Hansteen

20 March 2017

Hansteen Holdings PLC
("Hansteen", the "Group" or, the "Company")

HANSTEEN TOTAL ANNUAL RETURN OF 20.8%

Hansteen (LSE: HSTN), the investor in UK and continental European industrial property, announces its full year results for the year ended 31 December 2016.

Financial Highlights

- Total Annual Return to shareholders of 23.1p or 20.8% (EPRA NAV growth of 17.7p plus dividends paid of 5.35p)
- IFRS profit before tax of £119.9 million (FY 2015: £171.4 million)
- Normalised Income Profit increased by 29.4% to £61.1 million (FY 2015: £47.2 million)[1]
- Normalised Total Profit increased by 4.4% to £66.0 million (FY 2015: £63.2 million)[1]
- IFRS NAV per share increased by 17.9% to 124.0p (31 December 2015: 105.2p)
- EPRA NAV per share increased by 15.9% to 128.9p (31 December 2015: 111.2p)[1]
- Full year dividend increased by 12.4% to 5.9p per share (2015: 5.25p per share)
- Net debt to property value ratio of 40.9% (31 December 2015: 41.2%)[1]

Operational Highlights

- Acquisition of remaining 18.2% units in the Ashtenne Industrial Fund Unit Trust for £49.7 million increasing ownership to 100%
- UK portfolio refinanced with a new £330.0 million five-year loan facility at an all-in cost of 2.3% per annum
- Netherlands portfolio refinanced with a new €145.0 million five-year loan facility at an all-in cost of 2.6% per annum
- Like-for-like occupancy improvement of 131,000 sq m or 28.2% of the vacancy at the start of the year
- Like-for-like rent roll improvement of £2.1 million per annum
- Like-for-like property valuation increase across the total portfolio of 2.8%
- £34.2 million of sales generating profits of £4.7 million

Post Balance Sheet Events

- Offer for the entire issued ordinary share capital of Industrial Multi Property Trust PLC ("IMPT")
- Contracts exchanged on terms for the sale of Hansteen's German and Dutch portfolios for €1.28 billion

Melvyn Egglenton, Chairman, commented: "I am pleased to report an exceptional year for Hansteen with our portfolio and our team once again delivering record results. While acquisition opportunities have been limited the team has focused on growing the portfolio occupancy and rent roll resulting in the highest ever number of new lettings and lease renewals, record like-for-like rent growth and the highest ever portfolio occupancy rate.

The significant spread between our portfolio yield and borrowing costs offers potential for further capital growth, particularly when the current yield is compared to the yield lows of previous cycles. This compares favourably to the other property sectors where yields have reached historic lows during 2015 or earlier. The UK portfolio also offers earnings upside through the letting of the remaining vacant area and emerging rental growth which will allow the business to continue to generate strong income returns in

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1 Important Explanatory Notes about Alternative Performance Measures used in this Report:

EPRA and Adjusted metrics: The condensed financial statements are prepared under IFRS. The Board monitors a number of alternative performance measures when assessing the underlying performance of the business. These include Normalised Income Profit ("NIP"), Normalised Total Profit ("NTP") and those defined by EPRA. NIP and NTP are defined in the Joint Chief Executives' Statement and note 4 of the condensed financial statements contains the reconciliation of these to IFRS profit before tax. Note 9 of the condensed financial statements has more information about the EPRA adjustments and the reconciliation of these to the IFRS equivalents. A calculation of net debt and the net debt to value ratio is shown in the Financial Review.

the future. Across the UK, we are experiencing pockets of rental growth and shorter incentives being offered to tenants as demand intensifies, particularly at estates where voids are zero or close to zero.

We also have 447 acres of undeveloped land in the UK which does not yet produce income but will in time produce further value. We will continue to focus on realised returns allowing us to pay a well-covered and growing dividend to our shareholders".

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Hansteen Holdings PLC
Preliminary Announcement

CHAIRMAN'S REVIEW

I am pleased to present Hansteen's results and Strategic Report for the year ended 31 December 2016. This is my first report as Chairman and it has been an exceptional year for the business with our portfolio and our team once again delivering record results. EPRA NAV growth plus dividends paid in the year of 23.1p per share is a total return to shareholders of 20.8%.

Although the EU referendum provided a period of uncertainty in the property market, we were able to secure the remaining units in the Ashtenne Industrial Fund Unit Trust ("AIF") and refinance both the Dutch and UK banking facilities on improved terms. However, other opportunities to acquire property that we believe offer excellent value and future growth potential have remained limited due to the strong investment market and so our in-house asset management platform has focused on growing the portfolio occupancy and rent roll resulting in the highest ever number of new lettings and lease renewals, record like-for-like rent growth and the highest ever portfolio occupancy rate.

RESULTS

Normalised Income Profit ("NIP"), which excludes profits or losses from the sale of properties, essentially the recurring earnings of the business, increased by 29.4% to £61.1 million (FY 2015: £47.2 million). Normalised Total Profit ("NTP"), being NIP plus profits and losses from property sales and realised profits from one-off items, was £66.0 million which is an increase of 4.4% (FY 2015: £63.2 million). Both of these results are records for Hansteen.

The Group's IFRS pre-tax profit for the year was £119.9 million (FY 2015: £171.4 million). This decrease was largely due to the high property revaluation on the total portfolio in 2015 (£131.0 million) that was not repeated in 2016 (£45.8 million). Diluted EPRA EPS was 6.7p (FY 2015: 2.2p) and basic EPS was 14.8p (FY 2015: 21.3p).

The Group's EPRA Net Asset Value was 128.9p per share, an increase of 15.9% from 111.2p per share at the start of the year. Further details of the financial results can be found in the Joint Chief Executives' statement and Financial Review.

Since the beginning of 2014 until the end of 2015 our financial results have been adversely effected by a materially strengthening sterling currency rate against the euro. During 2016 the euro has strengthened against sterling largely reversing the movement we experienced over the last two years.

DIVIDEND

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

The interim dividend paid on 18 November 2016 was increased by 4.8% to 2.2p per share (November 2015: 2.1p per share). The second ongoing dividend is being increased more substantially in the light of the very strong income growth. A dividend of 3.7p per share (May 2016: 3.15p per share) represents an increase of 17.5%. The full year dividend of 5.9p per share has increased by 12.4% from the 2015 full year dividend of 5.25p per share.

The ex-dividend date is 20 April 2017 and the dividend is payable on 18 May 2017 to shareholders on the register at the close of business on 21 April 2017. A Property Income Distribution ("PID") of 2.1p is included in this second interim dividend payment.

BOARD CHANGES

As stated in the interim report, James Hambro retired as Chairman on 23 August 2016. James had been Chairman of Hansteen since IPO in 2005 and had been a major part in the success of the business. The Board would like to thank James for his exceptional contribution to the Group over this period and wish him well in the future.

Humphrey Price retired at the same time after six years as a Board member and the Board would also like to thank Humphrey for his considerable contribution to Hansteen since his appointment. Rebecca Worthington has succeeded Humphrey as Chair of the Audit Committee and Margaret Young is now the Chair of the Remuneration Committee.

OUTLOOK

The yield at 31 December 2016 on our built portfolio was 7.8% against an average all-in cost of borrowing of 3.2%. This significant spread offers potential for further capital growth. This compares favourably to the other property sectors where yields have reached historic lows during 2015 or earlier. The portfolio also offers earnings upside through the letting of the remaining vacant area and emerging rental growth which will allow the business to continue to generate strong income returns in the future. We also have 447 acres of undeveloped land which does not yet produce income but will in time produce further value. We will continue to focus on realised returns allowing us to pay a well-covered and growing dividend to our shareholders.

POST BALANCE SHEET EVENTS

On 22 February 2017 the Board made an offer for the entire issued ordinary share capital of Industrial Multi Property Trust PLC ("IMPT"). Under the terms of the Offer, IMPT Shareholders will receive 300p in cash for each IMPT share held which values the entire issued ordinary share capital of IMPT at £25.2 million. Hansteen has since acquired, as disclosed on 17 March 2017, 21.71% of IMPT's share capital and at the first close for the offer on 15 March 2017 had received valid acceptances of 28.44%, which in aggregate represent 50.15% of IMPT's share capital. The offer will remain open for acceptance until the next closing date which will be 1.00 p.m. (London time) on Wednesday 22 March 2017. More details can be found in the Joint Chief Executives' statement.

Today we announced that contracts have been exchanged on terms for the sale of Hansteen's German and Dutch portfolios. More details are contained in the RNS announcement and a circular will be posted to shareholders shortly.

Melvyn Egglenton
Chairman
19 March 2017

JOINT CHIEF EXECUTIVES' STATEMENT

Hansteen has had the same business model and strategy since the Company was founded in November 2005. We aim to buy high-yielding assets (normally multi-let or single-let industrial properties) that are undervalued and undermanaged using our entrepreneurial and opportunistic approach to buying property. We then apply specific asset management initiatives to increase the income and value before realising the added value through sales of individual properties or larger portfolio disposals. Finally, we distribute the profits to our shareholders through well-covered dividend payments.

Light industrial property continues to provide flexible and affordable commercial space for occupiers. Retailing trends are changing with the transfer of goods from shops to sheds and retailers are reassessing how they will service their customers quickly, in and around towns and cities. As a result, occupational demand is out-stripping supply which has meant increased occupancy and pockets of rental growth across our portfolio. We have an established network of 15 offices staffed with talented and experienced asset management teams able to capture this improving trend in their local markets across the UK and continental Europe. Supported by a team of marketing and finance professionals, our in-house platform works together to drive income and value forward across our £1.7 billion property portfolio. We are very thankful for the continued efforts of our teams which have enabled us to report on another year of record results.

FINANCIAL RESULTS FOR 2016

Since 2011, we have sought to emphasise realised returns and value growth as the most important measures of the performance of the Group. We have particularly focused on what we have called Normalised Income Profit ("NIP") being the recurring earnings of the business, effectively income less costs. As the business has grown and investment markets have improved, we have carried out an increasing number of investment property sales which are now a regular, if fluctuating, feature of our business. As such, we use Normalised Total Profit ("NTP"), defined as NIP plus profits or losses from the sale of properties and realised profits from one off items, as one of our Key Performance Indicators ("KPIs") along with NIP.

