

Hansteen Holdings PLC

SECURITIES NOTE

30 September 2009

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should immediately consult an independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000 (the “FSMA”) who specialises in advising on the acquisition of shares and other securities.

A copy of this document, which comprises a securities note (the “Securities Note”) relating to the Company prepared in accordance with the Prospectus Rules of the Financial Services Authority (the “FSA”) made under Section 73A of the FSMA (the “Prospectus Rules”), has been made available to the public as required by the Prospectus Rules and delivered to the FSA in accordance with Rule 3.2 of the Prospectus Rules.

Additional statutory and general information relating to the Company is contained in a registration document dated 23 June 2009 prepared in accordance with the Prospectus Rules (the “Registration Document”). This Securities Note, the Registration Document and a summary dated 30 September 2009 (the “Summary”) constitute a prospectus (the “Prospectus”) and the Prospectus has been approved by the FSA under Sections 87 A-D of FSMA. Application has been made for the Ordinary Shares in the Company, currently admitted to trading on AIM, a market operated by the London Stock Exchange Plc, to be admitted to the Official List of the UK Listing Authority and to be traded on the London Stock Exchange plc’s main market for listed securities (“Admission”). It is expected that Admission will commence on 6 October 2009.

ONLY THE COMBINED SECURITIES NOTE, REGISTRATION DOCUMENT AND SUMMARY COMPRISE, AND MAY BE RELIED UPON AS, A PROSPECTUS.

HANSTEEN HOLDINGS PLC

(Incorporated and registered in England and Wales with registered number 05605371)

**Admission of the Company’s Ordinary Shares
to the Official List of the UK Listing Authority**

Sponsored by

KBC PEEL HUNT LTD

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS SET OUT ON PAGES 3 AND 4 OF THIS DOCUMENT AND TO THE RISK FACTORS SET OUT ON PAGES 3 TO 9 OF THE REGISTRATION DOCUMENT.

Each of the Company and the Directors, whose names and functions appear on page 6 of this document, accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the Prospectus is in accordance with the facts and contains no omission likely to affect its import.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, or under the applicable securities laws of any state of the United States or any province or territory of Canada, Japan or Australia.

KBC Peel Hunt, which is a member of the London Stock Exchange and is authorised and regulated by the FSA, is acting as Sponsor and Broker to the Company and is not acting for any other person and, apart from the responsibilities and liabilities, if any, which may be imposed on KBC Peel Hunt by FSMA or the regulatory regime established thereunder, will not be responsible to any other person for providing the protections afforded to customers of KBC Peel Hunt or for advising any other person on the contents of this document.

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In this document, use of any gender includes the other genders and all references to time are references to London time.

RISK FACTORS

An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. If any of the following risks were to occur, the Company's business, financial condition, capital resources and/or future operations could be materially adversely affected. In such a case, the trading price of the Ordinary Shares and/or net asset value of the Group could decline significantly and Shareholders may lose all or part of their investment.

Prospective investors should immediately seek their own personal financial advice from their independent professional adviser authorised under the FSMA, who specialises in advising on the acquisition of shares and other securities, or other advisers such as legal advisers and accountants.

An investment in the Company principally involves a degree of risk because of the nature of the property business. The paragraphs below and set out in Part I of the Registration Document describe what the Company and the Directors currently consider to be those risks that would have a material impact on the Group and those risks that relate to the Ordinary Shares of the Company. The risks referred to below and in Part I of the Registration Document do not purport to be an exhaustive list. Additional risks and uncertainties not currently known to the Directors, or that the Directors do not currently consider to be material, may also have an adverse effect on the Company and/or the Group.

Please refer to the Registration Document in respect of the risks specific to the Company and the industry in which it operates. The past performance of the Company and/or the Group is no guarantee of future performance.

1. RISKS RELATING TO THE ORDINARY SHARES

1.1 *The market price of the Ordinary Shares may fluctuate widely in response to different factors*

The market price of the Ordinary Shares may not wholly or mainly reflect the value of the underlying investments of the Company, but may also be subject to wide fluctuations in response to many factors (some of which are beyond the Company's control), including variations in the operating results of the Group, divergence in financial results from stock market expectations, changes in earnings estimates by analysts, a perception that other market sectors may have higher growth prospects, general economic conditions, legislative changes in the Company's sector and other events and factors outside the Company's control. The market value of an Ordinary Share may vary considerably from its underlying net asset value.

In addition, stock markets have from time to time experienced extreme price and volume volatility which, in addition to general economic and political conditions, could adversely affect the market price for the Ordinary Shares. To optimise returns, Shareholders may need to hold the Ordinary Shares on a long-term basis and they may not be suitable for short-term investment. Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected. Even if an active trading market develops, the market price for the Ordinary Shares may fall below the Offer Price. The value of Ordinary Shares may go down as well as up and the market price of the Ordinary Shares may not reflect the underlying value of the Group's business.

1.2 *Dividends may only be paid out of the Company's distributable reserves*

The Company may not have sufficient distributable reserves out of which to pay dividends.

1.3 *Share price effect of sales of Ordinary Shares*

The market price of Ordinary Shares could decline significantly if Shareholders wish to sell more shares than investors wish to buy or as a result of any sales of Ordinary Shares.

1.4 ***Substantial sales of Ordinary Shares could cause the price of Ordinary Shares to decline***

There can be no assurance that certain Directors and executive officers of the Company or other Shareholders will not elect to sell their Ordinary Shares. The market price of Ordinary Shares could decline as a result of any sales of such Ordinary Shares or as a result of the perception that these sales may occur. If these or any other sales were to occur, the Company may in the future have difficulty in offering or selling Ordinary Shares at the time or at a price it deems appropriate.

The risk factors listed above are not presented in any order of priority and do not necessarily comprise all those risks faced by the Group but are the ones judged as material by the Directors.

FORWARD LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “anticipates”, “targets”, “aims”, “continues”, “projects”, “assumes”, “expects”, “intends”, “may”, “will”, “would” or “should”, or in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts.

They appear in a number of places throughout this document and include statements regarding the Directors’, the Company’s and the Group’s intentions, beliefs or current expectations concerning, among other things, the Group’s result of operations, financial condition, prospects, growth strategies and the industries in which the Group operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including without limitation: conditions in the markets, market position of the Group, earnings, financial position, cash flows, return on capital, anticipated investments and capital expenditures, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this document.

Forward-looking statements contained in this document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. However, these forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved.

The information in this document will be updated as required by the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors of the Company:	James Daryl Hambro (<i>Non-Executive Chairman</i>) Morgan Lewis Jones (<i>Joint Chief Executive</i>) Ian Richard Watson (<i>Joint Chief Executive</i>) Richard Stephen Mully (<i>Non-Executive Director and Senior Independent Director</i>) Stephen Trevor Gee (<i>Non-Executive Director</i>)
	all of: 1 Berkeley Street, London, W1J 8DJ
Registered Office:	1 Berkeley Street London W1J 8DJ
Telephone Number:	0207 016 8820
Company Secretary:	Richard Lowes, FCCA
Sponsor and Broker:	KBC Peel Hunt Ltd 111 Old Broad Street London EC2N 1PH
Reporting Accountant and Registered Auditors:	Deloitte LLP Abbots House Abbey Street Reading RG1 3BD
Legal Adviser to the Company:	Jones Day 21 Tudor Street London EC4Y 0DJ
Legal Adviser to KBC Peel Hunt Ltd:	Addleshaw Goddard 150 Aldersgate Street London EC1A 4EJ
Registrars:	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Property Valuers:	King Sturge LLP 30 Warwick Street, London W1B 5NH

PART I

INFORMATION ABOUT THE GROUP

1. BUSINESS OVERVIEW

Hansteen was established in 2005 by Ian Watson and Morgan Jones to take advantage of opportunities in industrial investment property in Continental Europe and admitted to trading on AIM in November 2005. Since 2005, Hansteen has built up a portfolio of industrial investment properties in Western Europe. Ian and Morgan previously ran Ashtenne Holdings PLC from 1989 to 2005, which achieved shareholder returns averaging 20 per cent. per annum until its sale to Warner Estate Holdings in 2005.

The Group's principal activities are investing in prime logistics property, single let properties as well as in the more traditional secondary buildings when the property market experiences low or falling values. The Group's operations are carried out through a focused and experienced team supplemented by a number of tried and tested advisors and associates in each of its investing countries.

Hansteen finances its activities primarily through a mixture of equity retained earnings, borrowings and surplus cash arising directly from its operations. Consequently, through its ready availability of capital and ability to move quickly, the Group is able to obtain well priced investments, after which it will actively manage the properties in order to add value through marketing, letting and refurbishment work.

Since 2005, the Group's focus has been on the continental European logistics and warehouse investment market. Over the years the Group's property portfolio has grown substantially and has a diverse spread of tenants. As at 30 June 2009, the portfolio comprised 954,000 sq m of property with a value of €496.4 million producing an annual rent roll of €43.1 million representing an initial yield, including the land and residential investments, of 8.7 per cent. Additionally, as at 30 June 2009, the Group owned 117 acres of development land and approximately 142,821 sq m of vacant non income producing but lettable space.

Hansteen's core investing markets have been Germany and the Netherlands. Since 2007, the Group has gradually invested in Belgium and France. At 30 June 2009 the Group owned the following properties:

<i>Country</i>	<i>No of Properties</i>	<i>Sq m ('000)</i>	<i>Occupancy Rate (per cent.)</i>	<i>Annual Rent (€m)</i>	<i>Yield (per cent.)</i>
Netherlands	33	370	89	16.3	8.5
Germany	51	446	78	20.0	8.9
Belgium	13	50	92	3.9	8.7
France	4	79	100	2.4	10.5
Other assets	5	9	91	0.5	5.0
Total	106	954	77	43.1	8.7

On 23 June 2009 Hansteen announced a placing and open offer to raise £200.8 million in order to take advantage of the exceptional opportunities to buy industrial properties in the UK. The difficult economic conditions, restricted availability of financing and sharply falling property values currently being experienced in the UK market, following a sustained period of rising property values and plentiful availability of debt has created a state of considerable distress in the UK property market. The Directors, therefore, believe industrial property acquisitions can be made at double digit initial yields. This has led the Directors to conclude that there is an outstanding opportunity to create value for Hansteen's shareholders by re-entering the UK industrial property market.

2. REASONS FOR SEEKING ADMISSION TO THE OFFICIAL LIST

It has, for some time, been the intention of the Company to seek a listing on the Official List when the maturity of the Company so warranted it. The Company publicly announced its intention to move from AIM to the Official List on 23 June 2009 at the time of announcing its placing and open offer and, in accordance

with Rule 41 of the AIM Rules for Companies, announced a firm intention to move from AIM to the Official List on 7 September 2009, subject to receiving the necessary regulatory approvals.

Hansteen has grown significantly since admission to AIM in November 2005 and the Board believes that the Official List will be a more appropriate platform than AIM for the continued growth of the Group by increasing its profile, assisting in the liquidity of the Company's shares and providing a greater range of potential investors in the Company.

3. CONVERSION TO A REIT

As announced on 7 September 2009, Hansteen also proposes to convert into a REIT once it meets the relevant qualification criteria. The proposed conversion to a REIT is a change in Hansteen's tax status, and such a change in status will have tax consequences for Hansteen and its shareholders. The conversion of the Group to a REIT will take place after Admission.

In connection with the REIT conversion, certain amendments were made to the Company's Articles of Association on 25 September 2009 (effective from 00.01 a.m. on 1 October 2009) following a General Meeting of the Company during which the proposed changes to the Company's Articles of Association were approved by Shareholders. The amendments to the Articles of Association were required for Hansteen to be confident that it should have the rights and powers to try and avoid certain additional tax charges that can arise under the REIT Regime.

PART II(A)

ACCOUNTANTS' REPORT

The Board of Directors
on behalf of Hansteen Holdings plc
1 Berkeley Street
London
W1J 8DJ

KBC Peel Hunt Ltd
111 Old Broad Street
London
EC2N 1PH

30 September 2009

Dear Sirs,

Hansteen Holdings plc

We report on that part of the financial information set out in Part II(B) of the prospectus dated 30 September 2009 of Hansteen Holdings plc (the "Company" and, together with its subsidiaries, the "Group") (the "Prospectus"), comprising the financial information relating to the six month period ended 30 June 2009, the year ended 31 December 2008, the year ended 31 December 2007, and the period from 27 October 2005 to 31 December 2006 (the "Audited Financial Information"). The Audited Financial Information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 3 to the Audited Financial Information. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Audited Financial Information on the basis of preparation set out in Note 3 to the Audited Financial Information and in accordance with IFRS as adopted by the EU.

It is our responsibility to form an opinion as to whether the Audited Financial Information gives a true and fair view, for the purposes of the Prospectus, and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Audited Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Audited Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

Audited Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Audited Financial Information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits and losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 3 and in accordance with IFRS as adopted by the EU.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 and Annex III item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP
Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu ('DTT'), a Swiss Verein, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTT and its member firms.

PART II(B)

HISTORICAL FINANCIAL INFORMATION

Historical financial information for the six months to 30 June 2009, the period from 27 October 2005 to 31 December 2006 and the years to 31 December 2007 and 2008.

Consolidated Income Statements

	<i>Six month period ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Period from 27 October 2005 to</i>	<i>Six month period ended</i>
	<i>30 June</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>
	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2008</i>
<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
					<i>(unaudited)</i>
Revenue	5	19,809	34,884	18,400	16,012
Cost of sales	5	(2,979)	(8,174)	(1,751)	(8,395)
Gross profit	5	<u>16,830</u>	<u>26,710</u>	<u>16,649</u>	<u>7,617</u>
Administrative expenses		(3,358)	(3,934)	(4,159)	(2,847)
Operating profit before losses and gains on investment properties and before gain on sale of subsidiary		<u>13,472</u>	<u>22,776</u>	<u>12,490</u>	<u>4,770</u>
(Losses)/gains on investment properties	9	(16,434)	(41,655)	19,614	14,789
Gain on sale of subsidiary	18	–	161	–	–
Operating (loss)/profit		<u>(2,962)</u>	<u>(18,718)</u>	<u>32,104</u>	<u>19,559</u>
Gains/(losses) on forward currency contracts	10	5,713	(45,006)	(11,014)	1,304
Finance income	11	477	2,111	1,649	1,996
Finance costs	11	(5,242)	(13,050)	(4,549)	(490)
Change in fair value of interest rate derivatives	11	(1,189)	(4,579)	238	13
Foreign exchange (losses)/gains	11	(6,486)	18,299	1,946	(260)
(Loss)/profit before tax		<u>(9,689)</u>	<u>(60,943)</u>	<u>20,374</u>	<u>22,122</u>
Tax	12	9,094	1,388	(6,799)	(6,792)
(Loss)/profit for the period	7	<u>(595)</u>	<u>(59,555)</u>	<u>13,575</u>	<u>15,330</u>
Attributable to:					
Equity holders of the parent		(444)	(59,571)	13,472	15,330
Non-controlling interests		(151)	16	103	–
(Loss)/profit for the period		<u>(595)</u>	<u>(59,555)</u>	<u>13,575</u>	<u>15,330</u>
(Loss)/earnings per share					
Basic	14	<u>(0.2)p</u>	<u>(33.4)p</u>	<u>8.1p</u>	<u>13.3p</u>
Diluted	14	<u>(0.2)p</u>	<u>(33.4)p</u>	<u>8.1p</u>	<u>13.3p</u>

All results derive from continuing operations.

Consolidated Statements of Comprehensive Income

	<i>Six month period ended 30 June 2009 £'000</i>	<i>Year ended 31 December 2008 £'000</i>	<i>Year ended 31 December 2007 £'000</i>	<i>Period from 27 October 2005 to 31 December 2006 £'000</i>	<i>Six month period ended 30 June 2008 £'000 (unaudited)</i>
(Loss)/profit for the period after tax	(595)	(59,555)	13,575	15,330	(3,184)
Other comprehensive income:					
Exchange differences on translating foreign operations	(23,300)	45,855	16,150	(1,581)	17,293
Translation differences recognised on sale of subsidiary	–	211	–	–	–
Income tax relating to components of other comprehensive income	–	1,275	(1,714)	439	(847)
Total other comprehensive income for the period, net of income tax	<u>(23,300)</u>	<u>47,341</u>	<u>14,436</u>	<u>(1,142)</u>	<u>16,446</u>
Total comprehensive (expense)/income for the period	<u>(23,895)</u>	<u>(12,214)</u>	<u>28,011</u>	<u>14,188</u>	<u>13,262</u>
Total comprehensive (expense)/income attributable to:					
Owners of the parent	(23,653)	(12,375)	27,901	14,188	13,165
Non-controlling interests	(242)	161	110	–	97
	<u>(23,895)</u>	<u>(12,214)</u>	<u>28,011</u>	<u>14,188</u>	<u>13,262</u>

Consolidated Balance Sheets

		30 June 2009 £'000	31 December 2008 £'000	31 December 2007 £'000	31 December 2006 £'000
Non-current assets					
Goodwill	15	2,241	2,241	2,252	–
Property, plant and equipment	16	27	32	31	28
Investment property	17	419,991	492,357	391,242	139,593
Investment property held for sale	17	–	–	15,417	–
Deferred tax asset	26	–	–	2,885	–
Derivative financial instruments	19	208	273	379	1,434
		<u>422,467</u>	<u>494,903</u>	<u>412,206</u>	<u>141,055</u>
Current assets					
Trading properties	20	2,844	2,750	5,260	5,151
Trade and other receivables	21	9,231	5,831	3,781	2,485
Cash and cash equivalents	22	62,705	80,240	19,562	14,395
Derivative financial instruments	19	–	13,747	–	–
		<u>74,780</u>	<u>102,568</u>	<u>28,603</u>	<u>22,031</u>
Total assets		<u>497,247</u>	<u>597,471</u>	<u>440,809</u>	<u>163,086</u>
Current liabilities					
Trade and other payables	23	(8,858)	(9,919)	(6,916)	(3,333)
Current tax liabilities		(752)	(4,907)	(2,563)	(1,675)
Borrowings	24	(4,203)	(926)	(2,579)	–
Obligations under finance leases	25	(328)	(372)	(279)	–
Derivative financial instruments	19	(49,635)	(68,407)	–	–
		<u>(63,776)</u>	<u>(84,531)</u>	<u>(12,337)</u>	<u>(5,008)</u>
Non-current liabilities					
Borrowings	24	(235,235)	(280,318)	(166,957)	(15,689)
Obligations under finance leases	25	(3,513)	(4,071)	(3,218)	–
Derivative financial instruments	19	(4,559)	(4,509)	(9,710)	–
Deferred tax liabilities	26	(6,389)	(10,678)	(17,194)	(4,517)
		<u>(249,696)</u>	<u>(299,576)</u>	<u>(197,079)</u>	<u>(20,206)</u>
Total liabilities		<u>(313,472)</u>	<u>(384,107)</u>	<u>(209,416)</u>	<u>(25,214)</u>
Net assets		<u>183,775</u>	<u>213,364</u>	<u>231,393</u>	<u>137,872</u>
Equity					
Share capital	27	17,843	17,843	17,843	12,500
Share premium account		114,312	114,312	174,312	111,133
Translation reserve		37,274	60,483	13,287	(1,142)
Retained earnings		13,762	19,907	25,772	15,381
		<u>183,191</u>	<u>212,545</u>	<u>231,214</u>	<u>137,872</u>
Equity attributable to equity holders of the parent		<u>183,191</u>	<u>212,545</u>	<u>231,214</u>	<u>137,872</u>
Non-controlling interest		<u>584</u>	<u>819</u>	<u>179</u>	<u>–</u>
Total equity		<u>183,775</u>	<u>213,364</u>	<u>231,393</u>	<u>137,872</u>

Consolidated Statements of changes in equity

Six month period ended 30 June 2009

	Share capital £'000	Share premium £'000	Translation reserves £'000	Retained earnings £'000	Total £'000	Non- controlling interest £'000	Total £'000
Balance at 1 January 2009	17,843	114,312	60,483	19,907	212,545	819	213,364
Changes in equity for the six month period ended 30 June 2009:							
Dividends	–	–	–	(5,710)	(5,710)	–	(5,710)
Share-based payments	–	–	–	9	9	–	9
Total comprehensive income for the period	–	–	(23,209)	(444)	(23,653)	(242)	(23,895)
Capital invested by non-controlling interests	–	–	–	–	–	7	7
Balance at 30 June 2009	<u>17,843</u>	<u>114,312</u>	<u>37,274</u>	<u>13,762</u>	<u>183,191</u>	<u>584</u>	<u>183,775</u>

Year ended 31 December 2008

	Share capital £'000	Share premium £'000	Translation reserves £'000	Retained earnings £'000	Total £'000	Non- controlling interest £'000	Total £'000
Balance at 1 January 2008	17,843	174,312	13,287	25,772	231,214	179	231,393
Changes in equity for the year ended 31 December 2008:							
Reduction of share premium account	–	(60,000)	–	60,000	–	–	–
Costs of reduction of share premium account	–	–	–	(22)	(22)	–	(22)
Dividends	–	–	–	(5,710)	(5,710)	–	(5,710)
Share-based payments	–	–	–	(562)	(562)	–	(562)
Total comprehensive income/(expense) for the year	–	–	47,196	(59,571)	(12,375)	161	(12,214)
Capital invested by non-controlling interest	–	–	–	–	–	493	493
Dividends paid to non-controlling interest	–	–	–	–	–	(14)	(14)
Balance at 31 December 2008	<u>17,843</u>	<u>114,312</u>	<u>60,483</u>	<u>19,907</u>	<u>212,545</u>	<u>819</u>	<u>213,364</u>

