Company Registration No. 08318099

HANSTEEN (GENERAL PARTNER 2) LIMITED

Report and Financial Statements

Period ended 31 December 2013

14-4-14-97

REPORT AND FINANCIAL STATEMENTS 2013

CONTENTS

REPORT AND FINANCIAL STATEMENTS 2013

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Jones (appointed 4 December 2012)
I Watson (appointed 4 December 2012)
R P Lowes (appointed 4 December 2012)
J Havery (appointed 4 December 2012)
J A McDonald (appointed 4 December 2012)

SECRETARY

S M Hornbuckle (appointed 4 December 2012)

REGISTERED OFFICE

6th Floor,
Clarendon House,
12 Clifford Street,
London W1S 2LL

BANKERS

NatWest
The Royal Bank of Scotland Group
Grey Street Branch
87 Grey Street
Newcastle upon Tyne NE1 6ES

SOLICITORS

Jones Day
21 Tudor Street
London EC4Y 0DJ

AUDITOR

Deloitte LLP
Reading

DIRECTORS' REPORT

The directors present their first report and the audited financial statements of the Company for the period from 4 December 2012 to 31 December 2013

The Company has taken advantage of the small company exemption not to prepare a detailed business review or present a strategic report

PRINCIPAL ACTIVITY

The Company is the General Partner in the Hansteen UK Industrial Property II Limited Partnership, which is registered as a UK limited partnership under the Limited Partnership Act 1907 It was incorporated on the 4 December 2012 On the same date 1 Ordinary share of £1 was issued at par

RESULTS AND DIVIDENDS

The profit after taxation for the period 4 December 2012 to 31 December 2013 amounted to £1,112 The directors do not propose the payment of a dividend

FUTURE PROSPECTS

The directors consider the results for the period 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

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 exposes the Group to a number of risks including falls in the value of the Group's 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

- Over-borrowing by the Group, insufficient credit facilities, significant interest rate increases or facility covenant breaches could represent a significant risk to the Group In response to these risks Hansteen maintains a prudent approach to its borrowing levels by seeking to maintain headroom within its debt facilities The Board actively monitors current debt and equity levels as well as considering the future levels of debt and equity required to sustain the business Loan covenants are monitored and compliance certificates are prepared on a regular basis For all money borrowed consideration is given to procuring the appropriate hedging instruments to protect against increases in interest rates

DIRECTORS' REPORT

DIRECTORS

The directors who served throughout the period and to the date of this report, unless specified, were as follows

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

GOING CONCERN

The Company's business activities and principal risks and uncertainties are detailed above

Having considered these risks and the current uncertain economic environment, the Directors have a reasonable expectation that the Company has adequate resources 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

Liquidity is managed at Group level using long-term group banking facilities The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report of the Hansteen Holdings PLC report and accounts for the year ended 31 December 2013, along with the principal risks and uncertainties that affect the Group

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 were appointed as auditor during the period and have expressed their willingness to continue in office as auditor

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

S M Hornbuckle
Secretary
31 March 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HANSTEEN (GENERAL PARTNER 2) LIMITED

We have audited the financial statements of Hansteen (Genereal Partner 2) Limited for the year ended 31 December 2013 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 15 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 Statement of directors' responsibilities, 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 2013 and of its profit 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 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
- The directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Directors' Report

Darren Longley FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom
31 March 2014

INCOME STATEMENT
For the period ended 31 December 2013

	Note	Period 4 December 2012 to 31 December 2013 £
Continuing operations		
Other operating income – share of partnership profits		1,088
Operating profit	5	1,088
Income distribution from associate		24
Profit before tax		1,112
Tax	6	-
Profit for the period from continuing operations		**1,112**

STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 December 2013

	Period 4 December 2012 to 31 December 2013 £
Profit for the period	1,112
Total comprehensive income for the period	1,112

BALANCE SHEET
31 December 2013

	Note	31 December 2013 £
Non-current assets		
Investment in associate	7	436
Current assets		
Trade and other receivables	8	268
Cash and cash equivalents	9	1,845
		2,113
Total assets		2,549
Current liabilities		
Trade and other payables	10	(1,436)
Net current assets		677
Net assets		1,113
Equity		
Share capital	11	1
Retained earnings		1,112
Total equity		1,113

The financial statements of Hansteen (General Partner 2) Limited, registered number 08318099, were approved by the Board of Directors and authorised for issue on 31 March 2014

