15 March 2016

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

HANSTEEN REPORTS RECORD YEAR

Hansteen (LSE: HSTN), the investor in UK and continental European industrial property, announces its full year results for the year ended 31 December 2015.

Financial Highlights

- IFRS profit before tax increased by 30.6% to £171.4 million (FY 2014: £131.2 million)
- EPRA NAV per share increased by 9% to 111p (31 December 2014: 102p)
- Total return to shareholders of 17.6p or 17.3% (EPRA NAV plus 8.1p dividend paid)
- Full year dividend increased by 5.0% to 5.25p per share (2014: 5.0p per share)
- Normalised Income Profit of £47.2 million (FY 2014: £48.2 million)
- Normalised Total Profit of £63.2 million (FY 2014: £65.3 million)
- Net debt to property value ratio of 41.2% (31 December 2014: 41.1%)

Operational Highlights

- Acquisition of units in the Ashtenne Industrial Fund Unit Trust (“AIF”) increasing our interest from 36.7% to 81.8% during the year
- Sale of HPUT II for £192.1 million at a profit to Hansteen of £4.7 million and £31.7 million over total acquisition cost
- £86.3 million of other sales at a yield of 6.9% with a total profit of £8.7 million (over 31 December 2014 valuation) and £21.2 million over total acquisition cost
- £68.0 million of properties acquired at an average yield of 7.8%
- Property valuation increase across the total portfolio of 11.1%
- Like-for-like occupancy improvement of 148,404 sq m
- Like-for-like rent roll improvement of £2.0 million per annum
- Placing of 35.7 million shares to raise £39.4 million

James Hambro, Chairman, commented: “Once again it has been a record year with the business making a total return to shareholders of 17.6p per share or 17.3%. While we expect that the UK and European economies over the next few years will be subject to low interest rates and low growth, this environment should play to Hansteen’s strengths. We pay a high dividend, well covered by earnings and we have the capacity to continue to grow these earnings through a combination of improving occupancy, rental growth and income enhancing trading; selling lower yielding properties and buying higher yielding properties”.

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CHAIRMAN'S REVIEW

I am pleased to present Hansteen's results and Strategic Report for the year ended 31 December 2015. Once again it was a record year. EPRA NAV grew by 9.5p per share after payment of dividends of 8.1p per share, which included a special dividend of 3p per share, making a total return on capital to shareholders of 17.6p per share or 17.3%.

RESULTS

Hansteen's IFRS pre-tax profit for the year increased by 30.6% to £171.4 million (2014: £131.2 million). This is a record result for Hansteen and reflects a strong performance for the business throughout the year. The property valuation improvement of the owned or co-owned portfolio was £153.8 million, an increase of 11.1% over the year.

Normalised Income Profit ("NIP"), which excludes profits or losses from the sale of properties, essentially the recurring earnings of the business, were £47.2 million (2014: £48.2 million). Normalised Total Profit ("NTP"), being NIP plus profits and losses from property sales and realised profits from one-off items, was £63.2 million (2014: £65.3 million). Both NIP and NTP were adversely affected by the fall in the value of the Euro. The Income Statement is prepared using the average currency exchange rate for the year under review. The sterling: euro exchange rate applied in our 2015 results was 11% lower than that in 2014. Both the NIP and the NTP would have exceeded the 2014 figures had the exchange rate remained constant.

The Group's EPRA Net Asset Value was 111.2p per share (2014: 101.7p) after paying both a normal dividend of 5.1p per share and a special dividend of 3p per share.

2015 was Hansteen's tenth year since its initial public offering on AIM in November 2005. It has been a volatile decade which included the banking and financial crisis and during this period our business has grown substantially. We have joined the main market of the London Stock Exchange, converted to a Real Estate Investment Trust ("REIT"), entered the FTSE 250 and EPRA indices and assembled a property portfolio of more than £1.4 billion. Hansteen's ten year record of total shareholder return has been amongst the top 10% in the sector. From the start, the business has paid a fully covered dividend which has grown steadily over the period and is now 75% higher than the first dividend in 2006.

The shareholders' weighted average total return over the 10 year period, based on either, share price and dividends, or on NAV plus dividends, has been amongst the top performing in the REIT sector. Based on NAV growth plus dividends, the weighted average return on capital invested by our shareholders is more than 11% per annum. On share price plus dividends the return is 13.6% per annum.

The Board's strategy has consistently been to focus on realised returns through rental income and profit on sales generated from a strong and diversified tenant base. This allows Hansteen to pay a well-covered and growing dividend. When Hansteen was listed in 2005, a Founder Long Term Incentive Plan ("Founder LTIP") was approved by the shareholders. No awards have been made under the LTIP since it was introduced ten years ago. However, as a result of the high returns earned by the business over the last three year performance period, the Joint Chief Executives have received a material award, under the Founder LTIP, of 12.1 million shares each, after deduction of PAYE and National Insurance contributions. Full details of both the plan and the award calculation are set out in the Financial Review.

DIVIDEND

The Board is committed to a prudently progressive dividend policy to reflect the high and growing income generated by the business.

The interim dividend paid on 20 November 2015 was increased to 2.1p per share (November 2014: 2.0p per share) and the second ongoing dividend, is being increased to 3.15p per share (May 2015: 3p per share). This represents a 5% increase in the full year dividend. The ex-dividend date is 21 April 2016 and this dividend is payable on 19 May 2016 to shareholders on the register at the close of business on 22 April 2016. A Property Income Distribution ("PID") of 1.35p is included in this second interim dividend payment.

BOARD CHANGES

As stated in the interim report, Richard Mully, a Non-Executive Director retired from the Board at the AGM in June 2015, after nine years as a Board member. Richard Cotton also retired from the Board on 30 September 2015 after five years as a Non-Executive Director. Humphrey Price has indicated that he will retire from the Board at the Annual General Meeting in 2016 and he will not propose himself for re-election. On behalf of the Board, I would like to thank both Richards and Humphrey for their exceptional contributions to Hansteen since their appointment, during which time the Company has grown rapidly, and we wish them well for the future.

As part of the process of succession planning for Non-Executive Directors, Margaret Young and David Rough were welcomed to the Board on 1 October 2015. Margaret was appointed a member of the Audit Committee and David was appointed as a member of the Remuneration Committee, effective from the same date.

Rebecca Worthington will succeed Humphrey as Chair of the Audit Committee upon his retirement.

OUTLOOK

The Joint Chief Executives are fully committed to the business they founded. Following the award under the Founder LTIP, without any contractual obligation to do so, they have chosen to retain more than double their previous shareholding in Hansteen from circa nine million to in excess of 18 million shares. They are embarking on a new three-year Founder LTIP cycle which will permit them to participate in the returns created in excess of a compound benchmark of 10% per annum. The Board believes that the combination of their substantial shareholdings and the ongoing Founder LTIP align the Joint Chief Executives' interests directly with those of shareholders.

Later this year we will all have to contend with the results of the referendum regarding Britain's membership of the European Union ("EU"). In all probability, as the referendum approaches, activity in the property investment market will slow materially as investors wait to see the result before committing to large sales or purchases. Should the referendum result in a decision to remain, it is likely that the property market will normalise relatively quickly. If however the decision is to leave the EU, then there could be a protracted period of uncertainty as the details of both Britain's withdrawal and the aftermath are worked out. This may well result in turbulence in the financial markets and the property market for a period. The Board believes the Group is well positioned to weather any such turbulence due to the diverse tenant base, geographical spread of assets and exposure to both sterling and euro.

It is likely that a low interest rate environment will prevail in the UK and European economies over the next few years. This scenario should play to the strengths of our business model. Unlike many companies in the property sector, Hansteen has the capacity to continue to grow earnings through a combination of improving occupancy, rental growth and income enhancing trading such as selling lower yielding properties and buying higher yielding properties.

Industrial yields remain significantly above both the long and short term cost of money. In our sector of the market, we have not seen the trend of speculative trading that occurred in the previous boom nor have values reached their previous highs. Whilst other property sectors may have already enjoyed the bulk of value growth for this cycle, we expect industrial property to continue to benefit and to show relative outperformance in terms of both income and capital growth.

James Hambro
Chairman
14 March 2016

JOINT CHIEF EXECUTIVES' STATEMENT

Our report marks the tenth year of business for Hansteen Holdings. The report covers the financial results for 2015, property performance in 2015, followed by information on the long-term performance of the business and concludes with our view of the prospects for the business.

Hansteen's business model is to buy high-yielding assets, (normally multi-let or single-let industrial properties) that are undermanaged and undervalued. We intensively asset manage the properties to increase the income and value with the aim of selling within a three to five year period. Returns come from surplus rental income and selling at increased value. We supplement this business model with other opportunity types where we think good profits can be made, including deals in other sectors, especially land where we believe we can make planning gains.