Consolidated Statements of changes in equity (continued)

Year ended 31 December 2007

	Share capital £'000	Share premium £'000	Translation reserves £'000	Retained earnings £'000	Total £'000	Non- controlling interest £'000	Total £'000
Balance at 1 January 2007	12,500	111,133	(1,142)	15,381	137,872	–	137,872
Changes in equity for the year ended 31 December 2007:							
Ordinary shares issued at a premium	5,343	64,657	–	–	70,000	–	70,000
Cost of issue of shares at a premium	–	(1,478)	–	–	(1,478)	–	(1,478)
Dividends	–	–	–	(3,750)	(3,750)	–	(3,750)
Share-based payments	–	–	–	669	669	–	669
Total comprehensive income for the period	–	–	14,429	13,472	27,901	110	28,011
Capital invested by non-controlling interests	–	–	–	–	–	69	69
Balance at 31 December 2007	<u>17,843</u>	<u>174,312</u>	<u>13,287</u>	<u>25,772</u>	<u>231,214</u>	<u>179</u>	<u>231,393</u>

Period from 27 October 2005 to 31 December 2006

	Share capital £'000	Share premium £'000	Translation reserves £'000	Retained earnings £'000	Total £'000	Non- controlling interest £'000	Total £'000
Balance at 27 October 2005	–	–	–	–	–	–	–
Changes in equity for the period from 27 October 2005 to 31 December 2006:							
Ordinary shares issued at a premium	12,500	112,500	–	–	125,000	–	125,000
Cost of issue of shares at a premium	–	(1,367)	–	–	(1,367)	–	(1,367)
Share-based payments	–	–	–	51	51	–	51
Total comprehensive income for the period	–	–	(1,142)	15,330	14,188	–	14,188
Balance at 31 December 2006	<u>12,500</u>	<u>111,133</u>	<u>(1,142)</u>	<u>15,381</u>	<u>137,872</u>	<u>–</u>	<u>137,872</u>

Six month period ended 30 June 2008 (unaudited)

	Share capital £'000	Share premium £'000	Translation reserves £'000	Retained earnings £'000	Total £'000	Non- controlling interest £'000	Total £'000
Balance at 1 January 2008	17,843	174,312	13,287	25,772	231,214	179	231,393
Changes in equity for the six month period ended 30 June 2008:							
Reduction of share premium account	–	(60,000)	–	60,000	–	–	–
Costs of reduction of share premium account	–	–	–	(22)	(22)	–	(22)
Dividends	–	–	–	(5,710)	(5,710)	–	(5,710)
Share-based payments	–	–	–	173	173	–	173
Total comprehensive income for the period	–	–	16,421	(3,256)	13,165	97	13,262
Capital invested by non-controlling interests	–	–	–	–	–	387	387
Balance at 30 June 2008	<u>17,843</u>	<u>114,312</u>	<u>29,708</u>	<u>76,957</u>	<u>238,820</u>	<u>663</u>	<u>239,483</u>

Consolidated Cash Flow Statements

		<i>Six month period ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Period from 27 October 2005 to</i>	<i>Six month period ended</i>
		<i>30 June</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>
		<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2008</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
						<i>(unaudited)</i>
Net cash inflow from operating activities	28	7,956	17,925	8,475	292	6,050
Investing activities						
Interest received		477	2,111	1,649	1,996	749
Additions to property, plant and equipment		(5)	(25)	(19)	(39)	(19)
Additions to investment properties		(7,673)	(30,461)	(193,367)	(126,823)	(14,483)
Proceeds on sale of investment properties		5,686	22,659	460	118	18,344
Acquisition of subsidiaries		–	–	(12,339)	–	–
Disposal of subsidiaries	18	–	531	–	–	–
Net cash used in investing activities		<u>(1,515)</u>	<u>(5,185)</u>	<u>(203,616)</u>	<u>(124,748)</u>	<u>4,591</u>
Financing activities						
Dividend paid		(5,710)	(5,710)	(3,750)	–	(5,710)
Proceeds from issue of shares at a premium net of expenses		–	–	68,522	123,633	–
Costs of reduction of share premium account		–	(22)	–	–	(22)
Repayments of obligations under finance leases		(77)	(138)	(30)	–	(64)
New bank loans raised (net of expenses)		–	165,839	132,800	15,335	130,476
Bank loans repaid		(9,182)	(114,566)	–	–	(105,432)
(Reduction)/increase in bank overdrafts		–	(2,041)	1,826	–	(1,925)
Additions to derivative financial instruments		–	(464)	(71)	(117)	(444)
Capital contribution from non-controlling shareholders		7	493	69	–	387
Dividend paid to non-controlling shareholders		–	(14)	–	–	–
Net cash from financing activities		<u>(14,962)</u>	<u>43,377</u>	<u>199,366</u>	<u>138,851</u>	<u>17,266</u>
Net (decrease)/increase in cash and cash equivalents		(8,521)	56,117	4,225	14,395	27,907
Cash and cash equivalents at beginning of period		80,240	19,562	14,395	–	19,562
Effect of foreign exchange rates		(9,014)	4,561	942	–	1,556
Cash and cash equivalents at end of period		<u>62,705</u>	<u>80,240</u>	<u>19,562</u>	<u>14,395</u>	<u>49,025</u>

Notes to the financial information

1. General information

Hansteen Holdings PLC was incorporated in the United Kingdom under the Companies Act 1985 on 27 October 2005. The address of the registered office is 1 Berkeley Street, London W1J 8DJ.

The Company was listed on AIM on 29 November 2005.

The Group's principal activities are those of a property group investing mainly in industrial properties in Continental Europe.

This financial information is presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. Foreign operations are included in accordance with the policies set out in note 3.

2. Adoption of new and revised standards

Standards, amendments and interpretations that became effective and have been adopted, where applicable, in the six months to 30 June 2009 but have no effect on the Group's operations:

IAS 1 (revised 2007) Presentation of Financial Statements

IFRS 8 Operating Segments

IFRS8 'Operating Segments' has resulted in a change to the presentation and disclosure of the Group's segmental analysis whereby segment information is now presented on the basis of geographical location.

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented.

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

IFRS 1 (amended) Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate

IFRS 2 (amended) Share-based Payment – Vesting Conditions and Cancellations

IFRS 3 (revised 2008) Business Combinations

IAS 23 (revised 2007) Borrowing Costs

IAS 27 (revised 2008) Consolidated and Separate Financial Statements

IAS 32 (amended) Financial instruments: Presentation

IAS 39 (amended)/
IFRS7 (amended) Reclassification of Financial Instruments/Reclassification of Financial Assets:
Effective Date and Transition.

IAS 39 (amended) Financial Instruments: Recognition and Measurement – Eligible Hedged Items

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 17 Distributions of Non-cash assets to Owners

IFRIC 18 Transfer of Assets from Customers

The Directors anticipate that the adoption of the standards and interpretations in future periods will have no material impact on the financial information of the Group.

3. Significant accounting policies

Basis of accounting

This financial information has been prepared on a going concern basis and in accordance with International Financial Reporting Standards ('IFRSs') adopted by the European Union and therefore the Group financial information complies with Article 4 of the EU IAS Regulation. The historical financial information has been prepared in accordance with the requirements of the United Kingdom Listing Authority prospectus rules and the United Kingdom Listing Authority listing rules.

The financial information has been prepared on the historical cost basis, except for the revaluation of investment properties and certain financial instruments.

The preparation of financial information in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial information incorporates the financial information of the Company and entities controlled by the Company (its subsidiaries) made up to the reporting date. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling interest share of changes in equity since the date of the combination. Losses applicable to the non-controlling in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies used into line with those used by the Group.

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

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale, except investment properties, are measured at the lower of carrying amount and fair value less costs to sell.

Investment properties classified as held for sale are carried at fair value in accordance with IAS 40 'Investment Properties'.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one period from the date of classification.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly-controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit *pro-rata* on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly-controlled entity, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Rental income is recognised on an accruals basis. Where a lease incentive is granted, which does not enhance the value of the property, or a rent-free period is granted, the effective cost is amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date.

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

Revenue from the sale of trading and investment properties is recognised when the significant risks and returns have been transferred to the buyer. This is generally on unconditional exchange of contracts. The profit on disposal of trading and investment properties is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus additions in the period.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Where a property is held under a head lease it is initially recognised as an asset as the sum of the premium paid on acquisition and the present value of minimum ground rent payments. The corresponding rent liability to the head leaseholder is included in the statement of financial position as a finance lease obligation. Where only the

buildings element of a property lease is classified as a finance lease, the ground rent payments for the land element are shown within operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Foreign currencies

The individual financial information of each Group company is presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial information, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial information.

In preparing the financial information of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period in which they arise except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial information, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Share-based payments

The fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Company's estimate of options that will eventually vest. Fair value is measured by use of a binomial model for the Employee Share Option Scheme. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value of the shares to be awarded under the Long-Term Incentive Plan is determined at the measurement date by reference to the current share price at that date less the discounted value of estimated future dividends.

Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation

of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured on a non-discounted basis.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

This comprises computer and office equipment. Computers and office equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of computers and office equipment, over their estimated useful lives, using the straight-line method, on the following bases:

Computers	3 years
Office equipment	3 years

Investment properties

Investment properties, which comprises freehold and leasehold property held to earn rentals and/or for capital appreciation, are treated as acquired when the Group assumes the significant risks and rewards of ownership. Acquisitions of investment properties including related transaction costs and subsequent additions of a capital nature are initially recognised in the accounts at cost. At each reporting date the investment properties are re-valued to their fair values based on a professional valuation at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Trading properties

Trading properties are included in the statement of financial position at the lower of cost and net realisable value and are treated as acquired when the Group assumes the significant risks and rewards of ownership. Cost includes development costs specifically attributable to properties in the course of development. Net realisable value represents the estimated selling price less further costs expected to be incurred to completion and disposal.

Financial instruments

Financial assets and financial liabilities are recognised in the Group’s statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity’ investments, ‘available-for-sale’ (AFS) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL; or
- Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the normal average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of disposal in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps and foreign currency options.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

4. Critical accounting judgements and key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date used in preparing these accounts are:

Property valuations

In determining the fair value of investment properties under IAS 40 at open market value, there is a degree of uncertainty and judgement involved. The Group uses external professional valuers who provide independent valuations of the investment properties.

Financial instruments

Certain derivative financial instruments are carried at fair value in accordance with IAS 39. In determining the fair value of derivatives there is a degree of judgement involved. The valuations of these derivatives are performed by third-party external professionals.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value.

Valuation of Long-Term Incentive Plan ('LTIP')

In assessing whether any share awards are to be granted under the LTIP the Company is required to estimate the growth of the net assets of the Group over the period of the LTIP and the fair value of a share at the grant date and the reporting date. These estimates involve making a variety of assumptions concerning *inter alia* rents and related costs, yields, administrative costs, interest rates, exchange rates, dividend rates and the rate and level of property acquisitions.

5. Revenue and Gross profit

An analysis of the Group's revenue and gross profit is as follows:

	<i>Six month period ended 30 June 2009 £'000</i>	<i>Year ended 31 December 2008 £'000</i>	<i>Year ended 31 December 2007 £'000</i>	<i>Period from 27 October 2005 to 31 December 2006 £'000</i>	<i>Six month period ended 30 June 2008 £'000 (unaudited)</i>
Investment property					
rental income	19,809	34,884	18,400	7,760	16,150
Sales of trading properties	–	–	–	8,252	–
Revenue	<u>19,809</u>	<u>34,884</u>	<u>18,400</u>	<u>16,012</u>	<u>16,150</u>
Direct operating expenses relating to investment properties that:					
– generated rental income	(2,936)	(5,307)	(1,661)	(747)	(2,291)
– generated no rental income	(11)	–	(35)	(10)	–
Impairment of trading properties	–	(2,802)	–	–	–
Cost of sales of trading properties	(32)	(65)	(55)	(7,638)	(30)
Cost of sales	<u>(2,979)</u>	<u>(8,174)</u>	<u>(1,751)</u>	<u>(8,395)</u>	<u>(2,321)</u>
Gross profit	<u>16,830</u>	<u>26,710</u>	<u>16,649</u>	<u>7,617</u>	<u>13,829</u>

6. Operating segments

The Group has adopted IFRS 8 *Operating Segments* with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Joint Chief Executives to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 *Segment Reporting*) required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

In prior periods, segment information reported externally was analysed primarily on the basis of the classification of its properties based on whether they were held for investment or trading and secondly on the basis of geographic location. However, information reported to the Group's Joint Chief Executives for the purposes of resource allocation and assessment of segment performance is more specifically focused on the Group's level of investment in property assets and the related net rental income according to geographic location. The Group's reportable segments under IFRS 8 are therefore determined by geographic location.

Information regarding the Group's operating segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment

	<i>Six month period ended</i>		<i>Six month period ended</i>	
	<i>30 June 2009</i>		<i>30 June 2008 (unaudited)</i>	
	<i>Revenue</i>	<i>Result</i>	<i>Revenue</i>	<i>Result</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Belgium	1,722	1,565	1,628	1,540
France	1,053	1,027	855	825
Germany	9,437	7,208	7,546	5,985
Netherlands	7,597	7,062	6,121	5,509
UK	–	(32)	–	(30)
	<u>19,809</u>	<u>16,830</u>	<u>16,150</u>	<u>13,829</u>
Administrative expenses		<u>(3,358)</u>		<u>(3,080)</u>
Operating profit before losses and gains on investment properties		13,472		10,749
(Losses)/gains on investment properties		<u>(16,434)</u>		<u>5,094</u>
Operating (loss)/profit		<u>(2,962)</u>		<u>15,843</u>
Net finance costs		<u>(6,727)</u>		<u>(17,425)</u>
Loss before tax		<u>(9,689)</u>		<u>(1,582)</u>

Segment revenues and results (continued)

	<i>Year ended</i>		<i>Year ended</i>	
	<i>31 December 2008</i>		<i>31 December 2007</i>	
	<i>Revenue</i>	<i>Result</i>	<i>Revenue</i>	<i>Result</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Belgium	3,495	3,192	946	891
France	1,863	1,817	1,145	1,171
Germany	16,212	12,275	7,960	7,051
Netherlands	13,314	12,293	8,349	7,598
UK	–	(2,867)	–	(62)
	<u>34,884</u>	<u>26,710</u>	<u>18,400</u>	<u>16,649</u>
Administrative expenses		<u>(3,934)</u>		<u>(4,159)</u>
Operating profit before losses and gains on investment properties and before gain on sale of subsidiary		22,776		12,490
(Losses)/gains on investment properties		(41,655)		19,614
Gain on sale of subsidiary		161		–
Operating (loss)/profit		<u>(18,718)</u>		<u>32,104</u>
Net finance costs		<u>(42,225)</u>		<u>(11,730)</u>
(Loss)/profit before tax		<u>(60,943)</u>		<u>20,374</u>

	<i>Period from</i>	
	<i>27 October 2005 to</i>	
	<i>31 December 2006</i>	
	<i>Revenue</i>	<i>Result</i>
	<i>£'000</i>	<i>£'000</i>
Belgium	–	–
France	429	426
Germany	2,077	1,867
Netherlands	13,149	5,295
UK	357	29
	<u>16,012</u>	<u>7,617</u>
Administrative expenses		<u>(2,847)</u>
Operating profit before gains on investment properties		4,770
Gains on investment properties		14,789
Operating profit		19,559
Net finance income		2,563
Profit before tax		<u>22,122</u>

Segment assets

30 June 2009

	<i>Investment properties</i> £'000	<i>Trading properties</i> £'000	<i>Total properties</i> £'000	<i>Other assets</i> £'000	<i>Total assets</i> £'000	<i>Additions to investment properties</i> £'000	<i>Non- current assets</i> £'000
Belgium	37,668	–	37,668	5,037	42,705	(4)	39,908
France	19,366	–	19,366	661	20,027	–	19,366
Germany	198,607	–	198,607	15,554	214,161	7,390	198,607
Netherlands	164,350	–	164,350	5,914	170,264	287	164,350
UK	–	2,844	2,844	24	2,868	–	–
	<u>419,991</u>	<u>2,844</u>	<u>422,835</u>	<u>27,190</u>	<u>450,025</u>	<u>7,673</u>	<u>422,231</u>
Unallocated assets					47,222		236
Entity total					<u>497,247</u>		<u>422,467</u>

31 December 2008

	<i>Investment properties</i> £'000	<i>Trading properties</i> £'000	<i>Total properties</i> £'000	<i>Other assets</i> £'000	<i>Total assets</i> £'000	<i>Additions to investment properties</i> £'000	<i>Non- current assets</i> £'000
Belgium	46,074	–	46,074	5,072	51,146	26	48,315
France	23,442	–	23,442	1,157	24,599	–	23,442
Germany	229,392	–	229,392	19,522	248,914	18,217	229,392
Netherlands	193,449	–	193,449	6,614	200,063	12,218	193,449
UK	–	2,750	2,750	58	2,808	–	–
	<u>492,357</u>	<u>2,750</u>	<u>495,107</u>	<u>32,423</u>	<u>527,530</u>	<u>30,461</u>	<u>494,598</u>
Unallocated assets					69,941		305
Entity total					<u>597,471</u>		<u>494,903</u>

31 December 2007

	<i>Investment properties</i> £'000	<i>Trading properties</i> £'000	<i>Total properties</i> £'000	<i>Other assets</i> £'000	<i>Total assets</i> £'000	<i>Additions to investment properties</i> £'000	<i>Non- current assets</i> £'000
Belgium	39,986	–	39,986	4,107	44,093	40,065	42,238
France	20,356	–	20,356	788	21,144	4,031	20,356
Germany	188,409	–	188,409	4,368	192,777	113,975	188,409
Netherlands	157,908	–	157,908	2,476	160,384	76,170	157,908
UK	–	5,260	5,260	2	5,262	–	–
	<u>406,659</u>	<u>5,260</u>	<u>411,919</u>	<u>11,741</u>	<u>423,660</u>	<u>234,241</u>	<u>408,911</u>
Unallocated assets					17,149		3,295
Entity total					<u>440,809</u>		<u>412,206</u>

Segment assets (continued)

31 December 2006

	<i>Investment properties</i>	<i>Trading properties</i>	<i>Total properties</i>	<i>Other assets</i>	<i>Total assets</i>	<i>Additions to investment properties</i>	<i>Non-current assets</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
France	14,561	–	14,561	344	14,905	13,059	14,561
Germany	53,615	–	53,615	1,891	55,506	47,816	53,615
Netherlands	71,417	–	71,417	3,614	75,031	65,506	71,417
UK	–	5,151	5,151	1	5,152	–	–
	<u>139,593</u>	<u>5,151</u>	<u>144,744</u>	<u>5,850</u>	<u>150,594</u>	<u>126,381</u>	<u>139,593</u>
Unallocated assets					12,492		1,462
Entity total					<u>163,086</u>		<u>141,055</u>

7. (Loss)/profit for the period

(Loss)/profit for the period has been arrived at after (charging)/crediting:

	<i>Six month period ended 30 June 2009</i>	<i>Year ended 31 December 2008</i>	<i>Year ended 31 December 2007</i>	<i>Period from 27 October 2005 to 31 December 2006</i>	<i>Six month period ended 30 June 2008</i>
	£'000	£'000	£'000	£'000	£'000
Net foreign exchange gains included in administrative expenses	(103)	523	146	(73)	2
Net foreign exchange gains included in net finance income	(6,486)	18,299	1,946	(260)	936
Depreciation of property, plant and equipment	(10)	(24)	(16)	(10)	(11)
Profit on sale of investment properties	679	334	–	–	744
(Decrease)/increase in fair value of investment properties	(17,113)	(41,989)	19,595	14,759	4,350
Impairment of trading properties	–	(2,802)	–	–	–
Profit on sale of subsidiary	–	161	–	–	–
Auditors' remuneration	180	350	421	233	–
Staff costs (see note 8)	(1,611)	(1,644)	2,447	1,476	1,406

The analysis of auditors' remuneration is as follows:

	<i>Six month period ended 30 June 2009 £'000</i>	<i>Year ended 31 December 2008 £'000</i>	<i>Year ended 31 December 2007 £'000</i>	<i>Period from 27 October 2005 to 31 December 2006 £'000</i>	<i>Six month period ended 30 June 2008 £'000 (unaudited)</i>
Fees payable to the Company's auditors and their associates for the audit of the Company's and Group annual accounts	–	88	69	40	–
Fees payable to the Company's auditors for the audit of the Group's interim accounts	180	–	–	–	–
Fees payable to the Company's auditors and their associates for other services to the Group: – The audit of the Company's subsidiaries pursuant to local statutory requirements	–	142	116	81	–
Total audit fees	<u>180</u>	<u>230</u>	<u>185</u>	<u>121</u>	<u>–</u>

	<i>Six month period ended 30 June 2009 £'000</i>	<i>Year ended 31 December 2008 £'000</i>	<i>Year ended 31 December 2007 £'000</i>	<i>Period from 27 October 2005 to 31 December 2006 £'000</i>	<i>Six month period ended 30 June 2008 £'000 (unaudited)</i>
– Tax services	57	119	212	26	67
– Other services	–	1	24	86	–
Total non-audit fees	<u>57</u>	<u>120</u>	<u>236</u>	<u>112</u>	<u>67</u>

Tax services fees paid to Deloitte LLP and their associates comprise fees for UK and overseas income tax, VAT and property tax advisory services.