Signed on behalf of the Board of Directors

R P Lowes
Director

STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2013

	Share capital £	Retained earnings £	Total £
Share issued on incorporation	1	-	1
Profit for the period	-	1,112	1,112
Balance at 31 December 2013	**1**	**1,112**	**1,113**

CASH FLOW STATEMENT
For the period ended 31 December 2013

	Note	Period 4 December 2012 to 31 December 2013 £
Net cash inflow from operating activities	12	2,281
Investing activities		
Investment in associate		(436)
Net cash used in investing activities		1,845
Net increase in cash and cash equivalents		1,845
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		1,845

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

1 General information

Hansteen (General Partner 2) Limited is a company which was incorporated in the United Kingdom under the Companies Act 2006 on 4 December 2012 The address of the registered office is given on page 1

The Company is the General Partner in the Hansteen UK Industrial Property II Limited Partnership, which is registered as a UK limited partnership under the Limited Partnership Act 1907

The financial statements are presented in pounds sterling because that is the currency of the country in which the Company is registered and incorporated

2. Adoption of new and revised standards

The following new and revised Standards and Interpretations have been adopted in the current period Their adoption has not had any significant impact on the amounts reported in these financial statements

• Annual Improvements to IFRSs 2009-2011 Cycle (May 2012)	• Annual Improvements to IFRSs 2009-2011 Cycle
• Amendments to IFRS 1 (March 2012)	• Government Loans
• Amendments to IFRS 7 (Dec 2011)	• Disclosures – Offsetting Financial Assets and Financial Liabilities
• IAS 19 (revised June 2011)	• Employee Benefits
• IFRS 13	• Fair Value Measurement
• IFRIC 20	• Stripping Costs in the Production Phase of a Surface Mine

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

• Amendments to IAS 39 (Jun 2013)	• Novation of Derivatives and Continuation of Hedge Accounting
• Amendments to IAS 36 (May 2013)	• Recoverable Amount Disclosures for Non-Financial Assets
• Amendments to IFRS 10, IFRS 12 and IAS 27 (Oct 2012)	• Investment Entities
• Amendments to IAS 32 (Dec 2011)	• Offsetting Financial Assets and Financial Liabilities
• IFRS 9	• Financial Instruments
• IFRS 12	• Disclosure of Interests in Other Entities
• IFRS 11	• Joint Arrangements
• IFRS 10	• Consolidated Financial Statements
• IAS 28 (revised May 2011)	• Investments in Associates and Joint Ventures
• IAS 27 (revised May 2011)	• Separate Financial Statements
• IFRIC 21	• Levies

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
For the period ended 31 December 2013

3 Significant accountıng polıcies

Basıs of accountıng. The financıal statements have been prepared on a goıng concern basıs and ın accordance wıth Internatıonal Fınancıal Reportıng Standards ('IFRSs') adopted by the European Unıon and therefore the financıal statements comply wıth Artıcle 4 of the EU IAS Regulatıon

The financıal statements have been prepared on the hıstorıcal cost basıs

The preparatıon of financıal statements ın conformıty wıth generally accepted accountıng prıncıples requıres the use of estımates and assumptıons that affect the reported amounts of assets and lıabılıtıes at the date of the financıal statements and the reported amounts of revenues and expenses durıng the reportıng perıod Although these estımates are based on management's best knowledge of the amount, event or actıons, actual results ultımately may dıffer from those estımates

Goıng concern. The Company's busıness actıvıtıes and prıncıpal rısks and uncertaıntıes are detaıled ın the Dırectors' Report, above

Havıng consıdered these rısks and the current uncertaın economıc envıronment, the Dırectors have a reasonable expectatıon that the Company has adequate resources to contınue ın operatıonal exıstence for the foreseeable future Thus they contınue to adopt the goıng concern basıs ın preparıng the annual report and financıal statements

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

The tax currently payable ıs based on taxable profit for the perıod Taxable profit dıffers from net profit as reported ın the ıncome statement because ıt excludes ıtems of ıncome or expense that are taxable or deductıble ın other years and ıt further excludes ıtems that are never taxable or deductıble The Company's lıabılıty for current tax ıs calculated usıng tax rates that have been enacted or substantıvely enacted by the balance sheet date

Deferred tax ıs the tax expected to be payable or recoverable on dıfferences between the carryıng amounts of assets and lıabılıtıes ın the financıal statements and the correspondıng tax bases used ın the computatıon of taxable profit, and ıs accounted for usıng the balance sheet lıabılıty method Deferred tax lıabılıtıes are generally recognısed for all taxable temporary dıfferences and deferred tax assets are recognısed to the extent that ıt ıs probable that taxable profits wıll be avaılable agaınst whıch deductıble temporary dıfferences can be utılısed Deferred tax ıs measured on a non-dıscounted basıs

