

# Alpha Pyrenees Trust Limited

20 March 2009

**ALPHA PYRENEES TRUST LIMITED**  
**(“ALPHA PYRENEES TRUST” OR THE “TRUST”)**

**ALPHA PYRENEES TRUST POSTS RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008:**

**NET ASSET VALUE IS 62.4p PER SHARE (ADJUSTED)**

**DIVIDEND PAID AND DECLARED FOR THE YEAR ENDED 31 DECEMBER 2008 OF 7p PER SHARE**

**STRONG BALANCE SHEET WITH NET LEVERAGE OF 66.6%**

Alpha Pyrenees Trust Limited, the property company investing in commercial real estate in France and Spain, today posts its results for the year from 1 January 2008 to 31 December 2008.

The Trust announced adjusted earnings of £14.7 million for the year and a further dividend of 1.75p per share in respect of its fourth quarter, making a total of 7p per share for the year to 31 December 2008.

**Highlights of the period to 31 December 2008 include:**

- Dividend of 7p in respect of the year to 31 December 2008
- Portfolio yielding 8.2% on current valuation
- 82% of portfolio income comes from Grade A tenants
- Weighted average lease length of 8.3 years to expiry and 4.6 years to next break
- Leases are subject to annual indexation
- Net leverage of 66.6% after cash of £23.5 million
- Loan to value covenants are at 85% or higher
- All debt fixed long term at a weighted average interest rate of 5.26% per annum
- 91% of debt matures in 2015 and remainder in 2013
- NAV (adjusted) of 62.4p per share as at 31 December 2008

**Dick Kingston, Chairman of Alpha Pyrenees Trust, commented:**

*“The Board is declaring a further dividend of 1.75p per share making a total dividend of 7p per share for the period to 31 December 2008. Uncertainty in financial markets and the downward trend in property valuations has focused greater attention on leverage within property companies and the Trust maintains a conservative position in this regard with net leverage of 66.6%. All debt is fixed long term at a weighted average interest rate of 5.26% per annum. Management emphasis during the year has been principally focused on value-added asset management within the existing portfolio, in particular, preserving and increasing rental income, extending lease maturity and improving tenant credit and the Board is pleased to note the considerable progress achieved on this front.”*

**Paul Cable, Fund Manager, Alpha Real Capital, commented:**

*“The Trust owns a diversified portfolio of quality-tenanted properties focused on the French property market which represents 89% of the portfolio by value and where market conditions remain more favourable than Spain. The portfolio yields 8.2% on current valuation and the Trust’s leases are subject to annual indexation which have shown healthy levels of rental increase. The Trust has adopted a conservative strategy, focusing on maximising the income and security of its established portfolio while conserving its cash resources so as to be in a position to take advantage of value enhancing opportunities as they arise. The Trust’s property portfolio contains numerous opportunities to add value through active management and these opportunities are being actively pursued.”*

**Contact:**

# Alpha Pyrenees Trust Limited

**Dick Kingston**

Chairman, Alpha Pyrenees Trust  
01481 735540

**Paul Cable**

Fund Manager, Alpha Real Capital  
020 7268 0300

**ABOUT ALPHA PYRENEES TRUST**

The Trust is a Guernsey registered closed-ended investment company investing in French and Spanish commercial real estate.

The Trust's strategy is to invest in a diversified portfolio of properties focusing on commercial property in the office, industrial, logistics, and retail sectors with inflation-indexed rents that will provide an income return to investors as well as the potential for capital growth.

For more information on Alpha Pyrenees please visit [www.alphapyreneestrust.com](http://www.alphapyreneestrust.com)

---

---

## ALPHA PYRENEES TRUST LIMITED

### Results for the year ended 31 December 2008

---

## Trust summary and objective

### Objective

Alpha Pyrenees Trust Limited ("the Trust" or "the Company" or "Alpha Pyrenees") invests in commercial property in France and Spain with inflation-indexed rents that will provide an income return to investors as well as the potential for capital growth.

### Dividends

Dividends are paid quarterly and the Company's objective is to pay a total of 7p per share each year.

### Listing

The Trust is a closed-ended Guernsey registered investment company. Its shares are listed on the Official List of the UK Listing Authority and traded on the London Stock Exchange.

# Alpha Pyrenees Trust Limited

## Management

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

## ISA/PEP/SIPP status

The Trust's shares are eligible for Individual Savings Accounts (ISAs), Personal Equity Plans (PEPs) and Self Invested Personal Pensions (SIPPs).

## Financial highlights

	Year ending 31 December 2008	Half year ending 30 June 2008	Year ending 31 December 2007	Half year ending 30 June 2007
Net asset value (adjusted) (£'000)*	73,310	103,954	127,085	124,680
Net asset value per ordinary share (adjusted)*	62.4p	88.5p	100.1p	97.8p
Net asset value per ordinary share	55.5p	88.0p	97.1p	95.1p
Earnings per share (basic & diluted)	(54.4)p	(13.4)p	4.7p	7.4p
Earnings per share (adjusted - basic & diluted)**	12.5p	4.4p	6.3p	2.5p
Dividend per share (proposed and paid)	7.0p	3.5p	6.0p	3.0p

\*

The net asset value and net asset value per ordinary share have been adjusted for the fair value mark-to-market revaluation of the currency swap and interest rate swap derivatives and the deferred tax provisions; full analysis is given in note 13 to the accounts.

\*\*

The adjusted earnings per share includes adjustments for the effect of the fair value mark-to-market revaluation of the properties, currency swap and interest rate swap derivatives and the deferred tax provisions and rental guarantee income; full analysis is given in note 12 to the accounts.

---

## Chairman's Statement

### Objectives

The Trust invests in higher-yielding properties in France and Spain, focusing on commercial property in the office, industrial, logistics and retail sectors. Alpha Real Capital LLP is the Investment Manager to the Trust.

The Trust seeks to provide shareholders with a regular, secure dividend stream whilst also having the potential for capital growth in the long term from a combination of rent increases (our leases are typically indexed to increase in line with inflation) and active asset management.

The Trust seeks to diversify risk by investing in a portfolio of properties across different property sectors with a variety of tenants.

### Finance

Uncertainty in financial markets and the downward trend in property valuations has focused greater attention on leverage within property companies and the Trust maintains a conservative position in this regard with net leverage of 66.6% (taking into account cash of £23.5 million). The Trust has total borrowings of £237.3 million (€243.7 million) and net borrowings of £213.8 million after taking into account cash as at 31 December 2008 under its facilities with Barclays Bank Plc.

The Trust continues to place great emphasis on the security of its financing, the key features of which are:

# Alpha Pyrenees Trust Limited

- Long term maturities
  - French facility (91% of debt) matures in 2015; and
  - Spanish facility (9% of debt) matures in 2013.
- All interest rates are fixed to maturity at a weighted average rate of 5.26% per annum.
- Next loan to value testing dates
  - February 2012 for the French facility (with the exception of the Alcatel-Lucent property which is tested annually in February); and
  - February 2010 for the Spanish facility.
- Loan to value of mortgaged property at testing date should not exceed 87.5% on a country portfolio basis; with the exception of the Alcatel-Lucent property where it should not exceed 85%.

Interest cover ratio (ICR) should not fall below 110% - weighted average ICR over the year to 31 December 2008 was 179%.

The Trust holds £23.5m of cash at 31 December 2008, providing it with financial resources to take advantage of opportunities as they arise. The Trust has additional flexibility as it holds un-mortgaged properties with a value of £16.4 million (€16.9 million).

Currency hedge instruments are in place that significantly protect the conversion of the shareholders' original equity back to Sterling together with the anticipated dividend on that equity.

## Management activity

In light of the tight credit conditions prevalent in the banking markets and the consequent decrease in overall investment activity in the markets in which the Trust operates, the Trust has continued to adopt a cautious approach with no further acquisitions and no additional debt in the year to 31 December 2008.

Management emphasis during the year has been principally focused on value-added asset management within the existing portfolio, in particular, preserving and increasing rental income, extending lease maturity and improving tenant credit. The Board is pleased to note the considerable progress achieved on this front during the period most notably the letting to Husqvarna at Gennevilliers and the renewal and extension of the lease to DNP (Konica-Minolta) at Roissy-en-France. There have also been several significant extensions of leases and further detail on these appear in the Property Review.

## Results and dividend

Results for the period show adjusted earnings of £14.7 million (note 12). The adjusted earnings per share is 12.5p (note 12).

The Board is declaring a dividend of 1.75p per share for the fourth quarter. The dividend will be payable to the shareholders on the register as of 3 April 2009 and will be paid on 27 April 2009. This brings the total dividend paid for the year to 31 December 2008 to 7p per share.

## Revaluation and Net Asset Value

Investment properties are included in the balance sheet at an independent valuation of £320.9 million (€329.7 million). The annualised income of £26.2 million (€26.9 million) provides an average yield on current valuation of 8.2%.

The adjusted net asset value per ordinary share is 62.4p (note 13); this compares to 100.1p as at 31 December 2007, a decrease of 37.7p for the year. The movement is mainly due to revaluation of the Trust's investment portfolio which showed a decrease in value on a Euro like for like basis of 11.7% as at 31 December 2008 compared to 31 December 2007.

The portfolio totals approximately 262,000 square metres (approximately 2.8 million square feet) and many of the tenants are well known companies belonging to groups with strong covenants such as Alcatel-Lucent, Aldi, BNP Paribas, Carrefour, Credit Lyonnais, Dai Nippon Printing, GlaxoSmithKline, Husqvarna, La Poste, KDI, MediaMarkt, McDonalds, Norauto, OCP, Plastic Omnium, Saint Gobain, UPS and Vinci Group. Prime tenants also include government or quasi-government bodies and together the rent from such tenants accounts for 82% of the Trust's income.

The weighted average lease length within the portfolio is currently 8.3 years to expiry and 4.6 years to the next break.

# Alpha Pyrenees Trust Limited

## Portfolio Summary

Country	Property	Sqm	Description	Valuation £m	Valuation €m
France	Villorceaux-Nozay	78,800	Business park	126.1	129.5
France	Aubervilliers	8,750	Offices	22.4	23.0
France	Goussainville	20,500	Warehouse and offices	18.7	19.2
France	Champs-sur-Marne	5,930	Offices	15.8	16.2
France	St Cyr L'Ecole	6,340	Offices	13.6	14.0
France	Athis Mons	23,280	Logistics with offices	11.7	12.0
France	Aubergenville	27,700	Logistics	11.6	11.9
France	Evreux	14,130	Logistics with offices	10.8	11.1
France	Mulhouse	5,250	Offices	10.8	11.1
France	Gennevilliers	3,330	Offices with light industrial	9.0	9.2
France	Roissy-en-France	7,800	Offices and warehouse	8.3	8.5
France	Nimes	3,100	Offices with retail	7.4	7.6
France	Ivry-sur-Seine	7,420	Warehouse and offices	7.2	7.4
France	Fresnes	6,540	Warehouse and offices	5.9	6.0
France	Vitry-sur-Seine	5,180	Warehouse and offices	5.2	5.3
Spain	Córdoba	16,880	Retail park	20.5	21.1
Spain	Zaragoza	9,520	Warehouses	7.0	7.3
Spain	Alcalá de Guadaíra	5,700	Shopping centre	4.5	4.7
Spain	Écija	5,950	Shopping centre	4.4	4.6
<b>Total</b>		<b>262,100</b>		<b>320.9</b>	<b>329.7</b>

## Market outlook

The Trust's portfolio continues to be highly focused on the French property market where conditions remain more favourable with resilient tenant demand, low vacancy rates and rental growth over the review period.

The downturn in global economic activity and continuing uncertainty in financial markets continues to affect sentiment towards property, particularly valuations, and this is reflected in the rise in the portfolio's yield to 8.2% at the December valuation. This would rise to 8.8% if the current vacancies were re-let at estimated current rental value. Compared to the low yields now available from cash and bonds, property – a real asset and long term store of value – now provides historically high yields.

The Trust's conservative financial position with net leverage of 66.6% enables it to be well positioned to take advantage of value enhancing opportunities that may arise both within the existing portfolio and for new acquisitions at the appropriate time.

# Alpha Pyrenees Trust Limited

## Summary

- The Trust owns a diversified freehold portfolio of properties totalling £320.9 million (€329.7 million) with an annualised income yield of 8.2% on the current valuation.
- All the Trust's leases are subject to annual index-linked rent reviews which continue to show healthy levels of increase.
- 82% of the Trust's rental income comes from Grade A tenants with an excellent capacity to pay.
- The Trust's current average lease length is 8.3 years to expiry (4.6 years to next break).
- All debt is fixed at a weighted average interest rate of 5.26% per annum to maturities of 2015 (91% of debt) and 2013 (9%).
- Net leverage is 66.6% compared to loan to value covenants at 85% or higher.
- The Trust is well positioned to deliver a strong flow of cash dividends to its investors from its high-yielding, quality-tenanted property portfolio.

**Dick Kingston**

**Chairman**

19 March 2009

---

## Property review

### Investment highlights

The Trust owns a portfolio of fifteen properties in France and four properties in Spain totalling approximately 262,000 square metres (approximately 2.8 million square feet) of commercial real estate. The valuation of this portfolio as at 31 December 2008 was approximately £320.9 million (€329.7 million).

The properties are well located and offer good value accommodation to occupiers. The average value of the portfolio is approximately £1,224 (€1,258) per square metre (equivalent to £111 per square foot) and the average rental value is approximately £104 (€107) per square metre per annum (equivalent to £9.40 per square foot). Of the overall portfolio 80% is located within the Ile-de-France region around Paris. The portfolio has 64% exposure to the French office and business park sector of which 58% is in the Ile-de-France region. The reinstatement cost of the portfolio buildings has been assessed at £286 million (€294 million) representing 89% of current value.

Over the review period the trend in rent indexation accelerated due to increases in the INSEE Construction Cost Index applicable to leases in France and to the Spanish Consumer Price Index applicable to leases in Spain. The average indexation increase applied to leases over the review period was approximately 5.1%. The Investment Manager believes that the indexation applicable during 2009 will moderate due to likely decreases in inflation rates and construction costs.

The annualised income of the Trust's portfolio of £26.2 million (€26.9 million) represents an average yield on current valuation of 8.2%. This would rise to 8.8% if the current vacancies were re-let at estimated current rental value. The Trust has achieved diversification across the sectors with 64% in offices and business park property, 27% in warehouses and 9% in retail.

Of the total property portfolio, 89% is invested in France and 11% in Spain in terms of capital value.

The portfolio benefits from strong credit tenants with 82% of its rent roll secured by leases to Grade A tenants (large international/national companies or public sector).

The portfolio also enjoyed a high level of average occupancy during the review period. Rental income comprised 90% of the potential total income and income from rental guarantees (with duration at 31 December 2008 ranging from three to twenty four months) comprised 4% of the potential total income. The weighted average lease length is 8.3 years to expiry and 4.6 years to next break, including rent guarantees.

### Portfolio Review

The Investment Manager continues in its vigorous pursuit of various asset management and property management initiatives the achievement of which are critical to the combined goals of;

- preserving existing lease income,
- extending the maturity profile of the Trust's leases,
- increasing income from vacant units, and
- improving the overall credit strength of the Trust's tenant roster.

#### FRANCE

At the Trust's Alcatel-Lucent Business Park, Villarceaux-Nozay the annual rent paid by Alcatel-Lucent has increased from €10 million for 2008 to €10.9 million for 2009 through indexation as at 1 January 2009 representing an increase of 8.85%. The site is one of Alcatel-Lucent's principal business centres and was extensively refurbished and extended during 2007 to meet their strategic business needs and, through additional staff transfers to the site, is close to full capacity with personnel on site representing approximately 25% of the total workforce in France. The business park is located on a site totalling 36 hectares containing 78,800 square metres of campus style offices together with research and development space, ancillary accommodation and over 2,000 car parking spaces.