In addition to the fees disclosed above fees amounting to £nil in the period to 30 June 2009 of (2008: £5,000) and £15,000 for the year-ended 31 December 2008 (2007: £78,000; 2006: £nil) were paid to associates of Deloitte LLP for due diligence services relating to corporate acquisitions.

8. Staff costs

The average monthly number of employees (including executive directors) was:

	<i>Six month period ended 30 June 2009 No.</i>	<i>Year ended 31 December 2008 No.</i>	<i>Year ended 31 December 2007 No.</i>	<i>Period from 27 October 2005 to 31 December 2006 No.</i>	<i>Six month period ended 30 June 2008 No. (unaudited)</i>
Administration	<u>19</u>	<u>15</u>	<u>9</u>	<u>6</u>	<u>13</u>

Their aggregate remuneration was:

	<i>Six month period ended 30 June 2009 £'000</i>	<i>Year ended 31 December 2008 £'000</i>	<i>Year ended 31 December 2007 £'000</i>	<i>Period from 27 October 2005 to 31 December 2006 £'000</i>	<i>Six month period ended 30 June 2008 £'000 (unaudited)</i>
Wages and salaries	1,364	1,919	1,422	1,181	1,015
Share-based payments	9	(562)	669	51	173
Social security costs	164	160	264	160	155
Other pension costs	74	127	92	84	63
	<u>1,611</u>	<u>1,644</u>	<u>2,447</u>	<u>1,476</u>	<u>1,406</u>

The amounts shown against pension costs comprise amounts payable by the Group to personal pension schemes of the employees.

The aggregate amounts payable to Directors during the period/year were as follows:

	<i>Six month period ended 30 June 2009 £'000</i>	<i>Year ended 31 December 2008 £'000</i>	<i>Year ended 31 December 2007 £'000</i>	<i>Period from 27 October 2005 to 31 December 2006 £'000</i>	<i>Six month period ended 30 June 2008 £'000 (unaudited)</i>
Emoluments	523	808	883	903	528
Fees	60	120	100	98	60
Money purchase pension contributions	39	78	66	69	39
Long-term incentive plan	–	–	615	–	146
Total	<u>622</u>	<u>1,006</u>	<u>1,664</u>	<u>1,070</u>	<u>773</u>

9. (Losses)/gains on investment properties

	<i>Six month period ended 30 June 2009 £'000</i>	<i>Year ended 31 December 2008 £'000</i>	<i>Year ended 31 December 2007 £'000</i>	<i>Period from 27 October 2005 to 31 December 2006 £'000</i>	<i>Six month period ended 30 June 2008 £'000 (unaudited)</i>
(Decrease)/increase in fair value of investment properties	(17,113)	(41,989)	19,595	14,759	4,350
Profit on disposal of investment properties	679	334	19	30	744
	<u>(16,434)</u>	<u>(41,655)</u>	<u>19,614</u>	<u>14,789</u>	<u>5,094</u>

10. Gains/(losses) on forward currency contracts

	<i>Six month period ended 30 June 2009 £'000</i>	<i>Year ended 31 December 2008 £'000</i>	<i>Year ended 31 December 2007 £'000</i>	<i>Period from 27 October 2005 to 31 December 2006 £'000</i>	<i>Six month period ended 30 June 2008 £'000 (unaudited)</i>
Increase/(decrease) in fair value of forward currency contracts	5,713	(45,006)	(11,014)	1,304	(16,165)

11. Net finance income/(costs)

	<i>Six month period ended 30 June 2009 £'000</i>	<i>Year ended 31 December 2008 £'000</i>	<i>Year ended 31 December 2007 £'000</i>	<i>Period from 27 October 2005 to 31 December 2006 £'000</i>	<i>Six month period ended 30 June 2008 £'000 (unaudited)</i>
Interest receivable on bank deposits	457	2,074	1,599	1,977	741
Other interest receivable	20	37	50	19	9
Finance income	<u>477</u>	<u>2,111</u>	<u>1,649</u>	<u>1,996</u>	<u>750</u>
	<i>Six month period ended 30 June 2009 £'000</i>	<i>Year ended 31 December 2008 £'000</i>	<i>Year ended 31 December 2007 £'000</i>	<i>Period from 27 October 2005 to 31 December 2006 £'000</i>	<i>Six month period ended 30 June 2008 £'000 (unaudited)</i>
Interest payable on bank loans and overdrafts	(5,154)	(12,866)	(4,502)	(490)	(5,700)
Interest payable on obligations under finance leases	(88)	(184)	(47)	–	(109)
Finance costs	<u>(5,242)</u>	<u>(13,050)</u>	<u>(4,549)</u>	<u>(490)</u>	<u>(5,809)</u>
Net interest (paid)/received	(4,765)	(10,939)	(2,900)	1,506	(5,059)
(Decrease)/increase in fair value of interest rate swaps	(1,189)	(4,579)	238	13	2,863
Foreign exchange (losses)/gains	(6,486)	18,299	1,946	(260)	936
Net finance (costs)/income	<u>(12,440)</u>	<u>2,781</u>	<u>(716)</u>	<u>1,259</u>	<u>(1,260)</u>

12. Tax

	<i>Six month period ended 30 June 2009 £'000</i>	<i>Year ended 31 December 2008 £'000</i>	<i>Year ended 31 December 2007 £'000</i>	<i>Period from 27 October 2005 to 31 December 2006 £'000</i>	<i>Six month period ended 30 June 2008 £'000 (unaudited)</i>
UK current tax					
On net income of the current period	876	6,444	1,024	1,665	871
(Credit)/charge in respect of prior periods	(8,711)	1,629	–	–	–
	<u>(7,835)</u>	<u>8,073</u>	<u>1,024</u>	<u>1,665</u>	<u>871</u>
Foreign current tax					
On net income of the current period	615	1,368	1,242	566	996
Credit in respect of prior periods	(74)	(2,300)	–	–	–
	<u>541</u>	<u>(932)</u>	<u>1,242</u>	<u>566</u>	<u>996</u>
Total current tax	(7,294)	7,141	2,266	2,231	1,867
Deferred tax (see note 26)	(1,800)	(8,529)	4,533	4,561	(265)
Total tax (credit)/charge	<u>(9,094)</u>	<u>(1,388)</u>	<u>6,799</u>	<u>6,792</u>	<u>1,602</u>

UK Corporation tax is calculated for the six month period to 30 June 2009 at a rate of 28 per cent. (six month period to 30 June 2008: 29 per cent.) and the year-ended 31 December 2008 at a rate of 28.5 per cent. (2007: 30 per cent.; period from 27 October 2005 to 31 December 2006: 30 per cent.) of the estimated assessable profit for the period.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax (credit)/charge for the period can be reconciled to the (loss)/profit per the income statement as follows:

	<i>Six month period ended 30 June 2009 £'000</i>	<i>Year ended 31 December 2008 £'000</i>	<i>Year ended 31 December 2007 £'000</i>	<i>Period from 27 October 2005 to 31 December 2006 £'000</i>	<i>Six month period ended 30 June 2008 £'000 (unaudited)</i>
(Loss)/profit before tax	(9,689)	(60,943)	20,374	22,122	(1,582)
UK corporation tax rate	28.0%	28.5%	30.0%	30.0%	29%
Tax at the UK corporation tax rate	(2,713)	(17,369)	6,112	6,637	(459)
Tax effect of:					
Change in investment properties caused by movement in exchange rates	(7,518)	14,812	–	–	2,878
Change in liabilities due to movement in euro exchange rate	1,524	(2,221)	–	–	(706)
Deferred tax assets not recognised	114	2,111	–	–	170
Effect of different tax rates in overseas subsidiaries	101	458	576	42	21
Indexation relief	(106)	(393)	–	–	(1,148)
Marginal relief	–	–	–	(8)	–
Expenses that are not deductible in determining taxable profit	4	268	68	116	21
Effect on deferred tax balances due to the change in UK tax rate from 30% to 28% effective from 1 April 2008	–	320	335	–	–
Short-term timing differences	(6)	72	1	5	305
Prior period tax (credit)/charge	(494)	554	(293)	–	520
	<u>(9,094)</u>	<u>(1,388)</u>	<u>6,799</u>	<u>6,792</u>	<u>(1,602)</u>

No tax relating to realised exchange gains on loans to overseas operations has been credited directly to translation reserves in the period to 30 June 2009 (six month period to 30 June 2008: charge of £847,000, year ended 31 December 2008: credit of £1,275,000, year ended 31 December 2007: charge of £1,714,000, period from 27 October 2005 to 31 December 2006: credit of £439,000).

13. Dividends

	<i>Six month period ended 30 June 2009</i> £'000	<i>Year ended 31 December 2008</i> £'000	<i>Year ended 31 December 2007</i> £'000	<i>Period from 27 October 2005 to 31 December 2006</i> £'000	<i>Six month period ended 30 June 2008</i> £'000 <i>(unaudited)</i>
Amounts recognised as distributions to equity holders in the period:					
Interim dividend per share in the six months to 30 June 2009 of 3.2p (six months to 30 June 2008: 3.2p) and the year ended 31 December 2008 of 3.2p (2007: 3.0p; 2006: 3.0p)	5,710	5,710	3,750	–	5,710

14. Earnings per share and net asset value per share

The calculations for earnings per share, based on the weighted average number of shares, are shown in the table below.

The European Public Real Estate Association ('EPRA') has issued recommended bases for the calculation of certain per share information and these are included in the following tables:

	<i>Six month period ended 30 June 2009</i>			<i>Six month period ended 30 June 2008 (unaudited)</i>		
	<i>Earnings</i>	<i>Weighted average number of shares</i>	<i>Earnings per share</i>	<i>Earnings</i>	<i>Weighted average number of shares</i>	<i>Earnings per share</i>
	£'000	000's	p	£'000	000's	p
Basic EPS	(443)	178,435	(0.2)	(3,256)	178,435	(1.8)
Dilutive share options	–	–	–	–	29	–
Diluted EPS	(443)	178,435	(0.2)	(3,256)	178,464	(1.8)
Adjustments:						
Revaluation losses/(gains) on investment properties	17,113			(4,350)		
Profit on the sale of investment properties	(679)			(744)		
Tax on the sale of investment properties	185			365		
Change in fair value of financial instruments	(4,524)			13,302		
Deferred tax on the above items	4,727			227		
Diluted EPRA EPS	16,379		9.2	5,544		3.1

	Year ended 31 December 2008			Year ended 31 December 2007			Period from 27 October 2005 to 31 December 2006		
	Earnings £'000	Weighted average number of shares	Earnings per share p	Earnings £'000	Weighted average number of shares	Earnings per share p	Earnings £'000	Weighted average number of shares	Earnings per share p
		000's			000's			000's	
Basic EPS	(59,571)	178,435	(33.4)	13,472	166,430	8.1	15,330	115,223	13.3
Dilutive share options	–	–	–	–	67	–	–	43	–
Diluted EPS	(59,571)	178,435	(33.4)	13,472	166,497	8.1	15,330	115,266	13.3
Adjustments:									
Revaluation losses/ (gains) on investment properties	41,989			(19,595)			(14,759)		
Profit on the sale of investment properties	(334)			(19)			(30)		
Profit on the sale of subsidiary undertaking	(161)			–			–		
Tax on the sale of investment properties	456			6			9		
Change in fair value of financial instruments	49,585			10,776			(1,317)		
Deferred tax on the above items	(10,200)			4,419			4,924		
Diluted EPRA EPS	21,764		12.2	9,059		5.4	4,157		3.6

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

	Six month period ended 30 June 2009			Six month period ended 30 June 2008 (unaudited)		
	Equity shareholders' funds £'000	Number of shares 000's	Net asset value per share p	Equity shareholders' funds £'000	Number of shares 000's	Net asset value per share p
	Basic NAV	183,191	178,435	102.7	238,820	178,435
Unexercised share options	604	850	(0.2)	–	–	–
Diluted NAV	183,795	179,285	102.5	238,820	178,435	133.8
Adjustments:						
Goodwill	(2,241)			(2,252)		
Fair value of trading properties	–			647		
Fair value of interest rate derivatives	4,983			–		
Deferred tax	5,841			21,224		
Diluted EPRA NAV	192,378		107.3	258,439		144.8

	Year ended 31 December 2008			Year ended 31 December 2007			Period from 27 October 2005 to 31 December 2006		
	Equity	Number	Net asset	Equity	Number	Net asset	Equity	Number	Net asset
	shareholders'	of	value	shareholders'	of	value	shareholders'	of	value
	funds	shares	per share	funds	shares	per share	funds	shares	per share
£'000	000's	p	£'000	000's	p	£'000	000's	p	
Basic NAV	212,545	178,435	119.1	231,214	178,435	129.6	137,872	125,000	110.3
Unexercised share options	–	–	n/a	428	400	n/a	428	400	n/a
Diluted NAV	212,545	178,435	119.1	231,642	178,835	129.5	138,300	125,400	110.3
Adjustments:									
Goodwill	(2,241)			(2,252)			–		
Fair value of trading properties	–			740			849		
Fair value of interest rate derivatives	4,180			(379)			–		
Deferred tax	13,193			17,378			4,529		
Diluted EPRA NAV	227,677		127.6	247,129		138.2	143,678		114.6

15. Goodwill

	Six month	Year ended	Year ended	Period from
	period ended	31 December	31 December	27 October
	30 June	2008	2007	2005 to
	2009	2008	2007	31 December
	£'000	£'000	£'000	£'000
Cost and carrying amount:				
At 1 January	2,241	2,252	–	–
Recognised on acquisition of subsidiary undertakings	–	–	2,252	–
Cost on disposal of a subsidiary undertaking	–	(11)	–	–
At 30 June/31 December	2,241	2,241	2,252	–

The goodwill recognised on acquisition of subsidiary undertakings relates to the acquisition, on 31 August 2007, of a portfolio of Belgian subsidiary companies which is considered to be the relevant cash-generating unit. The total cost of acquisition to the Group was £12,409,000, comprising £11,880,000 cash consideration and £529,000 directly attributable costs. The book value of assets acquired was £1,554,000, compared to a fair value of £10,157,000. The difference between book value and fair value at acquisition relates to the revaluation of investment properties by independent valuers in accordance with the requirements of IAS 40 and the related deferred tax. The subsidiaries contributed £946,000 revenue and £302,000 to the Group's profit before tax for the period between the date of acquisition and 31 December 2007. If the acquisition of the subsidiaries had been completed on 1 January 2007, Group revenues for the period to 31 December 2007 would have been £20,607,000. The goodwill cost on the disposal of a subsidiary undertaking relates to the disposal, on 31 October 2008, of Erangra NV, one of the Belgian subsidiary companies originally acquired on 31 August 2007.

The Group tests goodwill annually for impairment or more frequently if there are any indications that goodwill might be impaired.

The recoverable amounts with regard to the Belgian subsidiary companies are determined on the basis of fair value less costs to sell by reference to the fair valuation of the underlying properties. The assumptions in relation to determining the fair value of the Belgian portfolio are:

- Fair value of the investment properties in the portfolio – the fair value of these properties are determined under RICS and in accordance with IVA1 of the International Valuation Standards on a bi-annual basis; and
- The discount to be applied in the sale transaction in respect of deferred tax liabilities carried in the individual entities – it is normal business practice in Belgium to execute property transactions by sale of a company. On disposal of a property company, a sales price discount is normally negotiated

because of the inherent capital gains tax in these companies. The discount varies widely and is open to negotiation. Following the recent disposal of a Belgian subsidiary, whereby no sales price discount was necessary and the full valuation price was realised, the Group have assumed that no sales price discount will be necessary for the disposal of the remainder of the portfolio.

16. Property, plant and equipment

	<i>Office equipment £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
Six month period to 30 June 2009			
Cost:			
At 1 January 2009	2	80	82
Additions	2	3	5
At 30 June 2009	<u>4</u>	<u>83</u>	<u>87</u>
Accumulated depreciation:			
At 1 January 2009	1	49	50
Charge for the period	1	9	10
At 30 June 2009	<u>2</u>	<u>58</u>	<u>60</u>
Net book value:			
At 30 June 2009	<u>2</u>	<u>25</u>	<u>27</u>
At 31 December 2008	<u>1</u>	<u>31</u>	<u>32</u>
Year ended 31 December 2008			
Cost:			
At 1 January 2008	1	56	57
Additions	1	24	25
At 31 December 2008	<u>2</u>	<u>80</u>	<u>82</u>
Accumulated depreciation:			
At 1 January 2008	–	26	26
Charge for the year	1	23	24
At 31 December 2008	<u>1</u>	<u>49</u>	<u>50</u>
Net book value:			
At 31 December 2008	<u>1</u>	<u>31</u>	<u>32</u>
At 31 December 2007	<u>1</u>	<u>30</u>	<u>31</u>
Year ended 31 December 2007			
Cost:			
At 1 January 2007	1	37	38
Additions	–	19	19
At 31 December 2007	<u>1</u>	<u>56</u>	<u>57</u>
Accumulated depreciation:			
At 1 January 2007	–	10	10
Charge for the year	–	16	16
At 31 December 2007	<u>–</u>	<u>26</u>	<u>26</u>
Net book value:			
At 31 December 2007	<u>1</u>	<u>30</u>	<u>31</u>
At 31 December 2006	<u>1</u>	<u>27</u>	<u>28</u>

	<i>Office equipment £'000</i>	<i>Computer equipment £'000</i>	<i>Total £'000</i>
Period from 27 October 2005 to 31 December 2006			
Cost:			
At 27 October 2005	–	–	–
Additions	1	37	38
At 31 December 2006	<u>1</u>	<u>37</u>	<u>38</u>
Accumulated depreciation:			
At 27 October 2005	–	–	–
Charge for the year	–	10	10
At 31 December 2006	<u>–</u>	<u>10</u>	<u>10</u>
Net book value:			
At 31 December 2006	<u>1</u>	<u>27</u>	<u>28</u>
At 27 October 2005	<u>–</u>	<u>–</u>	<u>–</u>

17. Investment property

	<i>30 June 2009 £'000</i>	<i>31 December 2008 £'000</i>	<i>31 December 2007 £'000</i>	<i>31 December 2006 £'000</i>
At 1 January	492,357	391,242	139,593	–
Additions – property purchases	6,689	29,758	196,705	126,137
– capital expenditure	984	562	689	244
Acquisition of subsidiaries	–	–	36,847	–
Revaluations included in income statement	(17,113)	(41,956)	19,595	14,759
Disposal of subsidiary	–	(2,668)	–	–
Disposals	(5,006)	(4,979)	(440)	(88)
Transfer to investment property held for sale	–	–	(15,417)	–
Exchange adjustment	(57,920)	120,398	13,670	(1,459)
At 30 June/31 December	<u>419,991</u>	<u>492,357</u>	<u>391,242</u>	<u>139,593</u>
Investment property held for sale				
At 1 January	–	15,417	–	–
Additions – capital expenditure	–	141	–	–
Transfer from investment property	–	–	15,417	–
Revaluations included in income statement	–	(33)	–	–
Disposals	–	(17,345)	–	–
Exchange adjustment	–	1,820	–	–
At 30 June/31 December	<u>–</u>	<u>–</u>	<u>15,417</u>	<u>–</u>

All investment properties are stated at market value and have been valued by independent professionally qualified external valuers, King Sturge LLP. The valuations have been prepared in accordance with the Valuation Standards (6th Edition) published by The Royal Institute of Chartered Surveyors and with IVA1 of the International Valuation Standards.

The Group has pledged certain of its investment properties to secure bank loan facilities and a finance lease granted to the Group.

18. Disposal of subsidiary

On 31 October 2008 the Group disposed of 100 per cent. of the issued share capital of Erangra NV, a company incorporated and registered in Belgium for cash consideration of £1,333,000 net of disposal expenses. The company was originally acquired on 31 August 2007 and engaged in property investment and management in Belgium. The net assets of Erangra NV at the date of disposal were as follows:

	<i>31 October</i> <i>2008</i> <i>£'000</i>
Investment properties	2,668
Trade and other receivables	27
Cash and cash equivalents	802
Trade and other payables	(81)
Bank loans	(1,387)
Deferred tax liabilities	(657)
Attributable goodwill	11
Translation differences on net assets	(211)
	<u>1,172</u>
Gain on disposal	161
Total consideration	<u>1,333</u>
Satisfied by:	
Cash	1,400
Less disposal expenses	(67)
	<u>1,333</u>
Net cash inflow arising on disposal:	
Cash consideration net of disposal expenses	1,333
Cash and cash equivalents disposed of	(802)
	<u>531</u>

Erangra NV contributed £168,000 revenue and a loss after tax of £105,000 to the Group's revenue and profit after tax in the period from 1 January 2008 to 31 October 2008 (Period from 31 August 2007 to 31 December 2007: revenue of £67,000 and a loss after tax of £76,000).