Deferred tax ıs calculated at the tax rates that are expected to apply ın the perıod when the lıabılıty ıs settled or the asset ıs realısed Deferred tax ıs charged or credıted ın the ıncome statement, except when ıt relates to ıtems charged or credıted dırectly to equıty, ın whıch case the deferred tax ıs also dealt wıth ın equıty

Deferred tax assets and lıabılıtıes are offset when there ıs a legally enforceable rıght to set off current tax assets agaınst current tax lıabılıtıes and when they relate to ıncome taxes levıed by the same taxatıon authorıty and the Company ıntends to settle ıts current tax assets and lıabılıtıes on a net basıs

Investments. Investments are stated at cost less provısıons for ımpaırment

Financial instruments

Fınancıal assets and financıal lıabılıtıes are recognısed ın the Company's balance sheet when the Company becomes a party to the contractual provısıons of the ınstrument

Fınancial assets All financıal assets are recognısed and derecognısed on a trade date where the purchase or sale of an ınvestment ıs under a contract whose terms requıre delıvery of the ınvestment wıthın the tımeframe establıshed by the market concerned, and are ınıtıally measured at faır value, plus transactıon costs, except for those financıal assets classıfied as at faır value through profit or loss, whıch are ınıtıally measured at faır value

Fınancıal assets are classıfied ınto the followıng specıfied categorıes financıal assets 'at faır value through profit or loss' (FVTPL), 'held-to-maturıty' ınvestments, 'avaılable-for-sale' (AFS) financıal assets and 'loans and receıvables' The classıficatıon depends on the nature and purpose of the financıal assets and ıs determıned at the tıme of ınıtıal recognıtıon

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

3. **Significant accounting policies** continued

Financial instruments continued

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

3 Significant accounting policies continued

Financial instruments continued

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

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 only key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date used in preparing these accounts is

Property valuations in Hansteen UK Industrial Property II Limited Partnership 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

5. Administrative expenses

Audit fees of £3,962 have been borne by Hansteen UK Industrial Property II Limited Partnership in the current financial period

Directors' emoluments of £2,929,726 were paid by a fellow subsidiary undertaking, Hansteen Limited, during the current financial period It is not practicable to allocate these emoluments between their services as executives of Hansteen Limited and their services as directors of the Company in the current period

The Company had no employees during the current financial period

6. Tax

	Period 4 December 2012 to 31 December 2013 £
Corporation tax:	
Tax on profit on ordinary activities	-
The tax charge for the period can be reconciled to the profit in the income statement as follows	
Profit on ordinary activities before taxation	1,112
Tax on profit on ordinary activities at standard UK corporation tax rate of 23 3%	(259)
Effect of	
Group relief	259
Total current tax charge	-

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

7 Investment in associates

	31 December 2013
	£
Investments in partnership	436

The investment represents 0 001% of the total Partners' equity of Hansteen UK Industrial Property II Limited Partnership The General Partner made a capital contribution to Hansteen UK Industrial Property II Limited Partnership of £436 in the period to maintain its 0 001% equity stake

The Hansteen UK Industrial Property II Limited Partnership is a limited partnership established under the Limited Partnership Act 1907 for the purposes of acquiring, developing, refurbishing, managing, letting and holding industrial property in the UK for investment purposes

In accordance with The Partnerships and Unlimited Companies (Accounts) Regulations 1993 a copy of the accounts of the Hansteen UK Industrial Property II Limited Partnership is attached to these accounts

8. Trade and other receivables

	31 December 2013
	£
Amounts owed by related parties	268

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

9 Cash and cash equivalents

	31 December 2013
	£
Cash and cash equivalents	1,845

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

10 Trade and other payables

	31 December 2013
	£
Amounts owed to related parties	1,436

11. Share capital

	31 December 2013
	£
Allotted, called up and fully paid:	
1 Ordinary share of £1	1

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

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

12. Notes to the cash flow statement

	Period 4 December 2012 to 31 December 2013 £
Profit for the period	1,112
Adjust for movements in working capital	
Increase in receivables	(268)
Increase in payables	1,437
Cash generated by operations	2,281
Net cash inflow from operating activities	2,281

13. Ultimate parent and controlling undertaking

The Company is a wholly owned subsidiary of 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 financial statements of Hansteen Holdings PLC are publicly available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ

