αlpha Real Trust

Full Year Results Presentation

July 2013

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This presentation should be read in conjunction with the results announcement and financial statements as at 31 March 2013 of Alpha Real Trust Limited.

Highlights

Alpha Real Trust

- NAV per share 107.6p (106.8p: 31 March 2012).
- Adjusted earnings per share of 5.0p for the twelve months to 31 March 2013.
- Commencement of dividends; 1.05p paid 3 May 2013.
- Completion of the Property Investment Portfolio PLC investment portfolio acquisition.
- Europip: refinancing of the £59.7 million (NOK 532.8 million) portfolio of Norwegian commercial real estate with a senior debt facility of £38.1 million (NOK 340 million).
- Europip: strategic sales in Norway and France enabled part repayment of bank debt and a reduction in the mezzanine loan facilities.
- Europip: Norwegian portfolio occupancy rate increased to 98% at 31 March 2013 from 92% at 31 December 2012.
- H2O: Nike opened its new destination outlet store at the H2O shopping centre; market beating visitor footfall increases recorded in 2012; weighted average lease length to next break maintained over the year.
- AURE: extension of the term for £32.5 million of senior debt finance on its portfolio of UK commercial real estate until 31 December 2013.
- 92% of the Company’s investment portfolio is in income producing investments in the UK and Europe.

Net Asset Attribution

Outline attribution of the net assets of the Group at 31 March 2013:

Investment interest in:	Europip	£16.0m	
	FIAF	£15.3m	
	H2O	£13.2m	€15.6m
	AURE	£8.1m	
	AUMP	£6.6m	
	Galaxia	£5.5m	INR 450m
	BCP	£2.8m	
	HLP	£2.6m	
	Cambourne	£1.2m	
Cash		£8.6m	
Other debtors/creditors		(£1.6m)	
Net assets at 31 March 2013		**£78.3m**	
NAV per share		**107.6p**	

Investment Objective and Strategy

Strategy

Alpha Real Trust Limited ("the Company" or "ART") targets investment opportunities across the real estate spectrum, including real estate operating companies, securities, services and other related businesses that offer high risk adjusted total returns.

Dividends

The current intention of the Company is to pay a dividend semi-annually.

Listing

The Company's shares are traded on the Specialist Fund Market ("SFM") of the London Stock Exchange ("LSE").

Management

The Company's Investment Manager is Alpha Real Capital LLP ("the Investment Manager" or "ARC"). Control of the Company rests with the non-executive Guernsey based Board of Directors.

Investment portfolio summary (as at 31 March 2013)

Alpha Real Trust

Investment	Investment type	Investment amount	Income return	Property type	Investment notes
United Kingdom					
Alpha UK Real Estate Fund plc	Convertible loan	£7.5m	10.7% p.a. [1]	High-yield diversified UK portfolio	Preferred capital structure
Alpha UK Multi Property Trust plc	Convertible loan	£6.3m	10.8% p.a. [1]	High-yield diversified UK portfolio	Preferred capital structure
	Equity	£0.3m	n/a		19% of ordinary capital
Cambourne Business Park, Phase 1000, Cambridge	Indirect property	£1.2m	12.9% p.a. [2]	High-yield business park	Bank facility at 50% LTV (current interest cover of 2.4 times covenant level)
Business Centre Properties Limited	Indirect property	£2.8m	n/a	Business centre fund	Predominantly ungeared fund
Freehold Income Authorised Fund	Ground rent fund	£15.3m	5.2% p.a. [2]	Highly defensive income freehold ground rents	Very low gearing (1% net LTV); monthly liquidity
Healthcare & Leisure Property Limited	Indirect property	£2.6m	4.9% p.a. [3]	Leisure property fund	No external gearing
Norway and other European Property Investment Portfolio PLC ("Europip") investments					
Europip Norway	Indirect property	£6.7m (€7.9m)	11.3% p.a. [4]	A geared property investment vehicle invested in offices and logistics properties in Norway	Recently refinanced senior and mezzanine loan position
Europip loan	Mezzanine loan	£8.8m [5]	9.0% p.a.		Secured mezzanine loan, 9% coupon p.a.
Europip Mosaic	Indirect property	£0.5m (€0.6m)	n/a	Minority investment in a central / eastern European commercial property fund	Property held via investment vehicles, varying debt levels
Spain					
H2O, Madrid, Spain	Direct property	£14.0m (€16.6m)	10.0% p.a. [2]	High-yield, dominant shopping centre	Debt facility with no LTV covenant and a 1.1x ICR covenant
India					
Galaxia, NOIDA, Delhi NCR	Direct property	£5.5m (INR 450m)	n/a	Special Economic Zone development site	Asset held for sale