# Alpha Pyrenees Trust Limited

As previously reported, significant successes were achieved at the Trust's properties at Gennevilliers and Roissy-en-France.

At Gennevilliers the 3/6/9 year lease to former tenant, RISC has been replaced with a new 9 year lease with Husqvarna France for a minimum term of 6 years from 1 October 2008 for the whole building comprising 3,330 square metres of offices and light industrial space. The Husqvarna Group is the global leader in outdoor power products for forestry, park maintenance and lawn and garden care, as well as cutting equipment and diamond tools for the construction and stone industries. This letting resulted in both an extension of the term of the lease and an improvement in the credit of the tenant portfolio.

At Roissy-en-France, the tenant's successor company, DNP Photo Imaging Europe, signed a new 3/6/9 year lease with effect from 12 July 2008 on 3,000 square metres of office and warehouse space. The Trust will undertake a phased upgrading of the air conditioning system and the tenant will undertake refurbishment works on the accommodation. Again, this new lease resulted in both an extension of the term of the lease and an improvement in the credit of the tenant portfolio.

Progress continues at the Trust's Goussainville property with lettings totalling 2,370 square metres to new tenants: Hurco and ITS. Planning permission has been achieved for a warehouse unit of 1,385 square metres on the undeveloped portion of the site.

At Vitry-sur-Seine, 525 square metres of warehousing with offices has been let to Societe des Cendres on a new 3/6/9 year lease from 12 January 2009 in addition to the 500 square metres that was let earlier in the year to Stanbridge.

Phase II of the Mulhouse property comprising 1,915 square metres of offices was completed and the two year rental guarantee has commenced. The Investment Manager is actively pursuing interest from a number of potential tenants for space at the property. A new lease has been signed with US engineering consultancy, Alten on 274 square metres of offices within Phase I that was previously unoccupied and covered by a rental guarantee.

There have been numerous extensions of leases through lease renewals or unexercised break options:

- Evreux - Laboratoire GlaxoSmithKline (14,130 square metres of logistics warehousing with offices)
- Champs-sur-Marne - Crédit Lyonnais, Ecole Nationale des Ponts et Chaussées and Université de Marne la Vallée (5,930 square metres of offices)
- Ivry-sur-Seine - GTIE Telecoms, part of the Vinci Group (1,350 square metres of offices) and Metallerie Marie (840 square metres of light industrial space)
- Fresnes – Anteos, Alphaguard and Exaflor (1,310 square metres of light industrial and offices)
- Vitry-sur-Seine – Mediapost and Atelier de Realisation Doux (1,220 square metres of warehousing with offices)
- Goussainville – Durag France, Ovalis and Point M (1,270 square metres of offices)

At the Trust's St Cyr L'Ecole office property the former tenant Syngenta has exercised a lease break option. The Trust's Investment Manager is actively involved in a re-letting campaign for the vacated 6,340 square metre property and there are a number of active leads being followed up at present.

## **SPAIN**

The Trust is pleased to report progress in Spain including the letting of a unit of approximately 1,760 square metres at its Ecija shopping centre, which has been let to Actix Gyms on a 25 year lease with a firm period of 15 years from 1 October 2008.

# Alpha Pyrenees Trust Limited

The following tenants have all extended their leases through unexercised break options or signed new leases with extended terms:

- Cordoba – Norauto, Dia (Carrefour Group) and McDonalds (total 2,800 square metres of retail)
- Ecija – Imagina Sports, Memola and Arizona Jeans (400 square metres of retail).

## GENERAL

The Trust maintains a close relationship with all its tenants and is in regular discussions to establish their potential needs for lease extensions and building extensions at the properties they occupy.

Strong attention continues to be given to ensuring service charges are spent effectively, the annual level of property costs is controlled and additional sources of income are identified.

## Market overview

### France

Although the French economy had not entered a technical recession by the end of 2008 nevertheless with falling industrial production and rising unemployment it is likely to do so soon and GDP could fall by about 2% in 2009. The French Government has already announced fiscal measures amounting to a boost of over 1% of GDP. With French households far less burdened by debt than their counterparts in the UK and US and signs that the boost to real income from lower inflation is providing support to the consumer sector the French economy is expected to prove relatively resilient in the year ahead.

89% of the Trust's portfolio is in France and 58% is in Ile-de-France office and business park space.

Despite the economic slowdown across the euro-zone, the Paris region remains one of Europe's strongest office markets. Take-up in 2008 proved resilient and totalled almost 2.4 million square metres with 43% of the year's volume taken up in units greater than 5,000 square metres, 26% in units between 1,000 and 5,000 square metres and 31% of take up in units less than 1,000 square metres. Take-up in 2008 remained significantly above the long term average for the previous eight years.

The trend in prime office rents peaked in July 2008 and has started to decline though this is more marked in central Paris and less evident in other office sectors where good quality buildings are available at rents that are sufficiently below central Paris rents to attract occupiers seeking to reduce overheads. As at the beginning of January 2009 the supply of office space in the Paris region stood at 2.7 million square metres, slightly higher than 2007 (2.4 million square metres). The current vacancy rate remains low at 5.4%. Most developers have put a halt on starting new developments so in the medium term a situation of over-supply does not seem likely to occur.

The level of take-up in the light industrial and warehouse market in the Ile-de-France stood at 1.1 million square metres in 2008 and immediate supply and rental levels both remained stable. In the logistics market, 2008 closed with nationwide lettings and sales of 2.4 million square metres, a decrease on 2007 but still a substantial volume and greater than the volume in 2005 and 2006. Immediate supply has risen to 2.3 million square metres at the beginning of January 2009 but generally rental values have remained stable at levels seen at the start of 2008.

### Spain

The Spanish economy has slowed considerably over the last year with a decrease in household spending growth, downturns in both the construction and industrial sectors, a slowing housing market and rising unemployment. The Government has already begun to implement a generous fiscal stimulus package equal to almost 5% of GDP but a fall of about 3% in GDP is forecast for 2009.

## Rental Indexation

Rental indexation continues to run at significant levels, reflecting a continuing rise in construction and replacement costs. 89% of the Trust's portfolio is located in France where leases are indexed to the INSEE Construction Cost Index.

## Outlook

The continuing volatility in financial markets has introduced a greater degree of uncertainty with regard to investment markets generally. The Trust has adopted a conservative strategy, focusing on maximising the income and security of its established portfolio while conserving its cash resources (£23.5m at year end) so as to be in a position to take advantage of value enhancing opportunities as they arise both within the existing portfolio and externally. The Trust's property portfolio contains numerous opportunities to add value through active management and these opportunities are being actively pursued.

### Paul Cable

**For and on behalf of the Investment Manager**

19 March 2009

---

## Directors

### Dick Kingston (aged 61)

Chairman

Dick Kingston is a qualified Chartered Accountant and was, until December 2006, an executive director of Slough Estates Plc (now SEGRO Plc) ("Slough"), one of the largest London Stock Exchange listed property companies. He was chairman of their continental European real estate activities for his last three years at Slough and Group Finance Director there for nine years up to December 2005. Previously he was Group Financial Controller at Slough for nine years and prior to that was responsible for group financial control at Hawker Siddeley Group.

He is non-executive chairman of Sirius Real Estate Limited and was a non-executive director of Mersey Docks and Harbour Company.

### Christopher Bennett (aged 43)

Director

Christopher Bennett is a Member of the Royal Institution of Chartered Surveyors, and also has an MBA from Cranfield University and a BA in Law & Economics from Durham University. He is a Jersey resident and is Managing Director of Dominion Real Estate, a real estate administration business which he co-founded in 2005. He was previously with The Royal Bank of Scotland International in Jersey, where he spent five years in real estate finance. Prior to working for the Royal Bank of Scotland International he worked for Mutual Finance (an associate company of Rotch Property Group) for 18 months, was a self-employed property consultant for six years and spent three years in the residential agency sector. His property experience includes property management, development, appraisal, planning and agency in addition to finance, in both commercial and residential markets.

Christopher is a director of Medicx Fund Limited, a property investment company which is listed on the Official List.

### David Jeffreys (aged 49)

Director

David Jeffreys qualified as a Chartered Accountant with Deloitte Haskins and Sells in 1985. He is the Managing Director of EQT Funds Management Limited, the Guernsey management office of the EQT group of private equity funds, and is a Director of eight EQT fund general partners. David also works as an independent non-executive director to a number of other Guernsey based investment fund companies and managers. He was previously the Managing Director of Abacus Fund Managers (Guernsey) Limited between 1993 and 2004, a third party administration service provider to primarily corporate and fund clients.

# Alpha Pyrenees Trust Limited

David is a director of the following listed companies: Alpha Tiger Property Trust Limited, Argo Real Estate Opportunities Fund Limited, Ingenious Media Active Capital Limited, PFB Regional Office Fund Limited, PFB Data Centre Fund Limited and Tetragon Financial Group Limited.

## **Phillip Rose (aged 49)**

Director

Phillip Rose is a Fellow of the Securities Institute and holds a Master of Law degree. He has 25 years' experience in the real estate, funds management and banking industries in Europe, the USA and Australasia. He has been the Head of Real Estate for ABN AMRO Bank, Chief Operating Officer of European shopping centre investor and developer TrizecHahn Europe, Managing Director of retail and commercial property developer and investor Lend Lease Global Investment and Executive Manager of listed fund General Property Trust.

Phillip is currently CEO of Alpha Real Capital LLP, a non executive director of London office and retail property investor Great Portland Estates Plc and a member of its Audit Committee. He is also a member of the Management Committee of the Hermes Property Unit Trust and its Audit Committee.

## **Serena Tremlett (aged 44)**

Director

Serena Tremlett has over 20 years' experience in financial services, specialising in closed-ended property and private equity funds and fund administration during the last 12 years. She is a Guernsey resident and Managing Director of Morgan Sharpe Administration, a third party fund administrator, which was acquired by her and her team by way of management buy-out in April 2008 and is a non-executive director on three fund general partners. She was previously company secretary (and formerly director) of Assura Group, a company listed on the London Stock Exchange investing in primary healthcare property, pharmacy and related medical businesses and ran Assura's Guernsey head office. Prior to working for Assura, Serena was head of Guernsey Property Funds at Mourant Guernsey for two years and worked for Guernsey International Fund Managers (now Northern Trust) for seven years where she sat on a number of both listed and unlisted fund boards.

---

## Directors' report

The Directors present their report and financial statements of the Company and the Group for the year ended 31 December 2008.

### Status

The Company was founded on 29 November 2005. Its shares are listed on the Official List of the UK Listing Authority and are traded on the London Stock Exchange.

The Company is a closed-ended Guernsey registered investment company.

### Principal activities

During the year the Company carried on business as a property investment company, investing in commercial property in France and Spain.

### Business review

A review of the business during the year is contained in the Chairman's statement.

### Results and dividend

The results for the year are set out in the financial statements.

The dividend paid over the period is disclosed in Note 11 to the financial statements.

### Directors

The directors, all of whom were non-executive, who served during the year, are detailed below:

	Appointed	Re-elected
Dick Kingston - Chairman	16 November 2005	-
Christopher Bennett	16 November 2005	30 April 2007
David Jeffreys	16 November 2005	30 April 2008
Phillip Rose	16 November 2005	30 April 2008
Serena Tremlett	16 November 2005	-

At each annual general meeting of the Company, one third by number of the directors shall retire from office in accordance with the Articles of Association.

By virtue of his position as CEO of the Investment Manager, Phillip Rose in his capacity as a Director is subject to annual re-election by the Shareholders.

A retiring director shall be eligible for reappointment.

No director shall be required to vacate his office at any time by reason of the fact that he has attained any specific age.

The Board considers that there is a balance of skills and experience within the Board and each of the Directors contributes effectively.

### Directors' interests

The following Directors had interests in the shares of the Company at 31 December:

	Number of ordinary shares 2008	Number of ordinary shares 2007
Dick Kingston	5,000	5,000
Christopher Bennett	-	-

# Alpha Pyrenees Trust Limited

David Jeffreys	5,000	5,000
Phillip Rose	600,000	375,000
Serena Tremlett	5,000	5,000

There have been no changes in the Directors' interests since the year end.

## Directors' remuneration

During the year the directors received the following emoluments in the form of fees from Group companies:

	Year ending 31 December 2008 £	Year ending 31 December 2007 £
Dick Kingston	30,000	30,000
Christopher Bennett	20,000	20,000
David Jeffreys	20,000	20,000
Phillip Rose	20,000	20,000
Serena Tremlett	20,000	20,000
<b>Total</b>	<b>110,000</b>	<b>110,000</b>

The company's Articles of Association limit the aggregate fees payable to the Directors at £200,000 per annum.

Directors' and officers' liability insurance cover is in place in respect of the Directors.

There are no service contracts in existence between the Company and any Directors, but each of the Directors was appointed by a letter of appointment which sets out the main terms of his appointment.

## Substantial shareholding

Shareholders with holdings of more than 3 per cent of the issued ordinary shares of the Company as at 20 February 2009 were as follows:

Name of investor	No. of ordinary shares	% held
INVESCO Asset Management Limited	22,180,000	18.88%
Antler Property Corporation Plc	10,850,000	9.23%
Rathbone Investment Management Limited	5,877,750	5.00%
Legal and General Investment Management Limited (UK)	5,465,519	4.65%
Baring Asset Management Limited	5,417,883	4.61%
Insight Investment Limited	4,054,310	3.45%
UBS Global Asset Management Limited	3,981,664	3.39%
Rensburg Sheppards Investment Management Limited	3,785,135	3.22%

## Management

The Investment Manager provides investment advisory services to the Company and property advisory, property management and monitoring services to those members of the Group which acquire properties, in each case in accordance with the investment objective and investment policy and restrictions of the Group.

## Directors' Responsibility Statement

Company law requires the directors to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the Group at the end of the year and of the profit or loss of the Company and the Group for that year.

In preparing those Financial Statements, the directors are required to:

# Alpha Pyrenees Trust Limited

- (1) select suitable accounting policies and then apply them consistently;
- (2) make judgements and estimates that are reasonable and prudent;
- (3) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- (4) prepare the Financial Statements on the going concern basis unless it is appropriate to assume that the Company and Group will not continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 1994. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

## Corporate Governance

A statement of Corporate Governance is given.

## Going Concern

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

## Annual General Meeting

The AGM will be held in Guernsey on 30 April 2009.

## Auditors

BDO Novus Limited has expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board,

David Jeffreys

Director

Serena Tremlett

Director

---

## Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed in the Directors Report confirm that, to the best of each person's knowledge and belief:

- The Financial Statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group and Company: and

- The Chairman's Statement and the Property Review includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

By order of the Board,

David Jeffreys

Director

Serena Tremlett

Director

---

## Corporate governance

As a Guernsey registered company, the Company is not required to comply with the Combined Code on Corporate Governance, issued by the Financial Reporting Council (the "Code"). However it is the Company's policy to comply with best practice on good corporate governance including taking measures to ensure the Company falls into line with the 'comply or explain' concept as set out in the Combined Code to the extent appropriate. As a guiding principle, the Company will 'comply' where appropriate or 'explain' the reasons for not doing so.

The Board's arrangements in respect of corporate governance are explained in the paragraphs that follow:

### The Board

The full Board of the Company is as set out in the Directors Report. All members were appointed to the Board on its inception and have each served as non-executive directors since these appointments. There are no executive directors on the Board but the Board is responsible for the appointment of the Investment Manager.

Although the Code recommends that directors should only be appointed for a specific period, in this instance, the Board has chosen not to comply with this principle as all the directors are non-executive and their appointments can be terminated at any stage without penalty. However, in accordance with the Company's Articles of Association, each director must retire and submit himself to re-election every three years. Sufficient biographical information in relation to the directors seeking to be considered to be re-elected will be included in the Notice of the 2009 Annual General Meeting.