19. Derivative financial instruments

Derivative financial instruments are included in the balance sheet as follows:

	<i>30 June</i> <i>2009</i> <i>£'000</i>	<i>31 December</i> <i>2008</i> <i>£'000</i>	<i>31 December</i> <i>2007</i> <i>£'000</i>	<i>31 December</i> <i>2006</i> <i>£'000</i>
Financial assets and liabilities held for trading				
Non-current assets	208	273	379	1,434
Current assets	–	13,747	–	–
Current liabilities	(49,635)	(68,407)	–	–
Non-current liabilities	(4,559)	(4,509)	(9,710)	–
	<u>(53,986)</u>	<u>(58,896)</u>	<u>9,331</u>	<u>1,434</u>

The movements on derivative financial instruments are as follows:

	<i>Forward currency contract £'000</i>	<i>Interest rate caps £'000</i>	<i>Interest rate swaps £'000</i>	<i>Total £'000</i>
Financial assets and liabilities held for trading				
Fair value at 27 October 2005	–	–	–	–
Additions at cost	33	84	–	117
Revaluations included in income statement	1,304	13	–	1,317
Fair value at 31 December 2006	1,337	97	–	1,434
Additions at cost	27	44	–	71
Revaluations included in income statement	(11,074)	94	144	(10,836)
Fair value at 31 December 2007	(9,710)	235	144	(9,331)
Additions at cost	–	464	–	464
Revaluations included in income statement	(45,006)	(396)	(4,183)	(49,585)
Exchange difference	–	26	(470)	(444)
Fair value at 31 December 2008	(54,716)	329	(4,509)	(58,896)
Additions at cost	–	–	–	–
Revaluations included in income statement	5,713	(99)	(1,090)	4,524
Exchange difference	–	(22)	408	386
Fair value at 30 June 2009	(49,003)	208	(5,191)	(53,986)

20. Trading properties

	<i>30 June 2009 £'000</i>	<i>31 December 2008 £'000</i>	<i>31 December 2007 £'000</i>	<i>31 December 2006 £'000</i>
Land and related costs	2,844	2,750	5,260	5,151

Impairments to write the carrying value of the trading properties down to net realisable value have been charged to the income statement in the six months to 30 June 2009 of £nil (six months to 30 June 2008: £nil) and the year-ended 31 December 2008 of £2,802,000 (2007: £nil; 2006: £nil)

21. Trade and other receivables

	<i>30 June 2009 £'000</i>	<i>31 December 2008 £'000</i>	<i>31 December 2007 £'000</i>	<i>31 December 2006 £'000</i>
Trade receivables	1,355	2,226	1,749	356
Other receivables	5,295	1,258	484	1,754
Prepayments and accrued income	2,581	2,347	1,548	375
	9,231	5,831	3,781	2,485

Trade receivables are shown after deducting a provision for bad and doubtful debts at 30 June 2009 of £860,000 and at 31 December 2008 of £688,000 (2007: £276,000; 2006: £35,000). The movement in the provision during each period was recognised entirely in income.

The carrying amount of trade and other receivables approximate their fair value.

22. Cash and cash equivalents

	30 June 2009 £'000	31 December 2008 £'000	31 December 2007 £'000	31 December 2006 £'000
Cash and cash equivalents	62,705	80,240	19,562	14,395

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates to their fair value.

Included in cash and cash equivalents held by the Company is an amount of £42,894,000 at 30 June 2009, and £47,874,000 at 31 December 2008 (2007: £nil; 2006: £nil) held on interest-bearing deposit at Merrill Lynch International Bank Limited as collateral security for forward currency contracts due to mature on 27 July 2009.

23. Trade and other payables

	30 June 2009 £'000	31 December 2008 £'000	31 December 2007 £'000	31 December 2006 £'000
Trade payables	1,250	1,882	1,388	597
Other payables	1,018	1,440	929	710
Accruals	3,714	3,145	2,740	1,419
Deferred income	2,876	3,452	1,859	607
	<u>8,858</u>	<u>9,919</u>	<u>6,916</u>	<u>3,333</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases by the Company in the period to 30 June 2009 is 5 days and in the year to 31 December 2008 is 23 days (2007: 3 days; 2006: 4 days). For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

24. Borrowings

	30 June 2009 £'000	31 December 2008 £'000	31 December 2007 £'000	31 December 2006 £'000
Secured at amortised cost				
Bank overdrafts	–	–	1,825	–
Bank loans	241,128	283,329	169,088	16,845
Unamortised borrowing costs	(1,690)	(2,085)	(1,377)	(1,156)
	<u>239,438</u>	<u>281,244</u>	<u>169,536</u>	<u>15,689</u>
Total borrowings				
Amount due for settlement within 12 months	4,203	926	2,579	–
Amount due for settlement after 12 months	235,235	280,318	166,957	15,689
Bank loans	<u>239,438</u>	<u>281,244</u>	<u>169,536</u>	<u>15,689</u>

On 25 July 2006 Hansteen Holdings PLC and certain of its subsidiary undertakings entered into a five year Euros 230,000,000 revolving bank loan facility with an expiry date of 25 July 2011. On 29 May 2008 following the re-financing of the Dutch portfolio of investment properties this facility was reduced to Euros 200,000,000. The loan is secured on the shares of the borrowing subsidiaries and their investment properties and is guaranteed by Hansteen Holdings PLC and the borrowing subsidiaries. Interest on the amounts drawn under the loan facility is charged at EURIBOR plus 0.8 per cent. The Group has drawn down Euros 133,000,000 under this facility at 30 June 2009 and Euros 141,000,000 under this facility at 31 December 2008 (2007: Euros 149,000,000; 2006: Euros 25,000,000).

On 25 May 2008 Hansteen Netherlands B.V. and Hansteen Ormix B.V., both Dutch subsidiaries, entered into a five year Euros 130,000,000 bank loan facility with an expiry date of 1 June 2013. The Euros 130,000,000 drawn down under the facility was used to repay existing borrowings of the Dutch subsidiaries. The loan is

secured on the properties of Hansteen Netherlands B.V. and Hansteen Ormix B.V. The net sales proceeds arising from sales of investment properties are required to be used to reduce the bank loan unless re-invested in investment properties. Interest on the amounts drawn under the loan facility is charged at EURIBOR plus 1.55 per cent. At 30 June 2009 the Group has drawn down Euros 128,565,000 under this facility, and at 31 December 2008 had drawn down Euros 130,000,000 under this facility. (2007: Euros nil; 2006: Euros nil).

The Belgian subsidiaries have a number of facilities secured on the Belgian investment properties with expiry dates ranging from 1 January 2010 to 31 March 2026 and interest charged at EURIBOR plus 0.75 per cent. to 1.5 per cent. The aggregate amount outstanding at 30 June 2009 in respect of these bank loans is Euros 21,495,000 and at 31 December 2008 is Euros 20,866,000 (2007: Euros 22,881,000; 2006: Euros nil).

Security for secured borrowings is provided by charges on property with an aggregate carrying value at 30 June 2009 of £463,481,000 and at 31 December 2008 of £462,000,000 (2007: £318,213,000; 2006: £124,520,000).

The Directors estimate that the book value of the Group's bank loans approximates to their fair value.

	<i>30 June</i> 2009 £'000	<i>31 December</i> 2008 £'000	<i>31 December</i> 2007 £'000	<i>31 December</i> 2006 £'000
Maturity				
The bank loans are repayable as follows:				
Within one year or on demand	4,203	926	753	–
Between one and two years	3,576	2,958	45,152	–
In the third to fifth years inclusive	224,580	267,952	114,079	16,845
Over five years	8,769	11,493	9,104	–
	<u>241,128</u>	<u>283,329</u>	<u>169,088</u>	<u>16,845</u>
Undrawn committed facilities				
Expiring after more than two years	<u>57,075</u>	<u>57,049</u>	<u>59,475</u>	<u>138,131</u>

	<i>Floating rate borrowings</i>							
	<i>30 June</i> 2009 %	<i>30 June</i> 2009 £'000	<i>31 December</i> 2008 %	<i>31 December</i> 2008 £'000	<i>31 December</i> 2007 %	<i>31 December</i> 2007 £'000	<i>31 December</i> 2006 %	<i>31 December</i> 2006 £'000
Interest rate and currency profile								
Euros	3.26	<u>241,128</u>	4.71	<u>283,329</u>	5.31	<u>169,088</u>	4.35	<u>16,845</u>

A number of interest rate caps and swaps have been entered into in respect of the amounts drawn under the loan facilities at 30 June 2009 to hedge Euro borrowings at an average rate of 4.53 per cent. and at 31 December 2008 to hedge Euro borrowing at an average rate of 4.53 per cent. (2007: 4.39 per cent.; 2006: 4.0 per cent.) (see note 33).

25. Obligations under finance leases

	<i>Minimum lease payments</i>				<i>Present value of lease payments</i>				
	<i>30 June</i> 2009 £	<i>31 December</i> 2008 £	<i>31 December</i> 2007 £	<i>31 December</i> 2006 £	<i>30 June</i> 2009 £	<i>31 December</i> 2008 £	<i>31 December</i> 2007 £	<i>31 December</i> 2006 £	<i>31 December</i> 2006 £
Amounts payable under finance leases:									
Within one year	328	372	279	–	151	168	126	–	–
In the second to fifth years inclusive	1,312	1,490	1,131	–	663	739	553	–	–
After five years	4,007	4,734	3,877	–	3,027	3,536	2,818	–	–
	<u>5,647</u>	<u>6,596</u>	<u>5,287</u>	–	3,841	4,443	3,497	–	–
Less: future finance charges	<u>(1,806)</u>	<u>(2,153)</u>	<u>(1,790)</u>	–	n/a	n/a	n/a	n/a	n/a
Present value of lease obligations	<u>3,841</u>	<u>4,443</u>	<u>3,497</u>	–	3,841	4,443	3,497	–	–
Less: amount due for settlement within 12 months (shown under current liabilities)					(328)	(372)	(279)	–	–
Amount due for settlement after 12 months					<u>3,513</u>	<u>4,071</u>	<u>3,218</u>	–	–

The lease is held in I.P.I. Nossegem NV, a Belgian subsidiary and is denominated in Euros. The lease term outstanding at 30 June 2009 is 14.5 years and at 31 December 2008 is 15 years (2007: 16 years; 2006: n/a). For the period ended 30 June 2009 the interest rate implicit in the lease was 5.116 per cent. and the year ended 31 December 2008 was 5.045 per cent. (2007: 5.228 per cent.; 2006: n/a). Interest rates are fixed every five years and interest rate and capital repayments adjusted to reflect this.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under the finance lease are secured by the lessors' rights over the leased assets.

26. Deferred tax

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

	30 June 2009 £'000	31 December 2008 £'000	31 December 2007 £'000	31 December 2006 £'000
Deferred tax assets	7,733	–	2,885	–
Deferred tax liabilities	(14,122)	(10,678)	(17,194)	(4,517)
	<u>(6,389)</u>	<u>(10,678)</u>	<u>(14,309)</u>	<u>(4,517)</u>

The following are the major deferred tax liabilities and assets recognised and movements thereon during the reporting period:

	Revaluation of investment properties £'000	Depreciation of investment properties £'000	Exchange gains on investment properties £'000	Indexation on investment properties £'000	Currency contracts and interest rate derivatives £'000	UK tax on retained earnings in overseas subsidiaries £'000	Losses £'000	Short-term timing differences £'000	Total £'000
Group									
At 27 October 2005	–	–	–	–	–	–	–	–	–
Credit/(charge) to income	(4,179)	(350)	–	–	–	(343)	375	(64)	(4,561)
Exchange differences	43	4	–	–	–	–	(3)	–	44
At 31 December 2006	(4,136)	(346)	–	–	–	(343)	372	(64)	(4,517)
Acquired	(4,185)	–	–	–	–	–	486	(459)	(4,158)
Credit/(charge) to income	(6,696)	(777)	–	–	2,658	23	13	246	(4,533)
Exchange differences	(1,048)	(85)	–	–	–	–	76	(44)	(1,101)
At 31 December 2007	(16,065)	(1,208)	–	–	2,658	(320)	947	(321)	(14,309)
Disposed (see note 18)	321	31	–	–	–	–	(22)	327	657
Credit/(charge) to income	11,230	(1,265)	(14,601)	1,299	13,545	(1,176)	(5)	(490)	8,537
Exchange differences	(2,815)	(600)	(2,595)	231	83	–	276	(143)	(5,563)
At 31 December 2008	(7,329)	(3,042)	(17,196)	1,530	16,286	(1,496)	1,196	(627)	(10,678)
Credit/(charge) to income	4,587	(474)	5,936	302	(15,080)	(208)	6,731	6	1,800
Exchange differences	658	383	1,770	(195)	(71)	–	(129)	73	2,489
At 30 June 2009	<u>(2,084)</u>	<u>(3,133)</u>	<u>(9,490)</u>	<u>1,637</u>	<u>1,135</u>	<u>(1,704)</u>	<u>7,798</u>	<u>(548)</u>	<u>(6,389)</u>

At 30 June 2009 the Group has unutilised tax losses amounting to £34,209,000 and at 31 December 2008 of £11,709,000 (2007: £2,796,000; 2006: £1,206,000) available for offset against future profits. A deferred tax asset has been recognised at 30 June 2009 in respect of £27,202,000 and at 31 December 2008 of £3,528,000 (2007: £2,796,000; 2006: £1,206,000) of such losses. No deferred tax asset has been recognised as at 30 June 2009 in respect of the remaining £7,007,000 or at 31 December 2008 in respect of the remaining £8,181,000 (2007: £nil; 2006: £nil) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 30 June 2009 are losses of £6,236,000 and at 31 December 2008 are losses of £7,383,000 (2007: £nil; 2006: £nil) that will expire in 2017. Other losses may be carried forward indefinitely.

At 30 June 2009 full provision of £1,704,000 and at 31 December 2008 of £1,196,000 (2007: £320,000; 2006: £343,000) has been made for temporary differences associated with undistributed earnings of overseas subsidiaries.

27. Share capital

	<i>30 June</i> 2009 £'000	<i>31 December</i> 2008 £'000	<i>31 December</i> 2007 £'000	<i>31 December</i> 2006 £'000
Authorised				
250,000,000 (31 December 2008: 250,000,000; 31 December 2007: 250,000,000; 31 December 2006: 200,000,000) ordinary shares of 10p each	25,000	25,000	25,000	20,000
Issued and fully paid				
178,435,117 (31 December 2008: 178,435,117; 31 December 2007: 178,435,117; 31 December 2006: 125,000,002) ordinary shares of 10p each	17,843	17,843	17,843	12,500

The share capital comprises one class of ordinary shares carrying no right to fixed income. On 23 March 2007, 53,435,115 shares were issued for cash.

28. Notes to the cash flow statement

	<i>Six month period ended 30 June 2009 £'000</i>	<i>Year ended 31 December 2008 £'000</i>	<i>Year ended 31 December 2007 £'000</i>	<i>Period from 27 October 2005 to 31 December 2006 £'000</i>	<i>Six month period ended 30 June 2008 £'000 (unaudited)</i>
(Loss)/profit for the period	(595)	(59,555)	13,575	15,330	(3,184)
Adjustments for:					
Share-based employee remuneration	9	(562)	669	51	173
Depreciation of property, plant and equipment	10	24	16	10	11
Impairment of trading properties	–	2,802	–	–	–
Losses/(gains) on investment properties	16,434	41,655	(19,614)	(14,789)	(5,094)
Gain on sale of subsidiary	–	(161)	–	–	–
(Losses)/gains on forward currency contracts	(5,713)	45,006	11,014	(1,304)	16,165
Net finance income/(costs)	12,564	6,678	1,720	(1,259)	1,769
Tax	(9,094)	(1,388)	6,799	6,792	1,602
Operating cash inflows before movements in working capital	13,615	34,499	14,179	4,831	11,442
Increase in trading properties	(94)	(292)	(109)	(5,151)	(93)
Decrease/(increase) in receivables	290	(305)	(1,107)	(2,255)	(61)
Increase in payables	62	764	2,908	3,334	154
Cash generated by operations	13,873	34,666	15,871	759	11,442
Income taxes paid	(1,164)	(4,339)	(3,559)	(330)	(83)
Interest paid	(4,753)	(12,402)	(3,837)	(137)	(5,309)
Net cash inflow from operating activities	7,956	17,925	8,475	292	6,050

29. Operating lease arrangements

The Group as lessee

	<i>Six month period ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Six month period ended</i>
	<i>30 June</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 June</i>
	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Minimum lease payments under operating leases recognised as an expense in the period:	288	524	260	181	209

(unaudited)

As at the reporting date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<i>30 June</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Within one year	437	614	410	229
In the second to fifth years inclusive	997	1,131	403	259
After five years	13,995	16,002	3,354	1,136
	<u>15,429</u>	<u>17,747</u>	<u>4,167</u>	<u>1,624</u>

Operating lease payments represent rentals payable by the Group under ground rent leases for certain of its investment properties and rentals payable in respect of its head office property under a licence agreement with an unexpired term of six months as at the reporting date.

The Group as lessor

The Group leases all of its investment properties under operating leases. As at the reporting date the Group had contracted with tenants for the following future aggregate minimum rentals receivable under non-cancellable operating leases:

	<i>30 June</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Within one year	33,316	36,401	26,093	10,103
In the second to fifth years inclusive	70,888	80,298	64,601	21,771
After five years	26,778	39,219	30,115	8,688
	<u>130,982</u>	<u>155,918</u>	<u>120,809</u>	<u>40,562</u>

30. Share-based payments

During each period, the Group had two share-based payment arrangements with employees. Both of the Group's share-based payment schemes are equity settled, either by award of options to acquire ordinary shares (Employee Share Option Scheme) or award of ordinary shares (Long-Term Incentive Plan).

The total share-based payment charge relating to Hansteen Holdings PLC shares for the period was made up as follows:

		<i>Six month period ended 30 June 2009 £'000</i>	<i>Year ended 31 December 2008 £'000</i>	<i>Year ended 31 December 2007 £'000</i>	<i>Year ended 31 December 2006 £'000</i>	<i>Six month period ended 30 June 2008 £'000 (unaudited)</i>
Employee share option scheme	a)	9	53	54	51	27
Long-term incentive plan	b)	–	(615)	615	–	146
		<u>9</u>	<u>(562)</u>	<u>669</u>	<u>51</u>	<u>173</u>

a) ***Equity-settled share option scheme***

The 2005 Share Option Scheme is open to certain senior employees of the Group. In the case of options granted within three months of admission of shares to trading on AIM, options are exercisable at the price at which shares were placed in connection with the float, being £1 per share. All options granted after this date are exercisable at a price equal to the average quoted market price of the ordinary shares of Hansteen Holdings PLC on the date of grant. The options have a three year vesting period that is not subject to performance conditions. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are normally forfeited if the employee leaves the Group before the options vest. In accordance with IFRS 2 'Share-based Payment' the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of options that will eventually vest. Fair value is calculated using a Binomial pricing model.

Details of the share options outstanding during the period are as follows:

	<i>Number of share options</i>	<i>Weighted average exercise price pence</i>
Outstanding at 30 June 2009	1,250,000	82.6
Outstanding at 31 December 2008	400,000	107.1
Outstanding at 31 December 2007	400,000	107.1
Outstanding at 31 December 2006	400,000	107.1
	<u> </u>	<u> </u>
		<i>Years</i>
Weighted average remaining contractual life		<u>8.77</u>

The options outstanding under the scheme are exercisable at exercise prices ranging from 71.0p to 128.5p in years from 2009 up to 2019. On 20 April 2009 options were granted in respect of 850,000 ordinary shares at an exercise price of 71p per share. The aggregate of the fair values of the outstanding options at the dates granted is £259,000 determined according to the Binomial model.

The inputs into the Binomial model are as follows:

Options granted during the year ended 31 December 2006

	30 June 2009	31 December 2008	31 December 2007	31 December 2006
Weighted average share price at grant date	124.0p	124.0p	124.0p	124.0p
Weighted average exercise price	107.1p	107.1p	107.1p	107.1p
Expected volatility	25%	25%	25%	25%
Expected life	3-8 years	3-8 years	3-8 years	3-8 years
Risk free rate	4.16%	4.16%	4.16%	4.16%
Expected dividend yield	3%	3%	3%	3%

Options granted during the six months ended 30 June 2009

	30 June 2009	31 December 2008	31 December 2007	31 December 2006
Weighted average share price at grant date	71.0p	–	–	–
Weighted average exercise price	71.0p	–	–	–
Expected volatility	25%	–	–	–
Expected life	3-8 years	–	–	–
Risk free rate	2.89%	–	–	–
Expected dividend	3.2p per annum	–	–	–

The expected volatility was determined by calculating the historical volatility of the Company's share price over the period from the date the Company floated on AIM on 29 November 2005 and the dates the options were granted and also by comparison with the volatilities of similar companies over the same period. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

b) ***Equity-settled long-term incentive scheme (LTIP)***

Details of the Group's LTIP scheme are described in the remuneration report, included within the Registration Document.