[1] Based on coupon plus redemption premium annualised
[2] Over 12 months to 31 March 2013, post tax
[3] Annualised 6 monthly return
[4] Annualised earnings yield, based on latest quarter information
[5] Position as at 31 March 2013; post year end, the loan has been repaid down to £5.5 million

United Kingdom

Economic outlook

There are some grounds for optimism that improving foundations are being laid for sustainable economic growth. Inflation remains relatively muted, interest rates remained unchanged following the Bank of England´s latest meeting in April and UK gilt yields have edged downwards in 2013. Whilst such indicators support the view that economic recovery is taking hold, it is still too early to rule out continued uncertainty on the road to recovery during the year ahead.

A bright spot in economic data was the level of employment in office-based sectors which increased by 2.2% in the year to December 2012.

The combined benefits of low inflation and a resilient labour market should assist purchasing power and provide more general support to UK consumer spending and occupier demand in the real estate sector.

Property market outlook

Real estate investment transaction volumes remain relatively muted. Demand continues to be greatest for prime assets in prime sectors and markets, partly supported by interest from overseas investors who perceive the UK market to offer a relative safe haven.

There are signs that a scarcity of prime assets at attractive prices is prompting investors to gradually move up the risk curve to consider opportunities where the concentration of demand is lower and where supply is greater.

Increased interest has been noted in parts of the secondary market in London and the South East during the first part of 2013 as investors seek to take advantage of well-priced assets, especially those where potential exists to add value through active asset management.

Investment	Investment type	Investment amount	Income return	Property type	Investment notes
Alpha UK Real Estate Fund plc	Convertible loan	£7.5m	10.7% p.a. [1]	High-yield diversified UK portfolio	Preferred capital structure

[1] Based on coupon plus redemption premium annualised

Description

- AURE is an Irish resident open ended investment company listed on the Irish Stock Exchange, which is invested in a diversified portfolio of UK commercial property (23 properties comprising industrial, office and retail properties valued at £48.8 million (as at 31 March 2013).

Investment structure

- The Company has invested £7.5 million in AURE by way of a three-year convertible loan, which matures in November 2014, earns a coupon of 6% per annum and a 14% redemption premium if not converted, providing a minimum return of 10.7% per annum.
- ART's investment has a defensive position in the capital structure with a preferred minimum return and the potential to benefit from value created through the active asset management of an income focused property portfolio.
- The bank senior loan facility was extended until 31 December 2013.

Asset management highlights

The following highlights were included in the recent AURE half year report for the six months ending 31 March 2013, published in June 2013:

- Bank borrowings reduced by £4.6m – outstanding debt balance reduced during the period from £36.1 million (as at 30 September 2012) to £31.5 million (as at 31 March 2013).
- Additional debt repayment of £4.4m - after the period end, sales proceeds from Cardiff and Fulham properties further reduced borrowings to £27.1 million (as at 25 April 2013).
- Strategic sales – Northampton, Cardiff and Fulham properties sold at prices comparable with recent valuations, totalling £5.5 million
- New lettings – lease extensions and new leases covering approximately 200,000 square feet achieved.
- New income – lease extensions and new leases totalling approximately £1.2 million per annum of contracted rental income, after future stepped rental uplifts and rent free periods.

ARC is the investment manager of AURE. ARC is pursuing value enhancement opportunities in AURE portfolio assets to increase net income and improve the profile of this income through lease extensions, renewals and reducing unrecoverable void costs.

Alpha UK Multi Property Trust Plc ("AUMP")

Investment	Investment type	Investment amount	Income return	Property type	Investment notes
Alpha UK Multi Property Trust plc	Convertible loan	£6.3m	10.8% p.a. [1]	High-yield diversified UK portfolio	Preferred capital structure
	Equity	£0.3m	n/a		19% of ordinary capital

[1] Based on coupon plus redemption premium annualised

Description

- As at 31 March 2013, ART held convertible unsecured loan stock ("CULS") and an equity investment in AUMP, a LSE listed UK property fund with a regionally diversified portfolio of over 50 properties of multi-let light industrial and office assets valued at £82.7 million (at 31 March 2013).

