Hansteen

9 March 2015

Hansteen Holdings PLC
(“Hansteen” or the “Group” or the “Company”)

HANSTEEN REPORTS RECORD PROFITS OF £131.2 MILLION AND NET ASSET VALUE GROWTH OF 12.1%

Hansteen (LSE: HSTN), the investor in UK and continental European industrial property, announces its full year results for the year ended 31 December 2014.

Financial Highlights

- IFRS profit before tax increased by 100.9% to £131.2 million (FY 2013: £65.3 million)
- Normalised Income Profit increased by 22.3% to £48.2 million (FY 2013: £39.4 million)
- Normalised Total Profit increased by 41.0% to £65.3 million (FY 2013: £46.3 million)
- Normalised Income Profit per share, increased by 14.5% to 7.1p (FY 2013: 6.2p)
- Diluted EPRA earnings per share increased by 4.0% to 5.2p* (FY 2013: 5.0p)
- Full year dividend increased by 4.2% to 5.0p per share (2013: 4.8p per share)
- Special dividend of 3p per share
- EPRA NAV per share increased by 12.1% to 102p (31 December 2013: 91p)
- Net debt to property value ratio of 41.1% (31 December 2013: 49.3%)

Operational Highlights

- £315.3 million of sales with a total profit of £26.1 million over 31 December 2013 valuation and £47.7 million over gross acquisition cost
- £267.7 million of properties acquired at an average yield of 9.8% and a vacancy of 16.0%
- Acquisition of a further 9.2% stake in the Ashtenne Industrial Fund (‘AIF’) for £26 million increasing ownership to 36.7% - increased to 40.8% post year end with acquisition of additional 4.1% for £11.0 million
- Placing of 44,834,877 shares to raise £46.3 million
- Completion of the German debt refinancing with banks new to Hansteen at an all-in average cost of 3.8% per annum
- 41 estates acquired in the Netherlands for €106.0 million
- Property valuation increase across the total portfolio of 9.2% (£135.8 million)
- Like-for-like occupancy improvement of 195,000 sq m or 29.2% of vacancy at the start of the year
- Like-for-like rent roll improvement of £1.7 million per annum

* Diluted EPRA earnings includes £13.6 million charge relating to the LTIP. See note 3 of the financial statements.

– See note 3 of the financial statements for a reconciliation of Normalised Income Profit and Normalised Total Profit to the IFRS measure of profit before tax.

– Operational Highlights relate to property, owned and managed, of Hansteen and its associated funds.

James Hambro, Chairman, commented: “Further improvements in both the occupational and investor markets across all three of our core regions have enabled the business to produce another year of record results. We have sold a significant amount of property into a very buoyant UK investment market which has released capital and allowed Hansteen to make some noteworthy acquisitions. These acquisitions fit our business model perfectly having a high initial yield and a material vacant element.”

Ian Watson and Morgan Jones, Joint Chief Executives, added: “The outlook for Hansteen is excellent. We have a high yielding, diverse portfolio of properties valued at substantially below replacement cost. The pan European network of offices and teams that we have established over the last ten years has proved to be first class at operating the business. Our portfolio still has a valuable vacant element to drive the rent roll and rents which look set to grow as the economies in which we operate improve. Risk adjusted returns from industrial property look high relative to many other investments and there is a significant weight of capital looking to invest.”

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HANSTEEN HOLDINGS PLC

Hansteen Holdings PLC (LSE: HSTN) is a European industrial REIT that invests in properties with high yields, low capital costs and opportunity for value improvement across the Netherlands, Germany, Belgium, France and the UK.

Founded by Morgan Jones and Ian Watson, the Company listed on Aim in November 2005 raising £125 million. In 2009, it raised a further £200.8 million by way of a Placing and Open Offer and moved to the Official List, converting to a REIT shortly thereafter. In April 2011, the Company raised a further £150 million by way of a Placing and Open Offer.

At 31 December 2014, Hansteen had total property under management of some 583 assets with a value of £1.6 billion.

CHAIRMAN'S REVIEW

I am pleased to present the results for the year ended 31 December 2014 and the Company's Strategic Report.

Hansteen's aim is to provide investors with consistent, high and realised returns from predominantly industrial property. 2014 has been a year in which all elements of our business model have excelled and I am delighted to report record results in terms of profits and value growth, reflected in an increased interim dividend together with a special dividend.

Results
Normalised Total Profit for the year to 31 December 2014 increased by 41.0% to £65.3 million (2013: £46.3 million). Normalised Income Profit, which excludes profits or losses from the sale of properties (essentially the repeatable earnings of the business), increased by 22.3% to £48.2 million (2013: £39.4 million). Normalised Income Profit per share increased by 14.5% to 7.1p (2012: 6.2p). Had it not been for the fall in the value of the Euro compared with 31 December 2013, Normalised Total Profit for 2014 would have been £1.9 million higher.

Basic earnings per share were 17.6p (2013: 9.1p) and diluted EPRA earnings per share were 5.2p (2013: 5.0p). Profit before tax increased by 100.9% to £131.2 million (2013: £65.3 million). The Group's EPRA Net Asset Value was 102p per share (2013: 91p), an increase of 12.1% despite the adverse currency movement.

Dividend
Hansteen has paid a covered dividend every year since the first dividend distribution in 2006 and during that period, it has increased by 66.7%. Our dividend policy is designed to reflect the high income generated by the business and we remain committed to a prudently progressive dividend policy. The Board already increased the interim dividend paid on 20 November 2014 by 5.3% to 2.0p per share (November 2013: 1.9p per share) and will pay the second ongoing dividend, increased by 3.4% to 3.0p per share (May 2013: 2.9p) bringing the total dividend for the year to 5.0p, a 4.2% increase on 2013.

In 2014, Hansteen took advantage of a strong investment market to sell £315.3 million of property from the owned or co-owned portfolio, crystallising profits of £26.1 million over the 31 December 2013 valuation and £47.7 million over total cost. The Board proposes to reflect this success in the payment of a special dividend of 3.0p per share, which will be paid in addition to the 'ongoing' interim dividend also of 3.0p per share.

The total dividend of 6.0p will be payable on 21 May 2015 to shareholders on the register at the close of business on 24 April 2015. A Property Income Distribution of 1.4p is included in this second interim dividend payment.

Our business and strategy
Hansteen is a leading owner and asset manager of a very diverse portfolio of European industrial property, mainly located in Germany, the UK and the Netherlands. We look for investments that are priced attractively and which will create a sustainable and high yielding industrial property portfolio. We also assess other more opportunistic and management intensive acquisitions which, although lower yielding, will provide greater potential for capital growth. Our strategy is achieved through a detailed assessment of opportunities in the UK and Continental Europe. In many cases our purchases are 'off market' and can involve patiently assembling or reconciling stakeholder interests in a deal. Our acquisition of the HBI portfolio in the Netherlands is a good example of this.

After purchase, our strategy is to maximise the rental income and occupancy of our properties through active asset management initiatives leading to increased values. We aim to realise and distribute these profits to our shareholders over the course of a property cycle either by sales of individual lots or by larger portfolio disposals.

Our people are at the centre of our success. We have 15 offices with experienced management teams across the UK and our regions in Continental Europe. We work hard at creating the right relationships with our stakeholders so that we are in the prime position to act when opportunities arise.

Board changes
Stephen Gee retired as a Non-Executive Director of the Company at the Annual General Meeting in 2014 and Richard Mully will retire as a Non-Executive Director of the Company at the Annual General Meeting on 8 June 2015.

As part of the process of succession planning for Non-Executive Directors, Melvyn Egglenton and Rebecca Worthington were welcomed to the Board on 10 June 2014. Melvyn and Rebecca were also appointed as members of both the Audit Committee and the Remuneration Committee, effective from the same date.

Richard Mully will retire from the Board at the Annual General Meeting in June 2015. I would like to take this opportunity to thank Richard Mully for his substantial contribution and commitment to Hansteen's growth and success over the past nine years. His knowledge and experience of continental property markets has been exceptionally valuable to the Board.

Founder Long Term Incentive Plan (LTIP)

The LTIP is based on the growth of EPRA NAV plus dividends, which was put in place for the joint Chief Executives at the time of the initial floatation in 2005 and which has not paid out to date. However, if the current performance continues until the end of 2015, the joint Chief Executives will receive a significant reward. Details are set out below in the finance report. The potential award can only be estimated at this stage and is dependent on the performance over this three year period.

Outlook

Further improvements in both the occupational and investor markets across all three of our core regions have enabled the business to produce another year of record results. We have sold a significant amount of property into a very buoyant UK investment market releasing capital and allowing Hansteen to make some noteworthy acquisitions. These acquisitions, having a high initial yield and a material vacant element, fit our business model perfectly.

Hansteen has a very diverse, high yielding portfolio of light industrial property located across Germany, the UK and Benelux. The income from the Group's portfolio has proved robust throughout the recession years and should continue to be so in the future. Our asset management teams have proved adept at improving occupancy and the rent roll and also at realising opportunities. Business confidence and the underlying economy are improving in each of our regions providing an improving back-drop to our business. However, these levers for growth have now been supported and in some areas outstripped by the extraordinarily low interest rate environment within which we are operating and, more recently the weight of capital buying property for yield.

Our optimism for the future must however be tempered by the current uncertainties in the euro zone and the potential for the volatility of the Euro.

At the time of our last half year results we highlighted that the then current interest rate environment was extraordinarily low. Since then rates have approximately halved and there is a general acknowledgement that these rates are likely to stay low for longer than was hitherto expected. Such a background to the operation of a high yielding property business is outside the experience of most people working today but the likelihood must be that it will provide scope for continued yield compression and further liquidity in the property sector.