NIP for the year to 31 December 2016 increased by 29.4% to £61.1 million (FY 2015: £47.2 million) and NTP increased by 4.4% to £66.0 million (FY 2015: £63.2 million). Both of these are record results for Hansteen. The main reason for the increase in NIP was the additional profits from AIF after the acquisition of the remaining units which we completed in July 2016. The NTP has not increased as much as the NIP as during 2015, the group disposed of £278.4 million of property into a very buoyant investment market which generated profits of £14.5 million over valuation. The equivalent sales number in 2016 was £34.2 million as a variety of factors, including the EU referendum, slowed investment activity markedly. These 2016 sales have generated profits of £4.7 million.

The table below sets out the results for Normalised Income Profit and Normalised Total Profit and how they are calculated:

	2016 £m	2015 £m
Rental income	109.4	81.2
Cost of sales	(14.7)	(12.5)
Management fees	2.0	4.1
Share of associates	9.6	12.1
Overheads	(20.7)	(18.9)
Net interest payable	(24.5)	(18.8)
Normalised Income Profit	**61.1**	**47.2**
Profit on sale of properties	4.7	14.5
Other operating income	0.2	1.5
Normalised Total Profit	**66.0**	**63.2**

We focus on EPRA NAV per share plus dividends as the best measure of value growth. During 2016, EPRA NAV per share increased from 111.2p to 128.9p and in addition there was the payment of a 5.35p dividend. This performance equates to a Total Annual Return to shareholders of 23.1p or 20.8%.

The euro has strengthened against sterling during 2016 meaning the net assets denominated in euros are translated at a more favourable rate at 31 December 2016 compared to 31 December 2015. This has resulted in a £70.6 million increase in the IFRS net assets.

More details of the financial performance is contained in the Financial Review and the reconciliation of NIP and NTP to the IFRS profit before tax is contained in note 4 to the condensed financial statements. Basic NAV per share is reconciled to EPRA NAV per share in note 9 to the condensed financial statements.

PROPERTY PORTFOLIO

The built portfolio has a yield of 7.8% on the passing rent. Including the 447 acres of undeveloped land the yield of the total portfolio is 7.6% (2015: 7.8%). The summary analysis of the portfolio, at 31 December 2016, is set out in the table below:

	No. props	Acres of land	Built area	Vacant area	Passing rent		Value		Yield
			sq m	%	Euros €m	Sterling £m	Euros €m	Sterling £m	
UK	286	16	1,459,702	7.7%	57.6	49.4	729.7	626.3	7.9%
UK Land	-	431	-	0.0%	0.1	0.1	58.9	50.5	0.2%
UK Total	286	447	1,459,702	7.7%	57.7	49.5	788.6	676.8	7.3%
Germany	100	-	1,560,398	8.9%	65.3	56.1	887.5	761.7	7.4%
Benelux	80	-	773,572	10.5%	30.0	25.7	348.8	299.4	8.6%
Total portfolio	**466**	**447**	**3,793,672**	**8.8%**	**153.0**	**131.3**	**2,024.9**	**1,737.9**	**7.6%**

Our portfolio is focused more on smaller, urban distribution and light industrial warehouses rather than 'big box' logistics properties. With 466 properties and 5,262 tenants across five countries, most of our occupiers consist of stitches in the basic fabric of the local economies in each region as opposed to the larger national or international businesses. While we do cater for these types of tenants in a small proportion of our buildings, the vast majority of our tenant base are smaller, local businesses who undertake a wide variety of activities.

Our average unit size is just 587 sq m (or 6,313 sq ft) across the 6,468 units in the portfolio with the UK properties containing a greater proportion of multi-let light industrial estates at an average unit size of 463 sq m (or 4,980 sq ft). Germany has a greater mix of larger single-let buildings and multi-let estates with an average unit size of 606 sq m (or 6,525 sq ft). The Benelux and France portfolio contains the highest number of larger buildings with an average unit size of 1,047 sq m (or 11,267 sq ft).

We have seen occupier demand increase from internet retailers for 'last mile' logistics space to service same day / next day delivery requirements, space for customer returns handlers and from growing internet companies. The urban location of these 'last mile' facilities is key for retailers with buildings needing to be in well-connected locations close to population centres. Our properties are generally well located enabling us to provide space for these retailers as well as a wide range of other occupiers looking to service their customer base in and around towns and cities across the UK and continental Europe.

2016 leasing activity

During 2016, our in-house asset management teams have completed 1,984 new lettings and lease renewals across the portfolio, an 11.5% increase on the 1,780 new lettings and lease renewals completed in 2015. This high level of activity has secured £38.9 million of annual passing rent on almost one million square metres of space.

The vacancy at the start of the year of 5.0 million sq ft (464,000 sq m) or 11.9% of the portfolio has been reduced to 3.6 million sq ft (332,000 sq m) or 8.8% of the portfolio at 31 December 2016. This is a like-for-like net occupancy improvement of 1.4 million sq ft (131,000 sq m) or 28.2% of the vacancy at the beginning of the year. Like-for-like net occupancy is measured by taking the vacant area at the start of the year, adding vacancy on purchases and then comparing that with the vacancy at the end of the year. The improvement is split across our core regions with Germany improving 31,800 sq m, the Benelux improving 43,200 sq m and the UK improving by 56,000 sq m.

This is a very strong performance from our asset management teams who have increased like-for-like passing rent by £2.1 million during 2016 with each of our core regions (Germany, Benelux and the UK) contributing to this gain as follows:

	Germany	Benelux	UK	Total
	£m	£m	£m	£m
31 December 2015 passing rent roll	49.1	21.3	49.7	**120.1**
Passing rent added from acquisitions	-	0.1	0.3	**0.4**
Passing rent lost from sales	(1.9)	(0.2)	(0.9)	**(3.0)**
Exchange effect on passing rent roll	8.3	3.5	-	**11.8**
	55.5	24.7	49.1	**129.3**
31 December 2016 passing rent roll	56.1	25.7	49.6	**131.4**
Like-for-like improvement	**0.6**	**1.0**	**0.5**	**2.1**

Rental growth

In addition to a reduction in voids, all UK regions are experiencing pockets of rental growth and shorter incentives being offered to tenants as demand intensifies, particularly at estates where voids are zero or close to zero. We have a relatively short weighted average unexpired lease term ("WAULT") on our UK portfolio of 3.2 years which allows this rental growth to be achieved relatively quickly. We believe this trend will continue as buoyant occupier demand remains high and no competing supply is coming through.

The picture across our continental European markets is similar to that in the UK. In Germany, there is evidence that rental growth is starting to emerge. Tenant letting and renewal incentives have been reducing for some time on assets that are well located to service urban conurbations and, where there is a lack of available supply, rental levels are moving forward. An example of this is at our Motzener Strasse asset, which was purchased in February 2013 with a passing rent of €3.52/sq m. The main tenant vacated the warehouse later in 2013 and the space has recently been part re-let to an online food retailer and a document storage business at rents of €4.50/sq m and €4.19/sq m respectively. The WAULT of our German portfolio is 3.3 years.

Although the Dutch market is further behind in terms of rental growth, the occupier markets continue to gather momentum and there is expectation that supply will reduce in 2017. The WAULT of our Benelux portfolio is 2.7 years.

Property valuation

The like-for-like value of the total portfolio (which excludes any movements due to currency) has increased by £45.8 million or 2.8% since December 2015 with all three core regions showing good valuation growth. The value of the German portfolio increased by €23.5 million or 2.7% with the Benelux and France portfolio increasing by €11.2 million or 3.3%. The UK portfolio value increased by £17.8 million or 2.7%. Despite the valuation increase, the built portfolio has a high simple yield of 7.8% (passing rent divided by value).

Acquisitions and disposals

The increase in investor appetite for multi-let light industrial property has made good value acquisitions hard to find, particularly in scale. However, we are still seeing smaller-scale opportunities sourced by our asset managers with in-depth knowledge and contacts in their local markets. In Germany, we have notarised the purchase of 11 buildings with a total area of 64,000 sq m for €14.0 million plus costs. At the time of the notarisation the buildings were all vacant but our team has taken over the management and lettings and so far we have let five buildings of the 11 which represents 53% of the total area. The passing rent roll of the space let is €1.2 million per annum and the market rent of the portfolio if fully let is €2.3 million.

As reported at the half year, we have acquired the remaining 18.2% of the units in the Ashtenne Industrial Fund Unit Trust ("AIF"). The total consideration paid was £49.7 million which was an effective 9% discount to the carrying value of the AIF units in Hansteen's accounts which in large part represents the performance fee on the acquired units. These unit purchases represent the acquisition of £79.3 million of property at a yield on the passing rent of 8.0% which we believe is excellent value in the current market. There are practical benefits as well as cost savings from owning 100% of the Fund going forward.

The UK had 29 sales during 2016 for a total consideration of £17.4 million which generated £1.6 million of profit above the December 2015 valuation. £1.0 million of this profit is attributable to Hansteen. A focus was made during the year to dispose of free standing vacant property to owner occupiers and non-core investments valued below £1.0 million. The largest sale was for £1.8 million and 26 of the sales were at less than £1.0 million which reflects the strategy which was put in place. In addition to the normal marketing initiatives, some of the properties were sold through the buoyant auction market and this will be a strategy which is continued during 2017. The total area of the sold properties was 522,000 sq ft of which 177,000 sq ft was vacant with circa 80,000 sq ft of this vacancy total sold to owner occupiers.

In Germany there were three sales which generated profits of €4.8 million. We sold our remaining residential holdings all located in Magdeburg for €6.0 million, our only hotel property located in Mönchengladbach for €2.8 million and an industrial building located in Berlin for €8.0 million.

One property was sold in the Netherlands and one property was sold in Belgium for a combined consideration of €3.8 million. These sales were at the 31 December 2015 valuation and although no profit was generated in 2016, the sales have been considered a success for other reasons. The Netherlands sale was part of a property swap transaction where we sold our building at the December 2015 book value of €2.2 million and purchased the existing owner-occupied property for €1.2 million. The property that we acquired is more suitable for being divided into smaller units making the building more flexible and marketable in the local area than the property we traded. In Belgium we sold our property located in Wommelgem which was 100% vacant and had been for some time.

Developments

Part of our business model is to reshape our portfolio through the trade of assets as and when the business plans have been completed to realise the value added. In addition to this, we have the ability to reshape our assets themselves through specific capital expenditure as the needs of our tenants' occupational requirements evolve. Our asset managers work alongside our tenants to understand how their businesses are changing and if appropriate, we agree to invest in our properties in return for a longer lease. As we have looked for ways to add value to our portfolio, we have identified several opportunities in Germany to work with existing and new tenants to develop new properties on land connected to our existing holdings.