Investment structure

- ART has also acquired 19% of AUMP's ordinary share capital as part of the PIP transaction for £0.3 million.
- Post year end, the Company announced that, in accordance with the CULS Subscription Agreement with AUMP it has redeemed all outstanding CULS in full at par plus the payment of the premium of 18 per cent. The redemption amount was £6.42 million.
- The Company further announces that it has entered into an agreement ("Loan Facility Agreement") in which it will provide an unsecured loan ("Loan") to AUMP for £6.42 million. The proceeds of the Loan will be applied to finance the redemption of the CULS.
- The term of the Loan Facility Agreement is six months to 31 December 2013, which is extendable by five years to 31 December 2018 with the consent of both the Company and AUMP. AUMP may voluntarily prepay the loan at any time by giving 5 days notice. The coupon of the Loan is 15% per annum compounded quarterly.

ARC is the investment manager of AUMP. ARC is pursuing value enhancement opportunities in AUMP portfolio assets to increase net income and improve the profile of this income through lease extensions, renewals and reducing unrecoverable void costs.

Investment management highlights

- AUMP´s loan facility with a current outstanding balance of £48.2 million provided by Bank of Scotland in respect of the Company's wholly owned subsidiaries, CHIP (One) Limited, CHIP (Three) Limited, CHIP (Four) Limited and CHIP (Five) Limited, is due to expire on 31 July 2013.
- AUMP´s loan facility with a current outstanding balance of £8.6 million, provided by Nationwide in respect of the Company's wholly owned subsidiary, CHIP (Two) Limited, is due to expire on 30 August 2013.
- Discussions with Bank of Scotland, Nationwide and alternative banks and providers of capital are continuing in order to pursue extensions to, or refinancing of, these borrowings.

The following highlights were included in the AUMP interim management statement for the quarter ended 31 March 2013 (published May 2013)

- Two sales completed above valuation – two properties were sold at a total sale price of £2.93 million in March and April 2013.
- Occupancy improved – the occupancy level by estimated rental value stood at 82.1% as at 30 April 2013, compared with 80.8% as at 31 December 2012.
- Borrowings reduced – bank borrowings reduced by £0.9 million during the quarter to 31 March 2013; a further £2.3 million was repaid in April 2013.
- Loan to value ("LTV") – the combined LTV across the Group on secured borrowings was 71.5% at 31 March 2013 (71.3% at 31 December 2012); and further reduced to 70.5% as at 30 April 2013.

Cambourne Business Park, Phase 1000, Cambridge

Alpha Real Trust

Investment	Investment type	Investment amount	Income return	Property type	Investment notes
Cambourne Business Park	Indirect property	£1.2m	12.9% p.a. [2]	High-yield business park	Bank facility at 50% LTV (current interest cover of 2.4 times covenant level)

[2] Over 12 months to 31 March 2013, post tax

Description

- The Company has invested £1.2 million in a joint venture that owns Phase 1000 of Cambourne Business Park.
- The property consists of three Grade A specification modern office buildings constructed in 1999 located in the town of Cambourne, approximately 8 miles west of Cambridge city centre. The property comprises 9,654 square metres of lettable area, is self-contained and has 475 car parking spaces. Phase 1000 is situated at the front of the business park with good access and visibility.
- Phase 1000 is a high quality asset, fully let to Netcracker Technology EMEA Ltd (renamed from Convergys after the $449m takeover by NEC Corporation), Citrix Systems and Regus. The property has open B1 Business user planning permission and has potential value-add opportunities.

Investment structure

- Phase 1000 was purchased in a joint venture partnership with a major overseas investor for £23.0 million including acquisition costs. Bank finance of £10.8 million was obtained. ART´s equity contribution of £1.2 million, which represents 10% of the total equity commitment, was invested into a newly formed joint venture entity, a subsidiary of which holds the property. The property was acquired for an 8.5% net initial yield and is currently delivering an annualised income return of 12.9% as at 31 March 2013.

ARC is the investment manager to the joint venture owning the Cambourne property and continues to pursue opportunities to add value to the investment.