The Board has determined that its role is to consider and determine the following principal matters which it considers are of strategic importance to the Company:

- 1) Review the overall objectives for the Company and set the Company's strategy for fulfilling those objectives within an appropriate risk framework;
- 2) Consider any shifts in strategy that it considers may be appropriate in light of market conditions;
- 3) Review the capital structure of the Company including consideration of any appropriate use of gearing both for the Company and in any joint ventures in which the Company may invest from time to time;
- 4) Appoint the Investment Manager, Administrator and other appropriately skilled service providers and monitor their effectiveness through regular reports and meetings;
- 5) Review key elements of the Company's performance including Net Asset Value and payment of dividends.

### Senior Independent Director

The Board has appointed David Jeffreys as its Senior Independent Director and has agreed that he will be available for discussions with shareholders independently of his peers, to the extent appropriate.

# Alpha Pyrenees Trust Limited

## Operations of the Board

The Board normally meets four times per annum and also as required, from time to time, to consider specific issues reserved for decision by the Board including all potential acquisitions and disposals, significant capital expenditure and leasing matters and decisions relating to the Company's financial gearing.

Certain matters relating to the implementation of the Company's strategy are delegated either to the Investment Manager or the Administrator but the performance of such delegation by these independent agents is regularly monitored by the Board.

At the Board's quarterly meetings it considers papers circulated in advance including reports provided by the Investment Manager and the Administrator in its capacity as company secretary. The Investment Manager's report comments on:

- The French and Spanish property markets including recommendations for any changes in strategy that the Investment Manager considers may be appropriate;
- Performance of the Group's portfolio and key asset management initiatives;
- Transactional activity undertaken over the previous quarter and being contemplated for the future;
- The Group's financial position including relationships with bankers and lenders.

The Administrator provides a quarterly compliance and company secretarial report.

These reports enable the Board to assess the success with which the Group's strategy is being implemented and also consider any relevant risks (such as the general economic climate) and to consider how they should be properly managed.

In between its regular quarterly meetings, the Board has also met on a number of occasions during the year to approve all transactions and for other matters.

## Board Appraisal and Evaluation

Although the Board has not yet undertaken an appraisal or evaluation process, it is the Company's intention that this takes place during 2009.

The appraisal will take the form of a review by the Senior Independent Director (or, in the case of his review, by the chairman of the Nomination Committee) of the discharge by each of the directors of his duties and responsibilities as a director. In addition to the appraisal, an evaluation of the overall performance of the Board and its standing committees will be conducted to review such matters as the composition of the Board (and whether it has an appropriate mix of skills and experience), contribution by individual directors and efficient/effective use of the Board's times at its quarterly meetings.

## Board Committees

To assist with compliance with its responsibilities under the Code, the Board has established three standing committees, all of which operate under detailed terms of reference and comprise the following members:

- Audit Committee  
Dick Kingston (chairman of the Committee)  
David Jeffreys  
Serena Tremlett
- Remuneration Committee  
David Jeffreys (chairman of the Committee)  
Christopher Bennett  
Dick Kingston  
Serena Tremlett
- Nomination Committee  
Serena Tremlett (chairman of the Committee)  
Christopher Bennett  
David Jeffreys

# Alpha Pyrenees Trust Limited

Dick Kingston

Phillip Rose

The Board is aware that members serve on more than one committee which is as a result of the relatively small size of the Board.

## Board and Committee Meeting Attendance

The table below shows the attendance at Board and other Committee meetings during the year to 31 December 2008:

Director	Board*	Audit committee	Remuneration Committee	Nomination Committee
Dick Kingston	10	2	1	1
Christopher Bennett	9	n/a	1	1
David Jeffreys	16	3	1	1
Phillip Rose	6	n/a	n/a	1
Serena Tremlett	15	3	1	1
No. of meetings during the year	17	3	1	1

\* It should be noted that all directors attended each of the quarterly Board meetings.

Individual directors may seek independent legal advice in relation to their duties, at the cost of the Company. The Company itself maintains an appropriate level of directors' and officer's liability insurance.

## Internal Control and Risk Management

In accordance with the Turnbull Committee recommendations contained in the Code, the Board recognises its responsibility for ensuring that it has in place appropriate and effective systems, procedures, policies and processes for internal control of financial, operational, compliance and risk management matters. The Board also appreciates that risk is an inherent part of business which needs to be managed rather than eliminated in order to reach business objectives.

The Board reviews the internal procedures of both its Investment Manager and its Administrator on which it is reliant at least annually. In addition, the Board has also approved a schedule of matters delegated to the Investment Manager (with specific parameters defined by the scope/size of the matter) and receives quarterly management accounts and key financial performance indicators. Further, as part of the reporting at the quarterly Board meetings, the Board reviews the Company's investment performance in comparison to its stated objectives and also against its peers and receives a compliance report from the Administrator in its capacity as Company Secretary.

The Company maintains a risk management framework which considers the non-financial as well as financial risks of the fund.

## Investment management agreement

The Company has an agreement with the Investment Manager. This sets out the Investment Manager's key responsibilities which include proposing a property investment strategy to the Board, identifying property investments to recommend for acquisition and arranging appropriate lending facilities to facilitate the transaction. The Investment Manager is also responsible to the Board for all issues relating to property asset management.

## Shareholder relations

Shareholder communications are a high priority of the Board. Members of the Investment Manager's Investment Committee make themselves available at all reasonable times to meet with key shareholders and sector analysts. Feedback from these sessions is provided by the Investment Manager at the quarterly Board meetings.

In addition, the Board is also kept fully apprised of all market commentary on the Company by the Investment Manager and other professional advisors including its brokers.

Through this process the Board seeks to monitor investor relations and to ensure that the Company's communication programme to its shareholders is useful, timely and effective.

# Alpha Pyrenees Trust Limited

The Chairman and the Investment Manager will be available at the Annual General Meeting to answer any questions that shareholders attending may wish to raise.

## Board Committees

### Audit Committee

#### Role of the Committee

The role of the Audit Committee includes, in summary:

- The engagement, review of the work carried out by and the performance of the Company's external auditors
- To monitor and review the independence, objectivity and effectiveness of the external auditors
- To develop and apply a policy for the engagement of the external audit firm to provide non-audit services
- To assist the Board in discharging its duty to ensure that financial statements comply with all legal requirements
- To review the Company's financial reporting and internal control policies and to ensure that the procedures for the identification, assessment and reporting of risks are adequate
- To review regularly the need for an internal audit function
- To monitor the integrity of the Company's financial statements, including its annual and half-yearly reports and announcements relating to its financial performance, reviewing the significant financial reporting issues and judgments which they contain
- To review the consistency of accounting policies and practices
- To review and challenge where necessary the financial results of the Company before submission to the Board.

The Audit Committee makes recommendations to the Board which are within its terms of reference and considers any other matters as the Board may from time to time refer to it.

#### Terms of Reference

The Board has approved formal terms of reference for the Committee and a copy of these is available on request from the Company Secretary.

#### Operations and Membership of the Committee

The Audit Committee meets at least twice a year at appropriate times in the reporting and audit cycle and at such other times as the Committee shall require.

All members are non-executive directors and the Audit Committee is chaired by Dick Kingston whom the Board is satisfied has the requisite recent and relevant financial experience to fulfil this role.

#### Policy for Non Audit Services

The Committee has adopted a policy for the provision of non-audit services by its external auditors, BDO Novus Limited and reviews and approves all material non-audit related services in accordance with the need to ensure the independence and objectivity of the external auditors. No non-audit related services were performed by BDO Novus Limited in the current year.

#### Internal Audit

The Board has reviewed the need for an internal audit function and concluded that, at present, the systems and procedures employed by the Investment Manager and the Administrator provides sufficient assurance that a sound system of internal control is in place. The need for an internal audit department will be reviewed annually.

## Nomination Committee

The Nomination Committee is made up of independent non-executive directors and is chaired by Serena Tremlett with the other members of the Committee being the other members of the Board.

The Board has approved formal terms of reference for the Committee and a copy of these is available on request from the Company Secretary.

The Committee's principal task is to review the structure, size and composition of the Board in relation to its size and position in the market and to make recommendations to fulfil Board vacancies as they arise.

The Committee meets at least once a year.

## Remuneration Committee

The Remuneration Committee is made up of independent non-executive directors and is chaired by David Jeffreys with the other members of the Committee being Christopher Bennett, Dick Kingston and Serena Tremlett.

The Board has approved formal terms of reference for the Committee and a copy of these is available on request from the Company Secretary.

As the Company has no executive directors, the Committee's main role is to determine the remuneration of the non-executive directors within the cap set out in the Company's Articles of Association.

## Remuneration Report

Pursuant to the Articles of Association, the aggregate fees of the Directors are capped at £200,000 per annum. Fees payable to the non-executive directors are expected to reflect their expertise, responsibilities and time spent on the business of the Company, taking into account market equivalents, the activities and the size of the Company. The directors' fees for the year were £110,000 which rate has not changed since the Company's inception in 2005.

## Appointment Letters

The Directors have each executed an appointment letter which provides for an annual fee and a provision to be reimbursed for any reasonable out of pocket expenses. The appointment letters state that a Director shall remain in office unless he resigns, becomes bankrupt or otherwise prohibited by the law from acting as a director or is removed from his office by the Board or the members of the Company.

The appointment letters do not provide for compensation upon early termination of appointment and there are no minimum notice periods but all Directors are subject to retirement by rotation. None of the Directors has a service contract.

## Corporate responsibility – benefits, risks and controls

The Board has reviewed the Company's Corporate Responsibility Policy and considers this to be appropriate for the Company. The Company's policy is as follows:

Alpha Pyrenees is committed to delivering sustainable investment returns in a way that delivers positive environmental, social and economic benefits. We recognise that the way in which buildings are designed, built, managed and occupied, significantly influences their impact on the environment and affected communities and we seek to manage these issues.

We believe that through the implementation of socially responsible policies we can manage effectively our sustainability related risks, associated with, for example, climate change (more severe and regular floods, increasing storm damage costs and rising energy prices), site contamination and remediation, use of hazardous materials, waste management (rising landfill and disposal costs), and local community relations.

The Company's standard business process ensures that appropriate environmental reports are obtained as part of the due diligence process for property acquisitions and the Company assesses the accessibility of each property acquisition to public transportation.

The Company's managers and appointed agents are required to comply with all relevant laws and regulations affecting the Company's business, and managers are expected to be aware of the environmental issues associated with property investment including environmental health and safety legislation, energy use, pollution and waste management.

---

## Independent auditors' report

### To the members of Alpha Pyrenees Trust Limited

We have audited the Group and Parent Company financial statements ("the Financial Statements") of Alpha Pyrenees Trust Limited for the year ended 31 December 2008, which comprise the Consolidated and Company Income Statements, Consolidated and Company Balance Sheets, Consolidated and Company Cash Flow Statements, Consolidated and Company Statements of Changes in Equity and the related notes 1 to 27. These Financial Statements have been prepared under International Financial Reporting Standards in accordance with the accounting policies as set out in the notes.

This report is made solely to the Company's members, as a body, in accordance with Section 64 of the Companies (Guernsey) Law, 1994. Our audit work is undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 the directors and auditors

As described in the Directors' Responsibility Statement within the Directors' Report, the Company's directors are responsible for the preparation of the Financial Statements in accordance with applicable law and International Financial Reporting Standards ("IFRS").

Our responsibility is to audit the Financial Statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies (Guernsey) Law, 1994. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law is not disclosed.

We read the other information included in the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Trust Summary and Objective, Financial Highlights, Chairman's Statement, Property Review, Directors, Directors' Report, Directors Statement pursuant to the Disclosure and Transparency Rules, Corporate Governance and Corporate Responsibility Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

### Opinion

In our opinion:

- The Group Financial Statements give a true and fair view, in accordance with IFRS, of the state of the Group's affairs at 31 December 2008 and of its loss for the year then ended.
- The Parent Company's Financial Statements give a true and fair view, in accordance with IFRS, of the state of the Company's affairs at 31 December 2008 and of its loss for the year then ended.
- The Financial Statements have been properly prepared in accordance with the Companies (Guernsey) Law, 1994.

# Alpha Pyrenees Trust Limited

**BDO Novus Limited**

Chartered Accountants

Place du Pre, Rue du Pre, St Peter Port, Guernsey

19 March 2009

---

## Consolidated income statement

	Notes	For the year ended 31 December 2008			For the year ended 31 December 2007		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Income</b>							
Revenue	3	24,392	-	24,392	16,109	-	16,109
Property operating expenses		(6,139)	-	(6,139)	(2,954)	-	(2,954)
<b>Net Rental income</b>		<b>18,253</b>	<b>-</b>	<b>18,253</b>	<b>13,155</b>	<b>-</b>	<b>13,155</b>
<b>Expenses</b>							
Net change in (losses) /gains on revaluation of investment properties	15	-	(35,825)	(35,825)	-	12,231	12,231
Investment Manager's fee		(2,421)	(1,038)	(3,459)	(1,827)	(783)	(2,610)
Other administration costs	7	(1,456)	-	(1,456)	(1,310)	-	(1,310)
<b>Operating (loss)/profit</b>		<b>14,376</b>	<b>(36,863)</b>	<b>(22,487)</b>	<b>10,018</b>	<b>11,448</b>	<b>21,466</b>
Finance income	4	10,416	-	10,416	2,628	754	3,382
Finance costs	8	(10,911)	(46,727)	(57,638)	(4,929)	(8,251)	(13,180)
<b>(Loss)/profit before taxation</b>		<b>13,881</b>	<b>(83,590)</b>	<b>(69,709)</b>	<b>7,717</b>	<b>3,951</b>	<b>11,668</b>
Taxation	10	-	5,623	5,623	-	(5,623)	(5,623)
<b>(Loss)/profit for the year</b>		<b>13,881</b>	<b>(77,967)</b>	<b>(64,086)</b>	<b>7,717</b>	<b>(1,672)</b>	<b>6,045</b>
<b>Earnings per share</b>							
- basic & diluted	12			<b>(54.4p)</b>			<b>4.7p</b>
<b>Adjusted earnings per share</b>							
- basic & diluted	12			<b>12.5p</b>			<b>6.3p</b>

The total column of this statement represents the Group's income statement, prepared in accordance with IFRS. The revenue and capital columns are supplied as supplementary information permitted under IFRS. All items in the above statement derive from continuing operations. All income is attributable to the equity holders of the parent company. There are no minority interests.

The accompanying notes are an integral part of this statement.

## Consolidated balance sheet

As at 31 December 2008	Notes	2008 £'000	2007 £'000
<b>Non-current assets</b>			
Investment properties	15	319,793	270,946
Development properties	16	-	2,441
Financial assets at fair value through profit or loss	18	-	813
Property, plant and equipment		-	17
		<b>319,793</b>	<b>274,217</b>
<b>Current assets</b>			
Trade and other receivables	19	20,512	17,623
Cash and cash equivalents		23,501	34,430
		<b>44,013</b>	<b>52,053</b>
<b>Total assets</b>		<b>363,806</b>	<b>326,270</b>
<b>Current liabilities</b>			
Trade and other payables	20	(2,684)	(8,061)
Bank borrowings	21	(1,769)	(1,073)
		<b>(4,453)</b>	<b>(9,134)</b>
<b>Total assets less current liabilities</b>		<b>359,353</b>	<b>317,136</b>
<b>Non-current liabilities</b>			
Financial liabilities at fair value through profit or loss	18	(57,566)	(9,919)
Bank borrowings	21	(233,189)	(176,033)
Rent deposits		(3,337)	(2,292)
Deferred taxation	10	-	(5,623)
		<b>(294,092)</b>	<b>(193,867)</b>
<b>Total liabilities</b>		<b>(298,545)</b>	<b>(203,001)</b>
<b>Net assets</b>		<b>65,261</b>	<b>123,269</b>
<b>Equity</b>			
Share capital	22	-	-
Share premium account	23	2,500	2,500
Special reserve	23	110,462	118,251
Warrant reserve	23	130	130
Translation reserve	23	29,596	7,941

# Alpha Pyrenees Trust Limited

Capital reserve	23	(86,246)	(8,279)
Revenue reserve	23	8,819	2,726
<b>Total equity</b>		<b>65,261</b>	<b>123,269</b>
<b>Net asset value per share</b>	13	<b>55.5p</b>	<b>97.1p</b>
<b>Net asset value per share (adjusted)</b>	13	<b>62.4p</b>	<b>100.1p</b>

The Financial Statements were approved by the Board of Directors and authorised for issue on 19 March 2009. They were signed on its behalf by:

David Jeffreys

Director

Serena Tremlett

Director

The accompanying notes are an integral part of this statement.