FINANCIAL RESULTS FOR 2015

Returns from property can be 'realised', i.e. the surplus of rent, sales proceeds or other income over cost, or 'unrealised', i.e. valuation growth. We believe that the best measurements of performance are Normalised Profits (our measure of underlying realised profits) and EPRA NAV per share as detailed below.

Normalised Income Profit ("NIP"), recurring earnings excluding profits or losses from the sale of properties, for the year to 31 December 2015, was £47.2 million (2014: £48.2 million). Normalised Total Profit ("NTP"), comprising NIP plus profits or losses from the sale of properties and realised profits from one off items, was £63.2 million (2014: £65.3 million).

In our Financial Statements, transactions which we carry out in euros are translated into sterling at the average exchange rate during the year. In 2015 there was a significant fall in the value of the euro. The average euro exchange rate was 1.3775 euros to the pound in 2015 and 1.2409 in 2014 which resulted in a reduction in the NIP of £4.8 million and a reduction of £5.3 million in the NTP. Based on the same exchange rate as in 2014 the NIP would have been 10.6% higher at £52.2 million (2014: £48.2 million), and the NTP would have been 8.4% higher at £68.5 million (2014: £65.3 million).

In addition to the currency effect, comparisons between 2015 and 2014 are further complicated by one-off transactions in 2014. In 2014 Hansteen acquired a bank loan at a discount which enabled it to acquire the HBI Netherlands portfolio. The unwinding of the discount on the bank loan resulted in a reduction in net interest payable (included in NIP), of £4.0 million and a £3.4 million gain (included in NTP) relating to the repayment of the loan. In 2015 the portfolio showed further material value growth but because we owned the properties rather than the loan, that growth is shown as part of the revaluation gain rather than as part of NTP.

NTP plus property valuation gains gave a return of £205.6 million (2014: £153.8 million). IFRS profit before tax was £171.4 million (2014: £131.2 million).

The table below sets out the results for Normalised Income Profit and Normalised Total Profit including the Group's share of Associates:

	2015 £m	**2014 £m**
Rental income	81.2	78.8
Cost of sales	(12.5)	(14.3)
Management fees	4.1	6.0
Share of associates	12.1	10.8
Overheads	(18.9)	(20.0)
Net interest payable	(18.8)	(13.1)
Normalised Income Profit	**47.2**	**48.2**
Profit on sale of properties	14.5	10.3
Other operating income	1.5	6.8
Normalised Total Profit	**63.2**	**65.3**

We believe that the best measure of value growth is EPRA NAV per share plus dividends. During 2015, EPRA NAV increased from 101.7p to 111.2p and in addition there was both an ordinary dividend and a special dividend, together totalling 8.1p. This performance equates to a Total Annual Return of 17.3%. This is despite the adverse effect of the exchange rate and after fully providing for the Founder Long Term Incentive Plan ("Founder LTIP").

More details of the financial performance are contained in the Financial Review.

PROPERTY PERFORMANCE IN 2015

In total, the portfolio owned or co-owned by Hansteen, at 31 December 2015, was valued at £1.55 billion, had a rent roll of £120.2 million per annum and 11.9% vacancy. If the portfolio was fully occupied at market rents, the rent roll would be £146.2 million per annum, reflecting a yield of 9.4%. Despite record valuation growth, the portfolio reduced from £1.60 billion at the end of 2014 due to sales in 2015. Hansteen's attributable property portfolio comprised 3.6 million sq m (2014: 3.2 million sq m) with a rent roll of £112.5 million and a vacancy of 12.1% valued at £1.45 billion (2014: £1.20 billion).

All three of our core regions (Germany, the UK and The Netherlands) produced positive value growth. The total uplift in value of £153.8 million or 11.1% was the highest in any year for Hansteen. The German portfolio increased by 13.9%, Benelux by 7.3% and the UK by 10.4%. The split between the first and second half of the year was 7.3% in H1 and 3.6% in H2. £131.0 million of this uplift is attributable to Hansteen. Had the exchange rate, at 31 December 2015, been the same as at 31 December 2014, the valuation uplift to Hansteen would have been £183.5 million.

During 2015, we acquired a further 45.1% in Ashtenne Industrial Fund Unit Trust ("AIF"), in three separate transactions, for a total of £130.1 million, increasing our interest in AIF to 81.8%. In aggregate, the price paid was an 8.4% discount to AIF's NAV which in large part represents the £10.9 million performance fee on those units. The unit purchases represent the acquisition of £197.5 million of property at a yield on the passing rent of 8.3%. At 31 December 2015, the portfolio was valued at £436.4 million with a yield on the passing rent of 8.0%. Despite not controlling AIF, the acquisition of the additional units provided an exceptional opportunity both in terms of scale and price. The UK is a very competitive market and the increased investment significantly increases our exposure to the UK light industrial sector at a time when both the occupational and investment markets are improving. Since the year end, we have acquired an additional 0.9% of the units in issue increasing our holding in AIF to 82.8%.

The portfolio overall has a yield of 7.8% (2014: 8.6%). The analysis of the portfolio, at 31 December 2015, 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	105	1,594,782	10.7%	66.8	49.1	863.3	634.5	7.7%
UK	80	365,367	11.2%	16.6	12.2	258.3	190.0	6.4%
Netherlands, Belgium & France ("Benelux")	81	782,983	15.9%	29.0	21.3	336.1	247.0	8.6%
Total wholly owned	**266**	**2,743,132**	**12.2%**	**112.4**	**82.6**	**1,457.7**	**1,071.5**	**7.7%**
AIF*	227	1,047,241	12.0%	47.2	34.7	593.7	436.4	8.0%
Hansteen Saltley Unit Trust ("HSUT")*	1	95,514	2.0%	3.9	2.9	53.5	39.3	7.3%
Total attributable to Hansteen	**452**	**3,647,532**	**12.1%**	**153.0**	**112.5**	**1,970.1**	**1,448.1**	**7.8%**
Total under management	**494**	**3,885,887**	**11.9%**	**163.5**	**120.2**	**2,104.9**	**1,547.1**	**7.8%**

* Figures include 100% of the funds' portfolio. Hansteen has an investment of 81.8% in AIF and 50% in HSUT.

Like-for-like net occupancy (measured by taking the vacant area at the start of the year, adding vacancy on purchases and then comparing that with the vacancy at the end of the year) has improved by 148,404 sq m across the portfolio under management. This represents 3.8% of the total portfolio under management at 31 December 2015 or 25.1% of the vacant area at the start of the year. This achievement has come through a combination of letting vacant space and selling vacant units, both important components of the Hansteen business model. For the fourth year running, 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 £137.7 million per annum. The effect of the significant number of sales was to reduce the rent roll by £20.5 million whereas the acquisitions in the year have added £5.2 million per annum. The reduction due to exchange rate movements was £4.2 million per annum and the closing rent was £120.2 million per annum. This resulted in a net like-for-like improvement of £2.0 million or 1.6%.

The following tabulates these key statistics:

	Like-for like movement		
	Passing Rent	**Contracted Rent**	**Vacancy improvement**
	Millions	Millions	‘000 sq m
Germany	€1.2	€2.6	32,683
Netherlands, Belgium & France	(€0.3)	(€0.5)	18,213
Total Europe	**€0.9**	**€2.1**	**50,896**
UK Balance sheet	£0.7	£0.2	6,457
AIF	(£0.2)	-	38,768
Hansteen Saltley Unit Trust (“HSUT”)	£0.3	£0.1	(5)
HPUT II	£0.5	£0.5	52,288
Total UK	**£1.3**	**£0.8**	**97,508**
Total under management	**£2.0**	**£2.3**	**148,404**

Germany

Germany, which accounts for approximately 44% of Hansteen’s attributable property investments, has performed very well, with like-for-like income, occupancy and value all improving significantly during 2015. The passing rent in 2014 was €67.2 million per annum and the net effect of sales and acquisitions was a rent decrease of €1.5 million per annum. The closing rent at 31 December 2015 was €66.9 million per annum, a net improvement of €1.2 million per annum or a 1.9% improvement in the like-for-like passing rent roll. The like-for-like contracted rent roll increased by €2.6 million or 3.9% as, during 2015, leases were completed with rent free concessions and so are not included in the like-for-like passing rent statistics. The like-for-like occupancy improvement totalled 32,683 sq m. At the end of the year, the portfolio had 170,500 sq m vacant, representing 10.7% of the total floor area (2014: vacancy of 11.5%).