Freehold Income Authorised Fund (“FIAF”)

Investment	Investment type	Investment amount	Income return	Property type	Investment notes
Freehold Income Authorised Fund	Ground rent fund	£15.3m	5.2% p.a. [2]	Highly defensive income freehold ground rents	Very low gearing (1% net LTV); monthly liquidity

[2] Over 12 months to 31 March 2013, post tax

Description

- FIAF announced on 3 April 2013 the change of name from Freehold Income Trust following the fund´s restructuring, converting into a tax efficient fund authorised by the FCA as a Qualifying Investor Scheme. In tandem, HMRC approved FIAF to enter the PAIF tax regime.
- FIAF owns a highly diversified portfolio of over 64,000 freeholds in the UK with a total fund size as at 02 April 2013 of £158.4 million and a gross annual ground rent income of £7.8 million.
- FE Trustnet rated FIAF as the best risk adjusted return fund of the decade.

Investment structure

- The Company has invested a total of £15.3 million as at 31 March 2013 in FIAF.
- The investment is expected to continue to provide a better return than currently earned on the Company’s cash balances. FIAF operates a monthly dealing facility to provide liquidity.

Investment management highlights

The following highlights were reported in the FIAF fact sheet as at 02 April 2013 (published in May 2013):

- FIAF’s total return for the 12 months to 2 April 2013 stands at 7.7%, up from 6.0% in the previous year.
- 78% of FIAF’s freeholds have a form of inflation protection through periodic uplifts linked to RPI, property values or fixed uplifts.
- The Fund had cash of £18.4 million and a further undrawn amount under its loan facility of £18 million at 2 April 2013.
- The Fund’s net debt (drawn facility less cash held) stood at 1% of the Fund Size (Gross Asset Value less cash). The Fund subsequently repaid its loan facility during April 2013.

ARC is the Authorised Corporate Director and Alpha Real Property Investment Advisers LLP (“ARPIA”), a subsidiary of ARC, is the investment manager of FIAF.

Healthcare & Leisure Property Limited ("HLP")

Alpha Real Trust

Investment	Investment type	Investment amount	Income return	Property type	Investment notes
Healthcare & Leisure Property Limited	Indirect property	£2.6m	4.9% p.a. [3]	Leisure property fund	No external gearing

[3] Annualised 6 monthly return

Description

- Healthcare & Leisure Property Limited has invested in companies operating in the hotel, care home, house building and leisure sectors throughout the UK. HLP´s investments are predominantly un-geared.

Investment structure

- ART currently has £2.6 million invested in HLP as at 31 March 2013. HLP subsequently holds minority stakes in the underlying investments.
- ART continues to receive income from its investment while HLP´s underlying assets are realised and ART will benefit from its share of net proceeds from any sales.

Investment management highlights

The following asset management highlights were reported for the period from acquisition until 31 March 2013:

- A number of asset sales, including a sale of City Screen group (cinemas) to Cineworld Group plc, Wickenhall Mill (residential development) and the Bear Hotel in Hungerford completed.
- The sales resulted in ART receiving a total of £1.1 million from HLP (£0.7 million in December 2012 and £0.4 million in March 2013).
- An income distribution of £63,000 was received in December 2012.

HLP is managed by Albion Ventures LLP, a UK venture capital investor. No new investments are being made by HLP.

Business Centre Properties Limited ("BCP")

Investment	Investment type	Investment amount	Income return	Property type	Investment notes
Business Centre Properties Limited	Indirect property	£2.8m	n/a	Business centre fund	Predominantly ungeared fund

Description

- Business Centre Properties Limited is a business centre fund that owns 5 serviced office properties, each operated by Citibase PLC.
- BCP is an Isle of Man registered Open-Ended Investment Company providing investors with exposure to the serviced office sector both in London and provincial locations. BCP is currently in the process of realising assets and returning capital to its investors.

Investment structure

- BCP´s net asset value is concentrated in two properties (Stratford and Mitcham) both of which are ungeared.

Investment management highlights

The following asset management highlights were reported by BCP for the six months ended 31 March 2013:

- BCP´s value is concentrated in Stratford, an un-geared serviced office property which has been sold on a staged payment basis. A substantial first payment has been made by the purchaser but an extension of the completion timeline has been requested.
- Initiatives are being pursued to enhance the net operating income of the assets prior to sale.
- Bank of Scotland has a loan of £6.5 million granted to a wholly owned subsidiary of BCP. The facility matured on 28 February 2013. Bank of Scotland has advised that the loan has now reverted to an overdraft facility whilst the consensual sales of the three properties in the borrowing entity are pursued. Two of the assets (Bristol and Edinburgh) are now on the market for sale with the third in Reading expected to be marketed for sale later in 2013.