---

## Consolidated cash flow statement

	For the year ended 31 December 2008 £'000	For the year ended 31 December 2007 £'000
<b>Operating activities</b>		
(Loss)/Profit for the year	(64,086)	6,045
Adjustments for :		
Net change in losses/(gains) on revaluation of investment properties	35,825	(12,231)
Deferred taxation	(5,623)	5,623
Finance income	(10,416)	(3,382)
Finance costs	57,638	13,180
<b>Operating cash flows before movements in working capital</b>	<b>13,338</b>	<b>9,235</b>
Movements in working capital:		
Decrease/(increase) in operating trade and other receivables	2,500	(1,398)
(Decrease)/increase in operating trade and other payables	(2,485)	4,297
<b>Cash generated from operations</b>	<b>13,353</b>	<b>12,134</b>
Interest received	1,262	1,128
Swap interest (paid)/received	(93)	779
Bank loan interest paid and costs	(10,693)	(4,840)
Taxation	-	-
<b>Cash flows from operating activities</b>	<b>3,829</b>	<b>9,201</b>
<b>Investing activities</b>		
Purchase of investment properties and capital expenditure	(1,653)	(60,474)
Capital expenditure on development of property	(900)	(2,233)
<b>Cash flows from Investing activities</b>	<b>(2,553)</b>	<b>(62,707)</b>
<b>Financing activities</b>		
Share Buy back	(8,189)	-
Currency hedge collateral paid	(6,388)	(6,401)
Increase in borrowings	-	79,961
Dividends paid	(7,788)	(7,013)
<b>Cash flows from financing activities</b>	<b>(22,365)</b>	<b>66,547</b>

# Alpha Pyrenees Trust Limited

<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(21,089)</b>	<b>13,041</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>34,430</b>	<b>18,575</b>
Exchange translation movement	10,160	2,814
<b>Cash and cash equivalents at end of year</b>	<b>23,501</b>	<b>34,430</b>

The accompanying notes are an integral part of this statement.

---

## Consolidated statement of changes in equity

For the year ended 31 December 2007	Share capital £'000	Share premium £'000	Special reserve £'000	Warrant reserve £'000	Translation reserve £'000	Capital reserve £'000	Revenue reserve £'000	Minority interest £'000	Total equity £'000
<b>At 1 January 2007</b>	-	2,500	119,362	130	(1,614)	(6,607)	1,311	4,792	119,874
Foreign exchange gains on translation of foreign operations (recognised directly in equity)	-	-	-	-	9,555	-	-	-	9,555
(Loss)/ profit for the year	-	-	-	-	-	(1,672)	7,717	-	6,045
<b>Total recognised income and expense for the year</b>	-	-	-	-	<b>9,555</b>	<b>(1,672)</b>	<b>7,717</b>	-	<b>15,600</b>
Dividends	-	-	(711)	-	-	-	(6,302)	-	(7,013)
Share buy back	-	-	(400)	-	-	-	-	-	(400)
Acquisition of minority interest	-	-	-	-	-	-	-	(4,792)	(4,792)
<b>At 31 December 2007</b>	-	2,500	118,251	130	7,941	(8,279)	2,726	-	123,269
Note 22, 23									

For the year ended 31 December 2008	Share capital £'000	Share premium £'000	Special reserve £'000	Warrant reserve £'000	Translation reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
<b>At 1 January 2008</b>	-	2,500	118,251	130	7,941	(8,279)	2,726	123,269
Foreign exchange gains on translation of foreign operations (recognised directly in equity)	-	-	-	-	21,655	-	-	21,655
(Loss)/ profit for the year	-	-	-	-	-	(77,967)	13,881	(64,086)
<b>Total recognised income and expense for the year</b>	-	-	-	-	<b>21,655</b>	<b>(77,967)</b>	<b>13,881</b>	<b>(42,431)</b>
Dividends	-	-	-	-	-	-	(7,788)	(7,788)
Share buy back	-	-	(7,789)	-	-	-	-	(7,789)
<b>At 31 December 2008</b>	-	2,500	110,462	130	29,596	(86,246)	8,819	65,261
Note 22, 23								

The accompanying notes are an integral part of this statement.

## Company income statement

	Notes	For the year ended 31 December 2008			For the year ended 31 December 2007		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Income</b>							
Revenue	3	10,711	-	10,711	5,272	-	5,272
<b>Total income</b>		<b>10,711</b>	<b>-</b>	<b>10,711</b>	<b>5,272</b>	<b>-</b>	<b>5,272</b>
<b>Expenses</b>							
Investment Manager's fee		(931)	(399)	(1,330)	(613)	(262)	(875)
Other Administration costs	7	(782)	-	(782)	(1,516)	-	(1,516)
<b>Total expenses</b>		<b>(1,713)</b>	<b>(399)</b>	<b>(2,112)</b>	<b>(2,129)</b>	<b>(262)</b>	<b>(2,391)</b>
<b>Operating profit/(loss)</b>		<b>8,998</b>	<b>(399)</b>	<b>8,599</b>	<b>3,143</b>	<b>(262)</b>	<b>2,881</b>
Finance income	4	756	38,042	38,798	2,008	8,950	10,958
Finance costs	8	(5)	-	(5)	(3)	-	(3)
Impairment of amounts receivable from subsidiary undertakings	5	-	(94,190)	(94,190)	-	-	-
<b>(Loss)/profit for the year</b>		<b>9,749</b>	<b>(56,547)</b>	<b>(46,798)</b>	<b>5,148</b>	<b>8,688</b>	<b>13,836</b>
Taxation	10	-	-	-	-	-	-
<b>Profit/(loss) for the year</b>		<b>9,749</b>	<b>(56,547)</b>	<b>(46,798)</b>	<b>5,148</b>	<b>8,688</b>	<b>13,836</b>

The total column of this statement represents the Company's income statement, prepared in accordance with IFRS. The revenue and capital columns are supplied as supplementary information permitted under IFRS. All items in the above statement derive from continuing operations.

The accompanying notes are an integral part of this statement.

## Company balance sheet

As at 31 December 2008	Notes	2008 £'000	2007 £'000
<b>Non-current assets</b>			
Investments in subsidiary undertakings	14	141	141
Property, plant and equipment		-	16
Amounts receivable from subsidiary undertakings	14	36,836	103,457
		<b>36,977</b>	<b>103,614</b>
<b>Current assets</b>			
Trade and other receivables	19	13	1,754
Amounts receivable from subsidiary undertakings	14	8,413	12,331
Cash and cash equivalents		19,932	10,726
		<b>28,358</b>	<b>24,811</b>
<b>Total assets</b>		<b>65,335</b>	<b>128,425</b>
<b>Current liabilities</b>			
Trade and other payables	20	(73)	(788)
<b>Total liabilities</b>		<b>(73)</b>	<b>(788)</b>
<b>Net assets</b>		<b>65,262</b>	<b>127,637</b>
<b>Equity</b>			
Share capital	22	-	-
Share premium account	23	2,500	2,500
Special reserve	23	110,462	118,251
Warrant reserve	23	130	130
Capital reserve	23	(49,791)	6,756
Revenue reserve	23	1,961	-
<b>Total equity</b>		<b>65,262</b>	<b>127,637</b>

The Financial Statements were approved by the Board of Directors and authorised for issue on 19 March 2009. They were signed on its behalf by:

# Alpha Pyrenees Trust Limited

David Jeffreys

Director

Serena Tremlett

Director

The accompanying notes are an integral part of this statement.

---

## Company cash flow statement

	For the year ended 31 December 2008	For the year ended 31 December 2007
<b>Cash flows from operating activities</b>		
(Loss)/profit for the year	(46,798)	13,836
Adjustments for :		
Finance costs	5	3
Finance income	(38,798)	(10,958)
Interest from subsidiary undertakings	(10,711)	(5,272)
Impairment of amounts receivable from subsidiary undertakings	94,190	-
<b>Operating cash flows before movements in working capital</b>	<b>(2,112)</b>	<b>(2,391)</b>
Decrease /(increase) in operating trade and other receivables	1,741	(1,757)
(Decrease)/increase in operating trade and other payables	(234)	66
<b>Cash generated from operations</b>	<b>(605)</b>	<b>(4,082)</b>
Interest paid	-	-
Interest received	6,433	5,134
Taxation	-	-
<b>Cash-flows from operating activities</b>	<b>5,828</b>	<b>1,052</b>
<b>Investing activities</b>		
Investment in subsidiaries	-	(63)
Loans repaid	10,651	8,226
<b>Cash-flows from investing activities</b>	<b>10,651</b>	<b>8,163</b>
<b>Financing activities</b>		
Share buyback	(8,189)	-
Dividend payments	(7,788)	(7,013)
<b>Cash-flows from financing activities</b>	<b>(15,977)</b>	<b>(7,013)</b>

# Alpha Pyrenees Trust Limited

<b>Net increase in cash and cash equivalents</b>	<b>502</b>	<b>2,202</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>10,726</b>	<b>6,941</b>
Exchange translation movement	8,704	1,583
<b>Cash and cash equivalents at end of year</b>	<b>19,932</b>	<b>10,726</b>

The accompanying notes are an integral part of this statement.

---

## Company statement of changes in equity

For the year ending 31 December 2007	Share capital £'000	Share premium £'000	Special reserve £'000	Warrant reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
At 1 January 2007	-	2,500	119,362	130	(1,932)	1,154	121,214
Profit for the year	-	-	-	-	8,688	5,148	13,836
<b>Total recognised income and expense for the year</b>	-	-	-	-	<b>8,688</b>	<b>5,148</b>	<b>13,836</b>
Dividends	-	-	(711)	-	-	(6,302)	(7,013)
Share buy-back	-	-	(400)	-	-	-	(400)
<b>At 31 December 2007</b>	-	<b>2,500</b>	<b>118,251</b>	<b>130</b>	<b>6,756</b>	-	<b>127,637</b>
Note 22,23							

For the year ending 31 December 2008	Share capital £'000	Share premium £'000	Special reserve £'000	Warrant reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
At 1 January 2008	-	2,500	118,251	130	6,756	-	127,637
(Loss)/profit for the year	-	-	-	-	(56,547)	9,749	(46,798)
<b>Total recognised income and expense for the year</b>	-	-	-	-	<b>(56,547)</b>	<b>9,749</b>	<b>(46,798)</b>
Dividends	-	-	-	-	-	(7,788)	(7,788)
Share buy-back	-	-	(7,789)	-	-	-	(7,789)
<b>At 31 December 2008</b>	-	<b>2,500</b>	<b>110,462</b>	<b>130</b>	<b>(49,791)</b>	<b>1,961</b>	<b>65,262</b>
Note 22,23							

The accompanying notes are an integral part of this statement.

## 1. General information

The Company is a limited liability, closed-ended investment company incorporated in Guernsey. The address of the registered office is given in the Directors and Trust information section. The nature of the Group's operations and its principal activities are set out in the Chairman's statement. The Financial Statements were approved and authorised for issue on 19 March 2009 and signed by David Jeffreys and Serena Tremlett on behalf of the Board.

## 2. Significant accounting policies

A summary of the principal accounting policies is set out below. The policies have been consistently applied to all years presented unless otherwise stated.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a high degree of judgement or complexity, or areas where the assumptions and estimates are significant to the financial statements are disclosed in this note.

### Basis of preparation

These Financial Statements have been prepared in accordance with IFRS, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standards Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, and to the extent that they have been adopted by the European Union.

#### a) Adoption of new and revised Standards

Two Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year. These were: **IFRIC 11: IFRS 2: Group and treasury Share Transactions**; and **IFRIC 14: IAS 19 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**.

The adoption of these Interpretations has not led to any changes in the Groups accounting policies.

#### b) Standards and Interpretations in issue and not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:-

##### New Standards

**IFRS 8: Operating Segments** – for accounting periods commencing on or after 1 January 2009

##### Revised and amended Standards

**IFRS 1: First time Adoption of International Financial Reporting Standards – Amendments relating to cost of an investment on first-time adoption** – for accounting periods commencing on or after 1 January 2009 \*

**IFRS 2: Share-based Payment - Amendment relating to vesting conditions and cancellations** – for accounting periods commencing on or after 1 January 2009

**IFRS 3: Business Combinations – Comprehensive revision on applying the acquisition method** - for accounting periods commencing on or after 1 July 2009 \*

**IFRS 5: Non-current Assets Held for sale and Discontinued Operations – Amendments resulting from May 2008 Annual Improvements to IFRS** - for accounting periods commencing on or after 1 July 2009

**IAS 1: Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income** – for accounting periods commencing on or after 1 January 2009

**IAS 1: Presentation of Financial Statements – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation** – for accounting periods commencing on or after 1 January 2009

**IAS 1: Presentation of Financial Statements – Amendments resulting from May 2008 Annual Improvements to IFRS** - for accounting periods commencing on or after 1 January 2009

**IAS 16: Property, Plant and Equipment Amendments resulting from May 2008 Annual Improvements to IFRS** – for accounting periods commencing on or after 1 January 2009

**IAS 19: Employee Benefits Amendments resulting from May 2008 Annual Improvements to IFRS** – for accounting periods commencing on or after 1 January 2009

**IAS 20: Government Grants and Disclosure of Government Assistance Amendments resulting from May 2008 Annual Improvements to IFRS** - for accounting periods commencing on or after 1 January 2009

**IAS 23: Borrowing Costs - Amendments resulting from May 2008 Annual Improvements to IFRS** - for accounting periods commencing on or after 1 January 2009

**IAS 27: Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3** – for accounting periods commencing on or after 1 July 2009

**IAS 27: Consolidated and Separate Financial Statements – Amendments relating to cost of an investment on first time adoption** - for accounting periods commencing on or after 1 January 2009 \*

**IAS 27: Consolidated and Separate Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRS** - for accounting periods commencing on or after 1 January 2009

**IAS 28: Investments in Associates – Consequential amendments arising from amendments to IFRS 3** - for accounting periods commencing on or after 1 July 2009

**IAS 28: Investments in Associates - Amendments resulting from May 2008 Annual Improvements to IFRS** - for accounting periods commencing on or after 1 January 2009

**IAS 29: Financial Reporting in Hyperinflationary Economies - Amendments resulting from May 2008 Annual Improvements to IFRS** - for accounting periods commencing on or after 1 January 2009

**IAS 31: Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3** - for accounting periods commencing on or after 1 July 2009

**IAS 31: Interests in Joint Ventures - Amendments resulting from May 2008 Annual Improvements to IFRS** - for accounting periods commencing on or after 1 January 2009

**IAS 32: Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation** - for accounting periods commencing on or after 1 January 2009

**IAS 36: Impairment of assets - Amendments resulting from May 2008 Annual Improvements to IFRS** – for accounting periods commencing on or after 1 January 2009

**IAS 38: Intangible Assets - Amendments resulting from May 2008 Annual Improvements to IFRS** - for accounting periods commencing on or after 1 January 2009

**IAS 39: Financial Instruments: Recognition and Measurement - Amendments resulting from May 2008 Annual Improvements to IFRS** - for accounting periods commencing on or after 1 January 2009

**IAS 39: Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items** - for accounting periods commencing on or after 1 July 2009 \*

**IAS 40: Investment Property - Amendments resulting from May 2008 Annual Improvements to IFRS** - for accounting periods commencing on or after 1 January 2009

**IAS 41: Agriculture - Amendments resulting from May 2008 Annual Improvements to IFRS** - for accounting periods commencing on or after 1 January 2009

## Interpretations

**IFRIC 12: Service Concession Arrangements** – for accounting periods commencing on or after 1 January 2008 \*

**IFRIC 13: Customer Loyalty Programmes** – for accounting periods commencing on or after 1 July 2008

**IFRIC 15: Agreements for the Construction of Real Estate** – for accounting periods commencing on or after 1 January 2009 \*

**IFRIC 16: Hedges of a Net investment in a Foreign Operation** – for accounting periods commencing on or after 1 October 2008 \*

**IFRIC 17: Distributions of Non-cash Assets to Owners** – for accounting periods commencing on or after 1 July 2009 \*

**IFRIC 18: Transfers of Assets from Customers** – for accounting periods commencing on or after 1 July 2009 \*

\* Still to be endorsed by the EU.

