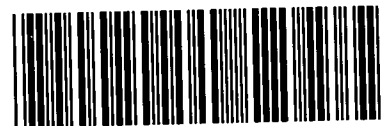


HANSTEEN OBP LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2014

WEDNESDAY



L45EWG3C

LD2

15/04/2015

#40

COMPANIES HOUSE

HANSTEEN OBP LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 2014 DECEMBER

CONTENTS

| | Page |
|--|-------------|
| Officers and professional advisors | 1 |
| Strategic report | 2 |
| Directors' report | 2 |
| Directors' responsibilities statement | 4 |
| Independent auditor's report | 5 |
| Income statement | 6 |
| Statement of comprehensive income | 7 |
| Balance sheet | 8 |
| Statement of changes in equity | 9 |
| Cash flow statement | 10 |
| Notes to the financial statements | 11 |

HANSTEEN OBP LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

M L Jones
I R Watson
R P Lowes
M D Owens
J A McDonald
J M Havery

COMPANY SECRETARY

S M Hornbuckle (resigned 18 February 2015)

REGISTERED OFFICE

1st Floor
Pegasus House
37-43 Sackville Street
London
W1S 3DL
United Kingdom

BANKERS

Lloyds Banking Group
4th Floor, Citymark
150 Fountainbridge
Edinburgh
EH3 9PE

SOLICITORS

Jones Day
21 Tudor Street
London EC4Y 0DJ

DLA Piper
Rutland Square
Edinburgh EH1 2AA

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Abbots House
Abbey Street
Reading RG1 3BD
United Kingdom

PROPERTY VALUERS

Knight Frank LLP
55 Baker Street
London W1U 8AN

HANSTEEN OBP LIMITED

STRATEGIC REPORT AND DIRECTORS' REPORT

STRATEGIC REPORT

OUR BUSINESS

The Company is a wholly owned subsidiary of Hansteen Holdings PLC. The Company's principal activity comprises of property investment, management and all associated business.

RESULTS

The loss after taxation for the year amounted to £493,964 (2013: Profit: £38,395).

KEY PERFORMANCE INDICATORS ("KPIs")

No KPIs are considered necessary for an understanding of the business.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that influence the Company are listed below on page 2 and 3 in the Directors' report, which forms part of this Strategic report.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2014.

RESULTS AND FUTURE PROSPECTS

The Directors consider the results for the year and the future prospects of the Company to be satisfactory.

There are no further matters to report under section 417 of the Companies Act 2006.

DIVIDENDS

The Directors do not propose the payment of a dividend (2013: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management is an important part of the system of internal controls which are managed at a Group level by Hansteen Holdings PLC. Senior management staff and the Board of Hansteen Holdings PLC regularly consider the significant risks, which it believes are facing the Group and its subsidiaries, identify appropriate controls and if necessary instigate action to improve those controls. There will always be some risk when undertaking property investments but the control process is aimed at mitigating and minimising these risks where possible. The key risks identified by the Board of Hansteen Holdings PLC which affect this Company, the steps taken to mitigate them and additional commentary is as follows:

- Changes in the general economic environment expose the Group to a number of risks including falls in the value of its property investments, loss of rental income and increased vacant property costs due to the failure of tenants to renew or extend leases as well as the increased potential for tenants to become bankrupt. The Board believes these risks are reduced due to its policy of assembling a portfolio with a wide spread of different tenancies in terms of actual tenants, industry type and geographical location as well as undertaking thorough due diligence on acquisitions. The level of exposure to individual tenants is regularly monitored to ensure they are within manageable limits. Rent deposits or bank guarantees are requested where appropriate to mitigate against the effect of tenant defaults. Where possible, purchases are achieved at low capital values and with due investigation of tenant finances.
- In addition to the need to act as a responsible landlord there may, in some circumstances, be occasions when pollution on a site owned by a property investment company becomes its responsibility. Each acquisition undertaken by the Group includes an environmental report from a specialist consultancy. These reports may highlight the need for further investigation and in some cases remediation. The Group's policy is then to either undertake such investigations or remediation or potentially reject the purchase as no longer viable.