ARPIA, a subsidiary of ARC, is the industry advisor to BCP.

Active Commercial Estates PLC ("ACE") and The Romulus High Income Trust ("Romulus")

ART has also acquired, at an ascribed zero value, PIP investments in Active Commercial Estates PLC, a fund invested in secondary commercial UK property and The Romulus High Income Trust, a UK business centre fund. Any realised value from these investments will be passed exclusively to ART A shareholders. As at 31 March 2013, the net asset value of both ACE and Romulus remains at zero.

Europe – Norway

Economic outlook

Norway´s economy outperformed the majority of other European economies in 2012, expanding by 3.3%.

Robust domestic demand and high investment volumes in the petroleum sector are anticipated to support continued economic growth with commentators forecasting growth of approximately 3% per annum over the coming three years.

At its most recent meeting in April 2013, Norges Bank, the central bank, maintained its key policy interest rate at 1.5%. The bank´s interest rate policy continues to face much scrutiny in the face of a difficult balancing act between managing mounting inflationary pressures and the strong Norwegian Krone which is acting as a drag on the export sector.

Property market outlook

Real estate investment activity was sluggish during the first half of the year with a significant upturn in activity during the closing stages of the year. Overall, transaction volumes increased in 2012 to NOK 52.2 billion, a significant increase from NOK 33 billion in 2011, although five large transactions represented 40% of the total volume.

Although, transaction levels have been muted at the start of 2013, the improving availability of credit to potential purchasers and continued strong domestic appetite for real estate should assist in maintaining investment activity levels during the year ahead.

Occupier demand is expected to remain broadly stable, bolstered by logistics operators seeking to expand into modern facilities, which are anticipated to remain in short supply. Commentators point to increasing construction costs potentially leading to rises in prime rents in order to justify new development projects, although in the short-term little change is anticipated.

European Property Investment Portfolio PLC ("Europip")

Investment	Investment type	Investment amount	Income return	Property type	Investment notes
Europip Norway	Indirect property	£6.7m (€7.9m)	11.3% p.a. [4]	A geared property investment vehicle invested in offices and logistics properties in Norway	Recently refinanced senior and mezzanine loan position
Europip loan	Mezzanine loan	£8.8m [5]	9.0% p.a.		Secured mezzanine loan, 9% coupon p.a.
Europip Mosaic	Indirect property	£0.5m (€0.6m)	n/a	Minority investment in a central / eastern European commercial property fund	Property held via investment vehicles, varying debt levels

[4] Annualised earnings yield, based on latest quarter information
[5] Position as at 31 March 2013; post year end, the loan has been repaid down to £5.5 million

Description

As part of the PIP transaction, ART acquired a 47% stake in Europip, an Isle of Man domiciled open ended investment company. Europip invests in a directly owned commercial property portfolio in Norway and also owned an office asset in Paris, which was sold in December 2012 subsequent to ART´s investment. In addition, Europip has a minority (7%) interest in Mosaic Property CEE Limited ("Mosaic"), a Central and Eastern European focused commercial property fund. A summary of Europip investments is as follows:

Norway

- A portfolio of commercial assets in Norway, concentrated around Oslo. The value of the 11 asset portfolio is NOK 532.8 million (£59.7 million) with a passing rental level of NOK 44.6 million (£5.0 million), based on the 31 December 2012 valuation. Post ART´s year end, two asset sales completed. The attributable value of the remaining 9 assets is NOK 485.9 million (£54.5 million) with a passing rental level of NOK 41.5 million (£4.6 million).
- ARPIA is the investment manager for the Norway portfolio and Malling & Co. is responsible for the day to day property management.

Mosaic

- Europip owns a 29% stake in Central & Eastern European Property Fund LP, which in turn holds a minority (7%) interest in Mosaic a fund which indirectly invests in 20 assets: 15 in Hungary, 4 in Poland and 1 in the Czech Republic. Mosaic Property LLP ("MPLLP") is the investment adviser for Mosaic.

Loan

- ART has provided mezzanine finance to Europip in the form of two loans, one of which was acquired from PIP. The 12 month loans, maturing on 27 November 2013, pay a coupon of 9% per annum.

Investment management update

Since the date of ART´s investment in Europip, the Norwegian portfolio has been refinanced, capital has been returned from its Mosaic investment and strategic asset sales completed in Norway and France.