Jamie Hambro
Chairman
6 March 2015

JOINT CHIEF EXECUTIVES' REVIEW AND FINANCE REPORT

2014 was an outstanding year for Hansteen. Normalised Total Profit of £65.3 million and EPRA NAV in excess of £700 million are at record levels. This was all achieved against a backdrop of the falling Euro.

The Group has completed £583.0 million of sales and purchases during 2014. The increase in investor appetite for multi-let light industrial property, particularly in the UK, has enabled us to sell profitably £315.3 million of property. Despite increased competition, we have still managed to acquire £267.7 million of property on terms that we believe offer excellent value and future growth potential.

At the property level, our portfolio that is owned or co-owned, comprises 4.2 million sq m or 45.4 million sq ft at a passing yield of 8.5%, occupancy of 86.0%, and over 6,000 tenants, none of whom account for more than 1.2% of the entire rent roll. All three regions (UK, Germany and Benelux) made significant contributions to the financial success in 2014.

Our management platform now comprises 15 offices spread across Europe which is an enormous asset to the business and an acknowledged market leader at managing this type of property.

Implementing the strategy
Hansteen has a buy, work and sell business model. We endeavour to buy assets when they are at a relatively low point both in relation to the property cycle and at the asset level. In particular, we like to buy properties with a vacant element. We then apply our particular brand of intensive management to increase the occupancy, increase the rent and reduce the irrecoverable costs. Ideally, we then crystallise the value added at a relatively strong point in the cycle.

In the years 2008 to 2013 the markets were both depressed and distressed. During that period we acquired £1.6 billion of property and sold £649.0 million from the owned or co-owned portfolio. The acquisition prices paid were low and in virtually all cases the acquisitions were directly or indirectly from banks that had taken control following a borrower defaulting on a loan.

In 2014, with the market gathering momentum, the figures were £315.3 million sold and £267.7 million purchased. Given a market with improving liquidity all aspects of our strategy were positive.

Key Performance Indicators ("KPIs")

Financial KPIs
We believe that returns are best measured by looking at normalised profits and valuation growth.

Normalised Total Profit for the year to 31 December 2014 increased by 41.0% to £65.3 million (2013: £46.3 million). Normalised Income Profit, which excludes profits or losses from the sale of properties (i.e. essentially the repeatable earnings of the business), increased by 22.3% to £48.2 million (2013: £39.4 million). This is the ninth consecutive year in which Hansteen's Normalised Income Profit has increased. Normalised Income Profit per share increased by 14.5% to 7.1p (2013: 6.2p).

The table below sets out the results for Normalised Income Profit and Normalised Total Profit including our share of associates.

	2014 £m	**2013 £m**
Rental income	78.8	78.4
Cost of sales	(14.3)	(12.4)
Management fees	6.0	3.2
Share of associates	10.8	3.7
Overheads	(20.0)	(16.9)
Net interest payable	(13.1)	(16.6)
Normalised Income Profit	**48.2**	**39.4**
Profit on sale of investment properties	10.5	6.8
Loss on sale of trading properties	(0.2)	-
Total profits on sale of investment and trading properties	10.3	6.8
Other operating income	6.8	0.1
Normalised Total Profit	**65.3**	**46.3**

In addition to profits in 2014 all regions produced positive valuation growth. The total uplift of £135.8 million was the highest in any year for Hansteen. As a result the Group's EPRA Net Asset Value at 31 December 2014 was 102p per share (2013: 91p), an increase of 12.1%. This combined with dividends paid in the year of 5.4% equates to a return in excess of 17.0%. Excluding adverse currency movement and the LTIP provision, the underlying performance increased by more than 20.0%.

Property Portfolio

In total, the portfolio that is owned or co-owned by Hansteen is valued at £1.6 billion, has a rent roll of £137.7 million per annum and 14.0% vacancy. If the portfolio was fully occupied at our view of market rents, the rent roll would be £171.4 million per annum, reflecting a yield of 10.6%.

Hansteen's attributable property investments, at 31 December 2014, was valued at £1.2 billion (2013: £1.1 billion). Had the currency remained unchanged throughout the year, the portfolio would have been worth an additional £59.1 million. At 31 December 2014, this attributable portfolio comprised 3.2 million sq m, an increase from 2.8 million sq m at the start of the year mainly due to the acquisitions in Germany and the Netherlands. The portfolio has a yield of 8.6% (2013: 8.7%). The analysis of the portfolio at 31 December 2014 is set out in the table below:

	No. props	Built area	Vacant area	Passing rent		Value		Yield
		sq m	%	Euros €m	Sterling £m	Euros €m	Sterling £m	
Germany	96	1,607,740	11.5%	67.2	52.4	776.6	604.8	8.7%
UK	75	245,841	18.3%	11.5	8.9	155.6	121.2	7.3%
Netherlands, Belgium & France	83	789,742	18.1%	29.4	22.9	311.0	242.2	9.5%
Total wholly owned	**254**	**2,643,323**	**14.1%**	**108.1**	**84.2**	**1,243.2**	**968.2**	**8.7%**
Ashtenne Industrial Fund (AIF)*	252	1,146,131	14.4%	47.4	36.9	546.4	425.5	8.7%
Hansteen Property Unit Trust II (HPUT II)*	76	335,564	15.6%	18.0	14.1	234.4	182.5	7.7%
Hansteen Saltley Unit Trust (HSUT)*	1	94,877	2.0%	3.2	2.5	46.5	36.3	6.9%
Total attributable to Hansteen	**372**	**3,223,246**	**14.0%**	**133.1**	**103.7**	**1,545.1**	**1,203.3**	**8.6%**
Total under management	**583**	**4,219,895**	**14.0%**	**176.7**	**137.7**	**2,070.5**	**1,612.5**	**8.5%**

* Figures include 100% of the funds' portfolio. Hansteen has an investment of 36.7% in AIF, 33.3% in HPUT II and 50% in HSUT.

Property valuation

The value of the total portfolio under management has increased by £135.8 million or 9.2% from December 2013. The wholly owned portfolio increased by £62.9 million with the three UK funds increasing by £73.0 million. Hansteen's share of these fund increases was £25.1 million giving an attributable valuation increase to Hansteen of £88.0 million from 31 December 2013.

The value of the German portfolio increased by €44.0 million or 6.0%. The UK wholly owned portfolio increased by £8.6 million or 7.6% and the Benelux portfolio valuation increased by €23.7 million or 8.2%. The Netherlands portfolio purchased in June 2014 accounted for all of the increase in the Benelux.

HPUT II values have increased by £18.7 million or 11.4% and AIF values increased by £49.1 million or 13.1%. The value of Saltley Business Park in Birmingham, which is now owned in a 50/50 joint venture with Brockton Capital LLP, has also increased by £5.2 million or 16.8%.

Asset management platform

The platform has grown further during 2014, mostly in the Netherlands following the portfolio acquisition in June 2014. We opened a new office in Utrecht bringing the total number of offices to 15. During 2014, the team have secured 1,776 new leases and lease renewals across the total portfolio generating £39.2 million of new or renewed annualised rental income. This is more than twice the number handled in 2013 (850 new leases and renewals) and highlights how well the regional asset management teams have performed this year.

Our asset managers are focussed primarily on direct tenant relationships and the marketing of vacant units either for sale or to rent. They are also heavily involved in the management of the properties in their region, although the day-to-day management of our properties is undertaken by local property managers who are contracted on a third-party basis. With a substantial platform in place across all our regions, we are ideally positioned to absorb additional properties without a corresponding proportionate increase in costs. As we continue to take the marketing of our properties in-house, the fees paid to third party marketing agents relative to rent generated from new lettings and lease renewals has decreased further during 2014. Letting fees paid were £0.8 million on new lettings and renewals of £39.2 million compared to letting fees of £1.0 million on new lettings and renewals of £24.6 million in 2013.

Occupancy and passing rent

Like-for-like net occupancy (measured by taking the vacant area at the start of the year, adding vacancy on purchases and then comparing with the vacancy at the end of the year) has improved by 195,000 sq m across the portfolio under management. This represents 4.6% of the total portfolio under management at 31 December 2014 or 29.2% of the vacant area at the start of the year. This excellent achievement has come through a combination of letting vacant space and selling vacant units, both important components of the Hansteen business model. For the third year in a row, all three of our core regions have contributed to this increase in occupancy.

The passing rent of the portfolio under management at the start of the year was £134.9 million per annum. The net effect of sales and acquisitions was a rent increase of £5.2 million per annum, the reduction due to exchange rate movements was £4.1 million per annum and the closing rent was £137.7 million per annum. This resulted in a net like-for-like improvement of £1.7 million or 1.2%.

Germany

Germany, which accounts for approximately 50.3% of Hansteen's attributable property investments, has again performed well with like-for-like income, occupancy and value, all improving during 2014. The passing rent in 2013 was €62.1 million per annum and the net effect of sales and acquisitions was a rent increase of €3.6 million per annum. The closing rent at 31 December 2014 was €67.2 million per annum, a net improvement of €1.6 million per annum or a 2.4% improvement in the like-for-like rent roll. The like-for-like occupancy improvement totalled 26,000 sq m. At the end of the year the portfolio had 185,000 sq m vacant, representing 11.5% of the total floor area (2013 vacancy: 12.3%).