14 Related party transactions

The Company is the General Partner of Hansteen UK Industrial Property II Limited Partnership in which it has a 0 001% equity interest

At 31 December 2013 the Company was owed £17 by Hansteen UK Industrial Property II Limited Partnership in respect of unpaid distributions and £250 in respect of the unpaid GP share Both of these amounts are included within trade and other receivables balance The Company owed Hansteen Holdings £1,000 in respect of an intercompany loan The Company also owed Hansteen UK Industrial Property II Limited Partnership £436 in respect of The Company's investment in the Limited Partner Both these amounts are included within the trade and other payables balance

15. Financial instruments

Capital risk management

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 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
For the period ended 31 December 2013

15. 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

	2013 Carrying value £	2013 Fair value £
Other financial assets		
Trade and other receivables	268	268
Cash and cash deposits	1,845	1,845
	2,113	2,113

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 analyses exposures by degree and magnitude of risks These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk 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, and
- forward foreign exchange contracts to hedge the exchange rate risk arising on translation of the Group's investment in foreign operations which have the Euro as their functional currency

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 £2,113 which relates solely to amounts owed by related parties and cash and cash equivalents As at 31 December 2013 the amounts due from Hansteen UK Industrial Property II Limited Partnership amounted to £267

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

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013
15 Financial instruments continued

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 expected maturity for its non-derivative financial assets The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period The table includes both interest and principal cash flows

					2013 Maturity
	Less than one year	**One to two years**	**Two to five years**	**More than five years**	**Total**
	£	**£**	**£**	**£**	**£**
Non-interest bearing	2,113	-	-	-	2,113

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Partnership Registration No LP015333

HANSTEEN UK INDUSTRIAL PROPERTY II LIMITED PARTNERSHIP

Report and Financial Statements

Period ended 31 December 2013

HANSTEEN UK INDUSTRIAL PROPERTY II LIMITED PARTNERSHIP

REPORT AND FINANCIAL STATEMENTS 2013
CONTENTS

MANAGEMENT AND ADMINISTRATION

GENERAL PARTNER 2

Hansteen (General Partner 2) Limited
6th Floor
Clarendon House
12 Clifford Street
London W1S 2LL

MANAGER

Hansteen Limited
6th Floor
Clarendon House
12 Clifford Street
London W1S 2LL

OPERATOR

Mourant Fund Services (UK) Limited
1st Floor
Phoenix House
18 King William Street
London EC4N 7BP

REGISTERED OFFICE

6th Floor
Clarendon House
12 Clifford Street
London W1S 2LL

BANKERS

NatWest
The Royal Bank of Scotland Group
Grey Street Branch
87 Grey Street
Newcastle upon Tyne NE99 1PY

Barclays Bank PLC
London Corporate Banking
Pall Mall
1 Churchill Place
London E14 5HP

SOLICITORS

Jones Day
21 Tudor Street
London EC4Y 0DJ

Mourant Ozannes
22 Grenville Street
St Helier
Jersey JE4 8PX

AUDITORS

Deloitte LLP
Reading
United Kingdom

PROPERTY VALUERS

Jones Lang LaSalle
22 Hannover Square
London W1S 1JA

DTZ Limited
48 Warwick Street
London W1B 5NL

Knight Frank LLP
No 1 Marsden Street,
Manchester M2 1HW

STRATEGIC REPORT AND GENERAL PARTNER'S REPORT continued

STRATEGIC REPORT

OUR BUSINESS

The Hansteen UK Industrial Property II Limited Partnership is a Limited Partnership established for the purposes of acquiring, developing, refurbishing, managing, letting and holding industrial property in the UK for investment purposes

The Partnership was incorporated on 7 December 2012 as a UK limited partnership under the Limited Partnership Act 1907 The Partnership agreement is between the General Partner, being Hansteen (General Partner 2) Limited who has a 0 001% interest, and its Limited Partner, Hansteen UK Industrial Property Unit Trust II who has an interest of 99 999%

Distributions are available to the Partners on a quarterly basis

The Partnership shall continue in full force and effect until the initial termination date as set out in the Limited Partnership Deed dated 17 December 2012 The initial termination date is 30 June 2018 subject to clause 11 of the Limited Partnership Deed

RESULTS

The profit after taxation before partners' remuneration and profit share for the period from 17 December 2012 to 31 December 2013 amounted to £5 860,924

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 Partnership are listed below on page 2 and 3 in the General Partner s report, which forms part of this Strategic report

GENERAL PARTNER'S REPORT

The General Partner presents their first report and the audited financial statements of the Limited Partnership for the period from 7 December 2012 to 31 December 2013