Bank refinancing

- In December 2012, Europip refinanced the portfolio of Norwegian real estate with a senior debt facility of £38.1 million (NOK 340 million) arranged in two tranches:

  Facility A: a five year facility with an initial funded amount of £31.4 million (NOK 280 million), at a 2.4% margin over NIBOR. This facility is to be amortised at £1.1 million (NOK 10.2 million) per annum from cashflows, although the amount of required amortisation will be reduced pro-rata in the event of property sales. £23.5 million (NOK 210 million) of this facility has been fixed for five years at a NIBOR rate of 2.49% p.a.

  Facility B: a two year term facility of £6.7 million (NOK 60 million), at a 3.1% margin over NIBOR with repayment via planned asset sales.

Strategic asset sale of bank pool asset

- Post year end, the disposal of the Enebakkveien asset, which was part of the bank facility secured pool of assets, completed on 5 April 2013. The sales proceeds and a lease surrender premium were £3.4 million (NOK 30.6 million), in line with the asset valuation.

Bank loan amortisation

- Post year end, the net proceeds of the Enebakkveien asset sale were applied to reduce bank borrowings in line with the part-repayment obligations. The loan balance has been reduced from £38.1 million (NOK 340 million) to £34.4 million (NOK 307 million).
- Following the application of the net proceeds from the sale of the Enebakkveien asset and a quarterly loan repayment made during April 2013, the LTV of the bank facility reduced from 70.8% to 68.4%.

Strategic asset sales, capital decommissioning and ART loan amortisation

- A combination of the strategic sale of one of the Norwegian assets outside the secured bank facility pool, the decommission of committed but uncalled capital from the Europip Mosaic investment and the sale of Europip´s investment property in Paris has helped to fund a reduction of the mezzanine facility owed to ART by Europip from £9.1 million to £8.8 million at year end (and to £5.5 million in May 2013).

Occupancy

- Through a combination of new leasing and disposal of assets with higher vacancy rates, the portfolio’s occupancy rate has increased from 92%, as at 31 December 2012, to 98%, as at 31 March 2013.
- The weighted average lease length of the Norwegian portfolio is 4.6 years as at 31 March 2013.

Europe - Spain

Economic outlook

The significant reduction in Spanish government bond rates from a high of over 7% in July 2012 to 4.2% in April 2013 indicates an improvement in investor sentiment towards Spain´s economy.

The European Central Bank's interest rate cut of the main refinancing rate by 0.25% to a historic low of 0.50% in May 2013 is anticipated to provide liquidity support to Spain and other eurozone economies.

An anticipated continued downward pressure on retail sales resulting from austerity measures combined with falling employment levels means that the economic outlook for Spain remains challenging in the short term. However, there is a degree of optimism that growth may return in 2014 when fiscal austerity policies ease and the wider eurozone starts to recover. Export-orientated businesses should be aided by improved competitiveness resulting from labour market reforms and lower labour costs.

Property market outlook

The final quarter of 2012 registered high investment volumes with a number of large deals completed across real estate sectors. According to the RICS, the first quarter of 2013 saw investor appetite for real estate assets in Spain grow at the fastest pace compared to other countries in Europe.

The newly created state sponsored "bad bank", Sareb, is considered a positive step to improving transparency and also boosting liquidity and the available finance.

Despite the challenging trading environment, over 400,000 square metres of new shopping centre space was completed in 2012. The pipeline for 2013 is however significantly lower. The occupational market remains competitive and landlord incentives, such as fit-out contributions, remain key to securing anchor tenants. A number of major brands are seeking to take advantage of this current market dynamic to secure a broader market presence.

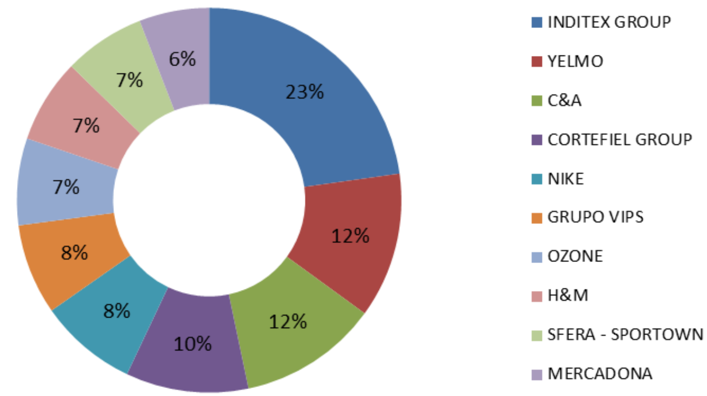
Investment	Investment type	Investment amount	Income return	Property type	Investment notes
H2O	Direct property	£14.0m (€16.6m)	10.0% p.a.[2]	High-yield, dominant shopping centre	Debt facility with no LTV covenant and a 1.1x ICR covenant