In a particularly noteworthy case we have agreed to redevelop our industrial estate at Ötigheim in Germany. Our tenant has agreed to take a new ten year lease from completion of a new prime 35,000 sq m distribution unit and they will pay €2.15 million of rent per annum. The December 2016 valuation of the property together with all remaining costs to complete the initial development will be around €34.0 million and we believe that on completion of the works the value of the property will be materially higher.

OUTLOOK AND PROSPECTS

Our enormous diversity of tenants (numerical and sectorial) brings resilience to our income stream as well as asset management opportunities. The fundamentals of occupational supply and demand in our sector continue to be positive in all three of our regions. There is unlikely to be material new urban logistics development until rents and capital values rise further. In each region our teams have taken occupancy to historical highs and the extraordinary growth of internet retailing / delivery looks to continue growing supply for our type of properties. This is clearly translating into rental growth in our UK portfolio and we believe that in time this will follow in Germany and The Netherlands.

The gap between the high net yield of our properties and the low average borrowing costs leads to one of the highest normalised income profits in the sector. This in turn has translated into a consistently progressive and high dividend. The performance of our properties since Brexit has highlighted the robust and attractive nature of our business and it is clear that there is an increasing appreciation of the sector's strengths from the investment community which we believe is leading to improving investment values and liquidity.

POST BALANCE SHEET EVENTS

On 22 February 2017 the Board made an offer for the entire issued ordinary share capital of Industrial Multi Property Trust PLC ("IMPT"). Under the terms of the Offer, IMPT Shareholders will receive 300p in cash for each IMPT share held which values the entire issued ordinary share capital of IMPT at £25.2 million. Hansteen has since acquired, as disclosed on 17 March 2017, 21.71% of IMPT's share capital and at the first close for the offer on 15 March 2017 had received valid acceptances of 28.44%, which in aggregate represent 50.15% of IMPT's share capital.

IMPT has a property portfolio valued at £85.3 million at 31 December 2016, compared to Hansteen's portfolio valued at £1.7 billion on the same date. Consequently, the impact of the Offer on Hansteen will be relatively modest.

The IMPT portfolio consists of urban commercial and logistics properties very similar in nature to Hansteen's own UK portfolio. We believe this can be absorbed easily into our asset management platform with limited additional cost. With experienced management teams in seven offices around the UK that build close relationships with tenants and local stakeholders, Hansteen is well positioned to be able to achieve sustainable growth in the portfolio's rental income and occupancy through its intense asset management initiatives. Although we have paid a small premium to the 31 December 2016 NAV, we expect this acquisition to be materially accretive to our NIP from the outset and as we implement various asset management initiatives, we expect that it will also be NAV accretive.

As stated in the Chairman's Review, we have announced that contracts have been exchanged on terms for the sale of our German and Dutch portfolios. The portfolios are being sold on a debt free basis for a cash consideration of €1.28 billion payable upon completion. The price represents a premium of approximately €75 million to the 31 December 2016 valuation and this is a compelling opportunity to crystallise both the revaluation gains achieved by our intensive asset management and the gains from foreign exchange movements. The value being realised is around 30% higher than the book value at December 2015 when measured in sterling. The sale is in line with our long term business and portfolio strategy of buying at a low point in the cycle, with low occupancy and rents, adding value through improved asset management and subsequently realising the investment at a higher point in the cycle.

More details can be found in the RNS announcement and a circular will be posted to shareholders shortly.

Ian Watson Morgan Jones
Joint Chief Executives
19 March 2017

FINANCIAL REVIEW

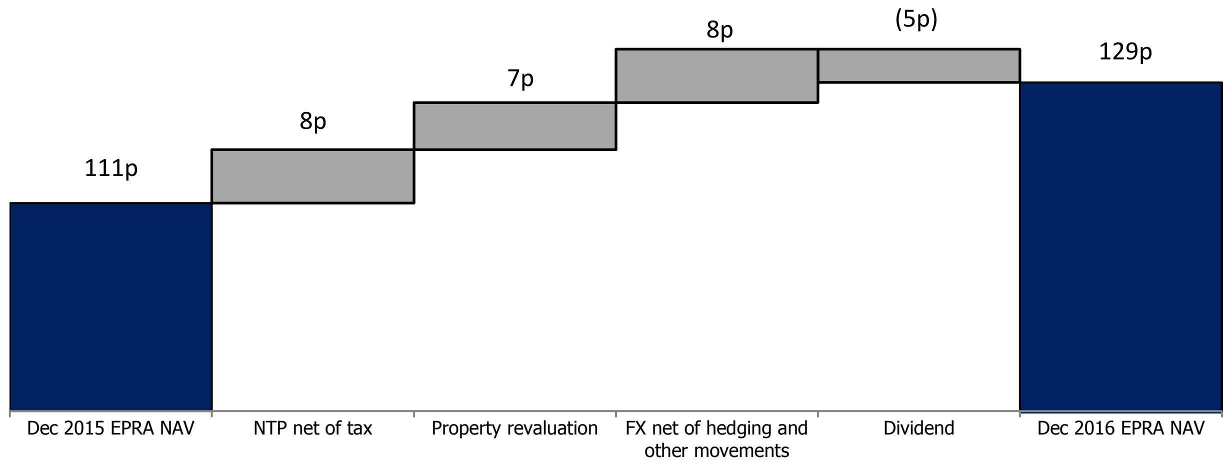
This report sets out the key financial information related to Hansteen.

NAV

The net assets attributable to equity shareholders at 31 December 2016 were £923.6 million (2015: £806.2 million), an increase of £117.4 million. The increase in IFRS net assets is summarised in the table below and the movement in EPRA NAV per share is summarised in the EPRA NAV bridge also below:

	2016
	£m
Normalised Total Profit	**66.0**
Property revaluation and gain on acquisition	50.6
Exchange and fair value movements	73.7
Tax	(10.4)
Share based payments and shares issued	(22.7)
Dividends paid	(39.8)
IFRS NAV movement	**117.4**

EPRA NAV PER SHARE BRIDGE



Refinancing

On 30 June 2016, Hansteen refinanced two loans secured against its Netherlands portfolio with a single loan totalling €145.0 million. The new five-year facility provided by ING Bank N.V. and various entities managed or advised by AXA REIM SGP, replaced the €80.0 million loan with FGH Bank N.V. and €57.8 million loan with ING Bank N.V., due for repayment in April 2017 and June 2019 respectively. At 31 December 2016, the loan-to-value ratio was 46.5% with hedging against 67% of the loan resulting in an all-in cost of 2.6% per annum. This resulted in a like-for-like reduction in the cost of borrowing on the portfolio of €1.5 million per annum.

In July 2016, Hansteen refinanced both its existing corporate loan and the loan secured against the AIF portfolio with a single loan facility totalling £330.0 million. The new unsecured facility replaces the £95.0 million corporate revolving credit facility provided by the Royal Bank of Scotland and the £138.1 million loan in AIF provided by a syndicate of lenders led by the Royal Bank of Scotland. These two loans were due for repayment in July 2018 and October 2017 respectively. Hansteen had drawn £280.0 million of the facility at 31 December 2016 and has drawn a further £15.0 million in February 2017. The loan to value at the end of February 2017 was 45% with hedging against 67.8% of the drawn loan. The all-in cost on the new facility is 2.3% per annum. This new facility provides the Group with a potential £35.0 million of undrawn funds.

Gearing

At 31 December 2016, net debt was £734.1 million (31 December 2015: £475.2 million) and net debt to value was 42.2% (2015: 44.3%). This debt figure includes the €100 million (£85.8 million) convertible bonds and an additional mark-to-market adjustment of £24.0 million. Excluding the £24.0 million mark-to-market adjustment of the convertible bond, net debt to property value at 31 December 2016 was 40.9% (2015: 41.2%). With eighteen months left to run, the business performance has meant that the convertible bonds are in the money. Assuming the convertible bonds were treated as equity the net debt to value would be 35.9%.

The table below sets out the calculation of net debt and the net debt to value ratio:

	2016	2015
	£m	£m
Obligations under finance leases	**2.6**	2.4
Borrowings	**704.2**	428.7
Convertible bonds	**109.8**	107.5
Convertible bonds mark-to-market	**(24.0)**	(34.0)
Cash and cash equivalents	**(82.5)**	(63.4)
Net debt	**710.1**	441.2
Carrying value of investment and trading properties	**1,737.9**	1,071.5
Net debt to value ratio	**40.9%**	41.2%

As at 31 December 2016, the Group had borrowings, including obligations under finance leases and the mark-to-market value of the convertible bonds, of £816.6 million (31 December 2015: £538.6 million) of which £370.0 million was swapped at an average rate of 0.7% and £127.0 million was capped at an average rate of 1.2%. The average all-in borrowing rate for the Group, at 31 December 2016, was 3.2% (31 December 2015: 3.6%).

As at 31 December 2016, the Group had total bank facilities of £771.1 million (31 December 2015: £451.0 million), of which £712.5 million were drawn (31 December 2015: £433.5 million). Borrowings are in the same currency as the assets against which they are secured. Cash resources at the year-end were £82.5 million (31 December 2015: £63.4 million).

The weighted average debt maturity, at 31 December 2016, was 3.3 years and the weighted average maturity of hedging was 3.5 years.

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

Bank loan facilities as at 31 December 2016

Lender	**Facility millions**	**Amount undrawn millions**	**Unexpired term Years**	**All-in-interest rate**	**Loan to value covenant**	**Interest cover covenant**
HSBC	€104.1	-	2.0	3.1%	65%	2.00:1
Helaba	€187.6	-	2.1	4.2%	65%	1.90:1
HSBC	€50.0	€10.0	2.7	2.1%	65%	2.00:1
ING	€143.5	-	4.5	2.6%	65%	1.50:1
BNP Paribas Fortis	€5.3	-	8.0	1.5%	-	-
Total euro facilities	**€490.5**	**€10.0**				
Total euro facilities in GBP	£421.1	£8.6				
Royal Bank of Scotland	£20.0	-	0.8	3.1%	60%	2.00:1
Royal Bank of Scotland	£330.0	£50.0	4.6	2.3%	55%	2.00:1
Total facilities	**£771.1**	**£58.6**	**3.3**	**3.2%**		

The Group also has €100.0 million of convertible bonds which were issued during 2013, expiring in 2018, with a coupon rate of 4.0%. In addition, the Group has a £2.6 million finance lease in place to fund a property in Belgium. As at 31 December 2016, the lease has an unexpired term of seven years and an interest rate implicit in the lease of 2.8%.