Seven sales in Germany totalling €56.2 million were completed during the year, generating €4.0 million of profit above the December 2014 valuation and more notably €15.1 million or 37% profit on cost. The sales included the property at Unna near Dortmund, purchased in June 2012 for €6.4 million, which was sold for €13.2 million, generating a profit of €0.7 million in 2015 and a €6.8 million profit over cost. This sale highlights the importance of finding opportunities which are in line with our strategy of buying properties at significantly below replacement cost and where there is potential to add value.

Despite the strong investment market, we were able to secure the purchase of a portfolio of 13 light industrial properties in Germany for €21.3 million inclusive of costs. On acquisition the properties produced a passing rent of €2.8 million per annum but with the combined efforts of our teams in the Dusseldorf, Frankfurt and Hanover offices, this rent roll had been increased to €3.1 million per annum by the year end.

Netherlands, Belgium and France (“Benelux”)

At 31 December 2015, Benelux accounted for approximately 17% of Hansteen’s attributable property investments. 2015 has been another improving year for the region with increases in value and like-for-like occupancy, although with like-for-like passing rent decreasing slightly. The like-for-like occupancy improvement was 18,213 sq m or 12.8% of the vacancy at the start of the year. At the year end, the portfolio had 124,600 sq m vacant representing 15.9% of the total floor area. The passing rent at the start of the year was €29.4 million per annum and the loss of rent from some small sales was €0.1 million per annum. The closing rent at 31 December 2015 was €29.0 million per annum, a net like-for-like decrease of €0.3 million or 1.2%.

Three sales were completed from the portfolio in Belgium during 2015 for a total consideration of €2.4 million generating a loss of £0.2 million. The properties had a combined vacancy of 81%, so we consider the sales to be a good result considering the near-term valuation decreases on these buildings.

The French portfolio comprises two properties totalling 56,000 sq m with an annual rent roll of €1.8 million and a valuation, at 31 December 2015, of €19.5 million.

UK

At 31 December 2015, the UK accounted for approximately 39% of Hansteen's attributable property investments, an increase from 29.6% at 31 December 2014. The Hansteen UK Industrial Property Unit Trust II ("HPUT II") was sold in May 2015 which reduced UK property exposure by £60.8 million but this was more than replaced with the further investment in AIF units which has added £197.5 million to the attributable portfolio. The total UK portfolio as at the year-end (both owned and co-owned) comprised 1.5 million sq m with a rent roll of £49.8 million per annum, a vacancy of 11.2% and a value of £665.7 million. Hansteen's proportion of that portfolio was £566.6 million.

The UK had another very active year in terms of sales and acquisitions with a combined £288.5 million of transactions in 2015 (excluding the AIF unit purchases). HPUT II was sold for £192.1 million, £35.9 million of property was sold from AIF, and £7.8 million of property was sold from Hansteen's own UK portfolio. In total, these sales generated £10.7 million of profit above the 31 December 2014 valuation and £43.4 million above gross acquisition cost and subsequent capital expenditure. Hansteen's share of these 2015 profits was £9.2 million.

UK Wholly Owned

At 31 December 2015, the wholly owned UK portfolio was valued at £190.0 million and had a rent roll of £12.2 million per annum, representing a yield of 6.4%, with a vacancy rate of 11.2%. Included within this valuation are seven development sites totalling 89.0 hectares valued at £28.1 million which if stripped out gives a yield on the remainder of 7.7%. The like-for-like occupancy increased by 6,457 sq m equating to 14.3% of the opening vacancy, and like-for-like rent increased by £0.7 million.

£52.6 million of purchases were completed in 2015 in four separate transactions. In September, West Hallam Industrial Estate, Ilkeston, in South Derbyshire was acquired for £26.8 million, reflecting a yield of 6.4%. The estate covers 118 acres and includes 106 buildings, totalling 1.28 million sq ft and benefits from large areas of open storage land. The entire site is let to Norbert Dentressangle, on two agreements, and produces a total annual income of £1.7 million. We believe that the property is highly reversionary with a number of value-adding asset management strategies to be pursued over the next few years.

Also in September, Belasis Business Park, Billingham in Teesside, was acquired for £13.8 million, reflecting a yield of 7.9% which rises to 10.4% on contracted rent. The Park provides 33 purpose-built, detached and terraced business units, totalling 129,136 sq ft on a 62 acre site including 1.7 acres consented for additional development. On acquisition, the property was 84.0% let to 19 occupiers; this was subsequently increased to 92.4% by the year end. The property generates annual rental income of £1.1 million. The property has an exceptional weighted average unexpired lease term ("WAULT") of over 10 years and includes several big name tenants. The long lease profile is a direct result of the occupiers' confidence in the long term success of the Teesside chemical sector and the huge capital investments that some companies have made in the location.

Ashtenne Industrial Fund Unit Trust ("AIF")

At 31 December 2015, the AIF portfolio was valued at £436.4 million, had a rent roll of £34.7 million per annum, a yield on the passing rent of 8.0%, and a vacancy rate of 12.0%. The like-for-like occupancy increased by 38,768 sq m in the year with like-for-like passing rent decreasing slightly, as incentives were offered when re-gearing some existing leases.

£35.9 million of property was sold from the AIF portfolio during 2015 generating £4.7 million of profit over the December 2014 valuation. The biggest sale was at Eyston Way, Abingdon where an 80,000 sq ft long leasehold property was sold for £8.6 million reflecting a yield of 5.3%. The price achieved was £0.6 million above the December 2014 valuation.

Hansteen Saltley Unit Trust ("HSUT")

Saltley Business Park, the 95,500 sq m industrial estate in central Birmingham is 98% let with a passing rent of £2.9 million per annum and a value, at 31 December 2015, of £39.3 million. Like-for-like passing rent increased by £0.3 million in 2015, as the rent concession for the biggest tenant at the estate expired during the year. Since the year end we have acquired, at a small discount to the year-end NAV, the other 50% of the units in HSUT which owns the estate.

Hansteen Property Unit Trust ll ("HPUT II")

The biggest single sale during the year was the sale of HPUT II for £192.1 million to a fund advised by Brockton Capital LLP in a partnership with Dunedin Property. At the time of sale, HPUT II had a passing rent of £14.3 million and a vacancy rate of 11.0%. The sale created an internal rate of return to the HPUT II investors in excess of 27% with Hansteen's return higher due to the asset management fees in addition to the investment return.

LONG TERM PERFORMANCE

Hansteen has been in business now for ten years, from December 2005. This was a period that was particularly difficult for property companies.

Many property companies lost material value, were forced sellers or required rescue rights issues during the financial crisis of 2008 to 2012. Hansteen though performed well throughout this period; realised profits grew consistently and we were able to buy many property portfolios at distressed prices from businesses in difficulty.

Hansteen's performance, measured by £100 invested at the time of the Company's initial public offering in 2005 ranks in the top five out of the 120 property companies publicly quoted at the time or floated in 2006. Equally notable is the robust character of Hansteen's returns relative to this peer group. Over the period in question, Hansteen was unique in terms of maintaining covered dividend growth and a lower downward volatility of share price.

The Founder LTIP, created at the launch of Hansteen in 2005, is based on high absolute returns over a long period, rather than on relative performance. Despite Hansteen having continually outperformed the sector, in the first seven years, covering two LTIP periods, the absolute returns did not beat the required hurdle of 10% per annum compound, hence no Founder LTIP award was made. During the third measurement period from December 2012 to 2015, the annual total returns have been 14.9% in 2013, 17.1% in 2014 and 17.3% in 2015. As a result the first Founder LTIP award has now been made. This has been accrued throughout the period and is fully accounted for in the 2015 results.

OUTLOOK AND PROSPECTS

Light industrial property is a late cycle capital performer and notwithstanding the substantial valuation growth we have enjoyed in 2014 and 2015, our overall yield on passing rent for the whole portfolio is 7.8%. As an example, this can be compared with the previous peak valuation of AIF in December 2006 which was around 6%. This is in stark contrast to the office and retail property sectors which surpassed their previous yield lows (value highs) during 2015 if they had not already done so in 2014. The yield gap between industrial property and the cost of money remains high, on an historic basis.

Our reading of the current cycle continues to be that of a long, grinding, corrugated stretch of low interest rates and low returns which should play to the strengths of our business. Our portfolio is extremely diverse with over 5,000 tenants in five countries. Despite the tough environment, the fundamentals of occupational supply and demand continue to be positive. In all three of our regions, our properties are valued at less than replacement cost; hence there is little or no new supply of multi-let light industrial property coming to the market. Recent months have marked a tipping point on the demand side with increasing numbers of commentators taking the view that "industrial is the new retail". The transfer of goods from shops to sheds is a trend that is not going to be reversed in the near future. Aside from this, light industrial property will continue to provide flexible, affordable, commercial space for the new occupiers of 2016 and beyond. Occupational strength will continue to underpin investment values and growth prospects. Equally importantly, the high and resilient income characteristics of well managed diverse pools of light industrial property ensure that this business continues to generate and distribute high returns to shareholders in an era where such returns are increasingly difficult to find. Our feeling is that these fundamentals will further strengthen values and liquidity this year, in all three of our regions.