In 2014 we also completed the refinancing of both the HBOS and UniCredit debt facilities which were due to expire in October 2014 and February 2015 respectively. A five-year, €235 million facility has been provided by a consortium of lenders led by Landesbank Hessen-Thüringen Girozentrale (Helaba). We have hedged 80% of the interest on the loan, resulting in an interest cost of 3.5% per annum at the time of refinancing, excluding fees. HSBC provided a five-year, €108 million facility which, with a €55 million interest rate hedge, gave an interest cost of 2.9% per annum at the time of refinancing, excluding fees. The combined terms equated to an all-in average rate of 3.8% per annum, including fees. We were delighted to secure these well priced facilities with new lenders and Hansteen has already built on the relationship with HSBC who also provided the bank debt for the acquisitions concluded at the end of the year.

Seven properties in Germany were sold for €23.2 million generating €3.0 million of profit above the December 2013 valuation and €4.9 million above gross acquisition costs. The biggest of these was our Delta Forum estate in Ginsheim-Gustavsburg which was sold to a fund managed by CBRE Global Investors for €16.0 million. With the estate almost fully occupied, it was identified as ripe for sale and because the light industrial property sector had not been previously recognised by institutions, the sale was a significant step forward for both Hansteen and the whole sector.

A portfolio of nine properties (the "Pisces portfolio") was purchased in December 2014 for €56.7 million, adding 140,000 sq m of space to the portfolio. There is currently 19.0% of good quality, lettable vacant space which presents a significant opportunity to increase income and capital values. The rent roll stands at €5.3 million per annum and when fully let, the portfolio is expected to produce rent of €6.7 million per annum. In addition, Hansteen has also exchanged a conditional contract to purchase a further estate for €1.5 million with the transaction expected to complete by the end of the first quarter 2015. The acquisitions were funded from existing cash resources along with a new €40.0 million, five-year loan facility which has been agreed with HSBC. The assets are all located in regions which we know well and will be managed by our existing regional teams.

Netherlands, Belgium and France

At 31 December 2014, Benelux accounted for approximately 20.1% of Hansteen's attributable property investments, increased from 14.2% at 31 December 2013 due to the acquisition of the new portfolio announced in June 2014, referred to in more detail below. 2014 has been a very successful year with significant increases in like-for-like rent and occupancy. The passing rent in 2013 was €13.8 million per annum and the net effect of sales and acquisitions was a rent increase of €14.6 million per annum. The closing rent at 31 December 2014 was €29.4 million per annum, a net like-for-like improvement of €1.0 million or 3.4%. The like-for-like occupancy improvement was 46,000 sq m or 43.4% of the vacancy at the start of the year. The portfolio ended the year with 143,000 sq m vacant or 18.1% of the total floor area.

In June 2014 a large portfolio of 41 estates in the core Ranstad area of the Netherlands was acquired for €106 million. This followed a complex set of transactions where Hansteen had previously purchased 50% of a loan secured against the portfolio from Unicredit Bank AG. Following the acquisition of the Unicredit loan, Hansteen agreed to acquire the remaining 50% of the loan from ING, subject to a new €60 million five year loan from ING. Hansteen also agreed to break the swaps on the loan at a discount to their market value and subsequently agreed a consensual deal with the borrower, Lancelot Land BV, to acquire the underlying property assets.

Hansteen has made a net investment of £40 million of equity in the transaction which has contributed almost £27.0 million to the IFRS pre-tax profit. £4.0 million of finance income relates to the unwinding of the discount on the loan that was secured on the portfolio and £3.2 million of operating income arose when the loan was satisfied in exchange for the properties on which it was secured. The valuation uplift subsequent to the acquisition of the entire portfolio was £19.5 million. During the six months of Hansteen ownership, the Dutch asset management team has already produced some impressive results reducing the vacancy from 22.7% to 18.5%.

A multi-let office property at Louvain La Neuve in Belgium where we had achieved full occupancy was sold for €6.1 million, generating a profit of €0.6 million. Over the last 18 months, the asset management team in the Benelux re-geared several leases and let almost all of the vacant space, to a range of local and national occupiers. With the property almost fully let, it was sold to a local investor, following a brief marketing exercise.

The French portfolio comprises two properties totalling 56,000 sq m with an annual rent roll of €1.7 million.

UK

The size of the owned or co-owned UK portfolio changed significantly during 2014 with a considerable number of disposals as well as further investment in HPUT II and the acquisition of additional units in AIF. The total UK portfolio as at the year-end comprised 1.8 million sq m with a rent roll of £62.4 million per annum, a vacancy of 14.5% and a value of £765.5 million. Hansteen's proportion of that portfolio was £356.3 million, approximately 29.6% of Hansteen's attributable property investments.

UK Wholly Owned

At 31 December 2014, the wholly owned UK portfolio had a rent roll of £8.9 million per annum and a value of £121.2 million, representing a yield of 7.4% with a vacancy rate of 18.3%. Included within this value are three development sites totalling 70.8 hectares valued at £6.7 million. Like-for-like occupancy increased by 3,600 sq m or 7.4% of the opening vacancy and like-for-like rent (once rent free concessions expire) increased by £0.3 million.

AIF

AIF has had a particularly active and successful year as the UK team has implemented various asset management strategies across the country to improve the rent roll and occupancy as well as to sell assets into the buoyant UK market. The results are impressive with an improvement in like-for-like rent of £0.3 million and an increase in like-for-like occupancy of 75,000 sq m. At 31 December 2014, the portfolio was valued at £425.5 million, had a rent roll of £36.9 million per annum, a yield on the passing rent of 8.7%, and had a vacancy rate of 14.4%.

During the year we acquired a further 9.2% stake in AIF for £26.0 million increasing our share in the fund to 36.7%. The additional stake was purchased from three vendors at a price of 46.5p per unit, the March 2014 property valuation. Since then, the value of the AIF properties has increased by 9.9%. A further 4.1% holding was purchased in February 2015 for £11.0 million bringing our total holding to 40.8%.

HPUT

The biggest single portfolio sale was completed in October when HPUT was sold, in two transactions, for a total of £146.1 million (after the deduction of rental top-ups). 41 assets were sold to a fund advised by Brockton Capital LLP in a partnership with Dunedin Property for £110.5 million. A separate 50/50 joint venture between Brockton Capital and Hansteen acquired Saltley Business Park in Birmingham for a net price of £35.6 million, an asset which Hansteen will continue to manage. The 42 assets were sold at above the September 2014 valuation and generated profits of £22.4 million over gross acquisition cost. The total return of the fund was 55% (an IRR of 9.7%) and Hansteen has enjoyed the high income distributions together with asset management fees. HPUT l played a key part in the return of Hansteen to the UK market and its success led to the establishment of a second fund, HPUT II and our re-capitalisation of AIF.

HPUT II

The Fund has acquired 35 properties in ten separate transactions during the year, and disposed of 15 properties, nearly all as part of larger UK portfolio sales. At 31 December 2014, the portfolio consisted of 76 assets totalling 336,000 sq m with a value of £182.5 million, a vacancy of 15.6%, a passing rent roll of £14.1 million per annum and a yield on the passing rent of 7.7%. Like-for-like occupancy has increased by 6,800 sq m with the like-for-like rent roll remaining broadly flat.

Finance

NAV

The net assets attributable to equity shareholders at 31 December 2014 were £676.0 million (2013: £554.7 million), an increase of £121.3 million. The increase in net assets can be summarised as follows:

	2014 **£m**
Normalised Total Profit	**65.3**
Tax	(12.8)
	52.5
Equity raised	46.3
Property revaluation	88.0
Exchange and fair value movements	(29.9)
Dividends paid	(33.6)
Share based payments	(1.4)
Share options exercised	0.2
Acquisition of own shares	(0.8)
NAV movement	**121.3**

During the year, the Company raised £46.3 million, net of expenses, through the issue of 46.5 million new shares and 300,000 share options were exercised. As at 31 December 2014, there were 685.0 million shares in issue (2013: 641.1 million) with a further 1.5 million shares under option at exercise prices below the market price at that time and 22.6 million potential shares in relation to the LTIP giving 709.1 million shares for dilutive measures (2013: 651.3 million). As at 31 December 2014 IFRS Diluted NAV per share was 95p (2013: 85p) and EPRA NAV per share was 102p (2013: 91p).

Founder Long Term Incentive Plan (LTIP)

Our policy of buying value during the downturn and working the assets has generated capital and income returns well in excess of 10% per annum since the current LTIP measurement period began in January 2013. If continued, this performance will potentially trigger the Founder LTIP arrangements. The potential LTIP award can still only be estimated at this stage as the out-turn depends entirely on the performance of the business over the three year period ending 31 December 2015. To the extent that growth in EPRA NAV plus dividends exceeds 10% per annum compound over three years, the Joint Chief Executives will each receive shares equating to 12.5% of the out-performance.

In the first two years of the LTIP measurement period, EPRA NAV growth plus dividends amounted to a gain of 31.7p per share. This represents a 38% total return. The EPRA NAV per share figure requires the inclusion of a number of shares to reflect a possible LTIP award on the basis of what the award would be if the measurement period were taken for only the two years to 31 December 2014 (22.6 million shares). The impact of these shares is to reduce EPRA NAV per share from 105p to 102p. The IFRS pre-tax profit includes a charge of £13.6 million related to a potential LTIP award and associated National Insurance Contributions. Only the effect of the associated NIC contributions on the LTIP awards affects the NAV because, in accordance with IFRS, the charge for the potential LTIP award excluding the NIC contributions is credited back through equity.

Convertible Loan Stock

In July 2013 Hansteen issued a €100 million convertible bond. The money raised was instrumental in enabling our purchase of Ashtenne and the debt refinancing in Germany. None of the conditions that would allow a bondholder to convert were met during the year; therefore the dilutive impact of the bonds is excluded from EPRA NAV. The bonds are convertible from July 2016. However, there are conditions under which the bonds are capable of conversion in 2015 which current trends would support. The principal terms of the bonds are detailed in the notes to the financial statements.