The Directors anticipate that with the exception of IAS 1, IFRS 3 and IAS 27 as discussed below, the adoption of these standards and interpretations in future periods will not have material impact on the financial statements of the Group.

IAS 1 (revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group and Company will apply IAS 1 (revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

Revised IFRS 3, Business Combinations and complementary Amendments to IAS 27 'Consolidated and separate financial statements' (both effective for accounting periods beginning on or after 1 July 2009): This revised standard and the amendments are still to be endorsed by the EU. The revised IFRS 3 and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board (FASB), the US standards setter, and result in IFRS being largely converged with the related, recently issued, US requirements. There are certain very significant changes to the requirements of IFRS, and options available, if accounting for business combinations. The Group is currently assessing the impact of IFRS 3 on the Financial Statements.

# Alpha Pyrenees Trust Limited

The principal accounting policies adopted are set out below.

## Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the special purpose vehicles (SPVs) controlled by the company, made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefit from its activities.

In prior years, investment properties have been acquired through SPVs. In the opinion of the Directors, these transactions did not meet the definition of a business combination as set out in IFRS 3 "Business Combinations". Accordingly the transactions were not accounted for as business acquisitions and instead the financial statements reflect the substance of the transactions, which is considered to be the purchases of investment properties and associated net assets.

The results of SPVs acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisitions or up to the effective date of disposal as appropriate.

When necessary, adjustments are made to the financial statements of SPVs to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

## Presentation of income statement

In order to better reflect the activities of an investment company and in accordance with guidance issued by the Association of Investment Companies ("AIC"), supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the Income Statement.

## Revenue recognition

Rental income from investment property leased out under an operating lease is recognised in the Income Statement on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the net consideration for the use of the property and are therefore also recognised on the same straight line basis. Rental revenues are accounted for on an accruals basis. Therefore, deferred revenue generally represents advance payments from tenants. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably. Upon early termination of a lease by the lessee, the receipt of a surrender premium, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately recognised as revenue.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

## Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

## Foreign currencies

### a) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured in the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentational currency.

### b) Transactions and balances

Transactions in currencies other than Sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each Balance Sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the Balance Sheet date. Non-monetary assets and liabilities that are carried at fair value and denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the year, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly to equity.

### c) Group companies

The results and financial position of all the Group entities that have a functional currency which differs from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of the Balance Sheet;
- (ii) income and expenses for each Income Statement are translated at the average exchange rate prevailing in the period; and;
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, the exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the Income Statement as part of the gain or loss on sale.

# Alpha Pyrenees Trust Limited

The year-end exchange rate used is £1:€1.027 (2007: £1:€1.357) and the average rate for the year used is £1:€1.260 (2007: £1:€1.462).

## Operating profit

### a) Company

Operating profit includes interest income from subsidiary entities, as reduced by administrative expenses and excludes the movement on impairment of loans from subsidiaries, finance costs and finance income.

### b) Group

Operating profit includes net gains or losses on revaluation of investment properties, as reduced by administrative expenses and property operating costs and excludes finance costs and income.

## Expenses

All expenses are accounted for on an accruals basis and include fees and other expenses paid to the Administrators, the Investment Manager and the Directors. In respect of the analysis between revenue and capital items presented within the Income Statement, all expenses have been presented as revenue items except as follows:

Expenses which are incidental to the acquisition of an investment property or development property are included within the cost of that property. A proportion of the Investment Manager's fee is charged to the capital column in the Income Statement in order to reflect the Directors' estimated long-term view of the nature of the investment return of the Group.

## Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of property are added to the costs of those assets until such time as the assets are substantially ready for their intended use. The capitalisation rate is arrived at by reference to the actual rate payable on borrowing acquired for a targeted property, or with regard to an acquisition financed out of general borrowings to the average rate. All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

## Taxation

The Company is exempt from Guernsey taxation on income derived outside of Guernsey and bank interest earned in Guernsey. A fixed annual fee of £600 is payable to the States of Guernsey in respect of this exemption. No charge to Guernsey taxation arises on capital gains. The Group is liable to foreign tax arising on activities in the overseas subsidiaries. The company has subsidiary operations in Luxembourg, Belgium, France and Spain.

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Balance Sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible timing differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

## Dividends

Dividends are recognised as a liability in the group's financial statements in the period in which they become obligations of the Company.

## Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost being the fair value of consideration given including related transaction costs. After initial recognition at cost, investment properties are carried at their fair values based on quarterly professional valuations made by Knight Frank LLP. The valuations are in accordance with standards complying with the Royal Institution of Chartered Surveyors Approval and Valuation manual and the International Valuation Standards Committee.

Gains or losses arising from changes in fair value of investment property are included in the Income Statement in the period in which they arise. Properties are treated as acquired when the Group assumes the significant risks and returns of ownership and as disposed of when these are transferred to the buyer. When the Group redevelops an existing investment property for continued future use as an investment property, the property remains an investment property and is not reclassified.

# Alpha Pyrenees Trust Limited

Transfers are made to investment property when there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner occupied property becomes an investment property, the Group accounts for such property in accordance with the treatment under IAS 16 Property, Plant and Equipment up to the date of change in use. For a transfer from development to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income Statement. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income Statement.

## Rental Guarantees

Rental guarantees received for vacant space acquired in a property acquisition are shown as debtors from the date of the acquisition of the relevant property and are excluded from the acquisition cost. Income received in relation to the guarantees is credited against the debtor. The debtor is impaired for any subsequent letting of the vacant space during the rental guarantee period.

## Development Property

These are properties in the course of construction for rental purposes and include capitalised interest where applicable. They are carried at cost or, if lower, net realisable value. Cost includes all directly attributable third party expenditure incurred.

Upon practical completion of the construction of the property, the property is transferred to investment property at fair value, with the resulting gain or loss reflected in the consolidated Income Statement.

## Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business being property investment business. It operates in a single geographical segment (Europe) and the properties are let to commercial entities.

## Share-based payments

The Group makes equity-settled share-based payments to certain advisers and service providers. Equity-settled share-based payments are measured at fair value as at the date of grant. The fair value determined at grant date is expensed on a straight line basis over the vesting period, based on the Group's estimate of the number of instruments that will eventually vest.

## Investment in subsidiaries

Investments in subsidiaries are initially recognised and subsequently carried at cost in the Company's financial statements less, where appropriate, provisions for impairment.

## Financial instruments

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. The Group shall offset financial assets and financial liabilities if the Group has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

### (a) Financial assets

The Group's financial assets fall into the categories discussed below, with the allocation depending to an extent on the purpose for which the asset was acquired. Although the Group uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions. The Group has not classified any of its financial assets as held to maturity or as available for sale.

Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

#### (a)(i) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through rental leases with tenants (e.g. trade receivables and cash and cash equivalents), but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The effect of discounting on these financial instruments is not considered to be material.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, such impairments directly reduce the carrying amount of the impaired asset and are recognised against the relevant income category in the Income Statement.

Cash and cash equivalents are carried at cost and consist of cash in hand and short term deposits in banks with an original maturity of three months or less.

#### (a)(ii) Fair value through profit or loss

This category comprises only 'in the money' financial derivatives. They are carried in the Balance Sheet at fair value with changes in fair value recognised in the Income Statement. Other than these derivative financial instruments, the Group does not have any assets held for trading nor has it designated any other financial assets as being at fair value through profit or loss.

The fair value of the Group's derivatives are based on valuations as described in note 18.

#### **(a) (iii) Derecognition of financial assets**

A financial asset (in whole or in part) is derecognised either:

- when the group has transferred substantially all the risks and rewards of ownership; or
- when it has transferred nor retained substantially all the risks and rewards and when it no longer has control over the asset or a portion of the asset; or
- when the contractual right to receive cash flow has expired.

#### **(b) Financial liabilities**

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was issued and its characteristics. Although the Group uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values.

#### **(b)(i) Fair value through profit or loss**

This category comprises only 'out-of-the-money' financial derivatives. They are carried in the Balance Sheet at fair value with changes in fair value recognised in the Income Statement. Other than derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any other financial liabilities as being at fair value through profit or loss.

The fair value of the group's derivatives are based on the valuations as described in note 18.

#### **(b)(ii) Financial liabilities measured at amortised cost**

Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.
- Bank borrowings are initially recognised at fair value net of attributable transaction costs incurred. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method.

#### **(b) (iii) Derecognition of financial liabilities**

A financial liability (in whole or in part) is derecognised when the Company or Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the income statement.

#### **(c) Share Capital**

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments. For the purposes of the disclosures given in Note 22 the Group considers all its share capital, share premium and all other reserves as equity. The Company is not subject to any externally imposed capital requirements.

#### **(d) Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

### **Significant accounting estimates and judgements**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **(a) Investment property**

The gross property value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction without deduction for any associated transfer taxes, sales taxes, or other costs normally borne by the seller. Transaction costs normally borne by the seller are not deducted in arriving at gross property value, in accordance with IAS 40. The fair value is calculated by deducting the costs normally borne by the purchaser from the gross property value. Fair value is not intended to represent the liquidation value of the property, which would be dependent upon the price negotiated at the time of sale less any associated selling costs. The fair value is largely based on estimates using property appraisal techniques and other valuation methods as outlined below. Such estimates are inherently subjective and actual values can only be determined in a sales transaction.

The Group's valuers derive the fair value by applying the methodology and valuation guidelines as set out by the Royal Institution of Chartered Surveyors in the United Kingdom in accordance with IAS 40. This approach is based on discounting the future net income receivable from properties to arrive at the net present value of that future income stream. Future net income comprises the rent secured under existing leases, less any known or expected non-recoverable costs and the current market rent attributable to future vacancy years. The consideration basis for this calculation excludes the effects of any taxes. The discount factors used to calculate fair value are consistent with those used to value similar properties, with comparable leases in each of the respective markets.

The fair value of the investment property as at 31 December 2008 was £320.9m (2007:£271.9m). Refer to note 15 for further details.

## **(b) Income and deferred taxes**

The Group is subject to income and capital gains taxes in numerous jurisdictions. Significant judgement is required in determining the total provision for income and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded such differences will impact the income and deferred tax provisions in the period in which the determination is made.

The deferred tax liability as at 31 December 2008 was £nil (2007: £5.6 million). See note 10 for further details.

## **(c) Fair value of derivative contracts**

The Group estimates fair values of derivative contracts based on valuation techniques employed by the contractual counter party. These techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. The fair value of derivative contracts at the balance sheet date was £57.6 million liability (2007: £9.1 million liability). See note 18 for further details.

# Alpha Pyrenees Trust Limited

## 3. Revenue

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Rental Income	19,670	-	13,681	-
Service and management charges	4,722	-	2,428	-
Interest from subsidiary undertakings (note 5 & note 9)	-	10,711	-	5,272
<b>Total</b>	<b>24,392</b>	<b>10,711</b>	<b>16,109</b>	<b>5,272</b>

The above interest income arises from financial assets classified as loans and receivables and has been calculated using the effective interest rate method.

The interest from subsidiary companies arises on loans that have been impaired as detailed in note 14.

No contingent rent is included in the total above (2007: £nil).

The Group leases out all of its investment property under operating leases. Leases are typically for terms of standard institutional 3/6/9 years in France and 5 + 5 years in Spain. At the Balance Sheet date, using the exchange rate prevailing at the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008 £'000	2007 £'000
Within one year	24,127	17,944
In the second to fifth years inclusive	64,729	51,981
After five years	24,844	32,875
<b>Total</b>	<b>113,700</b>	<b>102,800</b>

## 4. Finance Income

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Bank interest (note 5 & note 9)	1,262	756	1,128	425
Foreign exchange gains	9,154	38,042	1,500	10,533
Net gains on financial assets held at fair value through profit and loss (note 6)	-	-	754	-
<b>Total</b>	<b>10,416</b>	<b>38,798</b>	<b>3,382</b>	<b>10,958</b>

The above interest income arises from financial assets classified as loans and receivables (including cash and cash equivalents) and has been calculated using the effective interest rate method.

## 5. Net gains or losses on loans and receivables

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Interest from subsidiary companies (note 3)	-	10,711	-	5,272
Bank interest received (note 4)	1,262	756	1,128	425
Impairment of trade and other receivables	(200)	-	(189)	-
Impairment of amounts receivable from subsidiary undertakings (note 14)	-	(94,190)	-	-

# Alpha Pyrenees Trust Limited

<b>Total</b>	<b>1,062</b>	<b>(82,723)</b>	<b>939</b>	<b>5,697</b>
--------------	--------------	-----------------	------------	--------------

## 6. Net gains and losses on financial assets and liabilities at fair value through profit and loss

	<b>Group 2008 £'000</b>	<b>Company 2008 £'000</b>	<b>Group 2007 £'000</b>	<b>Company 2007 £'000</b>
<b>Net change in unrealised appreciation on financial assets held at fair value through profit or loss</b>				
Interest rate swap	-	-	754	-
<b>Net change in unrealised depreciation on financial liabilities held at fair value through profit or loss</b>				
Currency swaps	(37,915)	-	(8,251)	-
Interest rate swap	(8,812)	-	-	-
<b>Net realised gains/(losses) on financial liabilities held at fair value through profit or loss</b>				
Currency swaps – interest received	7,800	-	7,597	-
Currency swaps – interest paid	(7,893)	-	(6,818)	-
<b>Net (expense)/income from currency swaps</b>	<b>(93)</b>	<b>-</b>	<b>779</b>	<b>-</b>
<b>Net loss on financial assets and liabilities at fair value through profit or loss</b>	<b>(46,820)</b>	<b>-</b>	<b>(6,718)</b>	<b>-</b>
<b>Disclosed as:</b>				
Finance costs (note 8)	(46,820)	-	(7,472)	-
Finance income (note 4)	-	-	754	-
<b>Net loss on financial assets and liabilities at fair value through profit or loss</b>	<b>(46,820)</b>	<b>-</b>	<b>(6,718)</b>	<b>-</b>

## 7. Other administration costs

	<b>Group 2008 £'000</b>	<b>Company 2008 £'000</b>	<b>Group 2007 £'000</b>	<b>Company 2007 £'000</b>
Accounts and administrative fees	311	188	199	115
Non-executive Directors fees	110	110	110	110
Auditors' remuneration for audit services	113	51	78	58
Other professional fees	902	433	908	1,233
Staff costs	16	-	11	-
Depreciation	4	-	4	-
<b>Total</b>	<b>1,456</b>	<b>782</b>	<b>1,310</b>	<b>1,516</b>

The Group has one employee. The Directors are the only key management personnel of the Group.