The assumptions used in the calculations for the current period are set out in the table below.

	30 June 2009	31 December 2008	31 December 2007	31 December 2006
	£'000	£'000	£'000	£'000
Date of grant	22/11/2005	22/11/2005	22/11/2005	n/a
Number of instruments	nil	nil	1,344,610	n/a
Share price at the date of grant	100.0p	100.0p	100.0p	n/a
Share price at the date of measurement	79.0p	70.5p	98.5p	n/a
Contractual life	4 years	4 years	4 years	n/a
Risk-free interest rate	2.8%	4%	5%	n/a
Expected outcome of meeting performance criteria (at date of grant)	100%	100%	100%	n/a

Vesting is dependent on the Company's NAV growth per share exceeding a compound growth rate of 10 per cent. per annum in the four years ending on 31 December 2009.

Current projections, using assumptions based on current interest rates, current exchange rates and current property yields indicate that the liability to the Executive Directors under the scheme for the period up to 30 June 2009 is estimated to be £nil and at 31 December 2008 was £nil (2007: £615,000; 2006: n/a).

31. Events after the balance sheet date

- 3.1 On 9 July 2009, an ordinary resolution passed by the Shareholders approved the increase in the Company's share capital from £25,000,000 to £60,000,000 by the creation of 350,000,000 new Ordinary Shares of ten pence each in the share capital of the Company ranking *pari passu* for all purposes with the existing Ordinary Shares of ten pence each in the share capital of the Company.
- 3.2 On 10 July 2009 pursuant to a Placing and Open Offer the Company raised gross proceeds of £200.8 million (approximately £194.6 million net of expenses) through the issue of 267,768,451 new Ordinary Shares at a price of 75 pence per new Ordinary Share. As a result, the Company's issued share capital was increased from 178,435,117 Ordinary Shares to 446,203,568 Ordinary Shares.
- 3.3 On 20 August 2009, Hansteen issued 3,296,347 new Ordinary Shares in consideration for the acquisition of 10,377,389 ordinary shares in the capital of Warner Estate Holdings plc which were acquired from Trefick Limited, representing a strategic stake of approximately 18.5 per cent. As a result, the Company's issued share capital was increased from 446,203,568 Ordinary Shares to 449,499,915 Ordinary Shares.
- 3.4 The Company announced on 3 August 2009 that it had committed £30 million in launching Hansteen UK Industrial Property Unit Trust (the "Fund") which will be seeking to invest up to £180 million in UK industrial property. The Fund is managed by a wholly owned subsidiary of the Company, Hansteen Limited, and is the Group's vehicle for investing in UK industrial property with a value of £15 million or less, or portfolios under £30 million. The Fund, which has a life of 6 years, is focussed on both high income generation as well as growth in net assets. It is targeting annual returns, after fees and expenses, of 12-15 per cent. with net income to be distributed quarterly. As property adviser to the Fund, the Group will receive an asset management fee and a performance based fee equal to 20 per cent. of returns above a hurdle of 10 per cent. per annum rising to 30 per cent. above a hurdle of 15 per cent. per annum. Of the Company's total commitment of £30 million, the sum of £15 million was drawn down by the Fund on 14 August 2009 and the remaining £15 million will be drawn down on 10 January 2010.
- 3.5 On 28 September 2009, the Group repaid €110 million of its revolving credit facility from its cash balances. Aside from this repayment which may be redrawn at any time and had no impact on the net debt position of the Group, there have been no material changes to the outstanding borrowings or indebtedness in the nature of borrowings, or the aggregated cash balances of the Group since 31 August 2009.

32. Related party transactions

Trading transactions

During the period, group subsidiaries entered into trading transactions with related parties who are not members of the Group:

Purchase of services

	<i>Six month period ended 30 June 2009 £'000</i>	<i>Year ended 31 December 2008 £'000</i>	<i>Year ended 31 December 2007 £'000</i>	<i>Year ended 31 December 2006 £'000</i>	<i>Six month period ended 30 June 2008 £'000 (unaudited)</i>
Ormix BV	28	60	640	–	22

Ormix B.V., a company incorporated in the Netherlands, owns 50 per cent. of the issued ordinary shares of Hansteen Ormix B.V. The remaining 50 per cent. of the issued ordinary shares of Hansteen Ormix B.V. are owned by Hansteen Netherlands B.V which is a wholly-owned subsidiary undertaking of Hansteen Holdings PLC. Ormix B.V. is therefore considered to be a related party of the Group.

Purchases of services from Ormix B.V. were made at prices comparable with those paid by the Group for similar services from unrelated parties. At 30 June 2009 the amounts outstanding in respect of these trading transactions was £nil and at 31 December 2008 was £nil (2007: £nil; 2006: £nil).

Other amounts due to related parties

	<i>30 June</i> 2009 £'000	<i>31 December</i> 2008 £'000	<i>31 December</i> 2007 £'000	<i>31 December</i> 2006 £'000
Amount due to Ormix BV	–	–	368	–

The amount due to Ormix B.V. at 31 December 2007 represented a capital contribution from Ormix B.V. to Hansteen Ormix B.V. which was in the process of being formally documented as such at 31 December 2007. On 1 April 2008 the formal documentation was completed and the amount due to Ormix was converted to capital. The amount due to Ormix B.V was unsecured and did not bear interest.

Remuneration of key management personnel

The aggregate remuneration of the Directors, who are the key management personnel of the Group, is set out below, as required by IAS 24 'Related Party Disclosures'. Further information about the remuneration of Directors is provided in note 8.

	<i>Six month period ended</i> 30 June 2009 £'000	<i>Year ended</i> 31 December 2008 £'000	<i>Year ended</i> 31 December 2007 £'000	<i>Year ended</i> 31 December 2006 £'000	<i>Six month period ended</i> 30 June 2008 £'000 <i>(unaudited)</i>
Short-term employee benefits	583	928	983	1,001	588
Post-employment benefits	39	78	66	69	39
	<u>622</u>	<u>1,006</u>	<u>1,049</u>	<u>1,070</u>	<u>627</u>

33. Financial instruments

Financial instruments comprise both financial assets and financial liabilities. The carrying value of these financial assets and liabilities approximate their fair value.

Financial assets in the Group comprise interest rate swaps and forward foreign exchange contracts which are categorised as derivatives designated as fair value through the income statement. Financial assets also include trade and other receivables and cash and cash equivalents which are classified as other financial assets.

Financial liabilities in the Group comprise interest rate swaps and forward foreign exchange contracts which are categorised as derivatives designated as fair value through the income statement. Financial liabilities also include bank loans and overdrafts, which are categorised as debt at amortised cost, and trade and other payables, finance lease payables and current tax liabilities, which are classified as other financial liabilities.

Fair value of financial instruments

The fair values of derivative financial assets and financial liabilities are determined by independent experts in accordance with generally accepted pricing models.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings, the obligations under finance leases, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings, all as disclosed in the statement of financial position.

The Group is not subject to externally imposed capital requirements.

Categories of financial instruments

	30 June 2009		31 December 2008		31 December 2007		31 December 2006	
	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000
Financial assets								
Designated as held for trading								
Forward currency contracts	–	–	13,691	13,691	–	–	1,337	1,337
Interest rate caps	208	208	329	329	235	235	97	97
Interest rate swaps	–	–	–	–	144	144	–	–
	<u>208</u>	<u>208</u>	<u>14,020</u>	<u>14,020</u>	<u>379</u>	<u>379</u>	<u>1,434</u>	<u>1,434</u>
Other financial assets								
Trade and other receivables	9,231	9,231	5,831	5,831	3,781	3,781	2,485	2,485
Cash and cash deposits	62,705	62,705	80,240	80,240	19,562	19,562	14,395	14,395
	<u>71,936</u>	<u>71,936</u>	<u>86,071</u>	<u>86,071</u>	<u>23,343</u>	<u>23,343</u>	<u>16,880</u>	<u>16,880</u>
Total	<u>72,144</u>	<u>72,144</u>	<u>100,091</u>	<u>100,091</u>	<u>23,722</u>	<u>23,722</u>	<u>18,314</u>	<u>18,314</u>
Financial liabilities								
Designated as held for trading								
Forward currency contracts	(49,003)	(49,003)	(68,407)	(68,407)	(9,710)	(9,710)	–	–
Interest rate swaps	(5,191)	(5,191)	(4,509)	(4,509)	–	–	–	–
	<u>(54,194)</u>	<u>(54,194)</u>	<u>(72,916)</u>	<u>(72,916)</u>	<u>(9,710)</u>	<u>(9,710)</u>	<u>–</u>	<u>–</u>
At amortised cost								
Secured bank loans	(239,438)	(239,438)	(281,244)	(281,244)	(167,711)	(167,711)	(15,689)	(15,689)
Bank overdrafts	–	–	–	–	(1,825)	(1,825)	–	–
	<u>(239,438)</u>	<u>(239,438)</u>	<u>(281,244)</u>	<u>(281,244)</u>	<u>(169,536)</u>	<u>(169,536)</u>	<u>(15,689)</u>	<u>(15,689)</u>
Other financial liabilities								
Trade and other payables	(8,858)	(8,858)	(9,919)	(9,919)	(6,916)	(6,916)	(3,333)	(3,333)
Finance lease payables	(3,841)	(3,841)	(4,443)	(4,443)	(3,497)	(3,497)	–	–
Tax payables	(752)	(752)	(4,907)	(4,907)	(2,563)	(2,563)	(1,675)	(1,675)
	<u>(13,451)</u>	<u>(13,451)</u>	<u>(19,269)</u>	<u>(19,269)</u>	<u>(12,976)</u>	<u>(12,976)</u>	<u>(5,008)</u>	<u>(5,008)</u>
Total	<u>(307,083)</u>	<u>(307,083)</u>	<u>(373,069)</u>	<u>(373,069)</u>	<u>(192,222)</u>	<u>(192,222)</u>	<u>(20,697)</u>	<u>(20,697)</u>

Gearing ratio

The Group's management reviews the capital structure on a semi-annual basis in conjunction with the Board. As part of this review, management considers the cost of capital and the risks associated with each class of capital and debt.

The gearing ratio at the period end is as follows:

	30 June 2009 £'000	31 December 2008 £'000	31 December 2007 £'000	31 December 2006 £'000
Debt	243,279	285,687	173,033	15,689
Cash and cash equivalents excluding deposits given as collateral for known liabilities	(19,811)	(32,367)	(19,562)	(14,395)
Net debt	<u>223,468</u>	<u>253,320</u>	<u>153,471</u>	<u>1,294</u>
Equity	<u>183,191</u>	<u>212,545</u>	<u>231,214</u>	<u>137,872</u>
Net debt to equity ratio	<u>122.0%</u>	<u>119.2%</u>	<u>66.4%</u>	<u>0.9%</u>
Carrying value of investment and trading properties	422,835	495,107	411,919	144,744
Net debt to value ratio	<u>52.8%</u>	<u>51.2%</u>	<u>37.3%</u>	<u>0.9%</u>

Debt is defined as borrowings and obligations under finance leases, as detailed in notes 23 and 24.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial information.

Financial risk management objectives

The Group monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors. Compliance with policies and exposure limits is reviewed by the Board and management on a continuous basis. The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

The Group's management reports quarterly to the Board and Audit committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- interest rate swaps and caps to mitigate the risk of rising interest rates; and
- forward foreign exchange contracts to hedge the exchange rate risk arising on translation of the Group's investment in foreign operations which have the Euro as their functional currency.

Foreign currency risk management

The Group's exposure to foreign currency exposure arises from the fact that there are foreign operations which transact business denominated in Euros, with the translation of the local trading performance and local net asset to Sterling for each financial period and at each reporting date giving rise to an exposure to fluctuations in the Euro: Sterling exchange rate. The Group's approach to managing this exposure is to fund investments in Euro-denominated operations with debt that is covered by forward currency contracts to limit the overall exposure of the Group. By managing the exposure the impact of translating overseas profits and assets has been minimal so these are not specifically hedged.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	<i>30 June 2009 £'000</i>	<i>31 December 2008 £'000</i>	<i>31 December 2007 £'000</i>	<i>31 December 2006 £'000</i>
Gross currency assets	60,808	78,776	18,937	10,498
Gross currency liabilities	(244,969)	(286,847)	(170,913)	(16,845)
Net exposure	<u>(184,161)</u>	<u>(208,071)</u>	<u>(151,976)</u>	<u>(6,347)</u>

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of Belgium, France, Germany and the Netherlands (Euro currency).

At 30 June 2009 the net assets of the Group attributable to the equity holders of the parent were £183,191,000 and at 31 December 2008 was £212,545,000 (2007: £231,214,000; 2006: £137,872,000) of which £178,606,000 at 30 June 2009 and £209,900,000 at 31 December 2008 (2007: £225,411,000; 2006: £128,874,000) was denominated in Euros. At 30 June 2009 the Group had no fixed forward contracts in place

to sell Euros for Sterling and therefore the net assets exposure to currency fluctuations was £178,606,000. At 31 December 2008 the Group had no fixed forward contracts in place to sell Euros for Sterling (2007: Euros 282,690,000 for £200,000,000; 2006: Euros 155,159,000 for £110,000,000) and therefore the net assets exposure to currency fluctuations was £209,900,000 (2007: £25,411,000; 2006: £18,874,000).

The effect of a 10 per cent. increase in the value of the Euro compared to Sterling would increase the net assets of the Group as at 30 June 2009 by £19,845,000 and at 31 December 2008 would increase by £19,082,000 (2007: 5 per cent. change – £1,337,000; 2006: 5 per cent. change – £993,000). The effect of a 10 per cent. decrease in the value of the Euro compared to Sterling would decrease the net assets of the Group as at 30 June 2009 by £16,237,000 and at 31 December 2008 would decrease by £23,322,000 (2007: 5 per cent. change – £1,210,000; 2006: 5 per cent. change – £898,000).

Forward foreign exchange contracts

The Group has entered into various forward currency contracts. These were entered into to hedge the net investment in foreign operations but have not been designated as hedges. The changes in the fair values of these contracts are recognised in the income statement. In January 2009 the Company exercised its right such that all payments under the forward foreign currency contracts listed below would be set off, resulting in a single net payment which was made in July 2009.

The following table details the forward foreign currency contracts outstanding as at the period end:

	Average exchange rates				Currency contract			
	30 June	31 December	31 December	31 December	30 June	31 December	31 December	31 December
	2009	2008	2007	2006	2009	2008	2007	2006
Sell Euros buy Sterling	1.4105	1.4105	1.4105	1.4105	(155,159)	(155,159)	(155,159)	(155,159)
Sell Euros buy Sterling	1.4243	1.4243	1.4243	–	(71,215)	(71,215)	(71,215)	–
Sell Euros buy Sterling	1.4079	1.4079	1.4079	–	(56,316)	(56,316)	(56,316)	–
Sell Sterling buy Euros	1.1258	1.1258	–	–	123,832	123,832	–	–
Sell Sterling buy Euros	1.1258	1.1258	–	–	56,287	56,287	–	–
Sell Sterling buy Euros	1.1252	1.1252	–	–	45,007	45,007	–	–
Total					(57,564)	(57,564)	(282,690)	(155,159)

	Contract value				Fair value			
	30 June	31 December	31 December	31 December	30 June	31 December	31 December	31 December
	2009	2008	2007	2006	2009	2008	2007	2006
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Sell Euros buy Sterling	110,000	110,000	110,000	110,000	(22,164)	(37,319)	(5,121)	1,337
Sell Euros buy Sterling	50,000	50,000	50,000	–	(10,661)	(17,617)	(2,799)	–
Sell Euros buy Sterling	40,000	40,000	40,000	–	(7,970)	(13,471)	(1,790)	–
Sell Sterling buy Euros	(110,000)	(110,000)	–	–	(4,504)	7,542	–	–
Sell Sterling buy Euros	(50,000)	(50,000)	–	–	(2,047)	3,428	–	–
Sell Sterling buy Euros	(40,000)	(40,000)	–	–	(1,657)	2,721	–	–
Total	–	–	200,000	110,000	(49,003)	(54,716)	(9,710)	1,337

In the period to 30 June 2009, the aggregate amount of unrealised gains under forward foreign exchange contracts recognised in the income statement is £5,713,000 (2008: loss £16,165,000) and in the year to 31 December 2008, the aggregate amount of unrealised losses under forward foreign exchange contracts recognised in the income statement was £45,006,000 (2007: loss £11,014,000; 2006: gain £1,304,000). The impact in the period to 30 June 2009 of the translation of the foreign operations which has been deferred in equity for which the contracts are designed to minimise the exposure are a loss of £23,524,000 (2008: gain £17,268,000) and in the year to 31 December 2008 was £45,710,000 (2007: gain £16,143,000; 2006: loss £1,581,000).

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and interest rate cap contracts.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments during the period.

	<i>Increase/(decrease) in profit before tax</i>				<i>Six month period ended 30 June 2008</i> £'000 <i>(unaudited)</i>
	<i>Six month period ended 30 June 2009</i> £'000	<i>Year ended 31 December 2008</i> £'000	<i>Year ended 31 December 2007</i> £'000	<i>Period from 27 October 2005 to 31 December 2006</i> £'000	
Increase interest rate by 1%	(1,627)	(204)	(3)	424	(309)
Decrease interest rate by 1%	3,274	2,132	246	(399)	886

Interest rate swap and cap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held.

The following tables detail the notional principal amounts and remaining terms of interest rate swap and cap contracts outstanding as at the reporting date:

Economic hedges to the cash flows

	<i>30 June 2009</i> %	<i>Average contract fixed interest rate</i>		
		<i>31 December 2008</i> %	<i>31 December 2007</i> %	<i>31 December 2006</i> %
Interest rate swaps – outstanding receive floating pay fixed contracts:				
In more than one year but less than two	4.2	4.2	–	–
In more than two years but less than five	4.3	4.7	4.2	–
Interest rate caps – outstanding receive floating pay fixed contracts:				
In less than one year	4.0	4.0	–	–
In more than one year but less than two	4.7	–	4.0	–
In more than two years but less than five	4.5	4.6	5.0	4.0

Economic hedges to the cash flows (continued)

	<i>Notional principal amount</i>			
	<i>30 June 2009 EUR'000</i>	<i>31 December 2008 EUR'000</i>	<i>31 December 2007 EUR'000</i>	<i>31 December 2006 EUR'000</i>
Interest rate swaps – outstanding receive				
floating pay fixed contracts:				
In less than one year	25,000	–	–	–
In more than one year but less than two	25,000	25,000	–	–
In more than two years but less than five	50,000	75,000	50,000	–
	<u>100,000</u>	<u>100,000</u>	<u>50,000</u>	<u>–</u>
Interest rate caps – outstanding receive				
floating pay fixed contracts:				
In less than one year	25,000	25,000	–	–
In more than one year but less than two	75,000	–	25,000	–
In more than two years but less than five	50,000	125,000	25,000	25,000
	<u>150,000</u>	<u>150,000</u>	<u>50,000</u>	<u>25,000</u>
		<i>Fair value</i>		
	<i>30 June 2009 £'000</i>	<i>31 December 2008 £'000</i>	<i>31 December 2007 £'000</i>	<i>31 December 2006 £'000</i>
Interest rate swaps – outstanding receive				
floating pay fixed contracts:				
In less than one year	(632)	–	–	–
In more than one year but less than two	(1,056)	(518)	–	–
In more than two years but less than five	(3,503)	(3,991)	144	–
	<u>(5,191)</u>	<u>(4,509)</u>	<u>144</u>	<u>–</u>
		<i>Fair value</i>		
	<i>30 June 2009 £'000</i>	<i>31 December 2008 £'000</i>	<i>31 December 2007 £'000</i>	<i>31 December 2006 £'000</i>
Interest rate caps – outstanding receive				
floating pay fixed contracts:				
In less than one year	–	56	–	–
In more than one year but less than two	23	–	184	–
In more than two years but less than five	185	273	51	97
	<u>208</u>	<u>329</u>	<u>235</u>	<u>97</u>

The average interest rate is based on the outstanding balances at the end of the financial period.

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is three months EURIBOR. The Group settles the difference between the fixed and floating interest rate on a net basis.

Under interest rate caps the Group pays a premium to limit its exposure to floating interest rates to a fixed upper limit determined at the time the interest rate cap contract is entered into.

The interest rate caps settle on a quarterly basis. The floating rate on the interest rate caps is 3 months EURIBOR. If the floating rate exceeds the capped rate the Group receives the difference between the fixed and capped interest rate on a net basis.

The Group does not hedge account for its interest rate swaps or interest rate caps and states them at fair value with changes in fair value included in the income statement.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group's maximum exposure to credit risk at 30 June 2009 is £71,936,000 and at 31 December 2008 was £86,071,000 (2007: £23,343,000; 2006: £16,880,000) comprising trade and other receivables and cash and cash deposits. The Group's principal credit risk is attributable primarily to its trade receivables at 30 June 2009 of £1,355,000 and at 31 December 2008 of £2,226,000 (2007: £1,749,000; 2006: £356,000) which consist principally of rents due from tenants. The balance is low relative to both the current and net assets of the Group and the Company.