RESULTS AND FUTURE PROSPECTS

The General Partner considers the results for the year and the future prospects of the Partnership to be satisfactory

DISTRIBUTIONS

The distribution to partners amounted to £2,379,597

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 exposes 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 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

GENERAL PARTNER'S REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- By investing in property in mainland Europe the Group is exposed to a foreign currency exchange rate risk In response to this risk the Group's borrowings in Europe are in Euro denominated loan facilities and therefore, to the extent that investments are financed by debt, a self hedging mechanism is in place In relation to the equity element of the Group's Euro investments the Board monitors the level of exposure on a regular basis and considers the level and timing of when to take out the appropriate hedging instruments to cover this exposure There is also a risk that one or more of the countries that the Group operates in leaves the Euro which may affect the nature of the Group's loans and derivatives or introduce new volatility and currency exposures for the Group to manage

GOING CONCERN

The Limited Partnership's business activities and principal risks and uncertainties are detailed above

Having considered these risks and the current uncertain economic environment, the Partners have a reasonable expectation that the Limited Partnership has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis in preparing the report and consolidated financial statements

AUDITORS

So far as the Partners 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 were appointed as auditors during the period and have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

On behalf of the Partnership

Hansteen (General Partner 2) Limited

S M Hornbuckle
Secretary

Hansteen (General Partner 2) Limited

31 March 2014

STATEMENT OF MEMBERS' RESPONSIBILITIES

The members of the Limited Partnership are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the members of the Limited Partnership to prepare financial statements for each financial year Under that law the members of the Limited Partnership 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 members of the Limited Partnership 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 Limited Partnership for that period In preparing these financial statements, International Accounting Standard 1 requires that members of the Limited Partnership

- 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 members of the Limited Partnership are responsible for keeping adequate accounting records that are sufficient to show and explain the Limited Partnership'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 UK INDUSTRIAL PROPERTY II LIMITED PARTNERSHIP

We have audited the financial statements of Hansteen UK Industrial Property II Limited Partnership for the period ended 31 December 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and partnership balance sheet, the consolidated and partnership statement of changes in equity, the consolidated and partnership cash flow statement and the related notes 1 to 22 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 Limited Partnership'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 Limited Partnership'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 Limited Partnership and the Limited Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of members and auditor

As explained more fully in the Statement of Member's Responsibilities, the members 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 Limited Partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the members, 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 Limited Partnership's affairs as at 31 December 2013 and of its consolidated profit for the period 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 General Partner's Report for the financial period 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 members' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Darren Longley FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom
31 March 2014

CONSOLIDATED INCOME STATEMENT
For the period ended 31 December 2013

	Note	Period 7 December 2012 to 31 December 2013 £
Continuing operations		
Revenue	5	4,792,480
Cost of sales		(646,573)
Gross profit		4,145,907
Administrative expenses		(772,779)
Other operating income	6	180,527
Operating profit before gains on investment properties and derivatives		3,553,655
Profit on sale of investment properties	7	213,995
Gains on investment properties	7	3,304,269
Gains on derivatives	15	28,077
Operating profit	6	7,099,996
Finance income		1,531
Finance costs		(1,240,603)
Net finance costs	8	(1,239,072)
Profit before tax		5,860,924
Tax charge	9	-
Profit for the period from continuing operations		5,860,924

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 December 2013

	Period 7 December 2012 to 31 December 2013 £
Profit for the period	5,860,924
Total comprehensive income for the period	5,860,924

BALANCE SHEETS
As at 31 December 2013

	Note	Group 31 December 2013 £	Partnership 31 December 2013 £
Non-current assets			
Investment property	10	76,136,623	76,136,623
Derivative financial instruments	15	20,696	20,696
	11	-	2
		76,157,319	76,157,321
Current assets			
Trade and other receivables	12	3,939,740	3,939,740
Cash and cash equivalents	13	3,222,550	3,222,550
Assets held for Sale	10	667,850	667,850
		7,830,140	7,830,140
Total assets		83,987,459	83,987,461
Current liabilities			
Trade and other payables	14	(4,457,508)	(4,457,510)
Current Loans	16	(1,750,000)	(1,750,000)
		(6,207,508)	(6,207,510)
Net current assets		1,622,632	1,622,630
Bank loans	16	(31,352,500)	(31,352,500)
Bank loan fees	16	644,312	644,312
Total liabilities		(36,915,696)	(36,915,698)
Net assets		47,071,763	47,071,763
Equity			
Capital accounts	17	872	872
Loan accounts	17	43,589,564	43,589,564
Retained earnings		3,481,327	3,481,327
PARTNERS' FUNDS		47,071,763	47,071,763