## 8. Finance costs

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Bank loan interest (gross)	10,350	-	5,541	-
Borrowing costs capitalised	(181)	-	(141)	-
Loan fee amortisation	615	-	270	-
Foreign exchange loss	-	-	-	-
Net losses on financial liabilities at fair value through the profit and loss (note 6)	46,820	-	7,472	-
Other charges	34	5	38	3
<b>Total</b>	<b>57,638</b>	<b>5</b>	<b>13,180</b>	<b>3</b>

The above finance costs arise on financial liabilities measured at amortised cost using the effective interest rate method. No other losses have been recognised in respect of financial liabilities at amortised cost other than those disclosed above. In accordance with the Group's accounting policies certain borrowing costs have been capitalised, as disclosed (Note 16) by applying a capitalisation rate of 5.55% to expenditure incurred on such assets.

## 9. Total interest income and total interest expense on financial assets and financial liabilities not at fair value through profit and loss

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Interest from subsidiary companies (note 3)	-	10,711	-	5,272
Bank interest received (note 4)	1,262	756	1,128	425
Bank interest paid (gross of borrowing costs) (note 8)	(10,350)	-	(5,541)	-
Loan fee amortisation (note 8)	(615)	-	(270)	-
<b>Total interest (expense)/ income</b>	<b>(9,703)</b>	<b>11,467</b>	<b>(4,683)</b>	<b>5,697</b>

# Alpha Pyrenees Trust Limited

## 10. Taxation

### (a) Taxation on profit on ordinary activities

#### Company

Up to 31 December 2007, the Company was exempt from taxation under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. On 1 January 2008 Guernsey introduced the zero ten regime whereby the standard rate of tax changed to 0%. Under the revised regime, the company could continue to elect for exempt status, which has been granted.

#### Group

The Group's tax expense for the year comprises:

	Group 2008 £'000	Group 2007 £'000
<b>Deferred taxation</b>		
France	(5,623)	5,623
Spain	-	-
<b>Total</b>	<b>(5,623)</b>	<b>5,623</b>
<b>Tax expense reconciliation</b>		
Profit/(loss) for the year	(69,709)	11,668
Less: Income not taxable	(19,627)	(6,669)
Add: Expenditure not taxable	42,419	13,749
Add: Un-provided deferred tax asset movement	30,379	(2,210)
<b>Total</b>	<b>(16,538)</b>	<b>16,538</b>

Tax at domestic rates applicable to profits in the country concerned

	Group 2008 £'000	Group 2007 £'000
French taxation at 33.33%	(5,623)	5,623
Spanish taxation at 30%	-	-

# Alpha Pyrenees Trust Limited

## (b) Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon.

	Revaluation of Investment Properties	Accelerated tax depreciation	Tax Losses	Interest rate swap	Total
	£'000	£'000	£'000	£'000	£'000
At 31 December 2006	(1,561)	3,201	(1,640)	-	-
Charge to Income	4,376	4,142	(3,165)	270	5,623
At 31 December 2007	2,815	7,343	(4,805)	270	5,623
Release to Income	(3,794)	3,222	(4,781)	(270)	(5,623)
At 31 December 2008	(979)	10,565	(9,586)	-	-

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes available for offset against future profits.

	2008 £'000	2007 £'000
Deferred tax liabilities	10,565	10,428
Deferred tax assets	(10,565)	(4,805)
	-	5,623

At the balance sheet date the Company has unused tax losses of £28.2 million (2007: £17.5 million). A deferred tax asset has been recognised in respect of £28.2 million of such losses (2007: £14.1m). Due to the unpredictability of future taxable profits, the Directors believe it is not prudent to recognise deferred tax assets in respect of the revaluation of investment properties and the interest rate swap.

The French unused tax losses can be carried forward indefinitely.

The Spanish unused tax losses can be carried forward for 15 years.

## 11. Dividends

Dividend reference period	Shares '000	Dividend per share	Paid £'000	Date
Quarter ending 30 September 2007	127,500	1.5p	1,913	14 January 2008
Quarter ending 31 December 2007	117,500	1.5p	1,763	21 April 2008
Quarter ending 31 March 2008	117,500	1.75p	2,056	14 July 2008
Quarter ending 30 June 2008	117,500	1.75p	2,056	13 October 2008
<b>Total</b>			<b>7,788</b>	

A quarterly dividend of £2,056,250 (1.75p per share) for the quarter ended 30 September 2008 was paid in January 2009; this dividend has not been included in these Financial Statements.

It is intended to distribute another dividend of 1.75p per share for the final quarter of 2008 taking the total dividend for the year to 7p per share for 2008; this dividend has not been included in these Financial Statements.

In December 2007, 500,000 shares were bought back by the Company with an additional tranche of 9.5 million purchased in January 2008.

# Alpha Pyrenees Trust Limited

## 12. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	1 January 2008 to 31 December 2008	1 January 2008 to 30 June 2008	1 January 2007 to 31 December 2007	1 January 2007 to 30 June 2007
Earnings per income statement (£'000)	(64,086)	(15,832)	6,045	9,487
<b>Basic and diluted earnings per share</b>	<b>(54.4)p</b>	<b>(13.4)p</b>	<b>4.7p</b>	<b>7.4p</b>
Earnings per income statement (£'000)	(64,086)	(15,832)	6,045	9,487
Revaluation (gains)/losses in investment properties	35,825	14,443	(12,231)	(8,313)
Mark to market of currency swaps	37,915	11,082	8,251	1,813
Mark to market of interest rate swaps	8,812	(4,981)	(754)	(2,756)
Deferred taxation	(5,623)	(392)	5,623	2,640
Investment Manager's fee (capital)	1,038	527	783	346
Rental guarantee income	851	358	292	-
<b>Adjusted earnings</b>	<b>14,732</b>	<b>5,205</b>	<b>8,009</b>	<b>3,217</b>
<b>Adjusted earnings per share</b>	<b>12.5p</b>	<b>4.4p</b>	<b>6.3p</b>	<b>2.5p</b>
<b>Weighted average number of ordinary shares (000's)</b>	<b>117,863</b>	<b>118,231</b>	<b>127,486</b>	<b>127,500</b>

The adjusted earnings are presented to provide what the Company believes is a more appropriate assessment of the operational income accruing to the Group's activities. Hence, the Company adjusts basic earnings for income and costs which are not of a recurrent nature or which may be more of a capital nature.

The Group has the following instruments which could potentially dilute basic earnings per share in the future:

	31 December 2008	31 December 2007
Warrants	6,375,000	6,375,000
Options	2,550,000	3,825,000

Further details on warrants and options are given in note 24.

## 13. Net asset value per share

	31 December 2008	30 June 2008	31 December 2007	30 June 2007
Net asset value (£'000)	65,261	103,420	123,269	121,300
<b>Net asset value per share</b>	<b>55.5p</b>	<b>88.0p</b>	<b>97.1p</b>	<b>95.1p</b>
Net asset value (£'000)	65,261	103,420	123,269	121,300
Mark to market of currency hedge*	(1,683)	1,234	(994)	3,496
Mark to market of interest rate swaps	9,732	(5,963)	(813)	(2,756)
Deferred taxation	-	5,263	5,623	2,640
<b>Adjusted net asset value</b>	<b>73,310</b>	<b>103,954</b>	<b>127,085</b>	<b>124,680</b>
<b>Net asset value per share (adjusted)</b>	<b>62.4p</b>	<b>88.5p</b>	<b>100.1p</b>	<b>97.8p</b>

# Alpha Pyrenees Trust Limited

Number of ordinary shares (000's)	117,500	117,500	127,000	127,500
-----------------------------------	---------	---------	---------	---------

\* The mark to market of the currency hedge necessarily includes both a movement in relation to currency fluctuation and a movement due to relative future interest rates. For the purpose of providing an adjusted net asset value the element of valuation in relation to the interest rates is included as an adjustment; the intention is to hold the instruments to maturity at which point this element will have unwound.

The adjusted net assets are presented to provide what the Company believes is a more relevant assessment of the Group's net asset position. The Company has determined that certain fair value and accounting adjustments may not be realisable in the longer term.

## 14. Investment in subsidiary undertakings

A list of the significant investments in subsidiaries, including the name, country of incorporation and the proportion of ownership interest is given below.

Name of subsidiary undertaking	Class of share	% of class held with voting rights	Country of incorporation	Principal activity
Alpha Pyrenees Luxembourg SARL	Ordinary	100%	Luxembourg	Holding company
Alpha Pyrenees Luxembourg No 2 SARL	Ordinary	100%	Luxembourg	Holding company
Alpha Pyrenees Belgium SA	Ordinary	100%	Belgium	Holding company
Alpha Pyrenees Trust Finance Company Limited	Ordinary	100%	Guernsey	Finance company
Alpha Pyrenees Evreux SARL	Ordinary	100%	France	Holding company
Alpha Pyrenees Evreux SCI	Ordinary	100%	France	Property investment
Alpha Pyrenees Athis Mons SARL	Ordinary	100%	France	Holding company
Alpha Pyrenees Athis Mons SCI	Ordinary	100%	France	Property investment
Alpha Pyrenees Offices SARL	Ordinary	100%	France	Holding company
Alpha Pyrenees Offices SCI	Ordinary	100%	France	Property investment
Alpha Pyrenees Nozay SARL	Ordinary	100%	France	Holding company
Alpha Pyrenees Nozay SCI	Ordinary	100%	France	Property investment
Alpha Pyrenees Nimes SARL	Ordinary	100%	France	Property investment
Alpha Pyrenees Spain SLU	Ordinary	100%	Spain	Property investment
Alpha Pyrenees Alcalá SLU	Ordinary	100%	Spain	Property investment
Alpha Pyrenees Ęcija SLU	Ordinary	100%	Spain	Property investment

In 2008 the Company liquidated FTI SCI, one of their subsidiary undertakings.

The Group's investment properties are held by its subsidiary undertakings.

The Company has made the following loans to its subsidiary undertakings as at 31 December 2008:

	2008 Interest bearing £'000	2008 Non-interest bearing £'000	2008 Total £'000	2007 Interest bearing £'000	2007 Non-interest bearing £'000	2007 Total £'000
Loan	119,418	20,021	139,439	106,082	9,706	115,788
Impairment	(80,666)	(13,524)	(94,190)	-	-	-
Total	38,752	6,497	45,249	106,082	9,706	115,788

	2008 Interest bearing £'000	2008 Non- interest bearing £'000	2008 Total £'000	2007 Interest bearing £'000	2007 Non- interest bearing £'000	2007 Total £'000
Current	1,916	6,497	8,413	2,625	9,706	12,331

# Alpha Pyrenees Trust Limited

Non-current	36,836	-	36,836	103,457	-	103,457
Total	<b>38,752</b>	<b>6,497</b>	<b>45,249</b>	<b>106,082</b>	<b>9,706</b>	<b>115,788</b>

The loans are denominated in Euros, unsecured and are subject to a range of interest rates, fixed for the term of the relevant loan. At 31 December 2008 the weighted average interest rate was 5.39% (2007:5.23%). Loans amounting to £49.1m (2007: £39.2m), in addition to bearing interest, carry a profit share entitlement of 20% of the EBITDA in the relevant subsidiary.

An impairment of £94.2 million (2007: £nil) has been made against amounts receivable from subsidiary undertakings to reflect the current mark to market impact of the currency and interest rate derivatives and property valuations which have arisen within the group subsidiaries.

## 15. Investment properties

	2008 £'000	2007 £'000
<b>Market value of investment properties at 1 January</b>	<b>270,946</b>	<b>176,509</b>
Acquisitions during the year at cost	-	61,059
Transfer from Development properties (note 16)	4,550	-
Subsequent capital expenditure after acquisition	1,041	1,099
Adjustment for rental guarantees recognised as debtors	-	(2,082)
Fair value adjustment in the year	(35,825)	12,231
Effect of foreign exchange	79,081	22,130
<b>Market value of investment properties at 31 December</b>	<b>319,793</b>	<b>270,946</b>
<b>Valuation per Knight Frank LLP of investment properties</b>	<b>320,940</b>	<b>271,897</b>
Adjustment for rental guarantees	(1,147)	(951)
<b>Market value of investment properties at 31 December</b>	<b>319,793</b>	<b>270,946</b>

The fair value of the Group's investment properties at 31 December 2008 and 31 December 2007 has been arrived at on the basis of valuations carried out at that date by Knight Frank LLP, independent valuers not connected to the Group. The valuation basis has been market value as defined by the Royal Institution of Chartered Surveyors Approval and Valuations Standards.

The approved RICS definition of market value is the "estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The Group has pledged a number of its investment properties to secure banking facilities granted to the Group (note 21).

At 31 December 2008, the group had un-provided contractual obligations for future repairs and maintenance of £nil (2007: £nil) and £1.7 million (2007: £2 million) of future capital requirements.

## 16. Development property

	2008 £'000	2007 £'000
<b>At 1 January</b>	<b>2,441</b>	<b>-</b>
Development costs incurred in year	900	2,233
Borrowing cost capitalised	181	33
Effect of foreign exchange	1,028	175
Transfer to Investment property (note 15)	(4,550)	-

# Alpha Pyrenees Trust Limited

At 31 December	-	2,441
----------------	---	-------

As described in the accounting policy, development property is carried at cost less impairments. No impairment losses have been recognised in 2008 and 2007.

The property development was completed during the year and has been transferred to investment properties.

## 17. Categories of financial assets and liabilities

	Notes	Financial assets at fair value through P/L				Loans and receivables			
		Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
<b>Current financial assets</b>									
Trade and other receivables	19	-	-	-	-	20,512	13	17,623	1,754
Cash and cash equivalents		-	-	-	-	23,501	19,932	34,430	10,726
Amounts receivable from subsidiary undertakings	14	-	-	-	-	-	8,413	-	12,331
<b>Total current financial assets</b>		-	-	-	-	<b>44,013</b>	<b>28,358</b>	<b>52,053</b>	<b>24,811</b>
<b>Non-current financial assets</b>									
Interest rate swap	18	-	-	813	-	-	-	-	-
Amounts receivable from subsidiary undertakings	14	-	-	-	-	-	36,836	-	103,457
<b>Total non-current financial assets</b>		-	-	<b>813</b>	-	-	<b>36,836</b>	-	<b>103,457</b>
<b>Total financial assets</b>		-	-	<b>813</b>	-	<b>44,013</b>	<b>65,194</b>	<b>52,053</b>	<b>128,268</b>

	Notes	Financial liabilities at fair value through P/L				Financial liabilities measured at amortised cost			
		Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
<b>Current financial liabilities</b>									
Trade and other payables (excluding deferred income)	20	-	-	-	-	2,160	73	5,722	788
Bank borrowings	21	-	-	-	-	1,769	-	1,073	-
<b>Total current financial liabilities</b>		-	-	-	-	<b>3,929</b>	<b>73</b>	<b>6,795</b>	<b>788</b>
<b>Non-current financial liabilities</b>									
Currency swaps	18	47,834	-	9,919	-	-	-	-	-
Interest rate swap	18	9,732	-	-	-	-	-	-	-
Bank borrowings	21	-	-	-	-	233,189	-	176,033	-
Rent Deposits		-	-	-	-	3,337	-	2,292	-
<b>Total non-current financial liabilities</b>		<b>57,566</b>	-	<b>9,919</b>	-	<b>236,526</b>	-	<b>178,325</b>	-

# Alpha Pyrenees Trust Limited

<b>Total financial liabilities</b>	<b>57,566</b>	<b>-</b>	<b>9,919</b>	<b>-</b>	<b>240,455</b>	<b>73</b>	<b>185,120</b>	<b>788</b>
------------------------------------	---------------	----------	--------------	----------	----------------	-----------	----------------	------------

The Company has pledged, as part of the security package on the bank borrowings, a number of subsidiary bank accounts and shares.