Morgan Jones Ian Watson
Joint Chief Executives
14 March 2016

FINANCIAL REVIEW

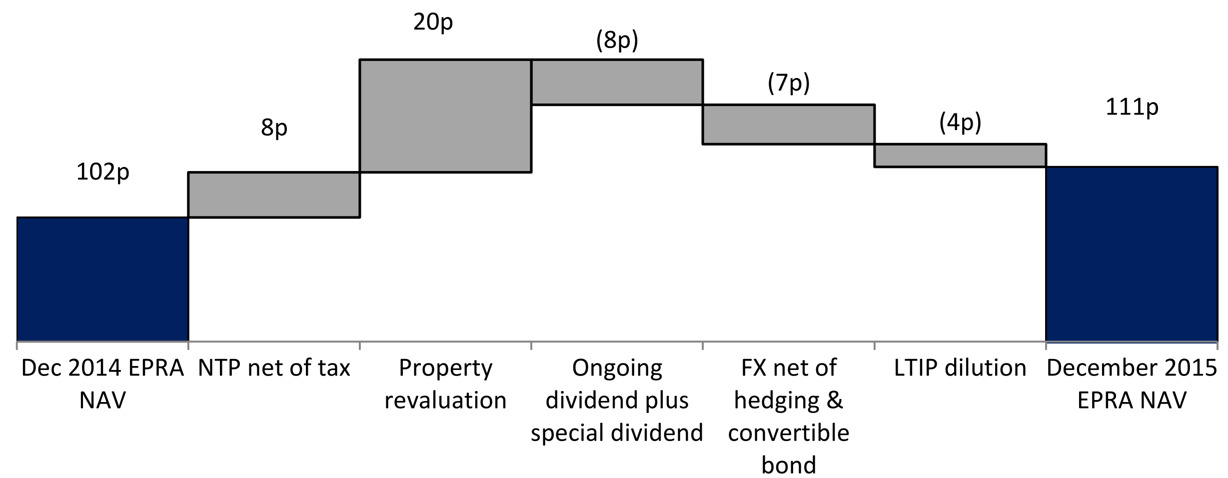
This report sets out the key financial information related to Hansteen.

NAV

The net assets attributable to equity shareholders at 31 December 2015 were £806.2 million (2014: £676.0 million), an increase of £130.2 million. The increase in IFRS net assets is summarised in the table below and the movement in EPRA NAV per share is summarised in the EPRA NAV bridge also below:

	2015 £m
Normalised Total Profit	**63.2**
Tax	(23.1)
Equity raised	39.4
Property revaluation and gain on acquisition	142.3
Exchange and fair value movements	(35.4)
Dividends paid	(56.2)
NAV movement	**130.2**

EPRA NAV PER SHARE BRIDGE



Gearing

Net debt was £475.2 million at 31 December 2015 (2014: £416.2 million) and net debt to value was 44.3%. This debt figure includes the €100 million (£73.5 million) convertible bonds and an additional mark to market adjustment of £34.0 million. After approximately half of the five year period, the business performance has meant that the convertible is already comfortably in the money. Assuming the convertible were treated as equity the net debt to value would be 34.3%.

As at 31 December 2015, the Group had borrowings, including obligations under finance leases, of £538.6 million (2014: £526.5 million) including the mark-to-market value of the convertible bonds of which £205.1 million was swapped at an average rate of 0.9% and £58.8 million was capped at an average rate of 1.9%. The average all-in borrowing rate for the Group, at 31 December 2015, was 3.6% (2014: 3.8%).

The aggregate net assets of the Group's associates, at 31 December 2015, were £326.9 million (2014: £431.7 million). The aggregate bank loans of the associates were £158.1 million (2014: £234.5 million) which are non-recourse to the Group. The Associates have no committed undrawn facilities available (2014: £7.8 million). The funds drawn under the facilities bear an average all-in interest rate of 4.7%.

In July 2015, Hansteen completed the refinancing of three facilities in the UK, replacing them with a single £95.0 million corporate revolving credit facility with the Royal Bank of Scotland. The acquisition of the BIP portfolio in Germany in 2015 utilised the undrawn portion of the €40.0 million facility with HSBC which was put in place in 2014 and expires in December 2019.

As at 31 December 2015, the Group had total bank facilities of £451.0 million (2014: £438.3 million), of which £433.5 million were drawn (2014: £433.8 million). Borrowings are in the same currency as the assets against which they are secured. Cash resources at the year-end were £63.4 million (2014: £110.3 million).

The weighted average debt maturity, at 31 December 2015, was 2.8 years and the weighted average maturity of hedging was 2.6 years.

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

Bank loan facilities as at 31 December 2015

Lender	**Facility millions**	**Amount undrawn millions**	**Unexpired term Years**	**All-in-interest rate**	**Loan to value covenant**	**Interest cover covenant**
Helaba	€189.1	-	3.1	4.1%	65%	1.85:1
FGH	€82.9	-	1.2	3.3%	74%	1.65:1
HSBC	€106.1	-	3.0	3.1%	65%	2.00:1
HSBC	€40.0	-	3.9	2.5%	65%	2.00:1
BNP Paribas Fortis	€6.0	-	7.0	1.4%	-	-
ING	€57.8	-	3.5	4.4%	70%	1.30:1
DG Hyp	€2.5	-	1.5	3.4%	70%	1.25:1
Total euro facilities	**€484.4**	**-**				
Total euro facilities in GBP	£356.0	-				
Royal Bank of Scotland	£95.0	£17.5	2.6	2.4%	60%	1.75:1
Total facilities	**£451.0**	**£17.5**	**2.8**	**3.6%**		

The Group also has €100.0 million of convertible bonds which were issued during 2013, expiring in 2018, with a coupon rate of 4.0%. In addition, the Group has a £2.4 million finance lease in place to fund a property in Belgium. As at 31 December 2015, the lease has an unexpired term of eight years and an interest rate implicit in the lease of 2.8%.

The performance of Hansteen's share price has resulted in the conditions that would allow holders to convert the convertible bonds issued in July 2013 being met earlier this year. As a result, the dilutive impact of the bonds is included in the EPRA NAV per share and diluted EPRA earnings per share measures. This increases the number of shares used in these calculations reducing the EPRA NAV per share in the period by 4p. As yet, no bondholders have opted to convert and the norm in these situations seems to be that they are unlikely to do so until closer to the end of the convertible period (July 2018).

Currency

Hansteen reports its results in sterling. As at 31 December 2015, approximately 50% (£401 million or €547 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.

The Group has two €100 million options, expiring in June 2016, at a rate of €1.3:£1. In addition, the Group has hedged €117.5 million of its expected future net euro income with four options expiring at six monthly intervals between 30 June 2016 and 31 December 2017. These options are to put €117.5 million and call for sterling at varying rates from €1.35:£1 to €1.6:£1 with an overall weighted average of €1.519:£1. The aggregate of all of these currency options amounts to €317.5 million providing hedges against 58.2% of the Group's €546 million net assets at 31 December 2015. The options expiring on 30 June 2017 and 27 December 2017 were entered into during the year. The aggregate premiums for the options entered into during the year were £0.6 million.

The Group's current 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.

Equity Raise

In August 2015, £39.4 million (net of expenses) was raised from the placing of 35.7 million shares at a price of 112p, a discount of 2.3% to the closing price on 26 August 2015.

Founder Long Term Incentive Plan ("Founder LTIP")

At the time of the initial public offering in 2005, a long-term incentive scheme, for the Joint Chief Executives, being the Founder Directors of Hansteen, was put in place, which, it was believed, would have a number of attractions to investors. It is a simple and straightforward scheme, whereby, if Hansteen achieves a total return (net asset growth plus dividends) in excess of 10% per annum compound over an initial four-year period and thereafter, over three-year periods, the Founder Directors share a quarter of that excess return.

The scheme only rewards absolute out performance, which means that, however good the Company's performance may be relative to its peers, there will be no pay-out unless the total return is in excess of the hurdle rate. Accordingly, despite a very strong performance relative to the UK quoted property sector, over the first seven years of Hansteen's life, the Company's performance fell short of the hurdle rate of return and no award was made.