As required by the Partnerships and Unlimited Companies (Accounts) Regulations 1993, these accounts have been prepared according to the applicable provisions of the Companies Act 2006

The financial statements of Hansteen UK Industrial Property II Limited Partnership, registered number LP015333, were approved by the Board of Directors and authorised for issue on 31 March 2014 and were signed on its behalf by

J A McDonald
Director
Hansteen (General Partner 2) Limited

STATEMENTS OF CHANGES IN EQUITY
For the period ended 31 December 2013

Group and Partnership

	Partners' capital £	Partners' loans £	Retained earnings £	Total £
Balance at 7 December 2012	-	-	-	-
Profit for the period	872	43,589,564	5,860,924	49,451,360
Distributions	-	-	(2,379,597)	(2,379,597)
Balance at 31 December 2013	872	43,589,564	3,481,327	47,071,763

CASH FLOW STATEMENTS
For the period ended 31 December 2013

Group

	Note	Period 7 December 2012 to 31 December 2013 £
Net cash inflow from operating activities	18	2,558,299
Investing activities		
Interest received		1,531
Additions to investment properties		(75,826,232)
Proceeds from sale of investment properties		2,719,953
Income distributions paid		(1,259,139)
Net cash used in investing activities		(74,363,887)
Financing activities		
Issue of capital		43,590,436
New bank loans raised		32,312,880
Expenses related to bank loan		(875,178)
Net cash inflow from financing activities		75,028,138
Net increase in cash and cash equivalents		3,222,550
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		3,222,550

CASH FLOW STATEMENTS
For the period ended 31 December 2013

Partnership

	Note	Period 7 December 2012 to 31 December 2013 £
Net cash inflow from operating activities	18	2,558,299
Investing activities		
Interest received		1,531
Additions to investment properties		(75,826,232)
Proceeds from sale of investment properties		2,719,953
Income distributions paid		(1,259,139)
Net cash used in investing activities		(74,363,887)
Financing activities		
Issue of capital		43,590,436
New bank loans raised		32,312,880
Expenses related to bank loan		(875,178)
Net cash inflow from financing activities		75,028,138
Net increase in cash and cash equivalents		3,222,550
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		3,222,550

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

1 General information

Hansteen UK Industrial Property II Limited Partnership was incorporated on 7 December 2012 as a UK limited partnership under the Limited Partnership Act 1907 The address of the registered office is given on page 1

The Limited Partnership was established for the purposes of acquiring, developing, refurbishing, managing, letting and holding industrial property in the UK for investment purposes

The financial statements are presented in pounds sterling because that is the currency of the country in which the Limited Partnership is registered and incorporated

2 Adoption of new and revised standards

The following new and revised Standards and Interpretations have been adopted in the current period Their adoption has not had any significant impact on the amounts reported in these financial statements

• Annual Improvements to IFRSs 2009-2011 Cycle (May 2012)	• Annual Improvements to IFRSs 2009-2011 Cycle
• Amendments to IFRS 1 (March 2012)	• Government Loans
• Amendments to IFRS 7 (Dec 2011)	• Disclosures – Offsetting Financial Assets and Financial Liabilities
• IAS 19 (revised June 2011)	• Employee Benefits
• IFRS 13	• Fair Value Measurement
• IFRIC 20	• Stripping Costs in the Production Phase of a Surface Mine

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

• Amendments to IAS 39 (Jun 2013)	• Novation of Derivatives and Continuation of Hedge Accounting
• Amendments to IAS 36 (May 2013)	• Recoverable Amount Disclosures for Non-Financial Assets
• Amendments to IFRS 10, IFRS 12 and IAS 27 (Oct 2012)	• Investment Entities
• Amendments to IAS 32 (Dec 2011)	• Offsetting Financial Assets and Financial Liabilities
• IFRS 9	• Financial Instruments
• IFRS 12	• Disclosure of Interests in Other Entities
• IFRS 11	• Joint Arrangements
• IFRS 10	• Consolidated Financial Statements
• IAS 28 (revised May 2011)	• Investments in Associates and Joint Ventures
• IAS 27 (revised May 2011)	• Separate Financial Statements
• IFRIC 21	• Levies

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
For the period ended 31 December 2013

3. Significant accounting policies

Basis of accounting The financial statements have been prepared on a going concern basis, as detailed in the Directors Report, 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 period Although these estimates are based on management s best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates The principal accounting policies are set out below