## 18. Financial assets and liabilities held at fair value through the profit or loss

	<b>Group 2008 £'000</b>	<b>Company 2008 £'000</b>	<b>Group 2007 £'000</b>	<b>Company 2007 £'000</b>
<b>Non-current assets</b>				
Interest rate swaps	-	-	813	-
	-	-	<b>813</b>	-
<b>Non-current liabilities</b>				
Currency swap - a	(37,643)	-	(7,412)	-
Currency swap - b	(10,191)	-	(2,507)	-
Interest rate swaps	(9,732)	-	-	-
	<b>(57,566)</b>	-	<b>(9,919)</b>	-
<b>Total</b>	<b>(57,566)</b>	-	<b>(9,106)</b>	-

### Interest rate swap

The Company is required under the financing agreements with Barclays to fix the rate at which it borrows over the duration of each loan. The Company has agreed a fixed interest rate with Barclays Bank Plc at each loan draw-down.

The bank has undertaken a variable to fixed rate swap with a third party. The Company is not party to the swap agreement but via the financing agreement the Company has all the risks and rewards of the swap as, should the loan be repaid early, the Company would be required to pay the swap break costs or, alternatively accrue a swap benefit as a capital reduction depending on the value of the underlying swap at that point in time.

The interest rate swap is valued by reference to the bank's redemption notice of amounts due if the Company repaid its borrowings at the balance sheet date; the Directors consider this to represent its fair value.

### Currency swap

The Group uses currency derivatives to hedge significant future foreign currency transactions and cash flows to safeguard the equity investments of shareholders against significant adverse movements between Sterling and Euros.

a) On 13 October 2006, Alpha Pyrenees Trust Finance Company Limited ("Alpha Finance"), a wholly owned subsidiary of the Company, entered into a currency swap with Barclays Bank Plc. Under the terms of this agreement, Alpha Finance will pay Barclays Bank Plc €130.1 million and Barclays Bank Plc will pay Alpha Finance £87.6 million on 16 October 2013. In addition, there are quarterly periodic payments in February, May, August and October of each year starting on 16 February 2007 and ending 16 October 2013. On these dates Barclays Bank Plc will pay Alpha Finance an amount equal to 7 per cent per annum on £87.6 million and Alpha Finance will pay Barclays Bank Plc an amount equal to 6 per cent per annum on €130.1 million.

b) On 18 January 2007, Alpha Finance entered into a further currency swap with Barclays Bank Plc. Under the terms of this swap, Alpha Finance will pay Barclays Bank Plc €33 million and Barclays Bank Plc will pay Alpha Finance £21.6 million on 16 October 2013. In addition, there are quarterly periodic payments in February, May, August and November of each year starting on 16 February 2007 and ending on 16 October 2013. On these dates Barclays Bank Plc will pay Alpha Finance an amount equal to 7 per cent per annum on £21.6 million and Alpha Finance will pay Barclays Bank Plc an amount equal to 5.9725 per cent per annum on €33 million.

At 31 December 2008, a total amount of £14.8 million (€15.2 million) had been deposited as collateral with Barclays Bank Plc to support both the 13 October 2006 and 18 January 2007 swaps.

The fair value of the currency swap contracts is determined by reference to the valuation process carried out by the contractual counterparty.

## 19. Trade and other receivables

	<b>Group 2008 £'000</b>	<b>Company 2008 £'000</b>	<b>Group 2007 £'000</b>	<b>Company 2007 £'000</b>

# Alpha Pyrenees Trust Limited

Trade receivables	3,098	-	5,132	-
Bank interest receivable	25	-	50	-
Prepayments	664	-	231	19
Rental guarantees	1,504	-	1,929	-
Other debtors	15,221	13	10,281	1,735
<b>Total</b>	<b>20,512</b>	<b>13</b>	<b>17,623</b>	<b>1,754</b>

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. Note 27 provides an ageing of trade receivables along with details of the provision against loans during the year.

Rental guarantees are contractual agreements specifically referred to in the relevant property sale and purchase agreements under which the vendor provides a guarantee (normally by way of an escrowed bank account deposit) for units within the acquired property which are vacant at the time of acquisition. There have been no acquisitions during the year. Income of £0.9m was received in 2008 in relation to existing rent guarantees.

Included in other debtors is collateral of £14.8m (2007: £5.5m) held with Barclays Bank Plc in relation to the currency swap (note 18).

## 20. Trade and other payables

	<b>Group 2008 £'000</b>	<b>Company 2008 £'000</b>	<b>Group 2007 £'000</b>	<b>Company 2007 £'000</b>
Trade creditors	751	-	2,343	196
Deferred income	524	-	2,339	-
Property acquisition costs payable	-	-	1,535	-
Investment Manager's fee payable	160	34	134	-
VAT Payable	53	-	672	-
Share buy back	-	-	400	-
Accruals	1,196	39	638	592
<b>Total</b>	<b>2,684</b>	<b>73</b>	<b>8,061</b>	<b>788</b>

Trade creditors and accruals primarily comprise amounts outstanding for trade purchases and ongoing costs. The group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

# Alpha Pyrenees Trust Limited

## 21. Bank borrowings

	Group 2008 £'000	Company 2008 £'000	Group 2007 £'000	Company 2007 £'000
Current liabilities: Interest payable	1,769	-	1,073	-
Non-current liabilities – Bank borrowing	233,189	-	176,033	-
<b>Total liabilities</b>	<b>234,958</b>	<b>-</b>	<b>177,106</b>	<b>-</b>
The borrowings are repayable as follows:				
Interest payable	1,769	-	1,073	-
On demand or within one year	-	-	-	-
In the second to fifth years inclusive	21,410	-	-	-
After five years	211,779	-	176,033	-
	<b>234,958</b>	<b>-</b>	<b>177,106</b>	<b>-</b>

Movements in the Group's non-current bank borrowings is analysed as follows:

	2008 £'000	2007 £'000
Opening balance	176,033	81,808
Net borrowings (net of finance costs)	-	80,352
Repayment of borrowings	-	-
Amortisation of finance costs	615	270
Exchange differences on translation of foreign currencies	56,541	13,603
<b>Total</b>	<b>233,189</b>	<b>176,033</b>

At 31 December 2008, €221 million was outstanding on the French loan facility. Borrowings are secured over the shares in the Company's operating subsidiaries and mortgages over properties with a total value of €284.5 million. The loan facility is to be repaid on 10 February 2015.

On the 31 December 2008, €22.7 million was outstanding on the Spanish financing facility. Loans drawn down on the facility are secured over the shares in the Company's operating subsidiaries and mortgages over properties with a total value of €28.4 million. The loan facility is to be repaid on 10 February 2013.

The interest rates on the loans drawn to date are fixed rates for the duration of each loan. The weighted average interest rate at the balance sheet date was 5.26% (2007: 5.24%).

The lender, Barclays Bank Plc has undertaken a variable to fixed rate swap with a third party to fix the interest rate paid by the Company (Note 18).

## 22. Share capital

### Authorised Share capital

The authorised share capital is unlimited

### Issued and fully paid

	Number of shares
At 1 January 2007	127,500,000
Shares cancelled during the year	(500,000)
At 1 January 2008	<b>127,000,000</b>
Shares cancelled during the year	(9,500,000)

# Alpha Pyrenees Trust Limited

At 31 December 2008

**117,500,000**

The Company carries one class of shares which carry no right to fixed income. All ordinary shares have nil par value. There have been no shares issued during the year.

The Company purchased 500,000 shares on 21 December 2007 for cancellation at an average price of 80p per share. In January 2008 a further 9.5 million shares were purchased by the Company for cancellation at an average price of 82p per share. The cost of the share buy-backs have been taken against reserves.

## 23. Reserves

The movements in the reserves for the Group and the Company are shown in the Group and Company Statement of Changes in Equity respectively.

### Share premium account

On 10 July 2006 the Company issued 2,500,000 ordinary shares of no par value at a premium of £1 per share.

### Special reserve

On 9 December 2005, the Royal Court of Guernsey confirmed the reduction of capital by way of cancellation of the amount standing to the credit of its share premium account on that date. The amount was transferred to the special reserve. The special reserve is a distributable reserve to be used for all purposes permitted under Guernsey company law, including the buy-back of shares and payment of dividends.

### Warrant reserve

The warrant reserve contains the fair value of share-based payments in respect of the warrants issued to the Investment Manager but not exercised (note 24).

### Translation reserve

The translation reserve contains exchange differences arising on consolidation of the Group's overseas operations.

### Capital reserve

The capital reserve contains gains and losses on the disposal of investment properties, and increases and decreases in the fair value of the Group's investment properties and currency swap derivative financial instruments, together with expenses allocated to capital.

### Revenue reserve

Any surplus arising from net profit after tax is taken to this reserve, which may be utilised for the buy-back of shares and payment of dividends.

## 24. Share based payments

### a) Warrants

During 2005, the Company issued warrants to the Investment Manager pursuant to which it has been granted the right to subscribe for 6,375,000 ordinary shares in the company at an exercise price of £1 per share. Such warrants can be exercised at any time up to and including 29 November 2010. The warrant instrument provides that the holder of the warrant may from time to time transfer all or some of its warrants to third parties. No warrants have been exercised, since grant date, leaving 6,375,000 warrants outstanding and available for exercise. The weighted average exercise price of outstanding warrants at 31 December 2008 was £1 (2007: £1) with a weighted average remaining contractual life of 2 years.

The fair value of the warrants at grant date was measured as £130,043.

### b) Incentive options

In order to incentivise the Investment Manager, the Company had granted options to it to acquire up to 3,825,000 ordinary shares. The options vest in three tranches of equal amounts over a three year period ending on the third, fourth and fifth anniversaries of admission of the shares to the Official List of the UKLA (29 November 2005) subject to a cumulative shareholder return performance criteria of 10% per annum (50% vesting) and 12% per annum (100% vesting) having been met over a period of the preceding three years for each tranche respectively. Once vested the options are exercisable during the subsequent seven year period.

Details of the share options outstanding during the year are as follows.

2008	Expiry	Price
<b>Number of options</b>		
1,275,000	29 November 2016	100p
1,275,000	29 November 2017	100p

	2008	2007
	<b>Number of options</b>	<b>Number of options</b>
Outstanding at 1 January	3,825,000	3,825,000
Expired during the year	(1,275,000)	-
Outstanding at 31 December	2,550,000	3,825,000

The first tranche of options have lapsed in the current year as the cumulative shareholder return criteria were not met.

# Alpha Pyrenees Trust Limited

The Directors have assessed the fair value of the option granted and consider it to be immaterial in relation to the activities of the Company and its Group.

The weighted average exercise price of outstanding options at 31 December 2008 was £1 (2007: £1) with a weighted average remaining contractual life of 8 years.

## c) Share based payments

The Company recognised no share based payment expenses for the year end 2008 (2007: £nil).

## 25. Events after the balance sheet date

There were no significant events after the Balance Sheet date.

## 26. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Alpha Real Capital LLP is the Investment Manager to the Company under the terms of the Investment Manager Agreement and is thus considered a related party of the Company.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Investment Manager is entitled to receive a fee from the Group at an annual rate of 1 per cent of the gross assets of the Group, payable quarterly in arrears. The Investment Manager is also entitled to receive an annual performance fee calculated with reference to total shareholder return ("TSR"), whereby the fee is 20 per cent of any excess over an annualised TSR of 12 per cent and then a further 15 per cent of any excess over 20 per cent. Details of the investment management fees for the current accounting period are shown on the face of the income statement and any balances outstanding are disclosed separately in note 20.

The Directors of the Company received fees for their services as detailed below.

Directors fees	2008 £'000	2007 £'000
Dick Kingston (Chairman)	30	30
Christopher Bennett	20	20
David Jeffreys	20	20
Phillip Rose	20	20
Serena Tremlett	20	20
<b>Total</b>	<b>110</b>	<b>110</b>

Alpha Global Property Securities Fund Pte Limited (formerly Alpha Real Capital Singapore Pte Limited), being a wholly owned subsidiary of the Investment Manager, held 1,490,000 (2007:1,490,000) shares at the year- end in the Company.

The following, being partners of the Investment Manager, hold the following shares in the Company at 31 December 2008:

	2008 Number of shares held	2007 Number of shares held
Sir John Beckwith	2,143,600	2,143,600
P. Rose	600,000	375,000
B. Bauman	105,455	50,000
M. Johnson	26,400	26,400
S. Wilson	5,000	5,000

Phillip Rose is the CEO and a partner of the Investment Manager. Paul Cable, being the Investment Manager's Fund Manager responsible for the Trust's investments, holds 30,193 (2007: 20,000) shares in Alpha Pyrenees Trust Limited.

Serena Tremlett is also a Managing Director and major shareholder of Morgan Sharpe Administration Limited, the Company's administrator and secretary. During the period the Company paid Morgan Sharpe Administration Limited fees of £78,000.

## 27. Financial instruments risk exposure and management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes

# Alpha Pyrenees Trust Limited

the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks of the methods used to measure them from previous periods unless otherwise stated in this note.

## Principal financial instruments

The principal financial instruments used by the Group and Company, from which financial instrument risk arises, are as follows:

- Amounts receivable from subsidiary undertakings
- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Rental deposits
- Derivative financial instruments
- Bank borrowings

## General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The above financial risk management policies apply equally to the Group and the Company. Further details regarding these policies are set out below:

## Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

### a) Group

The Group's credit risk principally arises from cash and cash equivalents as well as credit exposures with respect to tenants including other receivables. In the event of a default by an occupational tenant, the Group will suffer a rental shortfall and incur additional costs, in maintaining, insuring and re-letting the property until it is re-let. General economic conditions may affect the financial stability of tenants and prospective tenants and/or demand for and value of real estate assets. A property advisor monitors the tenants in order to anticipate, and minimise the impact of, default by occupational tenants. Where possible, tenants risk is mitigated through rental guarantees.

Alcatel-Lucent is the largest tenant within the portfolio representing 40.5% of the annual contracted rent. The tenants next break option is in December 2015. The Group meets with the tenant frequently and monitors their financial performance closely.

Trade receivables that are less than six months past due are not considered impaired. The ageing of trade receivables is as follows:

	2008 £'000	2007 £'000
0 to 6 months	3,098	5,132
Over 6 months	-	-
	<b>3,098</b>	<b>5,132</b>

During the year trade receivables over six months old of £200,000 have been provided against (2007: £189,000).

There are no other impairment losses on any other financial assets other than loans and receivables as mentioned above.

A significant element of the debt is owed by third party managing agents (CBRE) as part of the regular cycle of collecting debts from tenants; these amounts represent cash received by the agent not yet remitted to the relevant companies and are in this respect very secure and remitted just after the year end.

The Group policy is to maintain its cash and cash equivalent balances with a reasonable diversity of banks. The Group monitors the placement of cash balances on an ongoing basis and has policies to limit the amount of credit exposure to any financial institution. As at 31 December 2008, the Group had spread its cash across 9 financial institutions and had not placed more than 30% in one bank.

### b) Company

The Company's credit risk principally arises from cash and cash equivalents and amounts receivable from subsidiaries. The Company follows the same Group policy with regards to diversification of banking arrangements. Amounts receivable from subsidiaries are of mainly a long term nature and the loans are monitored on a regular basis.

An impairment of £94.2 million (2007: £nil) has been made against amounts receivable from subsidiary undertakings to reflect the current mark to market impact of the currency and interest rate derivatives and property valuations which have arisen within the group subsidiaries (note 14).