During the last three years, however, the Company has benefited significantly from the acquisitions made in the earlier period, achieving a total return for 2013 – 2015 of 63%, or 18% per annum compound over the period, which exceeds the 10% per annum compound growth target by 25.2p per share, equivalent to £204.8 million. The participation in 12.5% of the excess performance results in awards to each of the Founder Directors of 22.9 million shares. The Founder Directors have agreed to forgo part of their awards equal in value to their PAYE and Employee's National Insurance due on the vesting of the awards, which will be settled on their behalf by the Company. After settlement of these PAYE and National Insurance liabilities the two Founder Directors will be issued with 12,140,247 shares each.

Prior to the issue of shares under the Founder LTIP, Morgan Jones and Ian Watson each held 4,523,809 shares which they subscribed pari passu with other investors. Following the issue of shares set out above, they now hold 16,664,056 million shares each representing 2.2% percent each of the share capital as enlarged by the issue of the Founder LTIP shares.

In the near term each of the Joint Chief Executives intend to gift 500,000 shares to Richard Lowes, the Group Finance Director and intend to sell some shares but leaving their ownership at more than double the level previously held.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board recognises that risk management is essential for the Group to achieve its objectives. Senior management, staff and the Board regularly consider the significant risks, which it believes the Group are facing, identify appropriate controls, set parameters under which management can operate and if necessary instigate action to improve those controls.

There will always be some risk when undertaking property investments and the control process is aimed at mitigating and minimising these risks where possible. The current key risks identified by the Board, the steps taken to mitigate them and additional commentary are presented below. The Board views all risks to be consistent with the prior year with the exception of the risks related to one or more countries exiting the Eurozone or European Union which the Board considers to have increased during the year.

Principal Risk	Cause	Impact	Probability	Risk Management
Foreign currency exchange risk Reduction in euro denominated revenue and assets Impairment of financial and non-financial assets	One or more countries exiting the Eurozone or European Union Currency devaluation	High	Low	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 in respect of 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. Management are closely monitoring the Eurozone and European Union situation and their findings are regularly reviewed by the Board.
Poor return on investment and deterioration in operating results	Over paying for an acquisition Prices driven up by increased competition Reduced number of investment opportunities	High	Low	Supply and demand is reviewed continuously through direct information from Hansteen's network of managing agents and managers. Experienced management review each acquisition and due diligence is carried out by external parties. The Board is required to approve all acquisitions and disposals over a prescribed amount.
Tenant failure Recession and reduced profitability	Over reliance on income from one particular type of tenant exposing the group to industry specific periods of recession	High	Medium	Whilst there is always a risk that recession or new legislation may affect specific industry types, the Board is satisfied that Hansteen's exposure is mitigated by operating in five different countries including some of the stronger Eurozone economies. Vacancy rates, arrears and bad debts are monitored on a monthly basis by country with trends investigated to determine any systematic problems with a portfolio or type of tenant.
Lack of availability of capital	Banks under internal pressure to improve liquidity Banks considering unutilised loans too expensive	High	High	The Board acknowledge that there may be occasions when banks are under internal pressures which may conflict with existing financing arrangements and it may prove more difficult to secure the more challenging properties. Detailed due diligence is carried out prior to the purchase of each property. Regular meetings are held with a portfolio of banks to keep them fully apprised of commercial opportunities and alerted to any potential issues early on. Hansteen is also considering alternative sources of finance to develop its strategy and reduce exposure.

Banking counterparty disruption Lack of liquidity	Financial difficulties at institutions holding significant deposits	Medium	Medium	The Board believes such risks are reduced by adherence to a Cash and Liquidity Management Policy that sets out how funds can be invested. Cash balances and borrowings are maintained with a portfolio of considered counterparties. The Group Treasurer reviews the cash balances on a daily basis, and where possible, surplus cash is put on interest bearing deposit.
Over reliance on key executives	High dependence on Joint Chief Executives	High	Medium	The Board believes such risk is to some extent mitigated through the support of high calibre employees and professional advisors. All such appointments are approved by a member of the Board and performance is monitored regularly.

CORPORATE AND SOCIAL RESPONSIBILITY

Environment
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.

Community
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.

People
Hansteen recognises that its present and future success is dependent upon its ability to recruit, motivate, manage and retain appropriately qualified staff. As part of our commitment to help reduce barriers to entry, enhance the learning experience and support institutions offering Real Estate courses, we decided to run our first nationwide intern programme during 2015.

In June 2015, Hansteen recruited five paid interns across the United Kingdom, offering them the chance to manage a set number of properties. We incentivised the interns on lettings achieved within their property portfolio. Each intern demonstrated striking creativity in the marketing of their properties and had exposure to the negotiation of letting and tenancy agreements.

The scheme was designed to offer the interns a comprehensive view of asset management so we could enhance the learning experience as well as their employability after graduation. The feedback we received was that the scheme more than met the interns' expectations and they felt they could draw on the experience in their ongoing studies. They were also more aware of the various graduate career options available to them outside the traditional milk round.

Hansteen has recruited one of the interns as a Graduate Surveyor in our North West Office. We very much look forward to him joining the team when he finishes his studies in June 2016.

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.

As at 31 December 2015, the composition of Hansteen's employees, including both Executive and Non-Executive Directors, was as follows:

	Number	
	Male	Female
Directors – including Non-Executive Directors	7	2
Senior managers and Company Secretary	4	3
All other staff	46	40

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibility statement has been prepared in connection with the Company's full Annual Report for the year ended 31 December 2015. 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

Morgan Jones and Ian Watson
Joint Chief Executives
14 March 2016

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 £m	Group 2014 £m
Revenue	2	**85.3**	88.1
Cost of sales	2	**(10.2)**	(17.8)
Gross profit	2	**75.1**	70.3
Other operating income	5	**1.2**	6.8
Administrative expenses		**(43.8)**	(34.7)
Share of results of associates and gain on sale of associate		**53.2**	43.2
Profit on sale of investment properties		**4.4**	3.6
Fair value gains on investment properties		**110.8**	62.9
Operating profit		**200.9**	152.1
Finance income		**5.2**	10.8
Finance costs		**(34.7)**	(31.7)
Profit before tax		**171.4**	131.2
Tax	6	**(23.1)**	(12.8)
Profit for the year		**148.3**	118.4
Attributable to:			
Equity holders of the parent		**148.2**	118.3
Non-controlling interests		**0.1**	0.1
		148.3	118.4
Earnings per share			
Basic	8	**21.3p**	17.6p
Diluted	8	**19.4p**	17.0p

All results derive from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Group 2015 £m	Group 2014 £m
Profit for the year after tax	**148.3**	118.4
Other comprehensive (expense)/income:		
Exchange differences arising on translating foreign operations	**(19.6)**	(21.7)
Exchange differences recycled to the income statement on disposal of subsidiary	**-**	0.5
Total other comprehensive (expense)/income for the year	**(19.6)**	(21.2)
Total comprehensive income for the year	**128.7**	97.2
Attributable to:		
Equity holders of the parent	**128.6**	97.1
Non-controlling interests	**0.1**	0.1
	128.7	97.2

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

BALANCE SHEETS AS AT 31 DECEMBER 2015

	Note	**Group 2015 £m**	Group 2014 £m
Non-current assets			
Goodwill		**0.3**	0.6
Property, plant and equipment		**0.4**	0.5
Investment property	9	**1,059.1**	953.9
Investment in subsidiary undertakings		**-**	-
Investment in associates	10	**261.3**	156.4
Deferred tax asset		**0.6**	2.4
Derivative financial instruments		**0.4**	5.1
		1,322.1	1,118.9
Current assets			
Investment properties held for sale	9	**1.6**	7.5
Trading properties		**10.8**	6.7
Trade and other receivables		**24.6**	25.3
Derivative financial instruments		**9.4**	0.5
Cash and cash equivalents		**63.4**	110.3
		109.8	150.3
Total assets		**1,431.9**	1,269.2
Current liabilities			
Trade and other payables		**(38.9)**	(34.0)
Current tax liabilities		**(6.1)**	(3.2)
Borrowings	11	**(6.2)**	(29.2)
Obligations under finance leases		**(0.2)**	(0.1)
		(51.4)	(66.5)
Non-current liabilities			
Borrowings	11	**(530.0)**	(494.6)
Obligations under finance leases		**(2.2)**	(2.6)
Derivative financial instruments		**(5.2)**	(5.7)
Deferred tax liabilities		**(36.4)**	(23.4)
		(573.8)	(526.3)
Total liabilities		**(625.2)**	(592.8)
Net assets		**806.7**	676.4
Equity			
Share capital		**72.2**	68.6
Share premium		**114.5**	114.4
Other reserves		**(1.4)**	(0.5)
Translation reserves		**(8.7)**	10.9
Retained earnings		**629.6**	482.6
Equity attributable to equity holders of the parent		**806.2**	676.0
Non-controlling interest		**0.5**	0.4
Total equity		**806.7**	676.4