Basis of consolidation. The consolidated financial statements incorporate the financial statements of the Limited Partnership and entities controlled by the Limited Partnership (its subsidiaries) made up to 31 December Control is achieved where the Limited Partnership has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group
All intra-group transactions, balances, income and expenses are eliminated on consolidation

Going concern The Limited Partnership's business activities and principal risks and uncertainties are detailed in the General Partners' Report

Having considered these risks and the current uncertain economic environment, the Partners have a reasonable expectation that the Limited Partnership has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis in preparing the report and consolidated financial statements

Business combinations

For business combinations completed after 1 January 2010, the following policy has been applied

The acquisition of subsidiaries is accounted for using the acquisition method The consideration for each acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree Acquisition-related costs are recognised in profit or loss as incurred The acquiree s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date except

- Deferred tax assets or liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively,
- Liabilities or equity instruments related to the replacement by the Group of an acquiree s share-based payment awards are measured in accordance with IFRS 2 *Share-based Payment*, and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete Those provisional amounts are adjusted during the measurement period, or additional assets and liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year

Non-controlling interests in the acquiree are measured at the non-controlling shareholder s proportionate share of the acquiree's identifiable net assets

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013
3 Significant accounting policies continued

Goodwill arising in a business combination is recognised as an asset and initially measured at cost, being the excess of the sum of the consideration transferred and the amount of any non-controlling interest in the acquiree over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised If the Group s interest in the net fair value of the acquiree s identifiable assets, liabilities and contingent liabilities exceeds the sum of the consideration transferred and the amount of any non-controlling interest in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain Capitalised goodwill is not amortised but is reviewed for impairment at least annually For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit An impairment loss recognised for goodwill is not reversed in a subsequent period

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 period 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 period plus any additions in the period

Leasing Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee All other leases are classified as operating leases Where a property is held under a head lease it is initially recognised as an asset as the sum of the premium paid on acquisition and the present value of minimum ground rent payments The corresponding rent liability to the head leaseholder is included in the 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 The Company does not classify those land elements that are held under operating leases as investment property

Foreign currencies The financial statements of the Limited Partnership are presented in the currency of the primary economic environment in which it operates (its functional currency)

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

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

Taxation The taxation payable on profits of the Limited Partnership is the tax liability of the partners and is not dealt with in these financial statements

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 Limited Partnership 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 period in which they arise

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013
3 Significant accounting policies continued

Financial instruments

Financial assets and financial liabilities are recognised in the Limited Partnership s balance sheet when the Limited Partnership 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 Limited Partnership manages together and has a recent actual pattern of short-term profit-taking, or
- it is a derivative that is not designated and effective as a hedging instrument

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Limited Partnership's documented risk management or investment strategy, and information about the Limited Partnership 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 Limited Partnership'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

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

3. Significant accounting policies continued

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account When a trade receivable is considered uncollectible, it is written off against the allowance account Subsequent recoveries of amounts previously written off are credited against the allowance account Changes in the carrying amount of the allowance account are recognised in profit or loss If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised

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

Derecognition of financial assets The Limited Partnership 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 Limited Partnership neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Limited Partnership recognises its retained interest in the asset and an associated liability for amounts it may have to pay If the Limited Partnership retains substantially all the risks and rewards of ownership of a transferred financial asset, the Limited Partnership continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received

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

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 Limited Partnership 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 Limited Partnership's documented risk management or investment strategy, and information about the Limited Partnership 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 Limited Partnership derecognises financial liabilities when, and only when, the Limited Partnership 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 accounts 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

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

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

5 Revenue

An analysis of the Group s revenue is as follows

	Period 7 December 2012 to 31 December 2013 £
Property rental income	4,792,480
	4,792,480
Interest on bank deposits	675
Other external interest receivable	856
Finance income	1,531
Total	4,794,011

Property rental income arises in the UK and is earned by the Group from its investment properties

6 Operating profit

Operating profit has been stated after charging

	Period 7 December 2012 to 31 December 2013 £
Auditor's remuneration for audit services	10,000
Auditor s remuneration for non-audit services	-

The Limited Partnership had no employees during the current financial period All asset management activity is undertaken by Hansteen Limited with costs being recharged as appropriate

Other operating income of £180,527 comprises insurance receipts

7 Gain on investment properties

	Period 7 December 2012 to 31 December 2013 £
Increase in fair value	3,304,269
Profit on disposal of investment properties	213,995
	3,518,264