HANSTEEN OBP LIMITED

STRATEGIC REPORT AND DIRECTORS' REPORT continued

GOING CONCERN

The Company's business activities and principal risks and uncertainties are detailed above. Liquidity is managed at Group level using long-term group banking facilities.

Having considered these risks and the current uncertain economic environment, the Directors have a reasonable expectation that the Company has adequate support from Group to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual report and financial statements.

DIRECTORS

The Directors who served throughout the year and to the date of this report, unless specified, were as follows:

M L Jones
I R Watson
R P Lowes
M D Owens
J A McDonald
J M Havery

AUDITOR

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor is unaware, and each director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



J A McDonald
Director
31 March 2015

HANSTEEN OBP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HANSTEEN OBP LIMITED

We have audited the financial statements of Hansteen OBP Limited for the year ended 31 December 2014 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

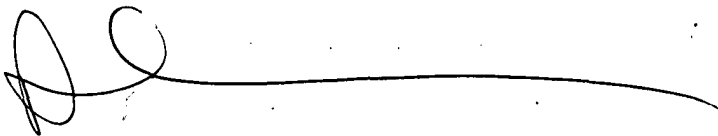
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Darren Longley (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom

2 April 2015

HANSTEEN OBP LIMITED

INCOME STATEMENT

For the year ended 31 December 2014

| | Notes | 2014 £ | 2013 £ |
|--|-------|------------------|---------------|
| Continuing operations | | | |
| Revenue | 5 | 192,240 | 241,949 |
| Cost of sales | | (119,040) | (105,702) |
| Gross profit | | 73,200 | 136,247 |
| Administrative expenses | 7 | (33,579) | (34,802) |
| Operating profit before (losses)/gains on investment properties | | 39,621 | 101,445 |
| (Decrease)/increase in fair value of investment properties | 8 | (497,165) | 24,808 |
| Operating (loss)/profit | 6 | (457,544) | 126,253 |
| Net finance cost | | | |
| Finance income | 9 | 6,160 | 717 |
| Finance costs | 9 | (42,580) | (88,575) |
| Net finance cost - total | 9 | (36,420) | (87,858) |
| (Loss)/profit before tax | | (493,964) | 38,395 |
| Tax | 10 | - | - |
| (Loss)/profit for the year from continuing operations | | (493,964) | 38,395 |

HANSTEEN OBP LIMITED

STATEMENT OF COMPREHENSIVE INCOME/(EXPENSE) For the year ended 31 December 2014

| | 2014 £ | 2013 £ |
|--|------------------|---------------|
| (Loss)/profit for the year | (493,964) | 38,395 |
| Total comprehensive (expense)/income for the year | (493,964) | 38,395 |

HANSTEEN OBP LIMITED

BALANCE SHEET

As at 31 December 2014

| | | 2014 £ | 2013 £ |
|---|-------|-------------|-------------|
| | Notes | | |
| Non-current assets | | | |
| Investment property | 11 | 2,000,000 | 2,500,000 |
| Current assets | | | |
| Trade and other receivables | 12 | 237,001 | 147,373 |
| Cash and cash equivalents | 13 | 174,212 | 315,908 |
| | | 411,213 | 463,281 |
| Total assets | | 2,411,213 | 2,963,281 |
| Current liabilities | | | |
| Trade and other payables | 14 | (76,542) | (134,646) |
| Borrowings | 15 | (1,200,000) | - |
| Net current (liabilities)/assets | | (865,329) | 328,635 |
| Non-current liabilities | | | |
| Borrowings | 15 | - | (1,200,000) |
| Total liabilities | | (1,276,542) | (1,334,646) |
| Net assets | | 1,134,671 | 1,628,635 |
| Equity | | | |
| Share capital | 16 | 1,500,000 | 1,500,000 |
| Retained earnings | | (365,329) | 128,635 |
| Total equity | | 1,134,671 | 1,628,635 |

The financial statements of Hansteen OBP Limited, registered number 05360848, were approved by the Board of Directors and authorised for issue on 31 March 2015.