The financial statements of Hansteen Holdings PLC, registered number 05605371, were approved by the Board of Directors and authorised for issue on 14 March 2016. Signed on behalf of the Board of Directors

Morgan Jones and Ian Watson
Joint Chief Executives

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

Group	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 2014	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
Shares issued	**3.6**	**0.1**	**-**	**-**	**-**	**35.7**	**39.4**	**-**	**39.4**
Dividends	**-**	**-**	**-**	**-**	**-**	**(56.2)**	**(56.2)**	**-**	**(56.2)**
Share-based payments	**-**	**-**	**-**	**-**	**-**	**19.5**	**19.5**	**-**	**19.5**
Share options exercised	**-**	**-**	**0.2**	**-**	**-**	**(0.2)**	**-**	**-**	**-**
Purchase of own shares	**-**	**-**	**(1.1)**	**-**	**-**	**-**	**(1.1)**	**-**	**(1.1)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**148.2**	**148.2**	**0.1**	**148.3**
Other comprehensive income for the year	**-**	**-**	**-**	**(19.6)**	**-**	**-**	**(19.6)**	**-**	**(19.6)**
Balance at 31 December 2015	**72.2**	**114.5**	**(1.4)**	**(8.7)**	**-**	**629.6**	**806.2**	**0.5**	**806.7**

The merger reserve comprised the share premium generated under the cash-box arrangement for the Placing and Open Offer in April 2014 which was transferred to retained earnings.
Other reserves comprises a gain upon acquisition of a minority interest and a deficit relating to the purchase of the Company's own shares.

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	**Group 2015 £m**	Group 2014 £m
Net cash inflow from operating activities	12	**31.0**	39.2
Investing activities			
Interest received		**0.3**	1.0
Dividends received		**-**	-
Investments in subsidiaries		**-**	-
Repayment of subsidiary share premium		**-**	-
Investments in associates		**(130.1)**	(42.9)
Proceeds from sale of subsidiary		**-**	4.8
Proceeds from sale of associate		**45.0**	25.1
Additions to property, plant and equipment		**(0.1)**	(0.4)
Additions to investment properties		**(79.9)**	(101.1)
Proceeds from sale of investment properties		**53.2**	34.0
Distributions received from associates		**32.1**	27.8
Net cash used in investing activities		**(79.5)**	(51.7)
Financing activities			
Dividends paid		**(56.2)**	(33.0)
Proceeds from issue of shares		**40.0**	47.3
Cost of issuing shares		**(0.7)**	(0.8)
Own shares acquired		**(1.1)**	(0.9)
Repayments of obligations under finance leases		**(0.2)**	(0.2)
New borrowings raised (net of expenses)		**84.0**	344.8
Bank loans repaid		**(62.7)**	(284.5)
Outflows on derivative financial instruments		**(0.6)**	(7.0)
Proceeds on disposal of derivative financial instruments		**1.1**	0.7
Net cash generated by financing activities		**3.6**	66.4
Net (decrease)/increase in cash and cash equivalents		**(44.9)**	53.9
Cash and cash equivalents at beginning of year		**110.3**	57.8
Effect of changes in foreign exchange rates		**(2.0)**	(1.4)
Cash and cash equivalents at end of year		**63.4**	110.3

NOTES TO THE 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 2015 or 2014, but is derived from those accounts. Statutory accounts for 2014 have been delivered to the Registrar of Companies and those for 2015 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 2015.

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:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements to IFRSs: 2010-2012	Annual Improvements to IFRSs
Annual Improvements to IFRSs: 2011-2013	Annual Improvements to IFRSs

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
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exemption
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:

	Group 2015 £m	Group 2014 £m
Investment property rental income	**81.2**	78.8
Trading property sales	**-**	3.3
Property management fees	**4.1**	6.0
Revenue	**85.3**	88.1
Direct operating expenses relating to investment properties that generated rental income	**(12.5)**	(14.3)
Direct operating expenses relating to investment properties that did not generate rental income	**-**	(0.1)
Direct operating expenses	**(12.5)**	(14.4)
Cost of sales of trading properties	**-**	(3.4)
Reversal of previous write down of trading properties	**2.3**	-
Cost of sales	**(10.2)**	(17.8)
Gross profit	**75.1**	70.3

Including interest income of £0.3 million (2014: £6.6 million) total revenue was £85.6 million (2014: £94.7 million).

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 to the profit before tax prepared in accordance with IFRS rules is set out below.

Group		**2015**			2014	
	Group	**Share of associate**	**Total**	Group	Share of associate	Total
	£m	**£m**	**£m**	£m	£m	£m
Investment property rental income	**81.2**	**23.0**	**104.2**	78.8	21.3	100.1
Direct operating expenses	**(12.5)**	**(3.0)**	**(15.5)**	(14.3)	(2.9)	(17.2)
Property management fees	**4.1**	**-**	**4.1**	6.0	-	6.0
Administrative expenses	**(18.9)**	**(3.2)**	**(22.1)**	(20.0)	(2.6)	(22.6)
Net interest payable	**(18.8)**	**(4.7)**	**(23.5)**	(13.1)	(5.0)	(18.1)
Normalised Income Profit	**35.1**	**12.1**	**47.2**	37.4	10.8	48.2
Profit on sale of investment properties	**4.4**	**3.1**	**7.5**	3.6	6.9	10.5
Loss on sale of trading properties	**-**	**-**	**-**	(0.2)	-	(0.2)
Total profits on sale of properties	**4.4**	**3.1**	**7.5**	3.4	6.9	10.3
Other operating income	**1.2**	**0.3**	**1.5**	6.8	-	6.8
Reversal of previous write down of trading properties	**2.3**	**-**	**2.3**	-	-	-
Gain on sale of investment in associate	**4.7**	**-**	**4.7**	-	-	-
Normalised Total Profit	**47.7**	**15.5**	**63.2**	47.6	17.7	65.3
Negative goodwill and other gains	**-**	**10.9**	**10.9**	-	1.6	1.6
Acquisition and reorganisation costs	**0.2**	**-**	**0.2**	-	-	-
LTIP charge	**(23.2)**	**-**	**(23.2)**	(13.6)	-	(13.6)
Impairment of goodwill	**(0.3)**	**-**	**(0.3)**	(1.1)	-	(1.1)
Fair value gains on investment properties	**110.8**	**20.2**	**131.0**	62.9	25.1	88.0
Change in fair value of currency options	**4.7**	**-**	**4.7**	1.0	-	1.0
Change in fair value of interest rate swaps and caps	**0.2**	**0.3**	**0.5**	(5.1)	(1.2)	(6.3)
Change in fair value of convertible bond	**(11.2)**	**-**	**(11.2)**	3.2	-	3.2
Foreign exchange losses	**(4.4)**	**-**	**(4.4)**	(6.9)	-	(6.9)
	124.5	**46.9**		88.0	43.2	
Profit before tax			**171.4**			131.2

Administrative expenses as presented in Normalised Income Profit exclude £24.9m (2014: £14.7m) largely relating to the Founder LTIP charge and expenses relating to the sale of investments in associates.

Negative goodwill and other gains relates to a gain recognised upon acquiring units in the Ashtenne Industrial Fund Unit Trust of £10.9 million (2014: £0.3 million in relation to acquisition of units and £1.3 million recognised on the winding-up of a partnership).

The Founder LTIP charge of £23.2 million relates to a bonus share award for the three-year period that ended on 31 December 2015 (2014: £13.6 million). See note 13.

Other operating income comprises £0.6 million income from an option to purchase a property which was not utilised by the purchaser plus £0.6 million insurance receipts. In 2014 other operating income included £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.

During 2015 goodwill was impaired by £0.3 million (2014: £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 are also presented below.

Group	Revenue 2015 £m	Result 2015 £m	Revenue 2014 £m	Result 2014 £m
Belgium	**1.0**	**0.7**	1.5	1.1
France	**1.4**	**1.3**	1.4	1.1
Germany	**49.4**	**43.7**	51.2	42.5
Netherlands	**18.7**	**14.4**	14.8	11.7
UK	**14.8**	**15.0**	19.2	13.9
Total segment result	**85.3**	**75.1**	88.1	70.3
Other operating income		**1.2**		6.8
Administrative expenses		**(43.8)**		(34.7)
Share of results of associate and gain on sale of associate		**53.2**		43.2
Changes in fair value of investment properties by segment:				
Belgium	**(0.2)**		(0.4)	
France	**2.1**		(0.1)	
Germany	**76.6**		35.5	
Netherlands	**14.7**		19.3	
UK	**17.6**		8.6	
Total changes in fair value of investment properties	**110.8**		62.9	
Profit on disposal of investment properties	**4.4**		3.6	
Total gains on investment properties		**115.2**		66.5
Operating profit		**200.9**		152.1
Net finance costs		**(29.5)**		(20.9)
Profit before tax		**171.4**		131.2

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.