Gearing

Net debt was £416.3 million at 31 December 2014 (2013: £432.2 million). Debt includes a mark-to-market adjustment of £18.4 million (2013: £16.2 million) for the convertible bond. Excluding the mark-to-market adjustment of the convertible bond, net debt to property value at 31 December 2014 was 41.1% (2013: 49.3%) and net debt to shareholders equity at 31 December 2014 was 58.8% (2013: 75.0%) reflecting our continued policy of maintaining gearing at a prudent level.

As at 31 December 2014 the Group had borrowings of £526.5 million (2013: £492.9 million) of which £239.6 million was swapped at an average rate of 0.9% and £96.0 million was capped at an average rate of 2.1%. The average all-in borrowing rate for the Group at 31 December 2014 was 3.8% (2013: 3.7%).

The aggregate net assets of the Group's associates at 31 December 2014 were £431.7million (2013: £420.3 million). The aggregate bank loans of the associates were £234.5 million (2013: £346.0 million) which are non-recourse to the Group. The committed undrawn facilities available to the Associates amount to £7.8 million (2013: £8.9 million). The funds drawn under the facilities bear an average all-in interest rate of 3.9%.

Funding

In February 2014, Hansteen completed the refinancing of two facilities in Germany. Both the UniCredit and HBOS facilities were fully repaid and two new five-year facilities were secured with Helaba (€235.0 million) and HSBC (€108.0 million). Both banks were new to Hansteen.

The acquisition of the Pisces portfolio in Germany in December 2014 utilised another facility with HSBC for €40.0 million, of which €34.2 million was drawn, expiring in December 2019.

As at 31 December 2014, the Group had total bank facilities of £438.3 million (2013: £391.8 million), of which £433.8m were drawn (2013: £391.8 million). Borrowings are in the same currency as the assets against which they are secured. Cash resources at the year-end were £110.3 million (2013: £57.8 million).

As a result of securing the new facilities detailed above, the weighted average debt maturity at 31 December 2014 had increased to 3.8 years and the weighted average maturity of hedging was 3.1 years.

Analysis of the Group's bank loan facilities is set out below:

Bank loan facilities as at 31 December 2014

Lender	Facility millions	Amount undrawn millions	Unexpired term Years	All-in-interest rate	Loan to value covenant	Interest cover covenant
Helaba	€221.1	-	4.2	4.1%	60%	1.75:1
FGH	€85.3	-	2.3	3.4%	76%	1.65:1
HSBC	€107.0	-	4.2	3.2%	60%	2.00:1
HSBC	€40.0	€5.8	5.0	2.4%	50%	2.00:1
BNP Paribas Fortis	€6.7	-	8.3	1.6%	-	-
ING	€59.2	-	4.5	4.1%	75%	1.25:1
ING	€0.7	-	7.2	1.1%	-	-
DG Hyp	€2.7	-	2.5	3.3%	70%	1.25:1
Total Euro facilities	€522.7	€5.8				
Total Euro facilities in GBP	£407.1	£4.5				
Lloyds Banking Group	£20.9	-	1.0	3.7%	65%	1.60:1
Royal Bank of Scotland	£6.3	-	1.6	4.9%	45%	3.00:1
Royal Bank of Scotland	£4.0	-	3.0	5.5%	60%	2.00:1
Total facilities	£438.3	£4.5	1.8	3.6%		

The Group also has €100.0 million convertible bonds which were issued during 2013, expiring in 2018, with a coupon rate of 4.0%. In addition, the Group has a €2.7 million finance lease in place to fund a property in Belgium. As at 31 December 2014, the lease has an unexpired term of 9 years and an interest rate implicit in the lease of 4.8%.

Currency

Hansteen reports its results in Sterling. As at 31 December 2014, approximately 52% (£349 million or €448 million) of the Group's net assets were denominated in Euros. A natural currency hedge arises from the Group maintaining borrowings denominated in the same currency as the assets that they secure. To minimise any adverse changes in the Sterling: Euro exchange rate, and a resultant decrease in NAV, Hansteen has entered various foreign currency contracts.

During the year, Hansteen replaced its two €100 million currency options, with two new €100 million options, expiring in June 2016, at a rate of €1.3/£1. In addition, the Group has hedged €83.5 million of its expected future net Euro income with four options expiring at six monthly intervals between 30 June 2015 and 31 December 2016. These options are to put €83.5 million and call for GBP at varying rates from €1.3/£1 to €1.45/£1 with an overall weighted average of €1.366/£1. The aggregate of all of these currency options amounts to €283.5 million providing hedges against 63% of the Group's €448 million Euro net assets at 31 December 2014. The options expiring on 30 June 2016 and 31 December 2016 were entered into during the year. The aggregate premiums for the options entered into during the year were £3.7 million.

After taking into account the various currency hedges, even in a particularly stressed position of the Euro collapsing by 16.8% to €1.50:£1 from the year end rate, the Group would only lose approximately £24.0 million or 3.6% of its net asset value.

The Group's hedging policy, which is regularly reviewed by the Board, is as follows:

- Hedging instruments are used to cover a substantial proportion of Group Euro net assets and estimated net Euro income for the short-term.

- Hedges are implemented at levels which the Board believe are cost effective.

- Hedging is employed as an insurance policy against the impact of a significant fall in the value of the Euro against Sterling rather than a means to speculate for profit.

Markets

Although the investment market in our sector in the UK has improved significantly in a short time, it feels as if this momentum will continue for a while due both to the proliferation of well priced capital (both debt and equity) and to the gradual but real improvement in the occupational market and resulting rental growth.

We believe the investment market in our sector in Germany is also improving and, as with the UK, we may be surprised by how far and fast values improve. Over the last year our experience has been of a confident, successful economy benefitting from low interest rates and an artificially low currency. In our world that has translated into a strong occupational market, a competitive job market, rising construction costs and rising house prices, providing a positive back drop to our activities.

The Benelux market is lagging behind Germany and the UK both in terms of the strength of the occupational market and investment values but it appears to be following a similar path.

Property Cycle

Having a view on the property cycle is vital in setting the direction of the business over the next few years. Our business will be affected by the broad economy, interest rates and the availability of money and currency/cross border risks. Although every property cycle is unique, this current one is particularly different and difficult to read due to the unprecedented and ongoing intervention in financial markets by the world's central banks resulting in what looks likely to be a long period of relatively low growth and low interest rates. It feels to us that the current strength in both the occupational and investment markets has further to run and although there are clearly significant geopolitical risk concerns, were they to materialise, a diverse, high yielding industrial property portfolio is likely to be as good a place to be invested as any.

Outlook

As a Pan European business that reports in Sterling there are risks, both currency and otherwise, relating to the stability of the euro zone. We do our best to mitigate these both by our choice of investment regions and hedging the currency risk to a large extent. However, notwithstanding this the outlook for the business is excellent. We have a high yielding, diverse portfolio of properties valued at substantially below replacement cost. The regional network of offices and teams that we have established over the last ten years has proved to be first class at operating the business. Our portfolio still has a valuable vacant element to drive the rent roll and rents which look set to grow as the economies in which we operate improve. Risk adjusted returns from industrial property look high relative to many other investments and there is a significant weight of capital looking to invest.

Ian Watson Morgan Jones	Richard Lowes
Joint Chief Executives	Finance Director
6 March 2015	

PRINCIPAL RISKS AND UNCERTAINTIES

The Board recognises that risk management is essential for the Group to achieve its objectives. Whilst our principal risks have remained unchanged over the course of the year, senior management staff and the Board regularly consider the significant risks, which it believes are facing the Group, identify appropriate controls and if necessary instigate action to improve those controls.

There will always be some risk when undertaking property investments but the control process is aimed at mitigating and minimising these risks where possible. The key risks identified by the Board, the steps taken to mitigate them and additional commentary is as follows:

Principal Risk	Cause	Risk Management
Decline in property values Loss of rental income Increase in vacant property costs	Changes in the general economic environment can lead to the failure of tenants to renew or extend leases, as well as increasing the likelihood of tenant default	The Board believes these risks are reduced due to its policy of assembling a portfolio with a wide spread of different tenancies in terms of actual tenants, industry type and geographical location as well as undertaking thorough due diligence on acquisitions. The level of exposure to individual tenants is regularly monitored to ensure they are within manageable limits. Rent deposits or bank guarantees are requested where appropriate to mitigate against the effect of tenant defaults. Where possible, purchases are achieved at low capital values and with due investigation of tenant finances.
Inability to meet loan repayment requirements Insufficient credit Facility covenant breaches	Over-borrowing Significant rise in interest rates	In response to these risks Hansteen maintains a prudent approach to its borrowing levels by seeking to maintain headroom within its debt facility covenants and have cash resources that exceed immediate loan repayment requirements. The Board actively monitors current debt and equity levels as well as considering the future levels of debt and equity required to sustain the business. Current and projected compliance with loan covenants are monitored and compliance certificates are prepared on a regular basis. For all money borrowed consideration is given to procuring the appropriate hedging instruments to protect against increases in interest rates.
Fluctuations in foreign currency rates	Investment in overseas countries	In response to this risk the Group's borrowings in Europe are in Euro denominated loan facilities and therefore, to the extent that investments are financed by debt, a self hedging mechanism is in place. In relation to the equity element of the Group's Euro investments the Board monitors the level of exposure on a regular basis and considers the level and timing of when to take out the appropriate hedging instruments to cover this exposure. There is also a risk that one or more of the countries that the Group operates in could leave the Euro which may affect the nature of the Group's loans and derivatives or introduce new volatility and currency exposures for the Group to manage.
Environmental liabilities	Non compliance with laws and regulations	Each acquisition undertaken by the Group includes an environmental report from a specialist consultancy. These reports may highlight the need for further investigation and in some cases remediation. The Group's policy is then to either undertake such investigations or remediation or potentially reject the purchase as no longer viable.
Loss of REIT status and payment of additional corporation tax would arise from a breach of REIT compliance requirements	Non-compliance with REIT legislation	The risk of a breach of certain limits imposed by REIT legislation is mitigated through regular review of the Group's actual and forecast performance against REIT regime requirements.