[2] Over 12 months to 31 March 2013

Description

- The H2O shopping centre was acquired for €83.3 million (£70.3 million) including acquisition costs and funding was provided for a further €5.0 million (£4.2 million) for future capital improvements. The acquisition was financed with a €75.0 million (£63.3 million) seven year syndicated bank facility. ART’s total investment in H2O is €16.6 million (£14.0 million).
- H2O was opened in June 2007 and built to a high standard, providing shopping, restaurants and leisure around a central theme of landscaped gardens and an artificial lake. H2O has a gross lettable area of 51,825 square metres comprising 118 units. In addition to a multiplex cinema, supermarket (let to leading Spanish supermarket operator Mercadona) and restaurants it has a large fashion retailer base, including some of the strongest international fashion brands, such as Nike, Zara, Mango, Cortefiel, H&M, C&A and Massimo Dutti.
- As at 31 March 2013, the centre was 88.8% occupied by rental value with a weighted average lease length of 10.6 years to expiry (2.6 years to next break).

Top 10 Tenants by rent



Asset management update

The following asset management highlights are being implemented:

- Nike opened their largest premium outlet store in Madrid at H2O during February 2013. The 1,430 square metre unit was previously vacant. The presence of one of the world´s leading brands is anticipated to further establish and anchor the shopping centre and attract increased visitor numbers.
- A total of 12 new brands have been signed or were under offer in the 12 months to 31 March 2013, adding to the strength of the retail and commercial mix of the centre.
- For the 2012 calendar year, footfall increases of 2.3% at H2O continued to outperform the market, over the same period the national footfall index has declined by 3.9%.
- A programme of lease re-gears continues to be implemented to stabilise occupancy, with a notable success being the re-gear of seven Inditex brands (including Zara).
- Accessibility to the centre has been improved with two new vehicular accesses and a parking area being completed; this is expected to enhance circulation and accessibility between H2O and the adjacent retail park and sports superstore.
- Taking advantage of the new brands signed, centre signage has been improved to enhance visibility from the public highways and the adjacent retail park and sports superstore with a view to creating a more integrated “retail village” and to increase footfall.
- Innovative marketing events have been undertaken to increase footfall and dwell time including events undertaken in conjunction with the local council and tenants, including a Nike “fun run” event for families and more serious athletes.
- During the year, the Madrid region changed legislation which previously restricted Sunday and festival trading hours; as a result of the change shopping centre retailers are able to trade throughout the year.
- An active cost management exercise continues to be implemented to reduce the centre´s operating costs and improve the quality and efficiency of services.

Asia – India

Economic outlook

India's GDP growth was 4.8% for the fiscal year ended 31 March 2013 a moderation from recent years but still relatively robust compared to many Western economies.

The Government of India has implemented a series of market reforms including opening up of the multi-brand retail, broadcasting and aviation sectors to foreign investment in an effort to boost economic growth.

In mid-March the Reserve Bank of India ("RBI", the central bank) cut its main interest rate, the repurchase (repo) rate, by 25 basis points for the second time since the start of 2013; the rate now stands at 7.5%. After many months of double digit inflation, there are signs that the rate is moderating with 4.9% reported in April, the lowest rate since late 2009.

Property market outlook

In an effort to boost activity in the sector, the Government of India announced changes to the Special Economic Zone ("SEZ") policy in April 2013. This included replacement of minimum land requirements (previously 10 hectares) for Information Technology ("IT") related SEZs with a minimum built up area criteria. A minimum criteria of 100,000 square feet now applies to the NCR region where the Company's Galaxia Project is situated.

The anticipated impact of these amendments is that many more IT companies will now be able to launch their own SEZs rather than the previous bias towards larger operators and developers.

Investment volumes and land sales transaction activity continues to remain muted. The commercial office occupier market in NOIDA continues to be focussed on occupiers seeking to consolidate into more affordable modern space. Approximately 350,000 square feet of leasing activity was reported in the NOIDA market during the first quarter of 2013.