2015 Group	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	**15.4**	**-**	**15.4**	**1.3**	**16.7**	**0.2**	**15.4**
France	**14.3**	**-**	**14.3**	**0.9**	**15.2**	**1.2**	**14.3**
Germany	**634.5**	**-**	**634.5**	**19.9**	**654.4**	**23.3**	**633.5**
Netherlands	**217.3**	**-**	**217.3**	**7.0**	**224.3**	**2.2**	**217.4**
UK	**179.2**	**10.8**	**190.0**	**224.5**	**414.5**	**53.0**	**393.1**
Total segment assets	**1,060.7**	**10.8**	**1,071.5**	**253.6**	**1,325.1**	**79.9**	**1,273.7**
Unallocated assets					**106.8**		**48.4**
Total assets					**1,431.9**		**1,322.1**

2014
Group

	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

* Includes investment properties held for sale.

5. Other operating income

In 2015, other operating income includes £0.6 million from an option to purchase a property which was not utilised by the purchaser plus £0.6 million insurance receipts.

6. Tax

	Group 2015 £m	Group 2014 £m
UK current tax		
Credit in respect of prior years	**-**	(0.4)
On net income of the current year	**0.5**	-
Foreign current tax		
Charge in respect of prior years	**1.8**	-
On net income of the current year	**5.0**	3.5
Total current tax	**7.3**	3.1
Deferred tax in respect of prior years	**(0.2)**	-
Deferred tax in respect of the current year	**16.0**	9.7
Total tax charge	**23.1**	12.8

UK Corporation tax is calculated at 20.25% (2014: 21.50%) 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:

	Group 2015 £m	Group 2014 £m
Profit before tax	**171.4**	131.2
Tax at the UK corporation tax rate of 20.25% (2014: 21.50%)	**34.7**	28.2
Tax effect of:		
UK tax not payable due to REIT exemption	**(9.1)**	(5.7)
Deferred tax assets not recognised	**0.1**	(3.8)
Effect of different tax rates in overseas subsidiaries	**(1.2)**	(1.6)
(Income)/expenses that are not in taxable profit	**(3.5)**	(4.0)
Change in deferred tax due to change in tax rate	**0.5**	0.1
Adjustment in respect of prior years	**1.6**	(0.4)
Tax charge for the year	**23.1**	12.8

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

	Group 2015 £m	Group 2014 £m
Amounts recognised as distributions to equity holders in the period:		
Second dividend for the year ended 31 December 2014 of 3.0p (2014: 2.9p) per share	**20.5**	19.9
Special dividend for the year ended 31 December 2014 of 3.0p (2014: nil) per share	**20.5**	-
Interim dividend for the year ended 31 December 2015 of 2.1p (2014: 2.0p) per share	**15.2**	13.7
	56.2	33.6

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%). £20.4 million of the dividends paid during the year ended 31 December 2015 is attributable to PIDs (2014: £9.6 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.

Group		**2015**			2014	
	Earnings £m	**Weighted average number of shares m**	**Earnings per share pence**	Earnings £m	Weighted average number of shares m	Earnings per share pence
Normalised Income Profit	**47.2**	**697.4**	**6.8**	48.2	673.9	7.1
Normalised Total Profit	**63.2**	**697.4**	**9.1**	65.3	673.9	9.7
Basic EPS	**148.2**	**697.4**	**21.3**	118.3	673.9	17.6
Dilutive share options	**14.1**	**138.6**		-	24.1	
Diluted EPS	**162.3**	**836.0**	**19.4**	118.3	698.0	17.0
Basic EPS	**148.2**	**697.4**	**21.3**	118.3	673.9	17.6
Adjustments:						
Revaluation gains on investment properties	**(110.8)**			(62.9)		
Profit on the sale of investment properties	**(4.4)**			(3.6)		
Net profit on option receipt	**(0.6)**			-		
Impairment of goodwill	**0.3**			1.1		
Profit on derecognition of a financial asset	**-**			(3.2)		
Loss on sale of trading properties	**-**			0.2		
Cost of acquiring subsidiaries	**0.2**			-		
Change in fair value of derivatives	**(4.9)**			4.1		
Change in fair value of convertible bond (excluding foreign exchange)	**16.4**			3.4		
Adjustment in respect of associates	**(40.7)**			(31.1)		
Income tax on the above items	**16.6**			10.0		
EPRA EPS	**20.3**	**697.4**	**2.9**	36.3	673.9	5.4
Dilutive share options	**(2.3)**	**138.6**		-	24.1	
Diluted EPRA EPS	**18.0**	**836.0**	**2.2**	36.3	698.0	5.2

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

Group	**2015**			2014		
	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	**806.2**	**766.3**	**105**	676.0	685.0	99
Unexercised share options	**-**	**1.7**		-	24.1	
Diluted NAV	**806.2**	**768.0**	**105**	676.0	709.1	95
Adjustments:						
Revaluation of trading properties	**0.2**			-		
Goodwill	**(0.3)**			(0.6)		
Fair value of interest rate derivatives	**5.2**			5.7		
Adjustments in respect of associates	**0.6**			0.4		
Mark-to market of convertible bond	**107.5**	**90.8**		18.4		
Deferred tax	**35.8**			21.1		
EPRA NAV	**955.2**	**858.8**	**111**	721.0	709.1	102

9. Investment property

	Group 2015 £m	Group 2014 £m
At 1 January	**953.9**	834.9
Additions – direct property purchases	**68.0**	135.6
– capital expenditure	**11.9**	5.8
Lease incentives	**0.9**	0.3
Letting costs	**0.2**	0.1
Revaluation	**110.8**	62.9
Disposals	**(39.1)**	(27.4)
Transfer to investment property held for sale	**(1.6)**	(7.5)
Exchange adjustment	**(45.9)**	(50.8)
At 31 December	**1,059.1**	953.9
Investment property held for sale:		
At 1 January	**7.5**	4.6
Disposals	**(7.0)**	(4.6)
Transfer from investment property	**1.6**	7.5
Exchange adjustment	**(0.5)**	-
At 31 December	**1.6**	7.5

Included within the property valuation is £2.6 million (2014: £2.5 million) in respect of tenant lease incentives granted. Investment property includes £2.6 million of property (2014: £2.7 million) held under finance leases.

Properties classified as held for sale at 31 December 2015 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, Cushman and Wakefield, 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 (see note 11).

In accordance with IFRS 13, the Group's investment property has been assigned a valuation level in the fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). In general, the Group's investment property as at 31 December 2015 is categorised as Level 3.

Investment properties are valued using a capitalisation methodology applying a yield to current and estimated rental income. Yields and rental values are considered to be unobservable inputs and details of the ranges used in each region are as follows:

Information about fair value measurements using unobservable inputs (Level 3)

	Fair value at 31 December 2015	**Rent per sq m**		**Yield**	
		Min	**Max**	**Min**	**Max**
	£m	**£**	**£**	**%**	**%**
Belgium	**15.4**	**20.7**	**61.1**	**6.3**	**8.9**
France	**14.3**	**25.4**	**27.5**	**9.2**	**12.9**
Germany	**634.5**	**10.2**	**75.2**	**4.1**	**6.9**
Netherlands	**217.3**	**3.2**	**57.2**	**2.0**	**10.7**
UK	**179.2**	**0.9**	**12.5**	**4.1**	**9.9**
Total	**1,060.7**				

	Fair value at 31 December 2014	**Rent per sq m**		**Yield**	
		Min	**Max**	**Min**	**Max**
	£m	**£**	**£**	**%**	**%**
Belgium	18.4	21.9	97.4	6.4	10.2
France	11.6	21.5	28.8	10.7	13.0
Germany	604.8	8.7	78.2	5.3	7.6
Netherlands	212.2	3.2	62.0	2.3	10.2
UK	114.4	1.0	13.5	4.4	11.9
Total	961.4				

All other factors being equal there is a positive relationship between estimated rental values and property values such that an increase in estimated rental values would increase the valuation of a property. The relationship between Reversionary yields and property values is negative such that an increase in Reversionary yields would decrease a property valuation. There are interrelationships between these inputs as they are determined by market conditions such that the valuation movement in any one period depends on the balance between them.

As at 31 December 2015, the Group had entered into contracts for £2.5 million (2014: £2.2 million) of building works that were not complete.