CORPORATE AND SOCIAL RESPONSIBILITY

In line with Hansteen's policy of being environmentally and sociably responsible, environmental legislation and relevant codes of practice are adhered to. Where possible, Hansteen seeks to reduce emissions and pollution. Details of our Greenhouse Gas emissions are detailed in the Annual Report.

Hansteen continues to support local and national charities. Regular events are held in each office to support charitable causes. We will support staff who voluntarily give up their time to participate in charitable programmes during working hours. We continue to run a work experience programme with a local school in London.

Equality and Diversity
Hansteen has a diverse workforce and commitment to being an equal opportunities employer. We understand that the performance and engagement of our employees is critical to our business success. Our employment policies and practices reflect a culture where decisions are made solely on the basis of individual capability and potential in relation to the needs of the business.

Human Rights
Hansteen is respectful of Human Rights and aims to provide assurance to internal and external stakeholders that we are committed to the principles of the Universal Declaration of Human Rights.

We are committed to creating and maintaining a positive and professional work environment that complies with general Human Rights principles.

As at 31 December 2014, the composition of Hansteen's employees, including both Executive and Non-Executive Directors, was as follows:

	Number	
	Male	Female
Directors – Group (including Non-Executive Directors)	8	1
Senior managers and Company Secretary (excluding Directors)	4	2
All staff (excluding Directors and senior managers and Company Secretary)	52	44

RESPONSIBILITY STATEMENT

The responsibility statement has been prepared in connection with the Company's full Annual Report for the year ended 31 December 2014. Certain parts of the Annual Report are not included in this announcement, as described in note 1.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Chairman's Statement and the Joint Chief Executives' Review and Finance Review include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Ian Watson and Morgan Jones
Joint Chief Executives
6 March 2015

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £m	2013 £m
Revenue	2	**88.1**	83.0
Cost of sales	2	**(17.8)**	(13.8)
Gross profit	2	**70.3**	69.2
Other operating income	5	**6.8**	-
Administrative expenses		**(34.7)**	(19.8)
Share of results of associates	10	**43.2**	32.4
Operating profit before gains on investment properties		**85.6**	81.8
Profit on sale of investment properties		**3.6**	6.1
Fair value gains on investment properties		**62.9**	12.6
Operating profit		**152.1**	100.5
Finance income		**10.8**	6.6
Finance costs		**(31.7)**	(41.8)
Profit before tax		**131.2**	65.3
Tax	6	**(12.8)**	(7.3)
Profit for the year		**118.4**	58.0
Attributable to:			
Equity holders of the parent		**118.3**	58.0
Non-controlling interests		**0.1**	-
		118.4	58.0
Earnings per share			
Basic	8	**17.6p**	9.1p
Diluted	8	**17.0p**	9.0p

All results derive from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 **£m**	2013 £m
Profit for the year after tax	**118.4**	58.0
Other comprehensive (expense)/income:		
Exchange differences arising on translating foreign operations	**(21.7)**	8.2
Exchange differences recycled to the income statement on disposal of subsidiary	**0.5**	-
Total other comprehensive (expense)/income for the year	**(21.2)**	8.2
Total comprehensive income for the year	**97.2**	66.2
Attributable to:		
Equity holders of the parent	**97.1**	66.2
Non-controlling interests	**0.1**	-
	97.2	66.2

All components of other comprehensive (expense)/income will be recycled to profit and loss.

BALANCE SHEETS AS AT 31 DECEMBER 2014

	Note	2014 £m	2013 £m
Non-current assets			
Goodwill		**0.6**	2.3
Property, plant and equipment		**0.5**	0.3
Investment property	9	**953.9**	834.9
Investment in associates	10	**156.4**	124.7
Deferred tax asset		**2.4**	1.7
Derivative financial instruments		**5.1**	0.3
		1,118.9	964.2
Current assets			
Investment properties held for sale	9	**7.5**	4.6
Trading properties		**6.7**	10.1
Trade and other receivables		**25.3**	63.3
Derivative financial instruments		**0.5**	1.6
Cash and cash equivalents		**110.3**	57.8
		150.3	137.4
Total assets		**1,269.2**	1,101.6
Current liabilities			
Trade and other payables		**(34.0)**	(31.2)
Current tax liabilities		**(3.2)**	(2.1)
Derivative financial instruments		**-**	(0.5)
Borrowings	11	**(29.2)**	(125.5)
Obligations under finance leases		**(0.1)**	(0.2)
		(66.5)	(159.5)
Non-current liabilities			
Borrowings	11	**(494.6)**	(364.4)
Obligations under finance leases		**(2.6)**	(2.9)
Derivative financial instruments		**(5.7)**	(4.5)
Deferred tax liabilities		**(23.4)**	(15.3)
		(526.3)	(387.1)
Total liabilities		**(592.8)**	(546.6)
Net assets		**676.4**	555.0
Equity			
Share capital		**68.6**	64.1
Share premium		**114.4**	114.1
Other reserves		**(0.5)**	0.3
Translation reserves		**10.9**	32.1
Retained earnings		**482.6**	344.1
Equity attributable to equity holders of the parent		**676.0**	554.7
Non-controlling interest		**0.4**	0.3
Total equity		**676.4**	555.0

Approved by the Board of Directors and authorised for issue on 6 March 2014.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital £m	Share premium £m	Other reserves £m	Translation reserves £m	Merger reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total £m
Balance at 1 January 2013	63.9	112.7	-	23.9	-	314.9	515.4	0.9	516.3
Dividends	-	-	-	-	-	(29.3)	(29.3)	-	(29.3)
Share-based payments	-	-	-	-	-	0.8	0.8	-	0.8
Share option exercise	0.2	1.1	-	-	-	(0.3)	1.0	-	1.0
Shares issued as consideration for minority interest	-	0.3	0.3	-	-	-	0.6	(0.6)	-
Profit for the year	-	-	-	-	-	58.0	58.0	-	58.0
Other comprehensive expense for the year	-	-	-	8.2	-	-	8.2	-	8.2
Balance at 31 December 2013	64.1	114.1	0.3	32.1	-	344.1	554.7	**0.3**	555.0
Shares issued	**4.5**	**-**	**-**	**-**	**41.8**	**-**	**46.3**	**-**	**46.3**
Transferred to retained earnings	**-**	**-**	**-**	**-**	**(41.8)**	**41.8**	**-**	**-**	**-**
Dividends	**-**	**-**	**-**	**-**	**-**	**(33.6)**	**(33.6)**	**-**	**(33.6)**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**12.1**	**12.1**	**-**	**12.1**
Share options exercised	**-**	**0.3**	**-**	**-**	**-**	**(0.1)**	**0.2**	**-**	**0.2**
Purchase of own shares	**-**	**-**	**(0.8)**	**-**	**-**	**-**	**(0.8)**	**-**	**(0.8)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**118.3**	**118.3**	**0.1**	**118.4**
Other comprehensive income for the year	**-**	**-**	**-**	**(21.2)**	**-**	**-**	**(21.2)**	**-**	**(21.2)**
Balance at 31 December 2014	**68.6**	**114.4**	**(0.5)**	**10.9**	**-**	**482.6**	**676.0**	**0.4**	**676.4**

Other reserves comprise a gain upon acquisition of a minority interest and a deficit relating to the purchase of the Company's own shares.

The merger reserve comprises the share premium generated under the cash-box arrangement for the Placing and Open Offer in April 2014. No share premium is recorded in the Company's financial statements through the operation of the merger relief provisions of the Companies Act 2006. £41.8 million has been transferred to retained earnings, net of costs of £0.8 million in relation to this share issue.

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £m	2013 £m
Net cash inflow from operating activities	12	**39.2**	33.5
Investing activities			
Interest received		**1.0**	1.2
Investments in associates		**(42.9)**	(65.2)
Acquisition of business		**-**	(0.3)
Proceeds from sale of subsidiary		**4.8**	23.5
Proceeds from sale of associate		**25.1**	-
Additions to property, plant and equipment		**(0.4)**	(0.2)
Additions to investment properties		**(101.1)**	(99.5)
Proceeds from sale of investment properties		**34.0**	63.2
Loan acquired		**-**	(36.6)
Distributions received from associates		**27.8**	3.5
Net cash used in by investing activities		**(51.7)**	(110.4)
Financing activities			
Dividends paid		**(33.0)**	(29.0)
Proceeds from issue of shares		**47.3**	1.0
Cost of issuing shares		**(0.8)**	-
Own shares acquired		**(0.9)**	-
Repayments of obligations under finance leases		**(0.2)**	(0.2)
New borrowings raised (net of expenses)		**344.8**	189.5
Bank loans repaid		**(284.5)**	(144.4)
Outflow on derivative financial instruments		**(7.0)**	(0.4)
Proceeds on disposal of derivative financial instruments		**0.7**	-
Net cash generated by financing activities		**66.4**	16.5
Net increase/(decrease) in cash and cash equivalents		**53.9**	(60.4)
Cash and cash equivalents at beginning of year		**57.8**	118.9
Effect of changes in foreign exchange rates		**(1.4)**	(0.7)
Cash and cash equivalents at end of year		**110.3**	57.8

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. General information

Hansteen Holdings PLC ('the Company') is a company which was incorporated in the United Kingdom and registered in England and Wales on 27 October 2005. The Company is required to comply with the provisions of the Companies Act 2006. The address of the registered office is 1st Floor, Pegasus House, 37-43 Sackville Street, London W1S 3DL.