J A McDonald

Director

HANSTEEN OBP LIMITED

STATEMENT OF CHANGES IN EQUITY **For the year ended 31 December 2014**

| | Share capital £ | Retained earnings £ | Total £ |
|-----------------------------|--------------------------------|------------------------------------|--------------------|
| Balance at 1 January 2013 | 1 | 90,240 | 90,241 |
| Issue of share capital | 1,499,999 | - | 1,499,999 |
| Profit for the year | - | 38,395 | 38,395 |
| Balance at 31 December 2014 | 1,500,000 | 128,635 | 1,628,635 |
| Loss for the year | - | (493,964) | (493,964) |
| Balance at 31 December 2014 | <u>1,500,000</u> | <u>(365,329)</u> | <u>1,134,671</u> |

HANSTEEN OBP LIMITED

CASH FLOW STATEMENT For the year ended 31 December 2014

| | Note | 2014 £ | 2013 £ |
|--|------|------------------|--------------------|
| Net cash outflow from operating activities | 17 | <u>(147,799)</u> | <u>(1,222,159)</u> |
| Investing activities | | | |
| Interest received | | 6,160 | 717 |
| Additions to investment properties | | <u>(57)</u> | <u>(53,924)</u> |
| Net cash generated by/(used in) investing activities | | <u>6,103</u> | <u>(53,207)</u> |
| Financing activities | | | |
| Proceeds on issue of shares | | <u>-</u> | <u>1,499,999</u> |
| Net cash from financing activities | | <u>-</u> | <u>1,499,999</u> |
| Net (decrease)/increase in cash and cash equivalents | | (141,696) | 224,633 |
| Cash and cash equivalents at beginning of the year | | 315,908 | 91,275 |
| Cash and cash equivalents at end of the year | | <u>174,212</u> | <u>315,908</u> |

HANSTEEN OBP LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2014

1. General information

Hansteen OBP Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1.

The Company's principal activities comprise property investment, management and all associated business.

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

2. Adoption of new and revised standards

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

3. Significant accounting policies

Basis of accounting. The financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ('IFRSs') adopted by the European Union and therefore the financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties.

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

Going concern. The Company's business activities and principal risks and uncertainties are detailed above. Liquidity is managed at Group level using long-term group banking facilities.

Having considered these risks and the current uncertain economic environment, the Directors have a reasonable expectation that the Company has adequate support from Group to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual report and financial statements.

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

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

Property management fees are recognised in the year to which they relate.

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

Revenue from the sale of trading and investment properties is recognised when the significant risks and returns have been transferred to the buyer. This generally coincides with the transfer of the legal title or the passing of possession to the buyer. The profit on disposal of trading and investment properties is determined as the difference between the consideration received and the carrying amount of the asset at the commencement of the accounting year plus any additions in the year.

Leasing. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Where a property is held under a head lease it is initially recognised as an asset as the sum of the premium paid on acquisition and the present value of minimum ground rent payments. The corresponding rent liability to the head leaseholder is included in the balance sheet as a finance lease obligation. Where only the buildings element of a property lease is classified as a finance lease, the ground rent payments for the land element are shown within operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. As required by IAS 17, when accounting for a lease of land and buildings, the Group considers the land and buildings elements separately. The Company does not classify those land elements that are held under operating leases as investment property.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

3. Significant accounting policies (continued)

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

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

The Company became part of the Hansteen Holdings plc REIT on 21 December 2011 and income on qualifying rental activities and gains on qualifying assets are exempt from UK taxation from this date.