Potential customers are evaluated for creditworthiness and where necessary collateral is secured. There is no concentration of credit risk within the portfolio to either geographical business segment or company as the Group has a well spread diverse customer base with no one customer accounting for more than 3 per cent. of the gross rent roll.

Other receivables consist principally of property purchase deposits held in client accounts at solicitors and VAT receivables. These items do not give rise to significant credit risk.

Cash deposits are held at banks with high credit ratings assigned by international credit rating agencies.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which monitors the Group's short, medium and long-term funding and liquidity management requirements on a regular basis. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities. As at 30 June 2009 the Group had additional undrawn committed borrowing facilities of £57,075,000 and at 31 December 2008 of £57,049,000 (2007: £59,475,000; 2006: £138,131,000) at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The table includes both interest and principal cash flows.

	<i>Weighted average effective interest rate %</i>	<i>June 2009 Maturity</i>				<i>Total £'000</i>
		<i>Less than one year £'000</i>	<i>One to two years £'000</i>	<i>Two to five years £'000</i>	<i>More than five years £'000</i>	
		Non-interest bearing	–	9,610	–	
Variable rate debt instruments	2.26	9,289	8,576	230,691	10,182	258,738
Finance lease liability	5.12	328	328	984	4,007	5,647
		<u>19,227</u>	<u>8,904</u>	<u>231,675</u>	<u>14,189</u>	<u>273,995</u>

	<i>Weighted average effective interest rate %</i>	<i>December 2008 Maturity</i>				<i>Total £'000</i>
		<i>Less than one year £'000</i>	<i>One to two years £'000</i>	<i>Two to five years £'000</i>	<i>More than five years £'000</i>	
		Non-interest bearing	–	14,826	–	
Variable rate debt instruments	4.82	14,374	16,239	288,790	15,118	334,521
Finance lease liability	5.05	372	372	1,118	4,734	6,596
		<u>29,572</u>	<u>16,611</u>	<u>289,908</u>	<u>19,852</u>	<u>355,943</u>

<i>December 2007 Maturity</i>						
	<i>Weighted average effective interest rate %</i>	<i>Less than one year £'000</i>	<i>One to two years £'000</i>	<i>Two to five years £'000</i>	<i>More than five years £'000</i>	<i>Total £'000</i>
Non-interest bearing	–	9,479	–	–	–	9,479
Variable rate debt instruments	5.43	52,703	8,843	124,980	12,716	199,242
Finance lease liability	5.23	279	283	848	3,877	5,287
		<u>62,461</u>	<u>9,126</u>	<u>125,828</u>	<u>16,593</u>	<u>214,008</u>

<i>December 2006 Maturity</i>						
	<i>Weighted average effective interest rate %</i>	<i>Less than one year £'000</i>	<i>One to two years £'000</i>	<i>Two to five years £'000</i>	<i>More than five years £'000</i>	<i>Total £'000</i>
Non-interest bearing	–	5,008	–	–	–	5,008
Variable rate debt instruments	4.35	733	733	19,043	–	20,509
		<u>5,741</u>	<u>733</u>	<u>19,043</u>	<u>–</u>	<u>25,517</u>

The following table details the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

<i>June 2009 Maturity</i>					
	<i>Less than one year £'000</i>	<i>One to two years £'000</i>	<i>Two to five years £'000</i>	<i>More than five years £'000</i>	<i>Total £'000</i>
Non-interest bearing	9,231	–	–	–	9,231
Variable interest rate instruments	62,705	–	–	–	62,705
	<u>71,936</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>71,936</u>

<i>December 2008 Maturity</i>					
	<i>Less than one year £'000</i>	<i>One to two years £'000</i>	<i>Two to five years £'000</i>	<i>More than five years £'000</i>	<i>Total £'000</i>
Non-interest bearing	5,831	–	–	–	5,831
Variable interest rate instruments	80,240	–	–	–	80,240
	<u>86,071</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>86,071</u>

<i>December 2007 Maturity</i>					
	<i>Less than one year £'000</i>	<i>One to two years £'000</i>	<i>Two to five years £'000</i>	<i>More than five years £'000</i>	<i>Total £'000</i>
Non-interest bearing	3,781	–	–	–	3,781
Variable interest rate instruments	19,562	–	–	–	19,562
	<u>23,343</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>23,343</u>

	<i>December 2006 Maturity</i>				<i>Total £'000</i>
	<i>Less than one year £'000</i>	<i>One to two years £'000</i>	<i>Two to five years £'000</i>	<i>More than five years £'000</i>	
Non-interest bearing	2,485	–	–	–	2,485
Variable interest rate instruments	14,395	–	–	–	14,395
	<u>16,880</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>16,880</u>

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the interest and foreign currency rates as at the reporting date.

	<i>June 2009 Maturity</i>				<i>Total £'000</i>
	<i>Less than one year £'000</i>	<i>One to two years £'000</i>	<i>Two to five years £'000</i>	<i>More than five years £'000</i>	
Net settled:					
Interest rate swaps	(2,658)	(1,887)	(2,747)	–	(7,292)
Gross settled:					
Foreign exchange forward contracts – outflows	(440,813)	–	–	–	(440,813)
Foreign exchange forward contracts – inflows	391,784	–	–	–	391,784
	<u>(51,687)</u>	<u>(1,887)</u>	<u>(2,747)</u>	<u>–</u>	<u>(56,321)</u>

	<i>December 2008 Maturity</i>				<i>Total £'000</i>
	<i>Less than one year £'000</i>	<i>One to two years £'000</i>	<i>Two to five years £'000</i>	<i>More than five years £'000</i>	
Net settled:					
Interest rate swaps	(1,374)	(1,173)	(1,851)	–	(4,398)
Gross settled:					
Foreign exchange forward contracts – outflows	(473,342)	–	–	–	(473,342)
Foreign exchange forward contracts – inflows	417,682	–	–	–	417,682
	<u>(57,034)</u>	<u>(1,173)</u>	<u>(1,851)</u>	<u>–</u>	<u>(60,058)</u>

In January 2009 the Company exercised its right such that all payments due to and from the Company shown above as gross settled cash outflows and inflows under foreign exchange forward contracts would be set off, resulting in a single net payment which was made in July 2009.

	<i>December 2007 Maturity</i>				<i>Total £'000</i>
	<i>Less than one year £'000</i>	<i>One to two years £'000</i>	<i>Two to five years £'000</i>	<i>More than five years £'000</i>	
Net settled:					
Interest rate swaps	166	166	115	–	447
Interest rate caps	125	103	–	–	228
Gross settled:					
Foreign exchange forward contracts – outflows	–	(207,570)	–	–	(207,570)
Foreign exchange forward contracts – inflows	–	200,000	–	–	200,000
	<u>291</u>	<u>(7,301)</u>	<u>115</u>	<u>–</u>	<u>(6,895)</u>
	<i>December 2006 Maturity</i>				<i>Total £'000</i>
	<i>Less than one year £'000</i>	<i>One to two years £'000</i>	<i>Two to five years £'000</i>	<i>More than five years £'000</i>	
Net settled:					
Interest rate swaps	–	–	–	–	–
Interest rate caps	–	–	–	–	–
Gross settled:					
Foreign exchange forward contracts – outflows	–	–	(104,548)	–	(104,548)
Foreign exchange forward contracts – inflows	–	–	110,000	–	110,000
	<u>–</u>	<u>–</u>	<u>5,452</u>	<u>–</u>	<u>5,452</u>

In accordance with the amendments to IFRS 7, the Group has categorised its financial instruments into a three level hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety.

<i>Description of Financial Instrument</i>	<i>Fair value measurement of derivative at 30 June 2009</i>	<i>Quoted prices</i>	<i>Significant</i>	<i>Significant</i>
		<i>in active market for identical assets (Level 1)</i>	<i>other observable inputs (Level 2)</i>	<i>unobservable inputs (Level 3)</i>
Interest rate swaps	(5,191)	–	(5,191)	–
Interest rate caps	208	–	208	–
Forward currency contract	(49,003)	–	(49,003)	–

PART III

MATERIAL CHANGES AND UPDATES TO THE REGISTRATION DOCUMENT

In accordance with Rule 2.2.4 of the Prospectus Rules and on the basis that the Registration Document was approved by the FSA in last 12 months, this Part III contains all information that is required to be included in this Securities Note in accordance with Rule 2.2.5 of the Prospectus Rules in respect of material changes and recent developments since the date of the Registration Document that could affect investors' assessments

1. OPERATING AND FINANCIAL REVIEW

The following operating and financial review should be read in conjunction with the Sections entitled "Accountants' Report" and "Historical Financial Information" in Part II of this document. Certain statements in this Section are "forward-looking" statements and should be read in conjunction with the disclaimer "Forward looking statements" on page 5 of this document.

1.1 *Overview and key factors affecting results of operations*

The overview and key factors affecting results of operations remain substantially unchanged from those set out in the Registration Document.

1.2 *Analysis of results of operations*

The following table summarises the Group's consolidated results for the six months ended 30 June 2009 and the six months ended 30 June 2008.

Income Statement Data

	<i>Six months ended 30 June 2009 Audited £'000</i>	<i>Six months ended 30 June 2008 (Unaudited) £'000</i>
Revenue	19,809	16,150
Cost of sales	(2,979)	(2,321)
Gross profit	16,830	13,829
Administrative expenses	(3,358)	(3,080)
Operating profit before losses and gains on investment properties	13,472	10,749
(Losses)/gains on investment properties	(16,434)	5,094
Operating (loss)/profit	(2,962)	15,843
Gains/(losses) on forward currency contracts	5,713	(16,165)
Finance income	477	750
Finance costs	(5,242)	(5,809)
Change in fair value of interest rate derivatives	(1,189)	2,863
Foreign exchange (losses)/gains	(6,486)	936
Loss before tax	(9,689)	(1,582)
Tax credit/(charge)	9,094	(1,602)
Loss for the period	(595)	(3,184)
Dividend paid per share (p)	3.2	3.2
Basic earnings per share (p)	(0.2)	(1.8)
Diluted earnings per share (p)	(0.2)	(1.8)

In addition to the IFRS measures, the Group has presented a normalised profit measure as a supplementary measure of its performance. Normalised Profit is stated before gains and losses on investment properties, gains and losses on forward currency contracts and foreign exchange and changes in fair value of interest rate derivatives, as follows:

	<i>Six months ended 30 June 2009 Audited £'000</i>	<i>Six months ended 30 June 2008 (Unaudited) £'000</i>
Revenue	19,809	16,150
Cost of sales	(2,979)	(2,321)
Administrative expenses	(3,358)	(3,080)
Finance income	477	750
Finance costs	(5,242)	(5,809)
Normalised Profit	<u>8,707</u>	<u>5,690</u>

(A) *Revenue*

The Group's revenue principally relates to investment property rental income all of which is currently derived in Euros. Revenue increased in the six months to 30 June 2009 to £19,809,000 compared to £16,150,000 in the six months to 30 June 2008. The increase was primarily due to the strengthening of the Euro compared to Sterling and from rents due to property acquisitions added to the portfolio since 30 June 2008.

The Group's property operations are located in Belgium, France, Germany, the Netherlands and the United Kingdom. The following table provides an analysis of the Group's revenue by geographical market:

	<i>Six months ended 30 June 2009 Audited £'000</i>	<i>Six months ended 30 June 2008 (Unaudited) £'000</i>
Belgium	1,722	1,628
France	1,053	855
Germany	9,437	7,546
The Netherlands	7,597	6,121
	<u>19,809</u>	<u>16,150</u>

(B) *Gross profit*

Gross profit in the six months to 30 June 2009 increased to £16,830,000 compared to £13,829,000 in the six months to 30 June 2008. The increase was primarily due to the strengthening of the Euro compared to Sterling and from rents due to property acquisitions added to the portfolio since 30 June 2008.

(C) *Administrative expenses*

Administrative expenses increased in the six months to 30 June 2009 to £3,358,000 compared to £3,080,000 in the six months to 30 June 2008. The increase reflects the growth in staffing required to manage the increasing portfolio size.

(D) *(Losses)/gains on investment properties*

Losses on investment properties in the six months to 30 June 2009 were £16,434,000 compared to a gain of £5,094,000 in the six months to 30 June 2008. The property market generally

experienced value reductions after 30 June 2008 and these were reflected within the Hansteen portfolio.

(E) *Gains/(losses) on forward currency contracts*

Gains on forward currency contracts in the six months to 30 June 2009 were £5,713,000 compared to a loss of £16,165,000 in the six months to 30 June 2008.

The gain in the six months to 30 June 2009 reflects the weakening of the Euro and the strengthening of Sterling over that period. Conversely the loss in the six months to 30 June 2008 reflected the strengthening of the Euro and the weakening of Sterling over that period.

(F) *Finance costs – (net)*

Net finance costs reduced to £4,765,000 in the six months to 30 June 2009 compared to £5,059,000 in the six months to 30 June 2008. The effect of the strengthening of the Euro compared to Sterling on interest costs settled in Euros were more than offset by the reduction in interest rates generally since 30 June 2008.

(G) *Change in fair value of interest rate derivatives*

Changes in the fair value of interest rate derivatives in the six months to 30 June 2009 were a loss of £1,189,000 compared to a gain of £2,863,000 in the six months to 30 June 2008. The interest rate derivatives are a combination of swaps and caps. Broadly, a reduction in EURIBOR rates means the Group's hedging instruments decrease in value whereas an increase in rates leads to an increase in their value. The movements noted above reflect the changes in the EURIBOR rates over the relevant period.

(H) *Foreign exchange (losses)/gains*

Foreign exchange losses were £6,486,000 in the six months to 30 June 2009 compared to a gain of £936,000 in the six months to 30 June 2008. These losses and gains have been realised on euro inter-company loans and euro cash balances and are subject to movements in the amounts of the loans and currency rates.

(I) *Loss before tax*

Loss before tax has increased from a £1,582,000 loss in the six months to 30 June 2008 to a £9,689,000 loss in the six months to 30 June 2009.

As set out below, Normalised Profit, which excludes fair valuations, has increased over the same period. However, the IFRS accounting requirements are to include fair valuation adjustments as detailed above. This has produced the large fluctuations in the Group's profit/loss before tax.

(J) *Taxation*

Taxation was a credit of £9,094,000 in the six months to 30 June 2009 compared to charge of £1,602,000 in the six months to 30 June 2008.

The credit in the six months to 30 June 2009 arose primarily due to a reduction in the deferred tax provided on gains on investment properties caused by a strengthening of Sterling compared to the Euro over that period. Conversely the tax charge in the six months to 30 June 2008 arose primarily due to an increase in the deferred tax provided on gains on investment properties caused by a weakening of Sterling compared to the Euro over that period.

(K) *Normalised Profit*

Normalised Profit increased from £5,690,000 in the six months to 30 June 2008 to £8,707,000 in the six months to 30 June 2009.

Normalised Profit is a traditional method of measuring the business profitability. As the portfolio has grown the income generated from the properties has increased faster than the costs. High property yields, vigorous management and lowering interest costs have resulted in the growth of the business increasing the profitability.

1.3 *Balance sheet analysis*

The following table summarises the Group's balance sheet as at 30 June 2009 and at 31 December 2008:

Balance Sheet Data

	<i>30 June 2009 Audited £'000</i>	<i>31 December 2008 Audited £'000</i>
Goodwill	2,241	2,241
Investment property	419,991	492,357
Trading properties	2,844	2,750
Cash and cash equivalents	62,705	80,240
Derivative financial assets and liabilities (net)	(53,986)	(58,896)
Borrowings	(239,438)	(281,244)
Other assets and liabilities (net)	(10,582)	(24,084)
Net assets	<u>183,775</u>	<u>213,364</u>
Net assets per share (p)	103	119
Diluted EPRA net assets per share (p)*	107	128

* Diluted EPRA net assets per share takes into consideration the dilution through any share options and adding back deferred tax on valuation of investment properties.

(A) *Goodwill*

Goodwill was £2,241,000 at 30 June 2009 and at 31 December 2008.

The goodwill arose on the acquisition of a portfolio of Belgian subsidiary companies on 31 August 2007. Hansteen tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

(B) *Investment properties*

Investment properties were fair valued at £419,991,000 at 30 June 2009 compared to £492,357,000 at 31 December 2008.

The reduction in the fair value of the investment property portfolio primarily reflects the weakening of the Euro compared to Sterling since 31 December 2008. In addition the property market generally has continued to experience value reductions after 31 December 2008 and these were reflected within the Hansteen portfolio.

(C) *Trading properties*

Trading properties were £2,844,000 at 30 June 2009 representing a small increase compared to the £2,750,000 at 31 December 2008.

(D) *Cash and cash equivalents*

Cash and cash equivalents were £62,705,000 at 30 June 2009 compared to £80,240,000 at 31 December 2008. Included in cash and cash equivalents at 30 June 2009 is an amount of £42,894,000 (31 December 2008: £47,874,000) held on interest-bearing deposit at Merrill

Lynch International Bank Limited as collateral security for forward currency contracts due to mature on 27 July 2009.

The level of cash and cash equivalents reflects the deployment of the Company's capital, the use of borrowings and cash generated from operations. Cash movements are discussed in more detail below in section 4 below.

(E) *Derivative financial assets and liabilities (net)*

Net derivative financial assets and liabilities was a £53,986,000 liability at 30 June 2009 compared to a £58,896,000 liability at 31 December 2008.

The net derivative financial liabilities resulted from the fair valuations of the forward currency contracts and interest rate derivatives. Details of the movement are set out in section 2 above.

(F) *Borrowings*

Borrowings were £239,438,000 at 30 June 2009 compared to £281,244,000 at 31 December 2008.

The borrowings have reduced primarily as the result of the strengthening of Sterling relative to the Euro. Further details regarding the Group's borrowing facilities and borrowing policy are set out in section 4 below.

(G) *Other assets and liabilities (net)*

Net other assets and liabilities were a net liability of £10,582,000 at 30 June 2009 compared to a net liability of £24,084,000 at 31 December 2008. The reduction in net liabilities in the period was primarily caused by settlement of current tax liabilities and the weakening of the Euro relative to Sterling over the period.

Other assets and liabilities comprise operating debtors and creditors and current taxation along with deferred taxation.

(H) *Net assets per share/Diluted EPRA net assets per share*

Net assets per share at 30 June 2009 were 103p compared to 119p at 31 December 2008. Diluted EPRA net assets per share at 30 June 2009 were 107p compared to 128p at 31 December 2008. The reduction in both net asset measurements is primarily the result of foreign exchange movements reflecting the weakening of the Euro relative to Sterling.

1.4 **Capital resources and liquidity**

(A) *Overview*

Hansteen continues to finance its operations through a combination of Shareholders' equity, retained profits and borrowings.

As at 30 June 2009 Shareholders' equity attributable to the parent was £183,191,000 compared to £212,545,000 at 31 December 2008. The reduction in Shareholders' equity resulted primarily from exchange differences on translation of foreign operations. A small loss for the period of £565,000 and a dividend of £5,710,000, distributed out of retained earnings further reduced Shareholders' equity in the six months to 30 June 2009.

The Group has continued to maintain borrowings at a prudent level and net debt to value was 52.8 per cent. compared to 51.2 per cent. at 31 December 2008.

At 30 June 2009 there were bank borrowings and finance lease obligations of £243,279,000 (31 December 2008: £285,687,000) which, along with the retained cash of £62,705,000 (31 December 2008: £80,240,000) resulted in net gearing for the Group of 98.6 per cent. (31 December 2008: 96.7 per cent) or a loan to value of 42.7 per cent.

(31 December 2008: 41.5 per cent). However, part of the cash balances were restricted and a true net gearing position would be 122.0 per cent. (31 December 2008: 119.2 per cent) or loan to value of 52.8 per cent. (31 December 2008: 51.2 per cent). Hansteen's property portfolio and business model remains strongly cash generative. As at 30 June 2009 the properties generated an annual income of approximately 8.7 per cent. on carrying value, whereas Hansteen's debt, which is approximately half the amount of the properties, has an average cost of 3.3 per cent. per annum (31 December 2008: 4.7 per cent. per annum).

(B) *Borrowing facilities*

Total borrowings amounted to £239,438,000 at 30 June 2009 (31 December 2008: £281,244,000). All borrowings are denominated in Euros.

Hansteen's borrowings fall into three broad categories:

- (i) in the Netherlands, the Group has a loan facility of €130,000,000, which was fully drawn at 30 June 2009 and at 31 December 2008. The loan is for a five year term ending in 2013 and does not have a loan to value covenant. The interest cover covenant is 1.55 and at 30 June 2009 the cover was over 5.1 (31 December 2008: over 2.5);
- (ii) Hansteen has a revolving bank facility with HBOS for €200,000,000 of which €133,000,000 was drawn as at 30 June 2009 (31 December 2008: €141,000,000). This loan is a corporate facility secured on properties in Germany and France. This has a loan to value covenant of 70 per cent. and at 30 June 2009 was secured on properties sufficient to give a 59 per cent. loan to value (31 December 2008: 59 per cent.). Further properties are in the course of being secured which would reduce the loan to value to 53 per cent. and, if required, spare cash resources could be utilised, further reducing the loan to value to 50 per cent. The interest cover covenant is 1.75 and at 30 June 2009 the cover was 6 (31 December 2008 over 3.5); and
- (iii) the remaining debt finance is on an individual property basis in Belgium and consists of substantially long-term mortgage facilities without interest cover or loan to value covenants.