The Company together with its subsidiaries ('the Group') principal activity is investing in mainly industrial properties in Continental Europe and the United Kingdom.

These condensed financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

Basis of preparation

The financial information set out in these condensed financial statements does not constitute the Company's statutory accounts for the years ended 31 December 2014 or 2013, but is derived from those accounts. Statutory accounts for 2013 have been delivered to the Registrar of Companies and those for 2014 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

The statutory accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee as endorsed by the EU relevant to its operations and effective for accounting periods beginning on 1 January 2014.

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements, but may impact the accounting for future transactions and arrangements:

• IFRS 10	• Consolidated Financial Statements
• IFRS 11	• Joint Arrangements
• IFRS 12	• Disclosure of Interests in Other Entities
• Amendments to IAS 27	• Separate Financial Statements
• Amendments to IAS 28	• Investments in Associates and Joint Ventures
• Amendments to IAS 32	• Offsetting Financial Assets and Financial Liabilities
• Amendments to IAS 36	• Recoverable Amount Disclosures for Non-Financial Assets
• Amendments to IAS 39	• Novation of Derivatives and Continuation of Hedge Accounting
• Amendments to IFRS 10, IFRS 12 and IAS 27	• Investment Entities

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group:

• IFRS 9	• Financial Instruments
• Amendments to IFRS 11	• Accounting for Acquisitions of Interests in Joint Operations
• IFRS 14	• Regulatory Deferral Accounts
• IFRS 15	• Revenue from Contracts with Customers
• Amendments to IAS 16 and IAS 38	• Clarification of Acceptable Methods of Depreciation and Amortisation
• Amendments to IAS 19	• Defined Benefit Plans: Employee Contributions
• Amendments to IAS 27	• Equity Method in Separate Financial Statements
• Amendments to IFRS 10 and IAS 28	• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
• Annual Improvements to IFRSs: 2012-2014	• Annual Improvements to IFRSs

The Directors are currently evaluating the impact of the adoption of the above standards and interpretations in future periods on the financial statements of the Group.

2. Revenue and cost of sales

An analysis of the Group's revenue and cost of sales is as follows:

	2014 £m	2013 £m
Investment property rental income	**78.8**	78.4
Trading property sales	**3.3**	1.4
Property management fees	**6.0**	3.2
Revenue	**88.1**	83.0
Direct operating expenses relating to investment properties that generated rental income	**(14.3)**	(12.2)
Direct operating expenses relating to investment properties that did not generate rental income	**(0.1)**	(0.2)
Direct operating expenses	**(14.4)**	(12.4)
Cost of sales of trading properties	**(3.4)**	(1.4)
Cost of sales	**(17.8)**	(13.8)
Gross profit	**70.3**	69.2

3. Normalised Income Profit and Normalised Total Profit

Normalised Income Profit and Normalised Total Profit are adjusted measures intended to show the underlying earnings of the Group before fair value movements and other non-recurring or otherwise non-cash one-off items. A reconciliation of the Normalised Income Profit and Normalised Total Profit reconciled to the profit before tax prepared in accordance with IFRS rules is set out below.

	2014			2013		
	Group £m	**Share of associate £m**	**Total £m**	Group £m	Share of associate £m	Total £m
Investment property rental income	**78.8**	**21.3**	**100.1**	78.4	8.4	86.8
Direct operating expenses	**(14.3)**	**(2.9)**	**(17.2)**	(12.4)	(1.3)	(13.7)
Property management fees	**6.0**	**-**	**6.0**	3.2	-	3.2
Administrative expenses	**(20.0)**	**(2.6)**	**(22.6)**	(16.9)	(1.1)	(18.0)
Net interest payable	**(13.1)**	**(5.0)**	**(18.1)**	(16.6)	(2.3)	(18.9)
Normalised Income Profit	**37.4**	**10.8**	**48.2**	35.7	3.7	39.4
Profit on sale of investment properties	**3.6**	**6.9**	**10.5**	6.1	0.7	6.8
Loss on sale of trading properties	**(0.1)**	**-**	**(0.1)**	-	-	-
Direct costs relating to trading properties	**(0.1)**	**-**	**(0.1)**	-	-	-
Total profits on sale of investment and trading properties	**3.4**	**6.9**	**10.3**	6.1	0.7	6.8
Other operating income	**6.8**	**-**	**6.8**	-	0.1	0.1
Normalised Total Profit	**47.6**	**17.7**	**65.3**	41.8	4.5	46.3
Negative goodwill and other gains	**-**	**1.6**	**1.6**	0.3	19.3	19.6
Acquisition and reorganisation costs	**-**	**-**	**-**	(3.3)	-	(3.3)
LTIP charge	**(13.6)**	**-**	**(13.6)**	-	-	-
Goodwill impairment	**(1.1)**	**-**	**(1.1)**	-	-	-
Fair value gains on investment properties	**62.9**	**25.1**	**88.0**	12.6	8.3	20.9
Issue costs of convertible bond	**-**	**-**	**-**	(1.6)	-	(1.6)
Change in fair value of currency options	**1.0**	**-**	**1.0**	(3.6)	-	(3.6)
Change in fair value of interest rate swaps and caps	**(5.1)**	**(1.2)**	**(6.3)**	5.4	0.3	5.7
Change in fair value of convertible bond	**3.2**	**-**	**3.2**	(14.5)	-	(14.5)
Foreign exchange losses	**(6.9)**	**-**	**(6.9)**	(4.2)	-	(4.2)
Profit before tax	**88.0**	**43.2**	**131.2**	32.9	32.4	65.3

- Other operating income includes £3.6 million comprising an insurance receipt relating to an investment property damaged by fire in a previous period and £3.2 million relating to a gain arising on the repayment of a loan that was repaid as part of the acquisition of a property portfolio in the Netherlands that the loan was secured upon.
- Negative goodwill and other gains relates to a gain of £1.3 million recognised on the winding-up of Norwepp Limited Partnership and a gain recognised upon acquiring units in the Ashtenne Industrial Fund Unit Trust of £0.3 million (2013: £19.3 million).
- The LTIP charge of £13.6 million relates to a potential bonus share award for the three-year period ending on 31 December 2015.
- During the year goodwill was impaired by £1.1 million.

4. Operating segments

Segment revenues and results

The Group's reportable segments are determined by geographic location, which represents the information reported to the Group's Directors for the purposes of resource allocation and assessment of segment performance. A segment's result consists of its gross profit as detailed for the Group in note 2. Administrative expenses and net finance costs are managed as central costs and are therefore not allocated to segments. Gains/(losses) on investment properties by segment is also presented below.

	Revenue 2014 £m	**Result 2014 £m**	Revenue 2013 £m	Result 2013 £m
Belgium	**1.5**	**1.1**	1.9	1.4
France	**1.4**	**1.1**	1.7	1.7
Germany	**51.2**	**42.5**	52.0	44.2
Netherlands	**14.8**	**11.7**	9.2	7.8
UK	**19.2**	**13.9**	18.2	14.1
Total segment result	**88.1**	**70.3**	83.0	69.2
Other operating income		**6.8**		-
Administrative expenses		**(34.7)**		(19.8)
Share of results of associate		**43.2**		32.4
Operating profit before gains/(losses) on investment properties		**85.6**		81.8
Gains/(losses) on investment properties by segment:				
Belgium	**(0.4)**		(1.5)	
France	**(0.1)**		0.2	
Germany	**35.5**		16.1	
Netherlands	**19.3**		(4.7)	
UK	**8.6**		2.5	
Total gains on investment properties		**62.9**		12.6
Profit on disposal of investment properties		**3.6**		6.1
Operating profit		**152.1**		100.5
Net finance costs		**(20.9)**		(35.2)
Profit before tax		**131.2**		65.3

Segment assets

For the purposes of monitoring segment performance and allocated resources between segments, the Directors monitor the investment and trading properties attributable to each segment. All assets are allocated to reportable segments with the exception of investments in associates and elements of cash, derivatives and tax balances that are managed centrally.

2014

	Investment properties* £m	**Trading properties £m**	**Total properties £m**	**Other assets £m**	**Total assets £m**	**Additions to investment properties £m**	**Non-current assets £m**
Belgium	**18.4**	**-**	**18.4**	**1.3**	**19.7**	**0.3**	**18.4**
France	**11.6**	**-**	**11.6**	**0.9**	**12.5**	**0.1**	**11.6**
Germany	**604.8**	**-**	**604.8**	**26.3**	**631.1**	**48.1**	**605.3**
Netherlands	**212.2**	**-**	**212.2**	**5.8**	**218.0**	**92.1**	**212.3**
UK	**114.4**	**6.7**	**121.1**	**171.2**	**292.3**	**0.8**	**270.9**
Total segment assets	**961.4**	**6.7**	**968.1**	**205.5**	**1,173.6**	**141.4**	**1,118.5**
Unallocated assets					**95.6**		**0.4**
Total assets					**1,269.2**		**1,118.9**

2013

	Investment properties* £m	Trading properties £m	Total properties £m	Other assets £m	Total assets £m	Additions to investment properties £m	Non-current assets £m
Belgium	25.5	-	25.5	2.8	28.3	0.3	27.2
France	12.5	-	12.5	2.9	15.4	-	12.5
Germany	575.6	-	575.6	26.4	602.0	19.0	574.9
Netherlands	110.9	-	110.9	3.5	114.4	0.2	111.0
UK	115.0	10.1	125.1	139.8	264.9	60.8	236.1
Total segment assets	839.5	10.1	849.6	175.4	1,025.0	80.3	961.7
Unallocated assets					76.6		2.5
Total assets					1,101.6		964.2

* Includes investment properties held for sale.