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

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

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

3. Significant accounting policies (continued)

Financial instruments continued

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

3. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

4. Key sources of estimation and judgement

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date used in preparing these financial statements are:

Property valuations. In determining the fair value of investment properties there is a degree of uncertainty and judgement involved. The valuations are based on a number of assumptions, the significant ones of which are the appropriate discount rates, estimates of future rental income and capital expenditure. The Group uses external professional valuers to provide independent valuations of the investment properties.

HANSTEEN OBP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014

5. Revenue

An analysis of the Company's revenue is as follows:

| | 2014 £ | 2013 £ |
|---|-----------|-----------|
| Property rental income | 192,240 | 241,949 |
| Interest on bank deposits | 1,004 | 665 |
| Other external interest receivable | 115 | 52 |
| Interest receivable on amounts owed by parent undertaking | 5,041 | - |
| Finance income | 6,160 | 717 |
| Total | 198,400 | 242,666 |

6. Operating (loss)/profit

Operating (loss)/profit has been stated after crediting/(charging):

| | 2014 £ | 2013 £ |
|--|-----------|-----------|
| (Decrease)/increase in fair value of investment property | (497,165) | 24,808 |
| Auditor's remuneration for audit services | (4,990) | (4,821) |

The auditor received no remuneration for non-audit services in either the current or preceding financial year.

7. Administrative expenses

The Directors of the Company are also directors of other Hansteen Group companies. The Directors received total emoluments of £2,920,212 (2013: £2,726,263) which was paid by Hansteen Limited and then recharged through a management fee. It is not practicable to allocate these emoluments between their services as directors of Hansteen OBP Limited and their services as directors of other Hansteen group companies.

The Company had no employees during the current or preceding financial year. All management activity is undertaken by Hansteen Limited with costs being recharged as appropriate.

8. (Losses)/gains on investment properties

| | 2014 £ | 2013 £ |
|--|-----------|-----------|
| (Decrease)/increase in fair value of investment properties | (497,165) | 24,808 |
| | (497,165) | 24,808 |

HANSTEEN OBP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2014

9. Net finance income/(cost)

| | 2014 £ | 2013 £ |
|---|-----------|-----------|
| Interest receivable on bank deposits | 1,004 | 665 |
| Other external interest receivable | 115 | 52 |
| Interest receivable on amounts owed by parent undertaking | 5,041 | - |
| Finance income | 6,160 | 717 |
| Bank loan interest | (42,580) | (42,289) |
| Interest payable on amounts owed to parent undertaking | - | (46,286) |
| Finance costs | (42,580) | (88,575) |
| Net finance costs | (36,420) | (87,858) |

10. Tax

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

| | 2014 £ | 2013 £ |
|--|-----------|-----------|
| (Loss)/profit on ordinary activities before taxation | (493,964) | 38,395 |
| Tax (credit)/charge at the current UK corporation tax rate of 21.5% (2013: 23.25%) | (106,202) | 8,927 |
| Tax effect of UK tax not payable due to REIT exemption | 106,202 | (8,927) |
| Tax charge for the year | - | - |

On 21 December 2011, the Company became a member of the Group REIT. The UK REIT rules exempt the profits of the Company's UK property rental business from UK corporation tax. Gains on UK properties are also exempt from tax, provided they are not held for trading. The Company is 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.

HANSTEEN OBP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2014

11. Investment property

| | 2014 £ | 2013 £ |
|--|-----------|-----------|
| Balance at 1 January | 2,500,000 | 2,420,000 |
| Additions – capital expenditure | 57 | 53,924 |
| - net movement in tenant lease incentives | (1,676) | (1,674) |
| - net movement in letting costs | (1,216) | 2,942 |
| (Decrease)/increase in fair value of investment properties | (497,165) | 24,808 |
| Balance at 31 December | 2,000,000 | 2,500,000 |

Included within the property valuation is £7,584 (2013: £9,260) in respect of tenant lease incentives granted and £1,726 (2013: £2,942) in respect of letting costs.