NOIDA, Sector 140a – Galaxia

Investment	Investment type	Investment amount	Income return	Property type	Investment notes
Galaxia	Direct property	£5.5m (INR 450m)	n/a	Special Economic Zone development site	Asset held for sale

Description

- ART invested INR 450 million (£5.5 million) in the Galaxia project, a development site extending to 11.2 acres which enjoys SEZ status with the potential to develop 1.2 million square feet. Galaxia is located in NOIDA, an established, well planned suburb of Delhi that continues to benefit from new infrastructure projects and is one of the principal office micromarkets in India. The Company has a 50% shareholding in the SPV which controls the Galaxia site. There are no bank borrowings on the asset.
- On 2 February 2011, ART recommenced arbitration proceedings against its development partner Logix Group in order to protect its Galaxia investment.

Project update

- Arbitration hearings have been held in January and May 2013. To date the validity of the arbitration panel has been successfully defended. Evidence has been presented and cross examination of witnesses has commenced. Further hearings have been scheduled for the third quarter 2013.
- Notwithstanding the above, the Company is continuing to explore avenues for a sale of the development.

- ART has had an active year and, despite difficult economic conditions, has reached an important milestone with the payment of its first dividend: 1.05p paid 3 May 2013.
- The dividend is supported by ART´s strategy of recycling capital into investments with higher risk adjusted returns and/or preferred capital positions.
- As at 31 March 2013, 92% of ART´s investment portfolio is in income producing investments in the UK and Europe.
- Active asset management, debt refinancing, strategic asset sales and capital recycling have all played a part in further consolidating ART´s existing investments and those acquired during the year.
- ART has continued its dual strategy of investing in high yielding equity in property assets and high yielding property debt (typically in mezzanine positions). Investments are predominantly backed by properties with strong underlying cash flows.

	For the year ended 31 March 2013			For the year ended 31 March 2012		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income						
Revenue	8,645	-	8,645	2,848	-	2,848
Net change in the revaluation of investment properties	-	(2,333)	(2,333)	-	(510)	(510)
Total income	**8,645**	**(2,333)**	**6,312**	**2,848**	**(510)**	**2,338**
Expenses						
Property operating expenses	(3,928)	-	(3,928)	(1,105)	-	(1,105)
Investment Manager's fee	(1,478)	-	(1,478)	(927)	-	(927)
Other administration costs	(1,122)	-	(1,122)	(1,441)	-	(1,441)
Total operating expenses	**(6,528)**	**-**	**(6,528)**	**(3,473)**	**-**	**(3,473)**
Operating profit/(loss)	**2,117**	**(2,333)**	**(216)**	**(625)**	**(510)**	**(1,135)**
Finance income	3,174	220	3,394	2,849	65	2,914
Finance costs	(2,239)	(528)	(2,767)	(785)	(564)	(1,349)
Profit/(loss) before taxation	**3,052**	**(2,641)**	**411**	**1,439**	**(1,009)**	**430**
Taxation	(157)	-	(157)	(82)	-	(82)
Profit/(loss) for the year	**2,895**	**(2,641)**	**254**	**1,357**	**(1,009)**	**348**
Adjusted earnings per share (basic & diluted)			**5.0p**			**2.6p**

	31 March 2013 £'000	31 March 2012 £'000
Non-current assets		
Investment property	73,728	73,771
Indirect property investment held at fair value	5,451	5,428
Investments held at fair value	12,869	-
Derivatives held at fair value through profit or loss	158	932
Trade and other receivables	7,481	13,099
	99,687	**93,230**
Current assets		
Investments held at fair value	15,252	6,390
Derivatives held at fair value through profit or loss	252	-
Trade and other receivables	16,710	954
Cash and cash equivalents	12,618	18,224
	44,832	**25,568**
Total assets	**144,519**	**118,798**
Current liabilities		
Trade and other payables	(3,815)	(3,832)
Bank borrowings	(613)	(636)
Derivatives held at fair value through profit or loss	-	-
	(4,428)	**(4,468)**
Total assets less current liabilities	**140,091**	**114,330**
Non-current liabilities		
Bank borrowings	(61,801)	(60,929)
Derivatives held at fair value through profit or loss	(30)	(16)
	(61,831)	**(60,945)**
Total liabilities	**(66,259)**	**(65,413)**
Net assets	**78,260**	**53,385**
Net asset value per share	**107.6p**	**106.8p**