5. Other operating income

Other operating income includes £3.6 million comprising an insurance receipt relating to an investment property damaged by fire in a previous period and £3.2 million relating to a gain arising on the repayment of a loan that was repaid as part of the acquisition of a property portfolio in the Netherlands that the loan was secured upon.

6. Tax

	2014 £m	2013 £m
UK current tax		
Credit in respect of prior years	**(0.4)**	(0.6)
Foreign current tax		
On net income of the current year	**3.5**	3.2
Total current tax	**3.1**	2.6
Deferred tax	**9.7**	4.7
Total tax charge	**12.8**	7.3

UK Corporation tax is calculated at 21.5% (2013: 23.25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2014 £m	2013 £m
Profit before tax	**131.2**	65.3
Tax at the UK corporation tax rate of 21.5% (2013: 23.25%)	**28.2**	15.2
Tax effect of:		
UK tax not payable due to REIT exemption	**(5.7)**	(4.2)
Deferred tax assets not recognised	**(3.8)**	0.6
Effect of different tax rates in overseas subsidiaries	**(1.6)**	(4.2)
(Income)/expenses that are not in taxable profit	**(4.0)**	0.4
Change in deferred tax due to change in tax rate	**0.1**	0.1
Adjustment in respect of prior years	**(0.4)**	(0.6)
Tax charge for the year	**12.8**	7.3

The Group elected to be a UK REIT in 2009 following admission to the Official List. The UK REIT rules exempt the profits of the Group's property rental business from UK corporation tax. Gains on UK properties are also exempt from tax provided they are not held for trading. The Group's UK activities are otherwise subject to UK corporation tax. To remain a UK REIT there are a number of conditions to be met in respect of the principal company of the Group, the Group's qualifying activity and its balance of business which are set out in the UK REIT legislation in the Corporation Tax Act 2010.

7. Dividends

	2014 £m	2013 £m
Amounts recognised as distributions to equity holders in the period:		
Second dividend for the year ended 31 December 2013 of 2.9p (2012: 2.7p) per share	**19.9**	17.2
Interim dividend for the year ended 31 December 2014 of 2.0p (2013: 1.9p) per share	**13.7**	12.1
	33.6	29.3

As a REIT, the Company is required to pay Property Income Distributions ('PIDs') equal to at least 90% of the Group's exempted net income, after deduction of withholding tax at the basic rate (currently 20%). £9.6 million of the dividends paid during the year ended 31 December 2014 is attributable to PIDs (2013: £11.9 million).

8. Earnings per share and net asset value per share

The European Public Real Estate Association (EPRA) has issued recommended bases for the calculation of certain earnings per share (EPS) information. Diluted EPRA EPS is reconciled to the IFRS measure in the following table.

	2014 Earnings £m	**2014** Weighted average number of shares m	**2014** Earnings per share pence	2013 Earnings £m	2013 Weighted average number of shares m	2013 Earnings per share pence
Normalised Income Profit	**48.2**	**673.9**	**7.1**	39.4	639.0	6.2
Normalised Total Profit	**65.3**	**673.9**	**9.7**	46.3	639.0	7.3
Basic EPS	**118.3**	**673.9**	**17.6**	58.0	639.0	9.1
Dilutive share options	**-**	**24.1**		-	4.2	
Diluted EPS	**118.3**	**698.0**	**17.0**	58.0	643.2	9.0
Basic EPS	**118.3**	**673.9**	**17.6**	58.0	639.0	9.1
Adjustments:						
Revaluation gains on investment properties	**(62.9)**			(12.6)		
Profit on the sale of investment properties	**(3.6)**			(6.1)		
Impairment of goodwill	**1.1**			-		
Profit on derecognition of a financial asset	**(3.2)**			-		
Loss on sale of trading properties	**0.2**			-		
Cost of acquiring subsidiaries	**-**			(0.3)		
Gain on acquisition of associate	**(0.3)**			(19.3)		
Issue costs of convertible bond	**-**			1.6		
Change in fair value of derivatives	**4.1**			(1.8)		
Change in fair value of convertible bond (excluding foreign exchange)	**3.4**			16.5		
Adjustment in respect of associates	**(30.8)**			(9.4)		
Income tax on the above items	**10.0**			5.3		
EPRA EPS	**36.3**	**673.9**	**5.4**	31.9	639.0	5.0
Dilutive share options	**-**	**24.1**		-	4.2	
Diluted EPRA EPS	**36.3**	**698.0**	**5.2**	31.9	643.2	5.0

The calculations for net asset value (NAV) per share are shown in the table below:

	2014			2013		
	Equity shareholders' funds £m	**Number of shares m**	**Net asset value per share pence**	Equity shareholders' funds £m	Number of shares m	Net asset value per share pence
Basic NAV	**676.0**	**685.0**	**99**	554.7	641.5	86
Unexercised share options	**-**	**24.1**		0.2	4.4	
Diluted NAV	**676.0**	**709.1**	**95**	554.9	645.9	86
Adjustments:						
Goodwill	**(0.6)**			(2.3)		
Fair value of interest rate derivatives	**5.7**			4.8		
Adjustments in respect of associates	**0.4**			0.5		
Mark-to market of convertible bond	**18.4**			16.2		
Deferred tax	**21.1**			13.5		
EPRA NAV	**721.0**	**709.1**	**102**	587.6	645.9	91

9. Investment property

	2014 £m	2013 £m
At 1 January	**834.9**	821.4
Additions – direct property purchases	**135.6**	62.7
– capital expenditure	**5.8**	17.5
Lease incentives	**0.3**	1.7
Letting costs	**0.1**	0.7
Revaluation	**62.9**	12.6
Disposals	**(27.4)**	(91.7)
Transfer to investment property held for sale	**(7.5)**	(4.6)
Exchange adjustment	**(50.8)**	14.6
At 31 December	**953.9**	834.9
Investment property held for sale:		
At 1 January	**4.6**	10.9
Disposals	**(4.6)**	(11.4)
Transfer from investment property	**7.5**	4.6
Exchange adjustment	**-**	0.5
At 31 December	**7.5**	4.6

- Included within the property valuation is £2.5 million (2013: £2.5 million) in respect of tenant lease incentives granted. Investment property includes £2.7 million of property (2013: £3.0 million) held under finance leases.
- Properties classified as held for sale at 31 December 2014 represent properties that were actively marketed as at the year end and have subsequently been sold, or agreements for their sale have been entered into.
- All investment properties are stated at fair value as at 31 December and have been valued by independent professionally qualified external valuers CBRE, DTZ, Jones Lang LaSalle or Knight Frank LLP. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards January 2014, published by The Royal Institution of Chartered Surveyors and with IVA1 of the International Valuation Standards.
- The valuations are based on a number of assumptions, the significant ones of which are the appropriate discount rates, estimates of future rental income and capital expenditure. Rental income and yield assumptions are supported by market evidence where relevant.
- The Group has pledged certain of its investment properties to secure bank loan facilities and a finance lease granted to the Group.

10. Investment in associates

	2014	2013
	£m	£m
Cost and net book value:		
Balance at 1 January 2014	**124.7**	32.7
Investment in associates	**42.9**	64.5
Capital redemption	**(6.1)**	-
Disposal of associate	**(25.1)**	-
Share of results of associates	**43.2**	32.4
Distributions received	**(20.1)**	(2.9)
Distributions accrued	**(3.1)**	(1.7)
Less share of profit on properties sold to associates	**-**	(0.3)
At 31 December 2014	**156.4**	124.7

During 2014, the Group acquired a further 9.2% stake in Ashtenne Industrial Fund Unit Trust, bringing its total investment to 36.7% (2013: 27.5%). The Group also acquired additional units in Hansteen UK Industrial Property II Limited Partnership, retaining its holding of 33.3%.

In October 2014 the Group disposed of the majority of the portfolio held in Hansteen UK Industrial Property Unit Trust ("HPUT"). This was facilitated by a reorganisation of legal entities during which the Group exchanged its 33% interest in HPUT for a 33% interest in a new unit trust, Hansteen Saltley Unit Trust, which became the legal owner of HPUT. Hansteen Saltley Unit Trust retained one property before disposing of the remaining portfolio by selling its investment in HPUT. As part of the sale of HPUT, Hansteen invested a further 17% in Hansteen Saltley Unit Trust and therefore owned 50% at the year-end.