# Alpha Pyrenees Trust Limited

## c) Maximum exposure

The Group's and Company's maximum exposure to credit risk by class of financial instrument is shown below:

	Group 2008 £'000	Group 2008 £'000	Company 2008 £'000	Company 2008 £'000	Group 2007 £'000	Group 2007 £'000	Company 2007 £'000	Company 2007 £'000
	Carrying Value	Maximum Exposure	Carrying Value	Maximum Exposure	Carrying Value	Maximum Exposure	Carrying Value	Maximum Exposure
Amounts owed by subsidiary undertakings	-	-	45,249	45,249	-	-	115,788	115,788
Trade and other receivables	20,512	20,512	13	13	17,623	17,623	1,754	1,754
Cash and cash equivalents	23,501	23,501	19,932	19,932	34,430	34,430	10,726	10,726
Financial assets at fair value through profit or loss	-	-	-	-	813	813	-	-
<b>Total</b>	<b>44,013</b>	<b>44,013</b>	<b>65,194</b>	<b>65,194</b>	<b>52,866</b>	<b>52,866</b>	<b>128,268</b>	<b>128,268</b>

Collateral is held to mitigate credit risk of trade receivables in the form of rental deposits and rental guarantees, in the event of non payment of rental income by tenants.

## Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group and Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. Cash and cash equivalents are placed with financial institutions on a short term basis reflecting the Group's and Company's desire to maintain a high level of liquidity in order to enable timely completion of investment transactions.

## a) Group

The following table illustrates the contractual maturity analysis of the Group's financial liabilities and derivative financial assets and liabilities that must be settled gross based, where relevant, on balance sheet interest rates and exchange rates prevailing at the balance sheet date.

2008	Within 1 year £'000	1-2 years £'000	2-5 years £'000	5-10 years £'000	Over 10 years £'000	Total £'000
Trade and other payables (excluding deferred income)	2,160	-	-	-	-	2,160
Rent Deposits	399	22	16	1,650	1,250	3,337
Bank Borrowings	1,769	-	21,410	211,779	-	234,958
Derivative financial instruments at fair value through the profit or loss						
- Cash Outflows	9,241	8,885	149,377	-	-	167,503
- Cash Inflows	(7,462)	(7,128)	(105,079)	-	-	(119,669)
	<b>6,107</b>	<b>1,779</b>	<b>65,724</b>	<b>213,429</b>	<b>1,250</b>	<b>288,289</b>
2007	Within 1 year £'000	1-2 years £'000	2-5 years £'000	5-10 years £'000	Over 10 years £'000	Total £'000
Trade and other payables (excluding deferred income)	5,722	-	-	-	-	5,722
Rent Deposits	435	229	504	1,124	-	2,292
Bank Borrowings	1,073	-	-	176,033	-	177,106

# Alpha Pyrenees Trust Limited

Derivative financial instruments at fair value through the profit or loss							
- Cash Outflows	7,172	6,847	18,849	98,356	-	131,224	
- Cash Inflows	(7,482)	(7,097)	(19,325)	(87,401)	-	(121,305)	
	<b>6,920</b>	<b>(21)</b>	<b>28</b>	<b>188,112</b>	<b>-</b>	<b>195,039</b>	

## b) Company

The Company only has trade payables and other payables which are payable within one year.

## Market risk

### a) Foreign exchange risk

The Group operates in Europe and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Sterling and Euros. Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations.

The Group has entered into currency swaps to safeguard the equity investments of shareholders against significant adverse movements between Sterling and Euros. Details of the currency swap are as disclosed in note 18.

The tables below summarise the Group's and Company's exposure to foreign currency risk at 31 December 2008 and 31 December 2007. The Group's and Company's assets and liabilities at carrying amounts are included in the table, categorised by the currency at their carrying amount.

	Group 2008 £'000	Group 2008 £'000	Group 2008 Total £'000	Company 2008 £'000	Company 2008 £'000	Company 2008 Total £'000
	€	£		€	£	
<b>Current financial assets</b>						
Trade and other receivables	20,499	13	20,512	-	13	13
Cash and cash equivalents	23,499	2	23,501	19,931	1	19,932
Amounts receivable from subsidiary undertakings	-	-	-	8,413	-	8,413
<b>Non-current financial assets</b>						
Amounts receivable from subsidiary undertakings	-	-	-	36,836	-	36,836
<b>Total financial assets</b>	<b>43,998</b>	<b>15</b>	<b>44,013</b>	<b>65,180</b>	<b>14</b>	<b>65,194</b>
<b>Current financial liabilities</b>						
Trade and other payables (excluding deferred income)	(2,087)	(73)	(2,160)	-	(73)	(73)
Bank borrowings	(1,769)	-	(1,769)	-	-	-
<b>Non-current financial liabilities</b>						
Currency swaps	(47,834)	-	(47,834)	-	-	-

# Alpha Pyrenees Trust Limited

Interest rate swaps	(9,732)	-	(9,732)	-	-	-
Bank borrowings	(233,189)	-	(233,189)	-	-	-
Rent deposits	(3,337)	-	(3,337)	-	-	-
<b>Total financial liabilities</b>	<b>(297,948)</b>	<b>(73)</b>	<b>(298,021)</b>	<b>-</b>	<b>(73)</b>	<b>(73)</b>
<b>Net balance sheet currency position</b>	<b>(253,950)</b>	<b>(58)</b>	<b>(254,008)</b>	<b>65,180</b>	<b>(59)</b>	<b>65,121</b>

	Group 2007 €'000	Group 2007 £'000	Group 2007 Total €'000	Company 2007 €'000	Company 2007 £'000	Company 2007 Total €'000
	€	£		€	£	
<b>Current financial assets</b>						
Trade and other receivables	15,869	1,754	17,623	-	1,754	1,754
Cash and cash equivalents	28,920	5,510	34,430	5,758	4,968	10,726
Amounts receivable from subsidiary undertakings	-	-	-	12,331	-	12,331
<b>Non-current financial assets</b>						
Interest rate swaps	813	-	813	-	-	-
Amounts receivable from subsidiary undertakings	-	-	-	103,457	-	103,457
<b>Total financial assets</b>	<b>45,602</b>	<b>7,264</b>	<b>52,866</b>	<b>121,546</b>	<b>6,722</b>	<b>128,268</b>
<b>Current financial liabilities</b>						
Trade and other payables (excluding deferred income)	(5,074)	(648)	(5,722)	(268)	(520)	(788)
Bank borrowings	(1,073)	-	(1,073)	-	-	-
<b>Non-current financial liabilities</b>						
Currency swaps	(9,919)	-	(9,919)	-	-	-
Bank borrowings	(176,033)	-	(176,033)	-	-	-
Rent deposits	(2,292)	-	(2,292)	-	-	-
<b>Total financial liabilities</b>	<b>(194,391)</b>	<b>(648)</b>	<b>(195,039)</b>	<b>(268)</b>	<b>(520)</b>	<b>(788)</b>
<b>Net balance sheet currency position</b>	<b>(148,789)</b>	<b>6,616</b>	<b>(142,173)</b>	<b>121,278</b>	<b>6,202</b>	<b>127,480</b>

The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency (primarily Euros or Sterling) with the cash generated from their own operations in that currency.

# Alpha Pyrenees Trust Limited

As described in Note 18, a currency swap derivative has been entered into to protect, to an extent, the Sterling equity invested from fluctuations in the Euro exchange rate. As the property portfolio is acquired and mortgaged in Euros the swap is designed to provide some certainty on the net equity invested and also provide some hedge on the Euro income generated on these properties. The Group, therefore, considers it appropriate from a risk perspective to review an exposure on the net current assets and cash not forming part of the invested equity. For illustrative purposes, therefore, the effect of a strengthening of the Euro by 5 cents would increase Group net current assets by £2 million (2007: £1.5 million). A weakening of the Euro by 5 cents would decrease net Group assets by £1.9 million (2007: £1.4 million).

On a Company only level the foreign exchange sensitivities are necessarily greater given the large intercompany loan book. A provision of £94.2 million has been made against intercompany loans to reflect the current mark to market impact on the currency hedge and property valuations. For illustrative purposes, a strengthening of the Euro by 5 cents would increase the Company net assets by £3.3 million (2007: £4.6 million). A weakening of the Euro by 5 cents would decrease the Company net assets by £3 million (2007: £4.3 million).

## b) Cash flow and fair value interest rate risk

The Group's and Company's interest rate risk arises from the following financial assets and liabilities.

Interest Rate Profile As at 31 December 2008	Group	Group	Company	Company
	2008 %	2008 £'000	2008 %	2008 £'000
<b>Weighted average interest rate</b>				
<b>Loans and receivables</b>				
Trade and other receivables				
Non-interest bearing	-	5,722	-	13
Variable	2.35%	14,790	-	-
<b>Loans and receivables</b>				
Cash and cash equivalents				
Non-interest bearing	-	941	-	-
Variable	1.71%	22,560	1.64%	19,932
<b>Loans and receivables</b>				
Amounts receivable from subsidiary undertakings				
Non-interest bearing	-	-	-	20,021
Fixed	-	-	5.39%	119,418
<b>Financial liabilities at fair value through profit or loss</b>				
<b>Derivative financial liabilities</b>				
Fixed -payable	5.99%	158,801	-	-
Fixed - receivable	7.00%	109,284	-	-

# Alpha Pyrenees Trust Limited

<b>Financial liabilities carried at amortised cost</b>				
<b>Bank borrowings</b>				
Non-interest bearing	-	1,769	-	-
Fixed	5.26%	233,189	-	-
<b>Financial liabilities carried at amortised cost</b>				
<b>Trade and other payables</b>				
Non-interest bearing	-	2,684	-	73
<b>Rent deposits</b>				
Non-interest bearing	-	3,337	-	-

Amounts receivable from subsidiary undertakings has been shown gross of the provision as interest continues to be calculated on the full balance outstanding.

# Alpha Pyrenees Trust Limited

Interest Rate Profile As at 31 December 2007	Group	Group	Company	Company
	2007 %	2007 £'000	2007 %	2007 £'000
<b>Weighted average interest rate</b>				
<b>Financial assets at fair value through profit or loss</b>				
Derivative financial assets				
Non-interest bearing	-	813	-	-
<b>Loans and receivables</b>				
Trade and other receivables				
Non-interest bearing	-	9,223	-	1,754
Variable	4.36%	8,400	-	
Cash and cash equivalents				
Non-interest bearing	-	1,249	-	
Variable	3.88%	33,181	4.50%	10,726
Amounts receivable from subsidiary undertakings				
Non-interest bearing			-	13,439
Fixed			5.23%	103,457
<b>Financial liabilities at fair value through profit or loss</b>				
<b>Derivative financial liabilities</b>				
Fixed -payable	5.99%	120,192	-	-
Fixed - receivable	7.00%	109,200	-	-
<b>Financial liabilities carried at amortised cost</b>				
<b>Bank borrowings</b>				
Non-interest bearing		1,073		
Fixed	5.24%	176,033	-	-
<b>Financial liabilities carried at amortised cost</b>				
<b>Trade and other payables</b>				
Non-interest bearing	-	5,722	-	788
<b>Rent deposits</b>				
Non-interest bearing	-	2,292		

# Alpha Pyrenees Trust Limited

The Group interest rate risk arises from long-term borrowings; the group has an interest rate swap as disclosed in note 18.

Further details concerning the derivative financial liabilities are detailed in note 18.

The Group's cash flow is periodically monitored by the Group's management.

For the Group, an increase in 100 basis points in interest yields would result in a post-tax profit of £0.4 million (2007: £0.4 million). A decrease in 100 basis points in interest yields would result in a post tax loss for the period of £0.4 million (2007: £0.4 million).

For the Company, an increase in 100 basis points in interest yields would result in a post-tax profit of £0.2 million (2007: £0.1 million). A decrease in 100 basis points in interest yields would result in a post tax loss for the period of £0.2 million (2007:£0.1 million).

The sensitivity analyses above are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, change in interest rate and change in market values.

## Growth in rental income and defaults

Income growth may not continue at a consistent rate. Future income is dependent on, amongst other things, the Group negotiating suitable rent levels when compared to associated financing costs.

## c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated balance sheet less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain a gearing ratio at around 70%. The gearing ratios at 31 December 2008 and at 31 December 2007 were as follows:

	Group 2008 £'000	Group 2007 £'000
Total borrowings	233,189	176,033
Less: cash and cash equivalents	(23,501)	(34,430)
<b>Net debt</b>	<b>209,688</b>	<b>141,603</b>
Total equity	65,261	123,269
<b>Total capital</b>	<b>274,949</b>	<b>264,872</b>
<b>Gearing ratio</b>	<b>76.26%</b>	<b>53.5%</b>

The Company has no borrowings; all borrowings are within the Group.

## Directors and Trust information

### Directors:

Dick Kingston (Chairman)  
Christopher Bennett  
David Jeffreys  
Phillip Rose  
Serena Tremlett

Rue du Pre  
Ruelle Braye  
St Peter Port  
Guernsey GY1 3LL

### Registered office:

Second Floor  
Albert House  
South Esplanade  
St Peter Port  
Guernsey

### Tax advisers:

Deloitte & Touche LLP  
Hill House  
1 Little New Street  
London EC4A 3TR

BDO Stoy Hayward LLP  
55 Baker Street  
London W1U 7EU

### Investment Manager:

Alpha Real Capital LLP  
1b Portland Place  
London W1B 1PN

### Legal advisers in Guernsey:

Carey Olsen  
7 New Street  
St Peter Port  
Guernsey GY1 4BZ

### Administrator and Secretary:

Morgan Sharpe  
Administration Limited  
Second Floor  
Albert House  
South Esplanade  
St Peter Port  
Guernsey GY1 3TX

### Legal advisers in the UK:

Norton Rose  
3 More London Riverside  
London SE1 2AQ

### Joint brokers:

Numis Securities Limited  
10 Paternoster Square  
London EC4M 7LT

### Registrar:

Computershare Investor Services  
(Channel Islands) Limited  
Ordnance House  
31 Pier Road  
St Helier  
Jersey JE4 8PW

KBC Peel Hunt Limited  
111 Old Broad Street  
London EC2U 1PH

### Independent valuers:

Knight Frank LLP  
55 Baker Street  
London W1V 8AN

### Corporate advisors:

Kinmont Limited  
6 Arlington Street  
London SW1A 1RE

### Auditors:

BDO Novus Limited  
PO Box 180  
Place du Pre

## Shareholder information

### Dividends

Ordinary dividends are paid quarterly. Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for this purpose. Mandates may be obtained from the Group's Registrar. Where dividends are paid directly to shareholders' bank accounts, dividend vouchers are sent directly to shareholders' registered addresses.

### Share Price

The Trust's Ordinary Shares are listed on the London Stock Exchange.

### Change of address

Communications with shareholders are mailed to the addresses held on the share register. In the event of a change of address or other amendment, please notify the Trust's Registrar under the signature of the registered holder.

### Investment Manager

The Company is advised by Alpha Real Capital LLP which is authorised and regulated by the Financial Services Authority in the United Kingdom.

### Financial Calendar

Financial reporting	Reporting/Meeting dates	Dividend period	Ex-dividend date	Record date	Payment date
Annual Results Announcement	20 March 2009	Quarter ended 31 December 2008	1 April 2009	3 April 2009	27 April 2009
Annual Report Published	3 April 2009				
Annual General Meeting	30 April 2009				
First Interim Management Statement (Qtr 1)	19 May 2009	Quarter ended 31 March 2009	27 May 2009	29 May 2009	22 June 2009
Half Yearly Report	14 August 2009	Quarter ended 30 June 2009	16 September 2009	18 September 2009	12 October 2009
Second Interim Management Statement (Qtr 3)	26 November 2009	Quarter ended 30 September 2009	9 December 2009	11 December 2009	11 January 2010

**Registered office**  
 Second Floor  
 Albert House  
 South Esplanade  
 St. Peter Port  
 Guernsey

Alpha Pyrenees Trust Limited is advised by Alpha Real Capital LLP, which is authorised and regulated by the Financial Services Authority in the United Kingdom