Currency and 'Brexit'

To date we have not noticed any significant effect on our tenants' demand for industrial space from the outcome of the 'Brexit' vote. The one significant effect however has been a 14.4% devaluation of sterling against the euro which has served to enhance our net assets and income. Hansteen reports its results in sterling and as at 31 December 2016, approximately 56% (£519.1 million or €604.8 million) of the Group's net assets were denominated in euros. A natural currency hedge arises from the Group maintaining borrowings denominated in the same currency as the assets that they secure.

On 30 June 2016, the Group's two €100.0 million currency options expired and there was no value to the instrument on expiry. After careful consideration the Board decided not to renew these hedging instruments.

The Group's hedging policy changed during the period and is now as follows:

- Hedging instruments are used to cover a substantial proportion of Group estimated net euro income for the short term.
- Hedges are implemented at levels which the Board believe are cost effective.

The Group has two options hedging a total of €67.5 million net euro income. These options expire on 30 June 2017 (€32.5 million) and 27 December 2017 (€35.0 million). The exchange rate on both the options is €1.60:£1.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board recognises that effective risk management is essential to Hansteen achieving its objectives and has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The Board, senior management and staff continually monitor the significant risks which they believe the Group is facing. There will always be some risk when undertaking property investments and the control process is aimed at mitigating and minimising these risks where possible, rather than eliminating them. Appropriate controls are established to mitigate newly identified risks, parameters are set under which management can operate and, where necessary, action is taken to improve existing controls. The Audit Committee, as part of its remit, also consider in detail the significant risks faced by the Group and the adequacy of the controls in place.

Having refreshed its assessment of the principal risks facing the Group, the Board considers them to be consistent with the prior year with the exception of the risks related to foreign currency, the probability of which the Board considers to have increased, and the risks related to the availability of capital, the probability of which the Board considers to have reduced. Information and cyber security threats are currently a priority across all industries. The Group recognises that Hansteen has exposure in this area and has added this as a new principal risk.

The current key risks identified by the Board, their potential impact and the steps taken to mitigate them are presented below.

Principal Risk	Cause	Impact	Probability	Risk Management
Foreign currency exchange risk - Reduction in euro denominated revenues and impairment of euro denominated financial and non-financial assets	A significant reduction in the value of the euro relative to sterling	High	Medium	In response to this risk the Group's borrowings in Europe are in euro denominated loan facilities and therefore, to the extent that investments are financed by debt, a self-hedging mechanism is in place. In relation to the equity element of the Group's euro investments, the Board monitors the level of exposure on a regular basis and considers the level and timing of when to take out appropriate hedging instruments. The ongoing speculation about the impact of Brexit, the forthcoming elections in certain Eurozone countries, the stability of the Italian banking sector and concerns over the Greek economy all lead to increased uncertainty and volatility in the sterling:euro exchange rate. Management and the Board consider the impact of Brexit, the Eurozone and the European Union situation more generally on the business and markets in which the Group operates.
Over reliance on key executives	High dependence on Joint Chief Executives	High	Medium	The Board believes such risk is to some extent mitigated through the appointment and support of high calibre employees and professional advisors. All such appointments are approved by a member of the Board and performance is monitored regularly.

Principal Risk	Cause	Impact	Probability	Risk Management
Tenant failure Recession and reduced profitability	Over reliance on income from one particular type of tenant exposing the Group to industry specific periods of recession	High	Medium	Whilst there is always a risk that recession or new legislation may affect specific industry types, the Board is satisfied that Hansteen's exposure is mitigated by operating in five different countries, including some of the stronger Eurozone economies, with an extremely diverse tenant base without reliance on any particular tenants or industries. Vacancy rates, arrears and bad debts are monitored on a monthly basis by country with trends investigated to determine any systematic problems with a portfolio or type of tenant.
Lack of availability of capital	Banks under internal pressure to improve liquidity Banks considering unutilised loans too expensive	High	Medium	The Board acknowledge that there may be occasions when banks are under internal pressures which may conflict with existing financing arrangements and it may prove more difficult to secure the more challenging properties. Detailed due diligence is carried out prior to the purchase of each property. Regular meetings are held with a portfolio of banks to keep them fully appraised of commercial opportunities and alert to any potential issues early on. Hansteen also considers alternative sources of finance to develop its strategy and reduce exposure.
Information and cyber security breaches resulting in data leakage, financial loss, reputational damage or business disruption	Failure to protect information and information systems from unauthorised access, misuse, disruption, modification or destruction	High	Medium	The Board believes this risk to be mitigated to some extent by the Group outsourcing much of its day-to-day processing to reputable third party organisations. Due diligence designed to assess the integrity of third party processes and systems is undertaken by management as part of the tendering and appointment process and is maintained on an on-going basis. Internally, the Group has developed policies and procedures designed to mitigate information and cyber security risk as far as possible, these including: the secure encryption of all payroll and personal data, rigorous use of passwords and firewall defences, externally facilitated staff training programmes, bulletins to raise risk awareness and encourage good practice, development of secure mobile working policies, incident response and disaster recovery procedures and the establishment of anti-malware defences.
Poor return on investment and deterioration in operating results	Over paying for an acquisition Prices driven up by increased competition Reduced number of investment opportunities	High	Low	Supply and demand is reviewed continuously through direct information from Hansteen's network of managing agents and managers. Experienced members of management review each acquisition and due diligence is carried out by external parties. The Board is required to approve all acquisitions and disposals over a prescribed amount.
Banking counterparty disruption Lack of liquidity	Financial difficulties at institutions holding significant deposits	Medium	Medium	The Board believes such risks are reduced by adherence to a Cash and Liquidity Management Policy that sets out how funds can be invested. Cash balances and borrowings are maintained with a portfolio of considered counterparties. The Group Treasurer reviews the cash balances on a daily basis, and where possible, surplus cash is put on interest bearing deposit.

CORPORATE AND SOCIAL RESPONSIBILITY

Environment
In line with Hansteen's policy of being environmentally and sociably responsible, environmental legislation and relevant codes of practice are adhered to. Where possible, Hansteen seeks to reduce emissions and pollution.

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

People
The present and future success of Hansteen is dependent upon its ability to recruit, motivate, manage and retain appropriately qualified staff. With this in mind we embarked upon our second year of internships in Asset Management during the summer of 2016.

Following the success of the previous year, when five paid interns were recruited, Hansteen recruited a further four paid interns across the United Kingdom offering them the chance to manage a set number of properties. The interns were incentivised on lettings achieved within their property portfolio and as we discovered in the previous year, each intern demonstrated striking creativity in the marketing of their properties.

The scheme is designed to offer the interns a comprehensive view of asset management so that their learning experience as well as their employability after graduation is enhanced.

To date, Hansteen has offered four interns permanent jobs as Graduate Surveyors and are currently sponsoring their Assessment of Professional Competence ("APC") development. The APC gives the interns the practical training and experience which, when combined with academic qualifications leads to full RICS membership. This sponsorship involves providing the interns with peer-to-peer learning, workshops, senior mentorship and mock interview panels. Our Graduates continue to enjoy a 100% first time APC pass rate.

We continue to seek new and innovative ways to enhance our support of the regional universities. We have conducted student workshops designed and led by our Asset Managers and for the past two years we have joined course leaders on judging panels to formally assess student presentations. In providing direct and constructive feedback, we aim to support and stretch the students' personal and professional development in board room and interview scenarios.

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

We welcome and fully consider all suitable applications for employment, irrespective of gender, race, ethnicity, religion, age, sexual orientation or disability. All employees are eligible to participate in career development and promotion opportunities. Support also exists for employees who become disabled to continue in their employment or to be retrained for other suitable roles.

As at 31 December 2016, the composition of Hansteen's employees, including both Executive and Non-Executive Directors, was as follows:

	Number		Percentage	
	Male	Female	Male	Female
Directors – including Non-Executive Directors	5	2	71	29
Senior managers and Company Secretary	4	3	57	43
All other staff	49	40	55	45

Slavery and Human Trafficking Statement

Introduction
This slavery and human trafficking statement is made by Hansteen Holdings PLC ("Hansteen" or the "Company") pursuant to section 54(1) of the Modern Slavery Act 2015 and relates to the Company and its subsidiaries in respect of the financial year ended 31 December 2016. This statement sets out the measures that Hansteen has taken to address the risk of slavery and human trafficking taking place in our business and within our supply chain through 31 December 2016.

Our Position on Human Rights

The principle of respect is one of Hansteen's key tenets and this includes respect for human rights, including the right to be free from slavery and servitude. Hansteen's Human Rights Policy recognises and seeks to safeguard the human rights of those the Company has contact with and responsibility for in the business areas in which we operate. We support the principles set out in the United Nations' Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. Our Human Rights Policy is built on these foundations, and supports the principles of equal opportunity, collective bargaining, freedom of association and protection from forced adult or child labour. The Policy is being extended to embrace the specific concerns of the Modern Slavery Act 2015.

Hansteen is committed to act with integrity and this is central to the way we do business and crucial to our external credibility and reputation in the market place. As a business operating in the property investment market in the UK, Germany, the Netherlands, France and Belgium, Hansteen's exposure to human rights risks, including modern forms of slavery, is limited. One area of vigilance is unpaid labour. Hansteen is specifically committed to ensuring there is no unpaid labour of any kind, both in our own business and in our supply chain.

Our Employee Handbook sets our expectation that our employees will maintain high standards when it comes to ethical business conduct and requires that our relationships with competitors, suppliers and clients must be based on high standards of personal and professional ethics. All of our employees have an important role to play in the management of risk and this includes being alert to the risk of slavery, forced labour and human trafficking in our business and in the wider supply chain.

Our People

We believe that the risk of any slavery or human trafficking in the employment or engagement of our own employees is low. Hansteen operates a robust recruitment and engagement programme and we have provided guidance and training to our employees with hiring and procurement responsibilities to support our expectations and legal obligations in respect of equal opportunities and fair labour practices. We also have in place a range of supporting employment policies, processes, procedures and guidelines which reflect current legislation and best practice and which are targeted at safeguarding the interests of employees and potential employees and other people (such as contractors) who work for our business. These include policies addressing: Diversity and Inclusion, Equal Opportunities, and Dignity at Work.