(C) *Financial covenants*

The Board has analysed the loan facilities in the light of the difficult economic environment and falling property values. Due to the high yielding nature of the portfolio and the low interest rate environment along with the interest hedging instruments described further below there is a very significant safety margin in relation to the income covenants required by the Group's banking facilities. The issue of loan to value is relevant only in relation to the HBOS loan. Hansteen will seek to maintain headroom with this facility through individual property sales and debt reduction. However, even without such sales, values would need to fall by over 20 per cent. before approaching the loan to value default level. The loan to value position may tighten over the next 12 months, but the Directors believe there is sufficient headroom to meet projections.

(D) *Treasury policy*

Hansteen's funding policy, where borrowing is used, is to utilise prudent interest rate hedging which includes an element of short-term fixed interest rates and interest caps. At 30 June 2009 the average gross cost of borrowing for Hansteen was 3.3 per cent. (31 December 2008: 4.7 per cent) and £489,000 financing costs were amortised in the six months to 30 June 2009 (year to 31 December 2008: £716,000). The Group has four interest rate caps covering total borrowings of €150,000,000. The interest rate caps are set at 4 per cent., 4.5 per cent., 4.95 per cent. and 5 per cent. The interest rate caps originally cost £0.6 million and were revalued in the 30 June 2009 balance sheet at £208,000 (31 December 2008: £329,000).

In addition, the Group's hedging includes €100,000,000 of interest rate swaps. At 30 June 2009 and at 31 December 2008 there was €25 million swapped at 4.16 per cent., €25 million swapped at 4.29 per cent. and €50 million swapped at 4.46 per cent.

(E) *Cash flows*

	<i>Six months ended</i>	<i>Year ended</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2009</i>	<i>2008</i>
	<i>Audited</i>	<i>Audited</i>
	<i>£'000</i>	<i>£'000</i>
Net cash inflow from operating activities	7,956	17,925
Net cash used in investing activities	(1,515)	(5,185)
Net cash (used in)/from financing activities	(14,962)	43,377
Net (decrease)/increase in cash and cash equivalents	(8,521)	56,117
Cash and cash equivalents at beginning of period	80,240	19,562
Effect of foreign exchange rates	(9,014)	4,561
Cash and cash equivalents at end of period	<u>62,705</u>	<u>80,240</u>

Included in cash and cash equivalents at 30 June 2009 was an amount of £42,894,000 (31 December 2008: £47,874,000) held on interest-bearing deposit as collateral security for forward currency contracts due to mature on 27 July 2009.

“*Net cash inflow from operating activities*” represented a net inflow of £7,956,000 in the six months to 30 June 2009 (year to 31 December 2008: £17,925,000). The reduced rate of cash inflows primarily reflects a reduction in exchange gains realised on repayment of inter-company loans.

“*Net cash used in investing activities*” represented a net outflow of £1,515,000 in the six months to 30 June 2009 (year to 31 December 2008: £5,185,000). The reduction in net outflows reflects a small slowdown in the rate of additions to the property portfolio.

“*Net cash (used in)/from financing activities*” in the six months to 30 June 2009 comprised a net outflow consisting principally of the dividend paid in the period and repayment of bank loans. In the year to 31 December 2008 financing activities generated significant cash inflows as a result of bank loans raised to fund the growth in the business.

1.5 ***Dividends and dividend policy***

The dividends declared and dividend policy is as set out in the Registration Document.

1.6 ***Qualitative disclosure about market risk***

The principal categories of market risk the Group is exposed to remains foreign currency risk, interest rate risk, credit risk and liquidity risk. The nature of these risks and the way in which the Group manages its exposure to these risks is as set out in the Registration Document.

2. PLACING AND OPEN OFFER

2.1 On 10 July 2009 pursuant to the Placing and Open Offer, the Company raised gross proceeds of £200.8 million (approximately £194.6 million net of expenses) through the issue of 267,768,451 new Ordinary Shares at a price of 75 pence per new Ordinary Share.

3. CURRENT TRADING AND PROSPECTS

3.1 The Group started 2009 with a robust Balance Sheet, solid financing and a high yielding portfolio of business and commercial property spread throughout Germany, Netherlands, Belgium and France. However, Hansteen had limited resources available to take advantage of opportunities arising from the

depressed market particularly in the UK. Hansteen's declared aim was to maintain and if possible enhance the normalised profit before tax (profit before tax before gains and losses on investment properties, gains and losses on forward currency contracts and foreign exchange and changes in fair value of interest rate derivatives) from the £5.7 million reported for the six months ending 30 June 2008. This would entail maintaining the occupancy and high income surplus from the existing portfolio so far as possible notwithstanding the tough occupational conditions. The Directors were therefore delighted to report that the normalised report for the first half year has grown to £8.7 million. Under IFRS rules Hansteen shows a £9.7 million (2008: £1.6 million) accounting loss before tax principally as a result of the decline in value of the Company's investment properties and the weakening of the Euro during the period, indicated by investment property losses of £17.1 million (2008: gain £4.1 million) and foreign exchange losses of £0.8 million (2008: £15.2 million). Occupancy has slipped slightly from 87 per cent. to 85 per cent. (134,000 sqm of vacant space increasing to 142,821 sqm of vacant space). The annualised rent roll increased from €42.9 million per annum to €43.1 million per annum at the half year end. The bulk of that movement came as a result of selling two properties in Germany and Netherlands at lower yields and acquiring two properties in Germany at higher yields.

- 3.2 On 10 July 2009, Hansteen raised £194.6 million (net of expenses) by way of a placing and open offer to enable the Company to take advantage of the current downturn in the property cycle. Additionally, on 3 August 2009, Hansteen announced the launch of the Hansteen UK Industrial Property Unit Trust. This fund was launched with £90 million of equity of which £30 million is provided by Hansteen and the remainder from five institutional investors. These two initiatives provide Hansteen with around £500 million of buying power to enable the Company to take significant advantage of the opportunities arising from the current distress in the market.
- 3.3 Since 30 June 2009, life has continued to be difficult for Hansteen's occupiers in continental Europe as manifested by a slight decrease in net occupancy of the portfolio and the annualised rent roll falling from €43.1m to €42.6m as at 31 August 2009. There have been no property sales or purchases since 30 June 2009.
- 3.4 The outlook for all the European economies, including the UK, is still uncertain but there is some cause for believing further downside should be limited. The occupational market will doubtless continue to be very challenging but the Directors believe that high yielding industrial property with low capital values and a broad spread of tenants is a resilient and defensive investment medium. The high income returns from the portfolio will provide a beneficial backdrop as the Company deploys its new capital.

4. CHANGES IN THE SHARE CAPITAL

- 4.1 On 9 July 2009, an ordinary resolution passed by the Shareholders approved the increase in the Company's share capital from £25,000,000 to £60,000,000 by the creation of 350,000,000 new Ordinary Shares of ten pence each in the share capital of the Company ranking *pari passu* for all purposes with the existing Ordinary Shares of ten pence each in the share capital of the Company. Pursuant to the Placing and Open Offer 267,768,451 new Ordinary Shares were issued. As a result, the Company's issued share capital was increased from 178,435,117 Ordinary Shares to 446,203,568 Ordinary Shares.
- 4.2 On 20 August 2009, Hansteen issued 3,296,347 new Ordinary Shares in consideration for the acquisition of 10,377,389 ordinary shares in the capital of Warner Estate Holdings plc which were acquired from Trefick Limited, representing a strategic stake of approximately 18.5 per cent.
- 4.3 As at 29 September 2009, being the latest practicable date prior to the publication of this document, the issued share capital of the Company was £44,949,991.50 divided into 449,499,915 Ordinary Shares of ten pence each.

5. LAUNCH OF HANSTEEN UK INDUSTRIAL PROPERTY UNIT TRUST

- 5.1 The Company announced on 3 August 2009 that it had committed £30 million in launching Hansteen UK Industrial Property Unit Trust (the “**Fund**”) which will be seeking to invest up to £180 million in UK industrial property. The Fund is managed by a wholly owned subsidiary of the Company, Hansteen Limited, and is the Group’s vehicle for investing in UK industrial property with a value of £15 million or less, or portfolios under £30 million. The Fund, which has a life of 6 years, is focussed on both high income generation as well as growth in net assets. It is targeting annual returns, after fees and expenses, of 12-15 per cent. with net income to be distributed quarterly. As property adviser to the Fund, the Group will receive an asset management fee and a performance based fee equal to 20 per cent. of returns above a hurdle of 10 per cent. per annum rising to 30 per cent. above a hurdles of 15 per cent. per annum. Of the Company’s total commitment of £30 million, the sum of £15 million was drawn down by the Fund on 14 August 2009 and the remaining £15 million will be drawn down on 10 January 2010.

6. NO SIGNIFICANT CHANGE

- 6.1 Save for the completion of the £200.8m equity fundraising referred to in paragraph 3 of Part III of this document, and the launch of the Hansteen UK Industrial Property Unit Trust described in paragraph 5 of Part III of this document, there has been no significant or material change in the financial or trading position of the Group since 30 June 2009.
- 6.2 There has been no material change to the valuation of the Group’s properties since 31 May 2009, being the date of the valuation report included in the Registration Document.

7. CORPORATE GOVERNANCE AND INTERNAL CONTROL

- 7.1 At present, the Group complies with the requirements of the Combined Code, with the exception that due to the small number of Directors, the Board does not consider it necessary to implement a formal process of evaluating the effectiveness of the Board and its principal committees.
- 7.2 On 25 September 2009, in accordance with the requirements of the Combined Code, the Group decided to:
- (a) establish a nomination committee to be responsible for leading the process for board appointments and making appropriate recommendations to the Board; and
 - (b) appoint Richard Mully as Senior Independent Director to primarily act as a conduit to the Board for the communication of shareholder concerns when other channels of communication are inappropriate.

8. ARTICLES OF ASSOCIATION

- 8.1 On 9 July 2009, the Articles of Association of the Company were amended in relation to the Directors’ borrowing powers ensuring that the funds raised from the Placing and Open Offer were capable of being matched with borrowings at an appropriate level. The amendments were affected by (i) replacing the figure “£500,000,000” in Article 88(B) with “£1,000,000,000”; and (ii) deleting the following words from Article 88(C)(b), “and revaluation reserve” and replacing them with “minority interests and revaluation reserve”.
- 8.2 On 25 September 2009, the Articles of Association of the Company were further amended (such amends became effective from 00.01 a.m. on 1 October 2009) to reflect changes required as a result of the conversion to a REIT, the implementation of the remaining provisions of the Companies Act 2006 and the implementation of the Shareholder Rights Directive. Further details on the changes are set out below.

(A) *Conversion to a REIT*

The Articles of Association were amended in order to enable the Company to demonstrate to HMRC that it has taken reasonable steps to avoid paying a dividend (or making any other distribution) to a Substantial Shareholder, being, for these purposes, a company that:

- (1) is beneficially entitled, directly or indirectly, to 10 per cent. or more of the Company's dividends;
- (2) is beneficially entitled, directly or indirectly, to 10 per cent. or more of the Company's share capital; or
- (3) controls, directly or indirectly, 10 per cent. or more of the voting rights of the Company.

Ordinary Shares held as nominee are disregarded for this purpose.

For these purposes a "company" includes any body corporate and certain entities which are deemed to be bodies corporate for the purposes of overseas jurisdictions with which the UK has a double taxation agreement or for the purposes of such double tax agreements.

If a distribution is paid to a Substantial Shareholder and the Company has not taken reasonable steps to avoid doing so, the Company would become subject to a tax charge.

The new section in the Articles of Association entitled "Real Estate Investment Trust" (the "**New Section**"):

- (1) provides the Directors with powers to identify Substantial Shareholders;
- (2) prohibits the payment of dividends on Ordinary Shares that form part of a Substantial Shareholding, unless certain conditions are met;
- (3) allows dividends to be paid on Ordinary Shares that form part of a Substantial Shareholding where the Shareholder has disposed of its rights to dividends on its Ordinary Shares; and
- (4) seeks to ensure that if a dividend is paid on Ordinary Shares that form part of a Substantial Shareholding and arrangements of the kind referred to in (3) are not met, the Substantial Shareholder concerned does not become beneficially entitled to that dividend.

References in this paragraph 8.2(A) to a "Substantial Shareholding" are to the Ordinary Shares in respect of which a Substantial Shareholder is entitled to dividends, directly or indirectly, and/or to which a Substantial Shareholder is beneficially entitled, directly or indirectly, and/or the votes attached to which are controlled, directly or indirectly, by the Substantial Shareholder. References in this paragraph 8.2(A) to dividends include other distributions.

(1) Identification of Substantial Shareholders

The New Section requires a Substantial Shareholder and any registered Shareholder holding Ordinary Shares on behalf of a Substantial Shareholder to notify the Company if his Ordinary Shares form part of a Substantial Shareholding. Such a notice must be given within two business days. The New Section gives the Board the right to require any person to provide information in relation to any Ordinary Shares in order to determine whether the Ordinary Shares form part of a Substantial Shareholding. If the required information is not provided within the time specified (which would be seven days after a request is made or such other period as the Board may decide), the Board is entitled to impose sanctions, including withholding dividends (as described in paragraph (2) below) and/or requiring the transfer of the Ordinary Shares to another person who is not, and does not thereby become, a Substantial Shareholder (as described in paragraph (5) below).

(2) Preventing payment of a dividend to a Substantial Shareholder

The New Section provides that a dividend will not be paid on any Ordinary Shares that the Board believes may form part of a Substantial Shareholding unless the Board is satisfied that the Substantial Shareholder is not beneficially entitled to the dividend.

If in these circumstances payment of a dividend is withheld, the dividend will be paid subsequently if the Board is satisfied that:

- (a) the Substantial Shareholder concerned is not beneficially entitled to the dividends (see also paragraph (3) below);
- (b) the shareholding is not part of a Substantial Shareholding;
- (c) all or some of the Ordinary Shares and the right to the dividend have been transferred to a person who is not, and does not thereby become, a Substantial Shareholder (in which case the dividends would be paid to the transferee); or
- (d) sufficient Ordinary Shares have been transferred (together with the right to the dividends) such that the Ordinary Shares retained are no longer part of a Substantial Shareholding (in which case the dividends would be paid on the retained Ordinary Shares).

For this purpose references to the “**transfer**” of an Ordinary Share include the disposal (by any means) of beneficial ownership of, control of voting rights in respect of and beneficial entitlement to dividends in respect of, that Ordinary Share.

(3) Payment of a dividend where rights to it have been transferred

The New Section provides that dividends may be paid on Ordinary Shares that form part of a Substantial Shareholding if the Board is satisfied that the right to the dividend has been transferred to a person who is not, and does not thereby become, a Substantial Shareholder and the Board may be satisfied that the right to the dividend has been transferred if it receives a certificate containing appropriate confirmations and assurances from the Substantial Shareholder. Such a certificate may apply to a particular dividend or to all future dividends in respect of Ordinary Shares forming part of a specified Substantial Shareholding, until notice rescinding the certificate is received by the Company. A certificate that deals with future dividends must include undertakings by the person providing the certificate:

- (a) to ensure that the entitlement to future dividends will be disposed of; and
- (b) to inform the Company immediately of any circumstances which would render the certificate no longer accurate.

The Directors may require that any such certificate is copied or provided to such persons as they may determine, including HMRC.

If the Board believes a certificate given in these circumstances is or has become inaccurate, then it will be able to withhold payment of future dividends (as described in paragraph (2) above).

In addition, the Board may require a Substantial Shareholder to pay to the Company the amount of any tax payable (and other costs incurred) as a result of a dividend having been paid to a Substantial Shareholder in reliance on the inaccurate certificate. The Board may (as described in paragraph (5) below) arrange for the sale of the relevant Ordinary Shares and retain any such amount from the proceeds. Any such amount may also be recovered out of dividends to which the Substantial Shareholder concerned may become entitled in the future.

Certificates provided in the circumstances described above will be of considerable importance to the Company in determining whether dividends can be paid. If the Company suffers loss as a result of any misrepresentation or breach of undertaking given in such a certificate, it may seek to recover damages directly from the person who has provided it.

The effect of these provisions is that there is no restriction on a person becoming or remaining a Substantial Shareholder provided that the person who does so makes appropriate arrangements to divest itself of the entitlement to dividends.

(4) Trust arrangements where rights to dividends have not been disposed of by a Substantial Shareholder

The New Section provides that if a dividend is in fact paid on Ordinary Shares forming part of a Substantial Shareholding (which might occur, for example, if a Substantial Shareholding is split among a number of nominees and is not notified to the Company prior to a dividend payment date) the dividends so paid are to be held on trust by the recipient for any person (who is not a Substantial Shareholder) nominated by the Substantial Shareholder concerned. The person nominated as the beneficiary could be the purchaser of the Ordinary Shares if the Substantial Shareholder is in the process of selling down their holding so as not to cause the Company to breach the Substantial Shareholder rule. If the Substantial Shareholder does not nominate anyone within 12 years, the dividend concerned will be held on trust for the Company or any other person nominated by the Board.

If the recipient of the dividend passes it on to another without being aware that the Ordinary Shares in respect of which the dividend was paid were part of a Substantial Shareholding, the recipient will have no liability as a result. However, the Substantial Shareholder who receives the dividend should do so subject to the terms of the trust and as a result may not claim to be beneficially entitled to those dividends.

(5) Mandatory sale of Substantial Shareholdings

The New Section also allows the Board to require the disposal of Ordinary Shares forming part of a Substantial Shareholding if:

- (a) a Substantial Shareholder has been identified and a dividend has been announced or declared and the Board has not been satisfied that the Substantial Shareholder has transferred the right to the dividend (or otherwise is not beneficially entitled to it);
- (b) there has been a failure to provide information requested by the Board; or
- (c) any information provided by any person proves materially inaccurate or misleading.

If a disposal of shares required by the Board is not completed within the timeframe specified by the Board or if the Company incurs a charge to tax as a result of a dividend having been paid on a Substantial Shareholding, the Board may arrange for the sale of the relevant Ordinary Shares.

(6) Takeovers

The New Section does not prevent a person from acquiring control of the Company through a takeover or otherwise, although as explained above, such an event may cause the Group to cease to qualify as a REIT.

(7) Other

The New Section also gives the Company power to require any Shareholder who applies to be paid dividends without any tax withheld to provide such certificate as the Board may require to establish the Shareholder's entitlement to that treatment. The New Section also confirms that it may be amended by special resolution passed by Shareholders in the future, including to give powers to the Directors to ensure that the company can comply with the close company condition, which powers may include the ability to arrange for the sale of shares on behalf of Shareholders.

(B) *The Companies Act 2006*

The Articles of Association were amended to reflect changes required by the Companies Act 2006 and include the following:

(1) The Company's objects

The Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason, the Company removed its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are to be treated as forming part of the Company's articles of association as of 1 October 2009.

(2) Articles which duplicate statutory provisions

Provisions in the Articles of Association which replicated provisions contained in the Companies Act 2006 were, in the main, removed.

(3) Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the amended Articles of Association reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

(4) Redeemable shares

The amended Articles of Association contain an authorisation for the directors to determine the terms and manner of the issue of redeemable shares. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

(C) *The Shareholder Rights Regulations*

The Articles of Association were amended to reflect changes required by the Shareholder Rights' Regulation and include the following:

(1) Notice of general meeting

The Articles of Association now reflect the details to be contained in the notice of a meeting and reflect the fact that such information will be made available on a website. They also now introduce a requirement to determine a record date by reference to the register of members not more than 48 hours before the time for holding the meeting, not taking account of days which are not working days.

(2) Votes of members

The Articles of Association now clarify how a proxy who has been appointed by more than one member may vote on a show of hands.

(3) Proxy instrument and corporate representatives

The Articles of Association now reflect the requirement that the appointment of a proxy must be notified to the Company in writing and the Company must provide an electronic address for the receipt of proxies and information/documents relating thereto. They further clarify that if more than one person is authorised by a corporation, such corporate representatives of that corporation may exercise their powers on behalf of the corporation in a different manner in respect of different shares held by the corporation but not in respect of the same shares.