All investment properties are stated at market value as at 31 December 2014 and have been valued by independent professionally qualified external valuers, Knight Frank LLP. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2014, published by The Royal Institution of Chartered Surveyors and with IVAl of the International Valuation Standards.

The valuations are based on a number of assumptions, the significant ones of which are the appropriate discount rates, estimates of future rental income and capital expenditure. Rental income and yield assumptions are supported by market evidence where relevant.

In accordance with IFRS 13, the Company'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). All of the Company's investment property as at 31 December 2014 is categorised as Level 3. An increase in passing rent and a decrease in discount rate would increase the valuation.

Direct operating expenses arising on the investment properties in the year amounted to £119,040 (2013: £105,702).

12. Trade and other receivables

| | 2014 £ | 2013 £ |
|------------------------------------|-----------|-----------|
| Trade receivables | 80,884 | 116,676 |
| Amounts owed by parent undertaking | 150,000 | - |
| Other receivables | 6,117 | 12,121 |
| Prepayments | - | 1,575 |
| Accrued income | - | 17,001 |
| | 237,001 | 147,373 |

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

13. Cash and cash equivalents

| | 2014 £ | 2013 £ |
|---------------------------|-----------|-----------|
| Cash and cash equivalents | 174,212 | 315,908 |

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

HANSTEEN OBP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2014

14. Trade and other payables

| | 2014 £ | 2013 £ |
|-----------------|---------------|----------------|
| Current: | | |
| Trade payables | - | 34,018 |
| Other payables | 6,971 | 8,722 |
| Accruals | 52,443 | 74,530 |
| Deferred income | 17,128 | 17,376 |
| | <u>76,542</u> | <u>134,646</u> |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. For most suppliers, no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

15. Borrowings

| | 2014 £ | 2013 £ |
|--|------------------|------------------|
| Secured borrowing at amortised cost | | |
| Bank loans | <u>1,200,000</u> | <u>1,200,000</u> |
| Total borrowings | | |
| Amount due for settlement within 12 months | 1,200,000 | - |
| Amount due for settlement after 12 months | <u>-</u> | <u>1,200,000</u> |

On 21 December 2011 the company entered into a four year £1,200,000 bank loan facility with Lloyds Banking Group Plc. The entire balance is repayable on maturity of the loan on 20 December 2015. Amounts drawn under the loan facility up to but not exceeding 50% of the cost of the assets against which they are secured against are subject to interest at Libor plus a margin of 3.00% plus an additional mandatory cost percentage. Amounts drawn under the loan facility exceeding 50% of the cost of the assets against which they are secured against are subject to interest at Libor plus a margin of 3.50% plus an additional mandatory cost percentage. The bank loan is secured by a fixed charge over the Company's investment properties.

16. Share capital

| | 2014 £ | 2013 £ |
|---|------------------|------------------|
| Issued and fully paid: | | |
| 150,000,000 ordinary shares of £0.01 each | <u>1,500,000</u> | <u>1,500,000</u> |

The share capital comprises one class of ordinary shares carrying no right to fixed income.

HANSTEEN OBP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2014

17. Notes to the cash flow statement

| | 2014 £ | 2013 £ |
|---|------------------|--------------------|
| (Loss)/profit for the year | (493,964) | 38,395 |
| Adjustments for: | | |
| Net finance costs | 36,420 | 87,858 |
| Losses/(gains) on investment properties | 497,165 | (24,808) |
| Lease incentives amortised | 1,676 | 1,674 |
| Letting costs amortised | 1,216 | (2,942) |
| Tax | - | - |
| Operating cash flows before movements in working capital | 42,513 | 100,177 |
| Adjust for movements in working capital: | | |
| Increase in receivables | (89,628) | (14,718) |
| (Decrease) in payables | (58,104) | (1,219,043) |
| Cash used in by operations | (105,219) | (1,133,584) |
| Interest paid | (42,580) | (88,575) |
| Net cash outflow from operating activities | (147,799) | (1,222,159) |

18. Operating lease arrangements

The Company as lessee

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

| | 2014 £ | 2013 £ |
|--|----------------|----------------|
| Within one year | 50,000 | 50,000 |
| In the second to fifth years inclusive | 190,685 | 200,000 |
| After five years | - | 40,685 |
| | 240,685 | 290,685 |

For the year ended 31 December 2014, operating lease expenditure totalled £50,000 (2013: £50,000).