Our Supply Chain

We manage our business through our experienced regional teams working with trusted suppliers. The Hansteen philosophy is to develop long-term partnerships with suppliers whose policies, values and cultures, including respect and integrity, are complementary to our own.

Hansteen expects its suppliers to reflect our standards, including paying a fair wage to their workers, respecting Human Rights, meeting their obligations under employment legislation and investigating their own supply chains for slavery and human trafficking issues and risks.

Reporting

Any employee or any person engaged in our supply chain who has any concerns with our organisation or our supply chain may and is expected to raise their concerns directly with the Director of Operations or by making a report in accordance with the Hansteen's Whistleblowing Policy to the Designated Whistleblowing Officer. All such reports will be investigated by the relevant person.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibility statement has been prepared in connection with the Company's full Annual Report for the year ended 31 December 2016. Certain parts of the Annual Report are not included in this announcement, as described in note 1.

Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board:

Morgan Jones and Ian Watson
Joint Chief Executives
19 March 2017

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 £m	Group 2015 £m
Revenue	3	**112.6**	85.3
Cost of sales	3	**(15.8)**	(10.2)
Gross profit	3	**96.8**	75.1
Administrative expenses		**(21.1)**	(43.8)
Other operating income	6	**0.2**	1.2
Share of results of associates and profit on sale of associate		**13.4**	53.2
Negative goodwill and other gains		**4.3**	-
Profit on sale of investment properties		**3.9**	4.4
Fair value gains on investment properties	10	**43.4**	110.8
Operating profit		**140.9**	200.9
Finance income		**15.2**	5.2
Finance costs		**(36.2)**	(34.7)
Profit before tax		**119.9**	171.4
Tax	7	**(10.4)**	(23.1)
Profit for the year		**109.5**	148.3
Attributable to:			
Equity holders of the parent		**109.5**	148.2
Non-controlling interests		**-**	0.1
		109.5	148.3
Earnings per share			
Basic	9	**14.8p**	21.3p
Diluted	9	**13.8p**	19.4p

All results derive from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Group 2016 £m	Group 2015 £m
Profit for the year after tax	**109.5**	148.3
Other comprehensive income/(expense):		
Exchange differences arising on translating foreign operations	**72.9**	(19.6)
Exchange differences recycled to the income statement on disposal of subsidiaries	**(2.3)**	-
Total other comprehensive income/(expense) for the year	**70.6**	(19.6)
Total comprehensive income for the year	**180.1**	128.7
Attributable to:		
Equity holders of the parent	**180.0**	128.6
Non-controlling interests	**0.1**	0.1
	180.1	128.7

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

BALANCE SHEETS AS AT 31 DECEMBER 2016

	Note	**Group 2016 £m**	Group 2015 £m
Non-current assets			
Goodwill		**-**	0.3
Property, plant and equipment		**0.4**	0.4
Investment property	10	**1,717.5**	1,059.1
Investment in subsidiary undertakings		**-**	-
Investment in associates	11	**-**	261.3
Deferred tax asset		**0.6**	0.6
Derivative financial instruments		**2.1**	0.4
		1,720.6	1,322.1
Current assets			
Investment properties held for sale	10	**10.4**	1.6
Trading properties		**10.0**	10.8
Trade and other receivables		**31.1**	24.6
Derivative financial instruments		**-**	9.4
Cash and cash equivalents		**82.5**	63.4
		134.0	109.8
Total assets		**1,854.6**	1,431.9
Current liabilities			
Trade and other payables		**(54.0)**	(38.9)
Current tax liabilities		**(6.6)**	(6.1)
Borrowings	13	**(20.5)**	(6.2)
Obligations under finance leases		**(0.2)**	(0.2)
Provisions		**(0.1)**	-
		(81.4)	(51.4)
Non-current liabilities			
Borrowings	13	**(793.5)**	(530.0)
Obligations under finance leases		**(2.4)**	(2.2)
Provisions		**(0.7)**	-
Derivative financial instruments		**(4.3)**	(5.2)
Deferred tax liabilities		**(48.1)**	(36.4)
		(849.0)	(573.8)
Total liabilities		**(930.4)**	(625.2)
Net assets		**924.2**	806.7
Equity			
Share capital		**74.6**	72.2
Share premium		**114.5**	114.5
Other reserves		**(1.9)**	(1.4)
Translation reserves		**61.8**	(8.7)
Retained earnings		**674.6**	629.6
Equity attributable to equity holders of the parent		**923.6**	806.2
Non-controlling interest		**0.6**	0.5
Total equity		**924.2**	806.7

The financial statements of Hansteen Holdings PLC, registered number 05605371, were approved by the Board of Directors and authorised for issue on 19 March 2017.

Signed on behalf of the Board of Directors

Morgan Jones and Ian Watson
Joint Chief Executives

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

Group	Share capital £m	Share premium £m	Other reserves £m	Translation reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total £m
Balance at 1 January 2015	68.6	114.4	(0.5)	10.9	482.6	676.0	0.4	676.4
Shares issued	3.6	0.1	-	-	35.7	39.4	-	39.4
Dividends	-	-	-	-	(56.2)	(56.2)	-	(56.2)
Share-based payments	-	-	-	-	19.5	19.5	-	19.5
Share options exercised	-	-	0.2	-	(0.2)	-	-	-
Purchase of own shares	-	-	(1.1)	-	-	(1.1)	-	(1.1)
Profit for the year	-	-	-	-	148.2	148.2	0.1	148.3
Other comprehensive income for the year	-	-	-	(19.6)	-	(19.6)	-	(19.6)
Balance at 31 December 2015	72.2	114.5	(1.4)	(8.7)	629.6	806.2	0.5	806.7
Shares issued	**2.4**	**-**	**-**	**-**	**-**	**2.4**	**-**	**2.4**
Dividends	**-**	**-**	**-**	**-**	**(39.8)**	**(39.8)**	**-**	**(39.8)**
Share-based payments	**-**	**-**	**-**	**-**	**(24.7)**	**(24.7)**	**-**	**(24.7)**
Share options exercised	**-**	**-**	**0.2**	**-**	**-**	**0.2**	**-**	**0.2**
Purchase of own shares	**-**	**-**	**(0.7)**	**-**	**-**	**(0.7)**	**-**	**(0.7)**
Profit for the year	**-**	**-**	**-**	**-**	**109.5**	**109.5**	**-**	**109.5**
Other comprehensive income for the year	**-**	**-**	**-**	**70.5**	**-**	**70.5**	**0.1**	**70.6**
Balance at 31 December 2016	**74.6**	**114.5**	**(1.9)**	**61.8**	**674.6**	**923.6**	**0.6**	**924.2**

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 £m	Group 2015 £m
Net cash inflow from operating activities	14	**48.0**	31.0
Investing activities			
Interest received		**0.1**	0.3
Dividends received		**-**	-
Acquisition of subsidiaries		**(38.1)**	-
Investments in associates		**(10.2)**	(130.1)
Proceeds from sale of associate		**-**	45.0
Additions to property, plant and equipment		**(0.2)**	(0.1)
Additions to investment properties		**(21.2)**	(79.9)
Proceeds from sale of investment properties		**25.9**	53.2
Distributions received from associates		**22.4**	32.1
Net cash used in investing activities		**(21.3)**	(79.5)
Financing activities			
Dividends paid		**(39.8)**	(56.2)
Proceeds from issue of shares		**-**	40.0
Settlement of liabilities in respect of 2015 Founder LTIP (see note 15)		**(23.5)**	-
Cost of issuing shares		**-**	(0.7)
Own shares acquired		**(0.7)**	(1.1)
Repayments of obligations under finance leases		**(0.2)**	(0.2)
New borrowings raised (net of expenses)		**409.2**	84.0
Bank loans repaid		**(354.7)**	(62.7)
Outflows on derivative financial instruments		**(3.2)**	(0.6)
Proceeds on disposal of derivative financial instruments		**0.5**	1.1
Net cash (used in)/generated by financing activities		**(12.4)**	3.6
Net increase/(decrease) in cash and cash equivalents		**14.3**	(44.9)
Cash and cash equivalents at beginning of year		**63.4**	110.3
Effect of changes in foreign exchange rates		**4.8**	(2.0)
Cash and cash equivalents at end of year		**82.5**	63.4

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

The Group's principal activity is investing in mainly industrial properties in continental Europe and the United Kingdom.

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

2. Basis of preparation

The financial information set out in these condensed financial statements does not constitute the Company's statutory accounts for the years ended 31 December 2016 or 2015, but is derived from those accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

The statutory accounts have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation and with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee as endorsed by the EU relevant to its operations and effective for accounting periods beginning on 1 January 2016.

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these condensed financial statements.

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Annual Improvements to IFRSs: 2012-2014	Annual Improvements to IFRSs

At the date of authorisation of these condensed financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions
IAS 7 (amendments)	Disclosure Initiative
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IAS 40 (amendments)	Transfers of Investment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

- IFRS 9 may impact both the measurement and disclosures of financial instruments;
- IFRS 15 may have an impact on revenue recognition and related disclosures although, as the Group is primarily a lessor of property and lease income is outside the scope of IFRS 15, the impact of this Standard is not expected to be material; and
- IFRS 16 may have an impact on the reported assets, liabilities, income statement and cash flows of the Group. Furthermore, extensive disclosures may be required by IFRS 16.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed. The Group intends to undertake a detailed impact study over the course of the coming months.

3. Revenue and cost of sales

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

	Group 2016 £m	Group 2015 £m
Investment property rental income	**109.4**	81.2
Trading property sales	**1.2**	-
Property management fees	**2.0**	4.1
Revenue	**112.6**	85.3
Direct operating expenses relating to investment properties that generated rental income	**(14.2)**	(12.5)
Direct operating expenses relating to investment properties that did not generate rental income	**(0.5)**	-
Direct operating expenses	**(14.7)**	(12.5)
Cost of sales of trading properties	**(1.1)**	-
Reversal of previous write down of trading properties	**-**	2.3
Cost of sales	**(15.8)**	(10.2)
Gross profit	**96.8**	75.1

Including interest income of £0.1 million (2015: £0.3 million), total revenue was £112.7 million (2015: £85.6 million).

