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 2016 £000s	*Restated 30 June 2015 £000s
Balance at beginning of financial year	(762)	(1,635)
<b>Movement on cash flow hedges</b>		
- Interest rate swaps	762	873
Net change in fair value of hedges	762	873
<b>Balance at end of financial year</b>	<b>-</b>	<b>(762)</b>

\* see note 2

# Notes to the Consolidated Financial Statements

## continued

Following the decision at the EGM on 26 April 2013, to enter into a managed wind-down of the Company, the criteria for hedge accounting of the interest rate swaps were no longer met. Therefore, hedge accounting ceased to apply from 1 January 2013 onwards.

### (c) Distributable reserves

Distributable reserves arose from the cancellation of the share premium account pursuant to the special resolution passed at the EGM 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.

## 23. NAV Reconciliation

The following is a reconciliation of the NAV per share attributable to ordinary shareholders as presented in these Financial Statements, using IFRS to the NAV per share reported to the LSE:

	NAV £000s	NAV per Ordinary Share £
Net Asset Value reported to London Stock Exchange	39,627	68.82
Write down of Receivable from Sale of Fürth	(212)	(0.37)
Fair value adjustment on the Rothenburg asset	(81)	(0.14)
Adjustment for sales costs Dasing	(155)	(0.27)
Write off deferred tax relating to Curno property	(55)	(0.10)
Adjustment deferred taxes relating to Rothenburg property	(351)	(0.61)
Other adjustments	(79)	(0.13)
<b>Net Assets Attributable to Shareholders per Financial Statements</b>	<b>38,694</b>	<b>67.20</b>

## 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 Spaninks**, a Director of the Company, formed 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 were able to control the investment policy of the Luxembourg subsidiaries to ensure it conforms with the investment policy of the Company until **Mr Spaninks** resignation from the Boards of 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. on 11 October 2013.

**Mr Farrell**, a Director of the Company, is also a Partner in Mourant Ozannes, the Guernsey legal advisers to the Company. The total charge to the Consolidated Income Statement during the period in respect of Mourant Ozannes legal fees was nil (2015: nil), of which £nil (30 June 2015: £nil) remained payable at the year-end

**Mr Lawson**, a Director of the Company, was a Director of the Administrator and Secretary, Northern Trust International Fund Administration Services (Guernsey) Limited until 13 December 2013, when Mr Lawson became a Director of Northern Trust (Guernsey) Limited, the Company's bankers and member of the same group as the Administrator and Secretary. The total charge to the Consolidated Income Statement during the year in respect of Northern Trust administration fees was £145,000 (30 June 2015: £145,000) of which £nil (30 June 2015: £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 period, fees of £0.31 million (30 June 2015: £0.43 million) were expensed to the Consolidated Income Statement. Following the various asset disposals, transaction fees of 35 bps on the gross sales price were expensed; totalling £0.11 million on all sales (30 June 2015: £0.04 million). During the year, a provision for the performance fee was increased/(reversed) by £0.72 million (2015: -£0.73 million). The amount had been provided under the terms of the Investment Management Agreement.

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

## 25. 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.

## 26. Subsequent events

These Financial Statements were approved for issuance by the Board on 31 October 2016. Subsequent events have been evaluated until this date.

### Sales

Contracts were signed for the Sale of the Dasing asset at a price of €7.45m. The sale was completed on 25 August 2016.

# Corporate Information



**Directors (All non-executive)**

C. J. Hunter (Chairman)  
 G. J. Farrell  
 S. C. Monier  
 S. J. Lawson  
 A Spaninks

**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**

Stifel Nicolaus Europe 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

**Registrar**

Computershare Investor Services (Guernsey) Limited  
 3rd Floor  
 Natwest House  
 Le Truchot  
 St Peter Port  
 Guernsey  
 GY1 1WD  
 Channel Islands

**Independent Auditor**

KPMG Channel Islands Limited  
 Glatigny Court, Glatigny Esplanade  
 St Peter Port  
 Guernsey  
 GY1 1WR  
 Channel Islands

This page has been left intentionally blank.

This page has been left intentionally blank.