9. INTERESTS IN SHARE CAPITAL

9.1 As at 29 September 2009 (the latest practicable business day prior to the date of this document), insofar as known to the Company, the interests of the Directors, their immediate families and those of any connected person (within the meaning of provisions of the Disclosure and Transparency Rules), the existence of which is known to, or could with reasonable diligence be ascertained by, that Director whether or not held through another party, in the share capital of the Company were as follows:

<i>Director</i>	<i>Current Holdings</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued capital</i>
James Daryl Hambro	275,000	0.06
Morgan Lewis Jones	4,200,000	0.93
Ian Richard Watson	4,200,000	0.93
Stephen Trevor Gee	200,000	0.04
Richard Stephen Mully	375,000	0.08
	<hr/>	<hr/>
	9,250,000	2.06

10. MAJOR SHAREHOLDERS

10.1 The Company has been notified of the following interests that represent 3 per cent. or more of the issued ordinary share capital of the Company as at 29 September 2009 (being the latest practicable date prior to publication of this document):

	<i>No. of ordinary shares held</i>	<i>Percentage of issued capital</i>
BlackRock, Inc	45,126,808	10.04
Artemis Investment Management Limited	44,801,803	9.97
Threadneedle Investments	29,583,800	6.58
Lansdowne Partners Limited	27,046,400	6.02
Lloyds TSB Group plc	26,715,787	5.94
Jupiter Asset Management Limited	26,668,574	5.93
Standard Life Investments Limited	18,141,254	4.04
Cazenove Capital Management Limited	17,349,977	3.86
Taube Hodson Stonex Partners LLP	16,231,429	3.61
Rensburg Sheppards Investment Management Limited	14,847,820	3.30
	<hr/>	<hr/>
	266,513,652	59.29

10.2 None of the Company's major holders of Ordinary Shares listed in paragraph 10.1 above have voting rights different from other holders of Ordinary Shares.

10.3 The Directors are not aware of any persons at the date of this document who directly or indirectly control the Company.

10.4 As far as the Company is aware, as at 29 September 2009 (being the last practicable date prior to the publication of this document) there are no arrangements the operation of which may at a later date result in a change of control of the Company.

10.5 The Company's Articles of Association contain provisions restricting (subject to certain exceptions) the participation of directors in considering and approval of matters in which they are otherwise interested as described in paragraph 6 of Part VIII of the Registration Document.

11. MATERIAL CONTRACTS

11.1 The following contracts are all the material contracts (not being contracts entered into in the ordinary course of business) which have been entered into since the date of the Registration Document by members of the Group and the contracts (not being contracts entered into in the ordinary course of business) entered into at any time by members of the Group which contain provisions under which any member of the Group has an obligation or entitlement which is or may be material to the Group as at the date of this document:

(A) *Sponsorship Agreement*

Under the Sponsorship Agreement between the Company and KBC Peel Hunt dated the same date as this document, KBC Peel Hunt were appointed to act as sponsor to the Company in connection with its application for Admission. The Company gave KBC certain customary warranties and undertakings regarding, among other things, the accuracy of information contained in this document and concerning the Group and its business. The Company has also agreed to indemnify KBC against any losses incurred in connection with Admission.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the offices of Jones Day, 21 Tudor Street, London EC4Y 0DJ during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of publication of this document until 22 June 2010.

- (A) the memorandum and articles of association of the Company;
- (B) the Accountant's Report; and
- (C) the Prospectus.

13. AIM

The Registration Document contains references to AIM, the AIM Rules and the Company's share capital being admitted to trading on AIM. Immediately prior to Admission, the Company's share capital will cease to be admitted to trading on AIM and, as such, all references to AIM, the AIM Rules and the Company's share capital being admitted to trading on AIM will, following Admission, not be relevant. These references can be found on the front cover and page 10 of the Registration Document.

PART IV

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

- 1.1 The Company, whose registered office appears on page 6 of this document, and the Directors, whose names and functions also appear on page 6 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and Directors (each of whom has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

2. SHARE CAPITAL

- 2.1 The authorised and issued share capital of the Company as at the date of this document is as follows:

	<i>Number of Shares of 10 pence each</i>	<i>Value £</i>
Authorised Ordinary Shares	600,000,000	60,000,000.00
Existing Ordinary Shares (issued and fully paid)	449,499,915	44,949,991.50

3. WORKING CAPITAL

It is the opinion of the Company that, after taking into account the available facilities of the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document.

4. CAPITALISATION AND INDEBTEDNESS

- 4.1 The capitalisation of the Group as at 30 June 2009 and the indebtedness of the Group as at 31 July 2009 is set out below. The capitalisation of the Group is based on the IFRS financial information as at 30 June 2009 and has been extracted without material adjustment from the Accountants' Report in Part II (A) of this document. Except for the issue of 267,768,451 Ordinary Shares pursuant to a placing and open offer for consideration of £200.8 million in July 2009, and the issue of 3,296,347 Ordinary Shares in consideration for the acquisition of 10,377,389 ordinary shares in the capital of Warner Estate Holdings plc, there have been no material changes to the capitalisation figure since 30 June 2009. The information relating to the Group's indebtedness has been extracted from unaudited accounting records as at 31 July 2009.

Indebtedness at 31 July 2009

	<i>£'000</i>
Total current debt	
Guaranteed	—
Secured	4,544
Unsecured/unguaranteed	—
	<hr/>
	4,544
Total non-current debt	
Guaranteed	—
Secured	241,275
Unsecured/unguaranteed	—
	<hr/>
	241,275
Total indebtedness	<hr/>
	245,819

Capitalisation at 30 June 2009

	<i>£'000</i>
Shareholders' equity	
Share capital	17,843
Share premium	114,312
Translation reserve	37,274
Retained earnings	13,762
Total shareholders' equity	<u>183,775</u>

Net financial indebtedness at 31 July 2009

	<i>£'000</i>
Cash and cash equivalents	<u>211,753</u>
Current borrowings	(4,215)
Current portion of non-current borrowings	
Obligations under finance leases	(329)
Current financial debt	<u>(4,544)</u>
Net current funds	<u>(207,209)</u>
Non current borrowings	(237,786)
Obligations under finance leases	(3,489)
Non-current financial indebtedness	<u>(241,275)</u>
Net financial indebtedness	<u>(34,066)</u>

- 4.2 As at 31 August 2009, the last practicable date before the date of this document, the Group had outstanding borrowings or indebtedness in the nature of borrowings of £253,292,000, and aggregate cash balances of £197,557,000. The information relating to 31 August 2009 has been extracted from unaudited accounting records as at 31 August 2009. On 28 September 2009, the Group repaid €110 million of its revolving credit facility from its cash balances. Aside from this repayment which may be redrawn at any time and had no impact on the net debt position of the Group, there have been no material changes to the outstanding borrowings or indebtedness in the nature of borrowings, or the aggregated cash balances of the Group since 31 August 2009.

5. INFORMATION CONCERNING THE SECURITIES TO BE ADMITTED TO TRADING

- 5.1 The Ordinary Shares are in registered form. Subject to the provisions of the CREST Regulations, the Directors may permit the holding of such shares in uncertificated form and title to such shares may be transferred by a relevant system (as defined in the CREST Regulations). The Registrar has responsibility for maintaining the Company's register of members.
- 5.2 The rights attached to the New Ordinary Shares to be issued, including any limitations of those rights and procedures for the exercise of those rights, are outlined in paragraph 6 of Part VII of the Registration Document.
- 5.3 The Ordinary Shares are subject to the rules concerning mandatory takeover bids and the rules of compulsory acquisition under Part 28 of the 2006 Act and the City Code on Takeovers and Mergers.

6. LITIGATION

- 6.1 So far as the Company is aware, neither the Company nor any member of the Group is or has been engaged in nor has pending or threatened any governmental, legal or arbitration proceedings which may have or have had in the recent past (covering the 12 months immediately preceding the date of this document) a significant effect on the Group's financial position or profitability.

7. TAXATION

7.1 *Shareholder taxation*

The following information is intended only as a general guide to current UK tax legislation and to what is understood to be the current practice of HM Revenue & Customs (“**HMRC**”) and may not apply to certain classes of Shareholders, such as dealers in securities, or to Shareholders who are not absolute beneficial owners of their shares. Any person who is in any doubt as to their tax position, or is subject to tax in any tax jurisdiction other than the UK, should consult their professional adviser without delay.

Following conversion to a REIT, UK resident Group members and non-UK resident Group members with a UK qualifying property rental business will no longer pay UK direct taxes on their income and capital gains from their qualifying property rental business in the UK and elsewhere (the “**Tax-Exempt Business**”), provided that certain conditions are satisfied. Instead, distributions in respect of the Tax-Exempt Business will be treated for UK tax purposes as UK property income in the hands of Shareholders.

A dividend received by a Shareholder of the Company in respect of profits and gains of the Tax-Exempt Business of the UK resident members of the Group or in respect of the profits or gains of a non-UK resident member of the Group insofar as they derive from their UK qualifying property rental business is referred to in this document as a “**Property Income Distribution**” or “**PID**”. Any other dividend received by a Shareholder of the Company will be referred to herein as a “**Non-PID Dividend**”.

The treatment of a dividend paid by the Company in the first year after the Group becomes a REIT should depend on whether it is paid out of profits that existed before or after the Group became a REIT. For example, if the Group converts into a REIT on 6 October 2009 a dividend announced or declared later may be paid partly out of profits earned prior to the Group becoming a REIT and partly out of profits earned subsequently and would therefore comprise partly a PID and partly a Non-PID Dividend. The principal company will provide Shareholders with a certificate setting out how much of their dividend is a PID and how much is a Non-PID Dividend.

(A) *Non-PID Dividends*

Under current UK tax legislation no tax is withheld from dividends paid by the Company.

UK tax resident individual Shareholders will be entitled to a tax credit in respect of any dividend received equal to one-ninth of the amount of the dividend. The tax credit therefore equals 10 per cent. of the combined amount of the dividend and the tax credit. Liability to UK income tax is calculated on the sum of the dividend and the tax credit. The tax credit will satisfy a UK tax resident individual Shareholder’s basic rate (but not higher rate) income tax liability in respect of the dividend. UK tax resident individual Shareholders who are subject to tax at the higher rate will have to account for additional income tax. The special rate of income tax set for higher rate taxpayers who receive dividends is 32.5 per cent. After taking account of the 10 per cent. tax credit, such taxpayers would have to account for additional income tax of 25 per cent. on the amount of the dividend and tax credit.

The 2009 Budget contained measures to change the rate of tax paid on any dividends received by individuals whose income exceeds £150,000 in a financial year. From 6 April 2010, such dividends will be taxable at a new 42.5 per cent. dividend additional rate.

In determining whether dividend income falls within an individual’s basic rate band or exceeds the individual’s basic rate limit, the dividend income is treated as the highest part of the individual’s income. A Shareholder who is liable to income tax on the dividend (or any part of it) is not able to claim repayment of the tax credit (or part of it) in cash from HMRC.

UK resident corporate Shareholders and pension funds will generally not be liable to UK corporation tax on any dividend received and will not be entitled to payment in cash of a tax credit.

Shareholders not resident (for tax purposes) in the UK are generally not taxed in the UK on dividends received by them but may be subject to foreign tax on the dividend received. The entitlement of such Shareholders to claim repayment of any part of a tax credit will depend, in general, on the existence and terms of any double tax convention between the UK and the country in which the Shareholder is resident.

A Shareholder not resident for tax purposes in the UK may be subject to foreign tax on the dividend received. Shareholders who are not resident in the UK should consult their own tax advisers on the possible applicability of double tax treaties, the procedure for claiming repayment and what relief or credit may be claimed in respect of such tax credit in the jurisdiction in which they are resident.

(B) *PIDs*

(1) UK taxation of Shareholders who are individuals

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are individuals as the profit of a single UK property business (as defined in section 264 of the Income Tax (Trading and Other Income) Act 2005). A PID is, together with any property income distribution from any other company to which Part 4 of the Finance Act 2006 applies, treated as a separate UK property business from any other UK property business (a “**different UK property business**”) carried on by the relevant Shareholder. This means that surplus expenses from a Shareholder’s different UK property business cannot be off-set against a PID as part of a single calculation of the profits of the Shareholder’s UK property business. No notional tax credit will be available in respect of PIDs.

Please see also paragraph (B)(4) below.

(2) UK taxation of corporate Shareholders

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are within the charge to corporation tax as profit of a property rental business within the meaning of Section 205 of the Corporation Tax Act 2009 (“**CTA**”) or an overseas property business within the meaning of Section 206 CTA (a “**property rental business**”). A PID is, together with any property income distribution from any other company to which Part 4 of the Finance Act 2006 applies, treated as a separate property rental business from any other property rental business (a “**different property rental business**”) carried on by the relevant Shareholder. This means that any surplus expenses from a Shareholder’s different property rental business cannot be off-set against a PID as part of a single calculation of the Shareholder’s profits from a property rental business.

Please see also paragraph (B)(4) below.

(3) UK taxation of Shareholders who are not resident for tax purposes in the UK

Where a Shareholder who is resident outside the UK receives a PID, the PID will generally be chargeable to UK income tax as profit of a UK property business and this tax will generally be collected by way of a withholding.

Please see also paragraph (B)(4) below.

(4) Withholding tax

(a) **General**

Subject to certain exceptions summarised at paragraph (B)(4)(d) below, the Company is required to withhold tax at source at the basic rate (currently 20 per cent.) from its PIDs. The Company will provide Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld, and the net amount of the PID.

(b) **Shareholders solely resident and ordinarily resident In the UK**

Where tax at the basic rate has been withheld at source, Shareholders who are individuals may, depending on their individual circumstances, either be liable to further tax on their PID at their applicable marginal rate, or be entitled to claim repayment of some or all of the tax withheld on their PID. Corporate Shareholders may, depending on their individual circumstances, be liable to pay corporation tax on their PID but they should note that, where tax at the basic rate is withheld at source, the tax withheld can be set against their liability to income or corporation tax in the accounting period in which the PID is received.

(c) **Shareholders who are not resident for tax purposes in the UK**

Shareholders are unlikely to be able to make a claim under a double taxation treaty for a PID to be paid by the Company gross or at a reduced rate. The right of a Shareholder to claim repayment of any part of the tax withheld from a PID will depend on the existence and terms of any double tax convention between the UK and the country in which the Shareholder is resident.

(d) **Exceptions to requirement to withhold income tax**

Shareholders should note that in certain circumstances the Company must not withhold income tax at source from a PID. These include where the Company reasonably believes that the person beneficially entitled to the PID is a company resident for tax purposes in the UK, a company resident for tax purposes outside the UK with a permanent establishment in the UK or which is required to bring the PID into account in computing its chargeable profits, a charity or a body mentioned in section 507(1) of the Income and Corporation Taxes Act 1988 which is allowed the same exemption from tax as charities. They also include where the Company reasonably believes that the PID is paid to the scheme administrator of a registered pension scheme, the sub-scheme administrator of certain pension sub-schemes, the account manager of an Individual Savings Account (ISA), the plan manager of a Personal Equity Plan (PEP) or the account provider for a child trust fund, in each case, provided the Company reasonably believes that the PID will be applied for the purposes of the relevant fund, scheme, account or plan.

In order to pay a PID without withholding tax, the Company will need to be satisfied that the Shareholder concerned is entitled to that treatment. For that purpose the Company will require such Shareholders to submit a valid claim form (copies of which may be obtained on request from the Company's registrars, Capita Registrars). Shareholders should note that the Company may seek recovery from a Shareholder if the statements made in its claim form are incorrect and the Company suffers tax as a result. The Company will, in some circumstances, suffer tax if its reasonable belief as to the status of the Shareholder turns out to have been a mistake.

(C) *UK taxation of chargeable gains*

A disposal of Ordinary Shares may, depending on the circumstances at the time of the disposal, may give rise to a liability to taxation on chargeable gains (for corporates) or capital gains tax (for individuals).

For individual investors, capital gains tax will be payable the rate of 18 per cent. in respect of any capital gains to the extent that the total capital gains recognised in a year of assessment exceeds the capital gains annual exemption. An individual investor will not be liable to pay tax on the gain if the capital gain when aggregated with other realised capital gains in the relevant year of assessment, does not exceed the capital gains annual exemption, currently £10,100 for the year ending 5 April 2010.

Shareholders within the charge to UK corporation tax will generally, for the purposes of calculating chargeable gains but not losses, be generally entitled to claim an indexation allowance based on the amounts paid for their shares. In some cases chargeable gains may be exempt if certain requirements are met.

A Shareholder who is not resident (nor, in the case of an individual, ordinarily resident) in the UK for tax purposes will not normally be liable to UK tax on capital gains on any disposal or shares in the Company unless that Shareholder carries on a trade, profession or vocation in the UK through a branch or agency and the disposal is connected with that activity.

Chargeable gains arising on the disposal of Ordinary Shares following entry into the REIT Regime should be taxed in the same way as chargeable gains arising on the disposal of Shares prior to entry into the REIT Regime. The entry of the Group into the REIT Regime will not constitute a disposal of Ordinary Shares by Shareholders for UK chargeable gains purposes.

(D) *Inheritance Tax*

For the purposes of UK inheritance tax, the Ordinary Shares constitute property situated in the UK. Individuals and trustees, wherever resident, may be liable to inheritance tax in respect of shares gifted during the lifetime or on the death of an individual and on certain occasions in relation to settled property.

This should not be effected following entry into the REIT Regime, although Shareholders are strongly advised to seek their own independent advice.

(E) *Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)*

Any transfer of shares in the Company will generally be subject to *ad valorem* stamp duty on the instrument of transfer or (if unconditional agreement to transfer such shares is not completed by a duly stamped transfer within two months) SDRT generally at the rate of 0.5 per cent. on the value of consideration for the relevant transfer.

Liability to pay any SDRT or stamp duty at the rate of 0.5 per cent. is generally that of the purchaser. Any duty payable is rounded up to the nearest £5. Special rules in connection with stamp duty and stamp duty reserve tax apply to market makers, broker dealers and certain only persons.

A conveyance or transfer on sale or other disposal of Ordinary Shares following entry into the REIT Regime will be subject to UK stamp duty or SDRT in the same way as it would have been prior to entry into the REIT Regime.

(F) *Self Invested Personal Pensions (“SIPPs”)*

An investment in the Company should be allowed by SIPPs, subject to the SIPP provider. This should not be effected following entry into the REIT Regime, although Investors seeking to invest through a SIPP are strongly advised to seek their own independent advice.

7.2 The above is a summary of certain aspects of current law and practice in the UK. A Shareholder who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.

8. GENERAL

8.1 The Ordinary Shares have been created and allotted under the laws of England and Wales and the currency of the Ordinary Shares is pounds sterling with the ISIN Number GB00B0PPFY88.

8.2 Where information has been sourced from a third party, the source of this information has been identified accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

9. CONSENTS

9.1 KBC has given and not withdrawn its written consent to the issue of this document with the inclusion of its name in this document and references to its name in the form and context in which they appear.

9.2 Deloitte has given and has not withdrawn its consent to the inclusion of its report set out in Part II of this document in the form and context in which it appears and has authorised the contents of such report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

Date

30 September 2009

DEFINITIONS

“ Admission ”	admission of the Ordinary Shares to the Official List and to trading on the Main Market;
“ AIM ”	the AIM market, regulated by the London Stock Exchange;
“ Board ”	the board of directors of the Company;
“ City Code ” or “ Takeover Code ”	The City Code on Takeovers and Mergers published by the Panel;
“ Combined Code ”	the principles of good governance and code of best practice prepared by the Committee on Corporate Governance and published by the Financial Reporting Council in June 2008 applicable to companies with accounting periods beginning on or after 29 June 2008, as amended from time to time;
“ CREST Regulations ”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time;
“ Deloitte ”	Deloitte LLP;
“ Directors ”	the directors of the Company, whose names are set out in page 6 of this document;
“ Executive Directors ”	Morgan Lewis Jones and Ian Richard Watson;
“ FSA ”	the Financial Services Authority;
“ FSMA ”	the Financial Services and Markets Act 2000, as amended;
“ Group ”	the Company and its subsidiary undertakings;
“ Hansteen ” or the “ Company ”	Hansteen Holdings PLC;
“ KBC Peel Hunt ”	KBC Peel Hunt Ltd;
“ London Stock Exchange ”	London Stock Exchange Plc;
“ Main Market ”	the London Stock Exchange’s main market for listed securities;
“ Non-Executive Directors ”	James Daryl Hambro, Stephen Trevor Gee and Richard Stephen Mully;
“ Normalised Profit ”	a measure of profit used by the Group measuring income exceeding costs, excluding gains and losses on investment property, currency hedging instruments and interest rate hedging instruments;
“ Official List ”	the Official List of the UK Listing Authority;
“ Ordinary Shares ”	ordinary shares in the capital of the Company which have a nominal value of 10 pence each;
“ Panel ” or “ Takeover Panel ”	the Panel on Takeovers and Mergers;
“ Prospectus ”	the Securities Note, the Registration Document and the Summary taken together;
“ Prospectus Directive ”	the directive of the European Parliament and of the Council of the European Union 2003/71/EC;

“Prospectus Rules”	the prospectus rules brought into effect on 1 July 2005 and made by the FSA pursuant to FSMA;
“Registration Document”	the registration document dated 23 June 2009 prepared in accordance with the Prospectus Rules relating to the Company;
“REIT”	Real Estate Investment Trust;
“REIT Regime”	the REIT Regime introduced by the Finance Act 2006;
“Securities Note”	this document;
“Shareholders”	holders of Ordinary Shares;
“Shareholder Rights Directive”	Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007;
“Shareholder Rights Regulations”	Companies (Shareholders’ Rights) Regulations 2009;
“Sponsorship Agreement”	the sponsorship agreement dated 30 September 2009 between the Company and KBC Peel Hunt relating to Admission and described in paragraph 11.1 of Part III of this document;
“Summary”	the summary document dated 30 September 2009 prepared in accordance with the Prospectus Rules relating to the Company; and
“UK Listing Authority”	the FSA acting in its capacity as the competent authority for the purposes of Part VII of FSMA.