4. Normalised Income Profit and Normalised Total Profit

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

Group	**2016**			2015		
	Group £m	**Share of associates £m**	**Total £m**	Group £m	Share of associates £m	Total £m
Investment property rental income	**109.4**	**17.3**	**126.7**	81.2	23.0	104.2
Direct operating expenses	**(14.7)**	**(2.4)**	**(17.1)**	(12.5)	(3.0)	(15.5)
Property management fees	**2.0**	**-**	**2.0**	4.1	-	4.1
Administrative expenses	**(20.7)**	**(2.2)**	**(22.9)**	(18.9)	(3.2)	(22.1)
Net interest payable	**(24.5)**	**(3.1)**	**(27.6)**	(18.8)	(4.7)	(23.5)
Normalised Income Profit	**51.5**	**9.6**	**61.1**	35.1	12.1	47.2
Profit on sale of investment properties	**3.9**	**0.7**	**4.6**	4.4	3.1	7.5
Profit on sale of trading properties	**0.1**	**-**	**0.1**	-	-	-
Total profits on sale of properties	**4.0**	**0.7**	**4.7**	4.4	3.1	7.5
Other operating income	**0.2**	**-**	**0.2**	1.2	0.3	1.5
Reversal of previous write down of trading properties	**-**	**-**	**-**	2.3	-	2.3
Profit on sale of investment in associate	**-**	**-**	**-**	4.7	-	4.7
Normalised Total Profit	**55.7**	**10.3**	**66.0**	47.7	15.5	63.2
Negative goodwill and other gains	**4.3**	**1.0**	**5.3**	-	10.9	10.9
Acquisition and reorganisation costs	**(0.1)**	**-**	**(0.1)**	0.2	-	0.2
Founder LTIP charge	**-**	**-**	**-**	(23.2)	-	(23.2)
Impairment of goodwill	**(0.3)**	**-**	**(0.3)**	(0.3)	-	(0.3)
Change in fair value of investment properties	**43.4**	**2.4**	**45.8**	110.8	20.2	131.0
Change in fair value of currency options	**(9.3)**	**-**	**(9.3)**	4.7	-	4.7
Change in fair value of interest rate swaps and caps	**1.6**	**(0.3)**	**1.3**	0.2	0.3	0.5
Change in fair value of convertible bonds	**(2.3)**	**-**	**(2.3)**	(11.2)	-	(11.2)
Foreign exchange gains/(losses)	**13.5**	**-**	**13.5**	(4.4)	-	(4.4)
	106.5	**13.4**		124.5	46.9	
Profit before tax			**119.9**			171.4

Administrative expenses for 2015, as presented in Normalised Income Profit, excluded a charge of £24.9 million largely relating to the Founder LTIP and expenses relating to the sale of investments in associates. No Founder LTIP charge has been recognised in the current year in relation to the potential bonus share award for the three-year period ending on 31 December 2018 (2015: £23.2 million for the three-year period ended on 31 December 2015). Further details are set out in note 15.

During 2016, the Group acquired the remaining 50% of the units in the Hansteen Saltley Unit Trust for a net price of £9.3 million, taking its ownership to 100% and resulting in a gain on business combination of £0.4 million. The Group also acquired the remaining 18.2% of Ashtenne Industrial Fund Unit Trust for a net price of £39.5 million, taking its ownership to 100% and resulting in a gain on business combination of £3.9 million. The Group's investments in Hansteen Saltley Unit Trust and Ashtenne Industrial Fund Unit Trust are now consolidated. The remaining negative goodwill and other gains of £1.0 million (2015: £10.9 million) relates to a gain recognised upon acquiring further units in the Ashtenne Industrial Fund Unit Trust while it continued to be classified as an associate. Further details are set out in notes 11 and 12.

5. Operating segments

Segment revenues and results

The Group's reportable segments are determined by geographic location, which represents the information reported to the Group's Directors for the purposes of resource allocation and assessment of segment performance. A segment's result consists of its gross profit as detailed for the Group in note 3. Administrative expenses and net finance costs are managed as central costs and are therefore not allocated to segments. Gains/(losses) on investment properties by segment are also presented below.

Group	Revenue 2016 £m	Result 2016 £m	Revenue 2015 £m	Result 2015 £m
Belgium	**1.1**	**0.9**	1.0	0.7
France	**1.6**	**1.5**	1.4	1.3
Germany	**54.1**	**47.4**	49.4	43.7
Netherlands	**21.1**	**17.2**	18.7	14.4
UK	**34.7**	**29.8**	14.8	15.0
Total segment result	**112.6**	**96.8**	85.3	75.1
Administrative expenses		**(21.1)**		(43.8)
Other operating income		**0.2**		1.2
Share of results of associates and profit on sale of associate		**13.4**		53.2
Negative goodwill and other gains		**4.3**		-
Changes in fair value of investment properties by segment:				
Belgium	**-**		(0.2)	
France	**0.2**		2.1	
Germany	**19.1**		76.6	
Netherlands	**8.9**		14.7	
UK	**15.2**		17.6	
Total changes in fair value of investment properties	**43.4**		110.8	
Profit on disposal of investment properties	**3.9**		4.4	
Total gains on investment properties		**47.3**		115.2
Operating profit		**140.9**		200.9
Net finance costs		**(21.0)**		(29.5)
Profit before tax		**119.9**		171.4

Segment assets

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

2016 Group	**Investment properties* £m**	**Trading properties £m**	**Total properties £m**	**Other assets £m**	**Total Assets £m**	**Additions to investment properties £m**	**Non-current assets £m**
Belgium	**17.0**	**-**	**17.0**	**2.3**	**19.3**	**0.3**	**17.0**
France	**17.7**	**-**	**17.7**	**0.6**	**18.3**	**0.7**	**17.7**
Germany	**761.7**	**-**	**761.7**	**29.4**	**791.1**	**11.7**	**754.8**
Netherlands	**264.7**	**-**	**264.7**	**7.4**	**272.1**	**3.1**	**265.0**
UK	**666.8**	**10.0**	**676.8**	**40.4**	**717.2**	**480.0**	**664.0**
Total segment assets	**1,727.9**	**10.0**	**1,737.9**	**80.1**	**1,818.0**	**495.8**	**1,718.5**
Unallocated assets					**36.6**		**2.1**
Total assets					**1,854.6**		**1,720.6**

* Includes investment properties held for sale.

2015
Group

	Investment properties* £m	Trading properties £m	Total properties £m	Other assets £m	Total Assets £m	Additions to investment properties £m	Non-current assets £m
Belgium	15.4	-	15.4	1.3	16.7	0.2	15.4
France	14.3	-	14.3	0.9	15.2	1.2	14.3
Germany	634.5	-	634.5	19.9	654.4	23.3	633.5
Netherlands	217.3	-	217.3	7.0	224.3	2.2	217.4
UK	179.2	10.8	190.0	224.5	414.5	53.0	393.1
Total segment assets	1,060.7	10.8	1,071.5	253.6	1,325.1	79.9	1,273.7
Unallocated assets					106.8		48.4
Total assets					1,431.9		1,322.1

* Includes investment properties held for sale.

6. Other operating income

In 2016, other operating income includes £0.1 million insurance receipts and £0.1 million local authority reimbursements.
In 2015, other operating income includes £0.6 million from an option to purchase a property which was not utilised by the purchaser and £0.6 million insurance receipts.

7. Tax

	Group 2016 £m	Group 2015 £m
UK current tax		
Credit in respect of prior years	**(0.5)**	-
On net income of the current year	**-**	0.5
Foreign current tax		
Charge in respect of prior years	**0.4**	1.8
On net income of the current year	**5.1**	5.0
Total current tax	**5.0**	7.3
Deferred tax in respect of prior years	**(0.2)**	(0.2)
Deferred tax in respect of the current year	**5.6**	16.0
Total tax charge	**10.4**	23.1

UK Corporation tax is calculated at 20.00% (2015: 20.25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	Group 2016 £m	Group 2015 £m
Profit before tax	**119.9**	171.4
Tax at the UK corporation tax rate of 20.00% (2015: 20.25%)	**24.0**	34.7
Tax effect of:		
UK tax not payable due to REIT exemption	**(8.2)**	(9.1)
Deferred tax assets not recognised	**(1.1)**	0.1
Effect of different tax rates in overseas subsidiaries	**0.7**	(1.2)
Income that is not in taxable profit	**(4.2)**	(3.5)
Change in deferred tax due to change in tax rate	**(0.5)**	0.5
Adjustment in respect of prior years	**(0.3)**	1.6
Tax charge for the year	**10.4**	23.1

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

8. Dividends

	Group 2016 £m	Group 2015 £m
Amounts recognised as distributions to equity holders in the period:		
Second dividend for the year ended 31 December 2015 of 3.15p (2015: 3.0p) per share	**23.4**	20.5
Special dividend for the year ended 31 December 2016 of nil (2015: 3.0p) per share	**-**	20.5
Interim dividend for the year ended 31 December 2016 of 2.2p (2015: 2.1p) per share	**16.4**	15.2
	39.8	56.2
Amounts not recognised as distributions to equity holders in the period:		
Proposed second dividend for the year ended 31 December 2016 of 3.7p (2015: 3.15p) per share	**27.5**	23.4

As a REIT, the Company is required to pay Property Income Distributions ('PIDs') equal to at least 90% of the Group's exempted net income, after deduction of withholding tax at the basic rate (currently 20%). £24.2 million of the dividends paid during the year ended 31 December 2016 is attributable to PIDs (2015: £20.4 million).