10. Investment in associates

	Group 2015 £m	Group 2014 £m
Cost and net book value:		
Balance at 1 January 2015	**156.4**	124.7
Investment in associates	**130.1**	42.9
Capital redemption	**-**	(6.1)
Disposal of associate	**(38.7)**	(25.1)
Share of results of associates	**46.9**	43.2
Distributions received	**(32.1)**	(20.1)
Distributions accrued	**(1.3)**	(3.1)
At 31 December 2015	**261.3**	156.4

During 2015, the Group acquired a further 45.1% stake in Ashtenne Industrial Fund Unit Trust, bringing its total investment to 81.8% (2014: 36.7%).

In May 2015 the Group disposed of its investment in Hansteen UK Industrial Property Unit Trust II ("HPUT II").

During 2014, the Group acquired a 9.2% stake in Ashtenne Industrial Fund Unit Trust. The Group also acquired additional units in HPUT II.

In October 2014 the Group disposed of the majority of the portfolio held in Hansteen UK Industrial Property Unit Trust ("HPUT"). As part of the transaction, the Group acquired a 50% interest in Hansteen Saltley Unit Trust.

The Group has the following significant interests in associates:

Name of associate	Place of establishment	Ownership %	Voting rights %
Ashtenne Industrial Fund Unit Trust ("AIF")	Jersey	81.8	81.8
Hansteen Saltley Unit Trust ("HSUT")	Jersey	50.0	50.0

AIF is a collective investment scheme within the meaning of Section 235 of the Financial Services and Markets Act 2000. At the balance sheet date the Group owned 81.82% of the issued units. Under IFRS 10 Consolidated financial statements, a number of factors should be considered when determining whether the Group has control of AIF. Based upon this assessment, taking into consideration the structure of AIF and the fact that the Group does not have the power to direct the activities of AIF, it has concluded that it does not control AIF and has accounted for the investment as an associate.

Aggregated amounts relating to associates

Summarised balance sheets	HPUT II £m	HSUT £m	AIF £m	2015 £m	2014 £m
Investment properties	-	39.3	436.4	475.7	644.3
Cash	-	1.1	20.5	21.6	40.1
Borrowings	-	(19.9)	(137.1)	(157.0)	(234.5)
Other net liabilities	-	(1.0)	(12.4)	(13.4)	(18.2)
Net assets	-	19.5	307.4	326.9	431.7

	HPUT II £m	HSUT £m	AIF £m	2015 £m	2014 £m
Revenues	5.7	3.1	37.3	46.1	62.2
Profit	2.1	5.1	63.1	70.3	127.0

The summarised financial information above represents amounts in the associates' financial statements prepared in accordance with IFRSs but relating to the period of ownership by the Group.

11. Borrowings

	Group 2015 £m	Group 2014 £m
Bank loans	433.5	433.8
Convertible bond	107.5	96.3
Unamortised borrowing costs	(4.8)	(6.3)
	536.2	523.8
Current liability	6.2	29.2
Non-current liability	530.0	494.6
The bank loans and convertible bond are repayable as follows:		
Within one year or on demand	7.8	30.9
Between one and two years	66.9	14.3
Between three and five years	464.6	482.3
Over five years	1.7	2.6
	541.0	530.1
Undrawn committed facilities		
Expiring between two and five years	17.5	4.5

			Covenants	
Facility	**Drawn**	**Expiry**	**Loan to value**	**Interest cover**
€82.9 million	€82.9 million	April 2017	74%*	165%
€2.5 million	€2.5 million	June 2017	70%	125%
€100.0 million	€100.0 million	July 2018	-	-
£95.0 million	£77.5 million	July 2018	60%	175%
€106.1 million	€106.1 million	December 2018	65%	200%
€189.1 million	€189.1 million	February 2019	65%	185%
€57.8 million	€57.8 million	June 2019	70%	130%
€40.0 million	€40.0 million	December 2019	65%	200%
€6.0 million	€6.0 million	March 2025	-	-

* On the €82.9m million facility the loan to value covenant reduces by 2% per year.

Security for secured borrowings at 31 December 2015 is provided by charges on property with an aggregate carrying value of £1,037 million (31 December 2014: £929 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

Group	**2015**	**2015**	2014	2014
	%	**£m**	%	£m
Euro	**2.7**	**463.5**	2.9	498.9
Sterling	**2.3**	**77.5**	3.7	31.2
	2.6	**541.0**	3.0	530.1

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 3.4% for the euro borrowings (2014: 3.3%) and 2.5% for the sterling borrowings (2014: 4.3%).

12. Notes to the cash flow statement

	Group 2015 £m	Group 2014 £m
Profit for the year	**148.3**	118.4
Adjustments for:		
Share-based payments	**19.5**	12.2
Depreciation of property, plant and equipment	**0.2**	0.2
Goodwill impairment	**0.3**	1.1
Share of profits of associate and gain on sale of associate	**(53.2)**	(43.2)
Profit on sale of investment properties	**(4.4)**	(3.6)
Reversal of prior year write down of trading properties	**(2.3)**	-
Gain on disposal of loan	**-**	(3.0)
Fair value gains on investment properties	**(110.8)**	(62.9)
Impairment of investment in subsidiary	**-**	-
Dividends received	**-**	-
Net finance costs	**29.5**	20.9
Tax charge	**23.1**	12.8
Operating cash inflows/(outflows) before movements in working capital	**50.2**	52.9
(Increase)/decrease in trading properties	**(1.8)**	3.4
(Increase)/ decrease in receivables	**(2.4)**	2.2
Increase in payables	**6.3**	0.4
Cash generated from operations	**52.3**	58.9
Income taxes paid	**(4.5)**	(1.6)
Interest paid	**(16.8)**	(18.1)
Net cash inflow from operating activities	**31.0**	39.2

13. Share-based payments

During the year ended 31 December 2015, 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 £19.5 million (2014: £12.1 million).

2005 Share Option Scheme

The 2005 Share Option Scheme is open to certain senior employees of the Group and during the year had one participant. 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)	-	-	-

The total share-based payment charge for the year under this scheme was £nil (2014: £nil).

Founder Long-term incentive scheme ("Founder LTIP")

The Founders and Joint Chief Executives are entitled to a share award dependant on the growth in EPRA NAV. The target for the Founder LTIP 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 Founder LTIP scheme has repeated to reward performance in each three-year period; the current performance period ended on 31 December 2015.
The value of the share award for each Chief Executive is calculated as 12.5% of the excess growth over the 10% growth target. Any amount payable under the Founder LTIP is to be satisfied by the award of ordinary shares of the Company.

The price per share to be used when determining the number of shares which the Joint Chief Executives are entitled to is 111.955p being 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.
The excess growth in EPRA NAV over the performance target over the performance period was £51.3 million and as such each Chief Executive is entitled to 22,906,127 ordinary shares in the Company.
The total share-based payment charge for the year under this scheme was £18.9 million with associated social security costs of £4.3 million (2014: £11.1 million with associated social security costs of £2.5 million).

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 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	1,461,441	-	(158,865)	(16,703)	1,285,873	558,075	6.5
2013	nil	1,270,244	-	-	(815,904)	454,340	-	7.2
2014	nil	1,095,168	-	-	(131,597)	963,589	-	8.3
2015	nil	-	1,081,373	-	(134,900)	946,473	-	9.2

The total share-based payment charge for the year under this scheme was £0.6 million with associated social security costs of nil (2014: £1.0 million and £0.2 million respectively).

The inputs to the valuation were:

	2015	2014
Weighted average share price	**115.5p**	109.2p
Weighted average exercise price	**nil**	nil
Weighted average fair value	**88.0p**	79.4p
Expected volatility	**18.24%**	22.86%
Expected life	**5 years**	5 years
Risk free rate	**0.76%**	1.07%

14. Events after the balance sheet date

A second dividend in respect of the year ended 31 December 2015 of 3.15p per share will be payable on 19 May 2016 to shareholders on the register on 21 April 2016.

On 12 February 2016 the Group acquired a further 0.9% of the units in Ashtenne Industrial Fund Unit Trust for consideration of £2.5 million taking its total interest to 82.8%.

On 4 March 2016 the Group acquired the remaining 50% of the units in the Saltley Unit Trust for a net price of £9.3 million taking its ownership to 100%. Initial accounting for the acquisition is yet to be completed.

The Founder Directors have agreed to forgo part of their awards under the Founder Long Term Incentive Plan equal in value to their PAYE and Employee's' National Insurance liabilities due on the vesting of the awards, which will be settled on their behalf by the Company. After settlement of these PAYE liabilities and National Insurance liabilities each of the Founder Directors will be issued with 12.1 million shares instead of the full award of 22.9 million shares.