Operating lease payments represent rentals payable by the Company in respect of ground rent leases for certain of its investment properties with an unexpired term of 70 months as at the balance sheet date.

HANSTEEN OBP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2014

18. Operating lease arrangements (continued)

The Company as lessor

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

| | 2014 £ | 2013 £ |
|--|----------------|----------------|
| Within one year | 114,760 | 270,067 |
| In the second to fifth years inclusive | 199,120 | 320,879 |
| After five years | 366 | 17,871 |
| | <u>314,246</u> | <u>608,817</u> |

19. Ultimate parent and controlling undertaking

The immediate and ultimate parent and controlling undertaking is Hansteen Holdings PLC, a company incorporated in Great Britain and registered in England and Wales. The largest and smallest group in which the results of the company are consolidated is that headed by Hansteen Holdings PLC. Copies of the group financial statements are publicly available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

20. Related party transactions

The Company is a wholly owned subsidiary of Hansteen Holdings PLC which also owns and controls the entire issued share capital of Hansteen Limited. Both Hansteen Holdings PLC and Hansteen Limited are considered to be related parties of the Company.

In the year ended 31 December 2014 Hansteen Limited provided management services to the Company. The amounts charged for the provision of the management services during the year amounted to £25,853 (2013: £28,000) of which £nil remained outstanding at 31 December 2014 (2013: £nil).

During the year ended 31 December 2014 the company was owed funds by Hansteen Holdings PLC. As at 31 December 2014 the amount owed by Hansteen Holdings PLC in respect of these transactions was £150,000 (2013: £nil) and is included in trade and other receivables. Amounts incur interest at LIBOR plus 3%. Interest received in 2014 totalled £5,041 (2013: £nil).

21. Financial instruments

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

Financial assets in the Company comprise trade and other receivables and cash and cash equivalents which are classified as other financial assets.

Financial liabilities in the Company comprise trade and other payables which are classified as other financial liabilities.

Capital risk management

Capital available to the Company is managed for all entities in the Hansteen Holdings PLC Group of companies ("the Group") on a group basis by the ultimate parent and controlling undertaking, Hansteen Holdings PLC. The capital of the Group is managed so as to ensure that all entities in the Group are able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the parent undertaking, comprising issued capital, reserves, retained earnings as disclosed in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

21. Financial instruments (continued)

Significant accounting policies

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

Categories of financial instruments

The table below sets out the categorisation of the financial instruments held by the Company at 31 December 2014. Where the financial instruments are held at fair value the valuation level indicates the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety.

| | Carrying value £ | 2014 Fair value £ | Carrying value £ | 2013 Fair value £ |
|----------------------------------|------------------------|----------------------------|------------------------|----------------------------|
| Financial assets | | | | |
| Other financial assets | | | | |
| Trade and other receivables | 237,001 | 237,001 | 147,373 | 147,373 |
| Cash and cash deposits | 174,212 | 174,212 | 315,908 | 315,908 |
| | <u>411,213</u> | <u>411,213</u> | <u>463,281</u> | <u>463,281</u> |
| Financial liabilities | | | | |
| At amortised cost | | | | |
| Secured bank loans | (1,200,000) | (1,200,000) | (1,200,000) | (1,200,000) |
| Trade and other payables | (59,414) | (59,414) | (117,270) | (117,270) |
| | <u>(1,259,414)</u> | <u>(1,259,414)</u> | <u>(1,317,270)</u> | <u>(1,317,270)</u> |
| Net financial liabilities | <u>(848,201)</u> | <u>(848,201)</u> | <u>(853,989)</u> | <u>(853,989)</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014**21. Financial instruments continued****Financial risk management objectives**

The ultimate parent and controlling undertaking, Hansteen Holdings PLC, monitors and manages the financial risks relating to the operations of the Hansteen Holdings PLC Group of companies ("the Group") on a group basis.