9. Earnings per share and net asset value per share

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

Group	**2016**			2015		
	Earnings £m	**Weighted average number of shares m**	**Earnings per share pence**	Earnings £m	Weighted average number of shares m	Earnings per share pence
Normalised Income Profit (see note 4)	**61.1**	**740.0**	**8.3**	47.2	697.4	6.8
Normalised Total Profit (see note 4)	**66.0**	**740.0**	**8.9**	63.2	697.4	9.1
Basic EPS	**109.5**	**740.0**	**14.8**	148.2	697.4	21.3
Adjustments:						
Mark to market value of convertible bonds	**(14.9)**			16.4		
Foreign exchange on convertible bonds	**17.3**			(5.2)		
Interest charged in period on convertible bonds	**3.3**			2.9		
Dilutive shares relating to convertible bonds		**92.8**			90.8	
Dilutive shares relating to the profit share scheme		**2.3**			2.0	
Dilutive shares relating to the Founder LTIP		**-**			45.8	
Diluted EPS	**115.2**	**835.1**	**13.8**	162.3	836.0	19.4
Basic EPS	**109.5**	**740.0**	**14.8**	148.2	697.4	21.3
Adjustments:						
Revaluation gains on investment properties	**(43.4)**			(110.8)		
Profit on the sale of investment properties	**(3.9)**			(4.4)		
Net profit on option receipt	**-**			(0.6)		
Impairment of goodwill	**0.3**			0.3		
Profit on sale of trading properties	**(0.3)**			-		
Cost of acquiring subsidiaries	**-**			0.2		
Negative goodwill and other gains	**(4.3)**			-		
Change in fair value of derivatives	**7.7**			(4.9)		
Change in fair value of convertible bonds (excluding foreign exchange)	**(14.9)**			16.4		
Adjustment in respect of associates	**(3.8)**			(40.7)		
Deferred tax on the above items	**5.7**			16.6		
EPRA EPS	**52.6**	**740.0**	**7.1**	20.3	697.4	2.9
Adjustments:						
Interest charged in period on convertible bonds	**3.3**			2.9		
Foreign exchange on convertible bonds*	**-**			(5.2)		
Dilutive shares relating to convertible bonds		**92.8**			90.8	
Dilutive shares relating to the profit share scheme		**2.3**			2.0	
Dilutive shares relating to the Founder LTIP		**-**			45.8	
Diluted EPRA EPS	**55.9**	**835.1**	**6.7**	18.0	836.0	2.2

*In accordance with EPRA Best Practices Recommendations, the diluted EPRA EPS for 2016 has not been adjusted for foreign exchange gains/losses on the convertible bonds. The comparative figure for 2015 has not been restated to reflect this change in the basis of calculation.

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

Group	**2016**			2015		
	Equity shareholders' funds £m	**Number of shares m**	**Net asset value per share pence**	Equity shareholders' funds £m	Number of shares m	Net asset value per share pence
Basic NAV	**923.6**	**745.1**	**124**	806.2	766.3	105
Unexercised share options	**-**	**2.1**		-	1.7	
Mark-to-market of convertible bonds	**109.8**	**92.8**		-	-	
Diluted NAV	**1,033.4**	**840.0**	**123**	806.2	768.0	105
Adjustments:						
Revaluation of trading properties	**-**			0.2		
Goodwill	**-**			(0.3)		
Fair value of interest rate derivatives	**2.2**			5.2		
Adjustments in respect of associates	**-**			0.6		
Mark-to-market of convertible bonds	**-**			107.5	90.8	
Deferred tax	**47.3**			35.8		
EPRA NAV	**1,082.9**	**840.0**	**129**	955.2	858.8	111

10. Investment property

	Group 2016 £m	Group 2015 £m
At 1 January	**1,059.1**	953.9
Additions – property purchases*	**479.3**	68.0
– capital expenditure	**16.5**	11.9
Lease incentives	**2.6**	0.9
Letting costs	**-**	0.2
Revaluation	**43.4**	110.8
Disposals	**(22.1)**	(39.1)
Transfer to investment property held for sale	**(10.4)**	(1.6)
Exchange adjustment	**149.1**	(45.9)
At 31 December	**1,717.5**	1,059.1
Investment property held for sale:		
At 1 January	**1.6**	7.5
Disposals	**(1.8)**	(7.0)
Transfer from investment property	**10.4**	1.6
Exchange adjustment	**0.2**	(0.5)
At 31 December	**10.4**	1.6

*Property purchase additions of £479.3 million includes £39.3 million and £435.3 million arising from the acquisition of the remaining units in Hansteen Saltley Unit Trust and Ashtenne Industrial Fund Unit Trust respectively, which were previously accounted for as associates. Refer note 12.

Included within the property valuation is £9.1 million (2015: £2.6 million) in respect of tenant lease incentives granted. Investment property includes £3.0 million of property (2015: £2.6 million) held under finance leases.

Properties classified as held for sale at 31 December 2016 represent properties that were actively marketed as at the year end and have subsequently been sold.

All investment properties are stated at fair value as at 31 December and have been valued by independent professionally qualified external valuers CBRE Limited, DTZ, Cushman & Wakefield Debenham Tie Leung Limited, Jones Lang LaSalle or Knight Frank LLP. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards January 2014, published by The Royal Institution of Chartered Surveyors and with IVA1 of the International Valuation Standards. The valuations are based on a number of assumptions, the significant ones of which are the determination of appropriate discount rates, estimates of future rental income and capital expenditure. Rental income and yield assumptions are supported by market evidence where relevant.

The Group has pledged certain of its investment properties to secure bank loan facilities and a finance lease granted to the Group (see note 13).

In accordance with IFRS 13, the Group's investment property has been assigned a valuation level in the fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The Group's investment property as at 31 December 2016 is categorised as Level 3.

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

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

	Fair value at 31 December 2016	**Rent per sq m**		**Yield**	
		Min	**Max**	**Min**	**Max**
	£m	**£**	**£**	**%**	**%**
Belgium	**17.0**	**27.2**	**90.5**	**6.5**	**9.4**
France	**17.7**	**28.6**	**31.7**	**8.6**	**12.7**
Germany	**761.7**	**15.2**	**109.4**	**1.3**	**17.5**
Netherlands	**264.7**	**11.6**	**79.0**	**3.7**	**22.0**
UK - Industrial properties	**646.4**	**6.1**	**158.4**	**1.8**	**14.4**
UK - Offices	**20.4**	**23.1**	**625.7**	**3.1**	**19.1**
Total	**1,727.9**				

	Fair value at 31 December 2015	Rent per sq m		Yield	
		Min	Max	Min	Max
	£m	£	£	%	%
Belgium	15.4	20.7	61.1	6.3	8.9
France	14.3	25.4	27.5	9.2	12.9
Germany	634.5	10.2	75.2	4.1	6.9
Netherlands	217.3	3.2	57.2	2.0	10.7
UK	179.2	9.7*	134.6*	4.1	9.9
Total	1,060.7				

Everything else being equal, there is a positive relationship between rental values and the property valuation, such that an increase in rental values will increase the valuation of a property and vice versa. However, the relationship between capitalisation yields and the property valuation is negative; therefore an increase in capitalisation yields will reduce the valuation of a property and vice versa. There are interrelationships between these inputs as they are determined by the market conditions, and the valuation movement in any one period depends on the balance between them. If these inputs move in opposite directions (i.e. rental values increase and yields decrease) valuation movements can be amplified, whereas if they move in the same direction they may be offset, reducing the overall net valuation movement.

As at 31 December 2016, the Group had entered into contracts for £13.2 million (2015: £2.5 million) of building works that were not complete.

*Figures stated in 2015 have been amended from rent per sq ft to rent per sq m.

11. Investment in associates

	Group 2016 £m	Group 2015 £m
Cost and net book value:		
Balance at 1 January 2016	**261.3**	156.4
Investment in associates	**10.2**	130.1
Share of results of associates	**13.4**	46.9
Distributions received	**(22.4)**	(32.1)
Distributions accrued	**4.2**	(1.3)
Disposal of associates	**(266.7)**	(38.7)
At 31 December 2016	**-**	261.3

During 2016, the Group acquired the remaining 50% of the units in the Hansteen Saltley Unit Trust ("HSUT") for a net price of £9.3 million, taking its ownership to 100% and resulting in a gain on business combination of £0.4 million. The Group also acquired the remaining 14.4% of Ashtenne Industrial Fund Unit Trust ("AIF") for a net price of £39.5 million, taking its ownership to 100% and resulting in a gain on business combination of £3.9 million. The Group's investments in HSUT and AIF are now consolidated. Further details are given in note 12.

During 2015, the Group acquired a further 45.1% stake in AIF, bringing its total investment to 81.8%. In May 2015 the Group disposed of its investment in Hansteen UK Industrial Property Unit Trust II ("HPUT II").

Distributions from associates

	HSUT £m	AIF £m	2016 £m	2015 £m
Distributions received	**0.5**	**21.9**	**22.4**	32.1
Distributions accrued	**(0.3)**	**(3.9)**	**(4.2)**	1.3
	0.2	**18.0**	**18.2**	33.4

Aggregated amounts relating to associates

Summarised balance sheets	HSUT £m	AIF £m	2016 £m	2015 £m
Investment properties	-	-	-	475.7
Cash	-	-	-	21.6
Borrowings	-	-	-	(157.0)
Other net liabilities	-	-	-	(13.4)
Net assets	-	-	-	326.9
Non-current assets	-	-	-	475.7
Current assets	-	-	-	31.0
Non-current liabilities	-	-	-	(157.8)
Current liabilities	-	-	-	(22.0)
Net assets	-	-	-	326.9

	HSUT £m	AIF £m	2016 £m	2015 £m
Revenues	**0.5**	**20.3**	**20.8**	46.1
Profit	**0.3**	**14.6**	**14.9**	70.3
Total comprehensive income	**0.3**	**14.6**	**14.9**	70.3

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

12. Business combinations

Hansteen Saltley Unit Trust

At the beginning of the year the Group recognised 50% of the units in Hansteen Saltley Unit Trust as an associate.

On 4 March 2016, the Group acquired the remaining 50% of the units of Hansteen Saltley Unit Trust, previously equity accounted for as an associate, thereby obtaining 100% ownership and control. Hansteen Saltley Unit Trust is a Jersey based unit trust which invests in Saltley Business Park, a multi-let industrial estate in Birmingham comprising of over 95,000 sq m and with an annual rent roll of £3.2 million.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	£m
Financial assets	2.1
Investment property	39.3
Financial liabilities	(21.9)
Total identifiable assets	19.5
Negative goodwill	(0.4)
Total consideration	19.1
Satisfied by:	
Cash	9.3
Total consideration transferred	9.3
Carrying value of existing equity accounted interest	9.8
Total consideration	19.1
Net cash outflow arising on acquisition:	
Cash consideration	9.3
Less: cash balances acquired	(1.1)
	8.2

The fair value of the financial assets includes trade receivables with a fair value of £0.6 million and a gross contractual value of £0.6 million, none of which at acquisition date were not expected to be collected.

The negative goodwill of £0.4 million arising from the acquisition results from the cash consideration paid being at a discount net asset value. None of the bargain acquisition is expected to be deductible for income tax purposes.