The Group has the following interests in associates:

Name of associate	**Place of establishment**	**Ownership %**	**Voting rights %**
Hansteen UK Industrial Property Unit Trust II ("HPUT II")	Jersey	33.3	30.0
Ashtenne Industrial Fund Unit Trust ("AIF")	Jersey	36.7	36.7
Hansteen Saltley Unit Trust ("SUT")	Jersey	50.0	50.0

Aggregated amounts relating to associates

Summarised balance sheets	**HPUT £m**	**HPUT II £m**	**SUT £m**	**AIF £m**	**2014 £m**	2013 £m
Investment properties	**-**	**182.5**	**36.3**	**425.5**	**644.3**	712.6
Cash	**-**	**8.4**	**0.4**	**31.3**	**40.1**	74.2
Borrowings	**-**	**(68.4)**	**(19.6)**	**(146.4)**	**(234.5)**	(346.0)
Other net liabilities	**-**	**(4.5)**	**(0.5)**	**(13.3)**	**(18.2)**	(20.5)
Net assets	**-**	**118.0**	**16.5**	**297.1**	**431.7**	420.3

	HPUT £m	**HPUT II £m**	**SUT £m**	**AIF £m**	**2014 £m**	2013 £m
Revenues	**9.0**	**10.7**	**0.4**	**42.2**	**62.2**	33.4
Profit	**21.1**	**25.4**	**0.8**	**79.8**	**127.0**	46.0

The revenues and profit above relate to the period of ownership by the Group.

11. Borrowings

	2014	2013
	£m	£m
Bank loans	**433.8**	391.2
Convertible bond	**96.3**	99.5
Unamortised borrowing costs	**(6.3)**	(0.8)
	523.8	489.9
Current liability	**29.2**	125.5
Non-current liability	**494.6**	364.4
The bank loans and convertible bond are repayable as follows:		
Within one year or on demand	**30.9**	125.5
Between one and two years	**14.3**	175.3
Between three and five years	**482.3**	184.4
Over five years	**2.6**	5.5
	530.1	490.7
Undrawn committed facilities		
Expiring between two and five years	**4.5**	-

			Covenants	
Facility	**Drawn**	**Expiry**	**Loan to value**	**Interest cover**
£20.9 million	£20.9 million	December 2015	65%*	160%
£6.3 million	£6.3 million	August 2016	45%	300%
€85.3 million	€85.3 million	April 2017	76%*	165%
€2.6 million	€2.6 million	June 2017	70%	125%
£4.0 million	£4.0 million	January 2018	60%	200%
€100.0 million	€100.0 million	July 2018	-	-
€107.0 million	€107.0 million	December 2018	60%	200%
€221.1 million	€221.1 million	February 2019	60%	175%
€59.3 million	€59.3 million	June 2019	75%	125%
€40.0 million	€34.2 million	December 2019	50%	200%
€7.4 million	€7.4 million	January 2021 to March 2025	-	-

* On the £20.9 million facility the loan to value covenant reduced to 55% on 1 January 2015. On the €85.3 million facility the loan to value covenant reduces by 2% per year.

Security for secured borrowings at 31 December 2014 is provided by charges on property with an aggregate carrying value of £929 million (31 December 2013: £744 million).

In July 2013, Hansteen (Jersey) Securities Limited issued €100 million of convertible bonds with a coupon of 4.0%. The bonds will, subject to the satisfaction of certain conditions, be convertible into ordinary shares of the Company. The initial conversion price was set at a premium of 22.5% above the volume weighted average share price between launch and pricing, and will be subject to adjustments pursuant to the terms and conditions of the bonds.

Bonds can be converted at the option of the bond holder from 15 July 2016. The bonds may be converted before this date if Hansteen's share price (expressed in euro at the current exchange rate) is more than 130% of the current conversion price (expressed in euro at a fixed exchange rate) for a period of 20 consecutive dealing days within the 30 dealing days ending on the day before the last dealing day of any calendar quarter. Bond holders can only exercise their conversion rights in the quarter following the quarter in which the ratio was above 130% for the required period.

Under the terms of the bonds, the Company will have the right to elect to settle any conversion entirely in ordinary shares of the Company, cash or a combination of shares and cash. If not previously converted, redeemed or purchased and cancelled, the bonds will be redeemed at par in July 2018.

Interest rate and currency profile

	2014 **%**	**2014** **£m**	2013 %	2013 £m
Euro	**2.9**	**489.9**	2.3	448.0
Sterling	**3.7**	**31.2**	3.6	42.7
	3.0	**530.1**	2.5	490.7

The Group enters into derivative financial instruments to provide an economic hedge to its interest rate risk. After taking into account the effect of the interest rate swaps the weighted average interest rates are 3.3% for the euro borrowings (2013: 3.5%) and 4.3% for the Sterling borrowings (2013: 4.0%).

12. Notes to the cash flow statement

	2014 **£m**	2013 £m
Profit for the year	**118.4**	58.0
Adjustments for:		
Share-based payments	**12.2**	0.8
Depreciation of property, plant and equipment	**0.2**	0.1
Goodwill impairment	**1.1**	-
Share of profits of associate	**(43.2)**	(32.4)
Profit on sale of investment properties	**(3.6)**	(6.1)
Gain on disposal of loan	**(3.0)**	-
Fair value gains on investment properties	**(62.9)**	(12.6)
Net finance costs	**20.9**	35.2
Tax charge	**12.8**	7.3
Operating cash inflows before movements in working capital	**52.9**	50.3
Decrease in trading properties	**3.4**	0.7
Increase in receivables	**2.2**	(2.7)
Increase in payables	**0.4**	4.1
Cash generated from operations	**58.9**	52.4
Income taxes paid	**(1.6)**	(2.9)
Interest paid	**(18.1)**	(16.0)
Net cash inflow from operating activities	**39.2**	33.5

13. Share-based payments

During the year ended 31 December 2014, the Group had three equity settled share schemes.

- 2005 Share Option Scheme
- Long-term incentive plan
- Performance Share Plan

The total share-based payment charge for the year under these schemes was £12.1 million (2013: £0.4 million).

2005 Share Option Scheme

The 2005 Share Option Scheme is open to certain senior employees of the Group and during the year had two participants. Options are exercisable at a price equal to the average quoted market price of the ordinary shares of the Company on the date of grant. The options have a three-year vesting period that is not subject to performance conditions. The options expire if they remain unexercised after a period of 10 years from the date of grant. Options are normally forfeited if the employee leaves the Group before the options vest. No options were granted under this scheme during the year. The following table summarises the movements in the schemes during the year:

Year issued	Exercise price	Outstanding at start of year	Exercised	Outstanding at end of year	Number exercisable	Average remaining life (years)
2006	120.5p	100,000	-	100,000	100,000	1.2
2011	83.4p	300,000	(300,000)	-	-	-

The aggregate fair value of the outstanding options is £38,000. The weighted average remaining life is 1.2 years (2013: 4.7 years). The total share-based payment charge for the year under this scheme was £nil (2013: £nil).

Founder Long-term incentive scheme (LTIP)

The Joint Chief Executives are entitled to a bonus share award dependant on the growth in EPRA NAV. The target for the bonus is that EPRA NAV per ordinary share (after adding back dividends and other returns to shareholders) must exceed a compound growth rate of 10% per annum in a three-year period. The bonus for each Chief Executive is calculated as 12.5% of the excess growth over the 10% growth target.

Any amount payable under the LTIP is to be satisfied in full by ordinary shares of the Company. No shares have been issued under the LTIP since flotation in 2005. This bonus scheme will be repeated to reward performance in each three-year period, the current performance period ends on 31 December 2015.

The price per share to be used when determining the number of shares which the Joint Chief Executives are entitled to will be the average mid-market quotation for such shares on the Main Market for the first 20 dealing days immediately following the end of the relevant period. It is expected that a bonus share award will be earned for the current performance period. As such, a charge has been recognised during the current year which takes into account the excess growth over the performance target over the performance period, multiplied by the number of shares in issue as at the year end. Two thirds of the calculated bonus has been accrued in the income statement for the year ended 31 December 2014 (2013: £nil).

The total share-based payment charge for the year under this scheme was £11.1 million with associated social security costs of £2.5 million (2013: £nil).

Performance Share Plan (PSP)

The PSP awards share options with a nil exercise price to executive directors and senior employees. The number of options granted is calculated with reference to the employee’s salary and the share price prior to the grant date. To reflect the fact that 2012 was a transitional year between the 2005 Share Option Scheme and the PSP, two awards were granted to participants, one with a two-year performance period and one with a three-year performance period. Vesting of the awards is staggered over the three years following the performance period, with one third vesting each year if performance targets are met. Performance targets are based on Total Shareholder Return and Net Asset Value growth, plus dividends, relative to a peer group of listed UK REITs.

Year issued	Exercise price	Outstanding at start of year	Granted	Exercised	Lapsed	Outstanding at end of year	Number exercisable	Average remaining life (years)
2012	nil	2,868,895	-	(62,331)	(268,021)	2,588,103	205,690	7.5
2013	nil	1,270,244	-	-	-	1,270,244	-	8.2
2014	nil	-	1,095,168	-	-	1,095,168	-	9.3

The total share-based payment charge for the year under this scheme was £1.0 million with associated social security costs of £0.2 million (2013: £0.8 million and £0.1 million respectively).

The inputs to the valuation were:

	2012	2013	2014
Weighted average share price	72.3p	86.4p	109.2p
Weighted average exercise price	nil	nil	nil
Weighted average fair value	51.7p	69.8p	79.4p
Expected volatility	31.1%	24.3%	22.86%
Expected life	2 years	2 years	2 years
Risk free rate	0.21%	0.30%	1.07%

14. Events after the balance sheet date

A second dividend in respect of the year ended 31 December 2014 of 3.0p per share will be payable on 21 May 2015 to shareholders on the register on 24 April 2015. At the same time, a special dividend of 3.0p per share will be paid.

The UK corporation tax rate will fall on 1 April 2015 from the current rate of 21% to 20%. The impact of the rate change is not significant to the Group.

On 20 February 2015, the Group acquired an additional 4.1% stake in the Ashtenne Industrial Fund Unit Trust for £11.0 million.