Hansteen Holdings PLC monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Hansteen Holdings PLC seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors of Hansteen Holdings PLC. Financial derivatives are normally entered into by the ultimate parent undertaking and not by the individual underlying entities in the Group. Compliance with policies and exposure limits of the Group is reviewed by the Board of Hansteen Holdings PLC on a regular basis. The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

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

Market risk

Hansteen Holdings PLC manages the exposure of entities within the Group to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- interest rate swaps and caps to mitigate the risk of rising interest rates

Foreign currency risk management

The Company has no exposure to foreign currency.

Interest rate risk management

The Company is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed at the Group level by the ultimate parent and controlling undertaking, Hansteen Holdings PLC which maintains an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and interest rate cap contracts.

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

Interest rate sensitivity analysis

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

| | Decrease/ (increase) loss before tax 2014 £ | (Decrease)/ increase profit before tax 2013 £ |
|------------------------------|--|--|
| Increase interest rate by 1% | (8,508) | (17,379) |
| Decrease interest rate by 1% | 9,553 | 18,631 |

There would have been no effect on amounts recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014

21. Financial instruments (continued)

Credit risk management

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

The Company's maximum exposure to credit risk is £411,214 (2013: £463,281) comprising trade and other receivables and cash and cash deposits. The balance is low relative to the net assets of the Company.

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

Liquidity risk management

Liquidity risk management is managed at the Group level by the ultimate parent and controlling undertaking, Hansteen Holdings PLC which monitors the Group's short, medium and long-term funding and liquidity management requirements on a regular basis. Hansteen Holdings PLC manages the Group's liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities. The Group ensures that sufficient funding is made available to each of the entities in the Group by way of a combination of capital contributions and providing or arranging access to inter-company and external borrowing facilities.

Liquidity and interest risk tables

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

| | 2014 Maturity | | | | |
|---|----------------------------|--------------------------|---------------------------|------------------------------|--------------------|
| | Less than one year £ | One to two years £ | Two to five years £ | More than five years £ | Total £ |
| Non-derivative financial assets | | | | | |
| Non-interest bearing | 87,001 | - | - | - | 87,001 |
| Variable interest rate instruments | 174,213 | - | - | - | 174,213 |
| | <u>261,214</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>261,214</u> |
| Non-derivative financial liabilities | | | | | |
| Non-interest bearing | (59,414) | - | - | - | (59,414) |
| Variable interest rate instruments | (1,241,364) | - | - | - | (1,241,364) |
| | <u>(1,300,778)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,300,778)</u> |
| | <u>(1,039,564)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,039,564)</u> |

HANSTEEN OBP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2014

21. Financial instruments (continued)

| | 2013 Maturity | | | | |
|---|----------------------------|--------------------------|---------------------------|------------------------------|--------------------|
| | Less than one year £ | One to two years £ | Two to five years £ | More than five years £ | Total £ |
| Non-derivative financial assets | | | | | |
| Non-interest bearing | 147,373 | - | - | - | 147,373 |
| Variable interest rate instruments | 315,908 | - | - | - | 315,908 |
| | <u>463,281</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>463,281</u> |
| Non-derivative financial liabilities | | | | | |
| Non-interest bearing | (117,270) | - | - | - | (117,270) |
| Variable interest rate instruments | (42,335) | (1,240,944) | - | - | (1,283,279) |
| | <u>(159,605)</u> | <u>(1,240,944)</u> | <u>-</u> | <u>-</u> | <u>(1,400,549)</u> |
| | <u>303,676</u> | <u>(1,240,944)</u> | <u>-</u> | <u>-</u> | <u>(937,268)</u> |