Hansteen Saltley Unit Trust contributed £2.4 million revenue and £1.8 million to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on the first day of the financial year, the contribution to Group revenues for the period would have been £2.9 million and contribution to Group profit would have been £2.2 million.

Ashtenne Industrial Fund Unit Trust

At the beginning of the year the Group recognised associates including 81.8% of the units in Ashtenne Industrial Fund Unit Trust and 33.3% of the shares in Ashtenne Industrial (General Partner) Limited, both of whom own a share in Ashtenne Industrial Fund Limited Partnership of 99.97% and 0.03% respectively.

On 12 February 2016 the Group acquired a further 0.9% of the units in Ashtenne Industrial Fund Unit Trust for £2.5 million. On 18 March 2016 the Group acquired a further 0.8% of the units in Ashtenne Industrial Fund Unit Trust for £2.1 million. On 25 April 2016 the Group acquired a further 2.1% of the units in Ashtenne Industrial Fund Unit Trust for £5.6 million, taking the Group's ownership to 85.6%.

On 15 July 2016, the Group acquired the remaining 66.67% of the shares in Ashtenne Industrial (General Partner) Limited, thereby obtaining control over Ashtenne Industrial Fund Limited Partnership, of which the Group owned 85.6% through its unitholding in Ashtenne Industrial Fund Unit Trust. Previously equity accounted for as an associate, as a result of the acquisition the Group consolidated 100% of Ashtenne Industrial Fund Limited Partnership and recognised a 14.4% minority interest.

On 26 and 27 July 2016, the Group acquired the remaining 14.4% of the units in Ashtenne Industrial Fund Unit Trust, thereby obtaining 100% ownership and control of the entity.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	£m
Financial assets	21.6
Investment property	435.3
Financial liabilities	(156.6)
Total identifiable assets	300.3
Negative goodwill	(3.9)
Total consideration	296.4

Satisfied by:	
Cash	39.5
Total consideration transferred	39.5
Carrying value of existing equity accounted interest	256.9
Total consideration	296.4

Net cash outflow arising on acquisition:	
Cash consideration	39.5
Less: cash balances acquired	(9.6)
	29.9

The fair value of the financial assets includes trade receivables with a fair value of £4.5 million and a gross contractual value of £4.9 million, £0.4 million of which at acquisition date were not expected to be collected.

AIF Industrial Fund Limited Partnership recognised a provision in relation to a performance fee due to Hansteen Limited, who acted as asset manager to the Fund. As at 27 July 2016, the provision was £31.6 million. No income had been recognised by Hansteen Limited and on consolidation the provision was eliminated.

The negative goodwill of £3.9 million arising from the acquisition results from the cash consideration paid being at a discount net asset value as a result of the performance fee provision adjustment above. None of the bargain acquisition is expected to be deductible for income tax purposes.

Ashtenne Industrial Fund Unit Trust contributed £15.6 million revenue and £23.3 million to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on the first day of the financial year, the contribution to Group revenues for the period would have been £35.9 million and contribution to Group profit would have been £39.2 million.

13. Borrowings

	Group 2016 £m	Group 2015 £m
Bank loans	**712.5**	433.5
Convertible bonds	**109.8**	107.5
Unamortised borrowing costs	**(8.3)**	(4.8)
	814.0	536.2
Current liability	**20.5**	6.2
Non-current liability	**793.5**	530.0
The bank loans and convertible bonds are repayable as follows:		
Within one year or on demand	**23.2**	7.8
Between one and two years	**201.1**	66.9
Between three and five years	**596.6**	464.6
Over five years	**1.4**	1.7
	822.3	541.0
Undrawn committed facilities		
Expiring between two and five years	**58.6**	17.5

Facility	**Drawn**	**Expiry**	**Covenants** Loan to value	**Covenants** Interest cover
£20.0 million	£20.0 million	October 2017	60%	200%
€100.0 million	€100.0 million	July 2018	-	-
€104.1 million	€104.1 million	December 2018	65%	200%
€187.6 million	€187.6 million	February 2019	65%	190%
€50.0 million	€40.0 million	September 2019	65%	200%
€143.5 million	€143.5 million	June 2021	65%	150%
£330.0 million	£280.0 million	July 2021	55%	200%
€5.3 million	€5.3 million	March 2025	-	-

With the exception of the £330.0 million facility which is secured through charges against the issued share capital of the relevant property owning entities, the facilities detailed above are secured by charges on property with an aggregate carrying value of £1,081.6 million (2015: £1,037.0 million).

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

Bonds were eligible for conversion at the option of the bond holder from 15 July 2016. Under the terms of the bonds, the Company will have the right to elect to settle any conversion entirely in ordinary shares of the Company, cash or a combination of shares and cash. If not previously converted, redeemed or purchased and cancelled, the bonds will be redeemed at par in July 2018.

The carrying amount of borrowings approximates their fair value.

Interest rate and currency profile

Group	**2016** %	**2016** £m	2015 %	2015 £m
Euro	**2.5**	**522.3**	2.7	463.5
Sterling	**2.2**	**300.0**	2.3	77.5
	2.4	**822.3**	2.6	541.0

The Group enters into derivative financial instruments to provide an economic hedge to its interest rate risk. After taking into account the effect of the interest rate swaps the weighted average interest rates, excluding amortised borrowing costs, are 3.2% for the euro borrowings (2015: 3.4%) and 2.4% for the sterling borrowings (2015: 2.5%).

14. Notes to the cash flow statement

	Group 2016 £m	Group 2015 £m
Profit for the year	**109.5**	148.3
Adjustments for:		
Share-based payments	**1.4**	19.5
Depreciation of property, plant and equipment	**0.2**	0.2
Goodwill impairment	**0.3**	0.3
Share of profits of associate and gain on sale of associate	**(13.4)**	(53.2)
Negative goodwill and other gains	**(4.3)**	-
Profit on sale of investment properties	**(3.9)**	(4.4)
Reversal of prior year write down of trading properties	**-**	(2.3)
Fair value gains on investment properties	**(43.4)**	(110.8)
Impairment of investment in subsidiary	**-**	-
Dividends received	**-**	-
Net finance costs	**21.0**	29.5
Tax charge	**10.4**	23.1
Operating cash inflows before movements in working capital	**77.8**	50.2
Decrease/ (increase) in trading properties	**0.8**	(1.8)
Decrease/ (increase) in receivables	**1.4**	(2.4)
(Decrease)/ increase in payables	**(7.1)**	6.3
Cash generated from operations	**72.9**	52.3
Income taxes paid	**(5.0)**	(4.5)
Interest paid	**(19.9)**	(16.8)
Net cash inflow from operating activities	**48.0**	31.0

15. Share-based payments

During the year ended 31 December 2016, the Group had two equity settled share schemes.

- Founder Long-term incentive plan
- Performance Share Plan

The total share-based payment charge for the year under these schemes was £1.4 million (2015: £19.5 million).

Founder Long-term incentive plan (“Founder LTIP”)

The Founders and Joint Chief Executives are entitled to a share award dependent on the growth in EPRA NAV. The target for the Founder LTIP is that EPRA NAV per ordinary share (after adding back dividends and other returns to shareholders) must exceed a compound growth rate of 10% per annum in a three-year performance period. The Founder LTIP plan has repeated to reward performance in each three-year period; the current performance period ending on 31 December 2018.

The value of the share award for each Chief Executive is calculated as 12.5% of the excess growth over the 10% growth target. Any amount payable under the Founder LTIP is to be satisfied by the award of ordinary shares of the Company.

In 2015, the excess growth in EPRA NAV over the performance target over the performance period ended 31 December 2015 was £51.3 million and as such each Chief Executive was entitled to 22,906,127 ordinary shares in the Company. The Joint Chief Executives agreed to forgo part of their awards under the Founder LTIP equal in value to their PAYE and Employee’s National Insurance liabilities due on the vesting of the awards, which were settled on their behalf by the Company. After settlement of these PAYE and Employee’s National Insurance liabilities, which totalled in aggregate £23.5 million, each of the Joint Chief Executives were issued with 12.1 million shares instead of the full 22.9 million shares.

As explained in note 4, the total share-based payment charge recognised for the year under this scheme is nil (2015: £18.9 million with associated social security costs of £4.3 million for the three-year period ended 31 December 2015).

Performance Share Plan ("PSP")

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

Year issued	Exercise price	Outstanding at start of year	Granted	Exercised	Lapsed	Outstanding at end of year	Number exercisable	Average remaining life (years)
2012	nil	1,285,873	-	(108,320)	-	1,177,553	956,014	5.5
2013	nil	454,340	-	(33,736)	-	420,604	125,044	6.2
2014	nil	963,589	-	-	(416,006)	547,583	-	7.3
2015	nil	946,473	-	-	-	946,473	-	8.2
2016	nil	-	1,203,285	-	-	1,203,285	-	9.3

The total share-based payment charge for the year under this scheme was £1.4 million with associated social security costs of £0.1 million (2015: £0.6 million and nil respectively).

The inputs to the PSP awards share options' valuation were:

	2016	2015
Closing share price at grant date	**107.3p**	115.5p
Weighted average exercise price	**nil**	nil
Weighted average fair value	**78.1p**	88.0p
Expected volatility	**19.21%**	18.24%
Expected life	**5 years**	5 years
Risk free rate	**0.49%**	0.76%

Expected volatility was calculated by reference to dividend adjusted share prices for a comparator group of companies.

16. Events after the balance sheet date

A second dividend in respect of the year ended 31 December 2016 of 3.7p per share will be payable on 18 May 2017 to shareholders on the register on 21 April 2017. Based on the number of shares in issue at 31 December 2016 this will result in a distribution of £27.5 million.

On 22 February 2017 the Board made an offer for the entire issued ordinary share capital of Industrial Multi Property Trust PLC ("IMPT"). Under the terms of the Offer, IMPT Shareholders will receive 300p in cash for each IMPT share held which values the entire issued ordinary share capital of IMPT at £25.2 million. Hansteen has since acquired, as disclosed on 17 March 2017, 21.71% of IMPT's share capital and at the first close for the offer on 15 March 2017 had received valid acceptances of 28.44%, which in aggregate represent 50.15% of IMPT's share capital.

As stated in the Chairman's Review, we announced that contracts have been exchanged on terms for the sale of Hansteen's German and Dutch portfolios. More details are contained in the RNS announcement and a circular will be posted to shareholders shortly.