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

8 Net finance cost

	Period 7 December 2012 to 31 December 2013 £
Interest receivable on bank deposits	675
Other	856
Finance income	1,531
Interest payable on bank loans and overdrafts	(1,203,360)
Other interest payable	(37,243)
Finance costs	(1,240,603)
Net finance costs	(1,239,072)

9 Tax charge

	Period 7 December 2012 to 31 December 2013 £
Corporation tax	
Tax on profit on ordinary activities	-
The tax charge for the period can be reconciled to the profit in the statement of comprehensive income as follows	
Profit on ordinary activities before taxation	5,860,924
Tax on profit on ordinary activities at standard UK corporation tax rate of 23 3%	(1,362,665)
Effect of	
Tax paid by the unit holders directly	1,362,665
Total current tax charge	-

The government has indicated that it intends to enact future reductions in the main corporation tax rate, down to 22% by 1 April 2014 The impact of any reductions will be taken into account at subsequent reporting dates once the change has been substantively enacted

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

10 Investment Property

Group and Partnership	**31 December 2013** **£**
Balance at 7 December 2012	-
Additions – capital expenditure	317,990
– direct property purchases	75,558,242
– corporate purchases	-
– net movement in tenant lease incentives	129,929
Increase in fair value of investment property	3,304,270
Transfer to assets held for sale	(667,850)
Disposals – property sales	(2,505,958)
Balance at 31 December 2013	76,136,623

Assets held for Sale

Group and Partnership	**31 December 2013** **£**
Balance at 7 December 2012	-
Transfer from investment property	667,850
Balance at 31 December 2013	667,850

Included within the property valuation is £129,929 in respect of tenant lease incentives granted

All investment properties are stated at market value as at 31 December 2013 and have been valued by independent professionally qualified external valuers, Jones Lang LaSalle, DTZ Limited or Knight Frank The valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2013, published by The Royal Institution of Chartered Surveyors and with IVA1 of the International Valuation Standards

Properties classified as held for sale at 31 December 2013 represent properties that were actively marketed as at the year end and have subsequently been sold, or agreements for their sale have been entered into

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 Partnership 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 actives markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3) All of the Partnership s investment property as at 31 December 2013 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 generating income in the period amounted to £646,573

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

11 Investment in subsidiary undertakings

	Group 31 December 2013 £	Partnership 31 December 2013 £
Balance at 7 December 2012	-	-
Investment in subsidiary	-	2
At 31 December	-	2

Details of all of the Limited Partnership s subsidiaries at 31 December 2013 are as follows

	Place of incorporation	Proportion of ownership interest %	Proportion of voting power held %
Hansteen Star Portfolio Nominee Limited	United Kingdom	100	100
Hansteen Star Portfolio Nominee No 2 Limited	United Kingdom	100	100

12 Trade and other receivables

Group and Partnership	31 December 2013 £
Trade receivables	1,778,854
Amounts owed by related party	436
Other receivables	1,881,137
Prepayments	51,613
Accrued income	227,700
	3,939,740

Trade receivables are shown after deducting a provision for bad and doubtful debts of £41,690 The movement in the provision during the period was recognised entirely in income

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

13 Cash and cash equivalents

Group and Partnership	31 December 2013 £
Cash and cash equivalents	3,222,550

Cash and cash equivalents comprise cash held by the Limited Partnership 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

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

14 Trade and other payables

	Group 31 December 2013 £	Partnership 31 December 2013 £
Current		
Trade payables	311,896	311,896
Other payables	775,514	775,514
Intercompany Creditors	-	2
VAT Payable	119,641	119,641
Accruals	2,018,007	2,018,007
Deferred income	1,232,450	1,232,450
	4,457,508	4,457,510

Trade creditors 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 Limited Partnership 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 Derivative financial instruments

Derivative financial instruments are included in the balance sheet as follows

Group and Partnership	**31 December 2013 £**
Financial assets and liabilities	
Balance at 7 December 2012	
Non-current assets	20,696
Balance at 31 December	20,696

The movements on derivative financial instruments are as follows

	Interest rate swap £
Fair value at 7 December 2012	-
Change in fair value included in income statement	28,077
Accrued interest	(7,381)
Fair value at 31 December 2013	20,696

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

16 Borrowings

Group and Partnership	31 December 2013
	£
Secured at amortised cost	
Bank loans	33,102,500
Unamortised borrowing costs	(644,312)
	32,458,188
Total borrowings	
Amount due for settlement within 12 months	1,750,000
Amount due for settlement after 12 months	30,708,188
Bank loans	32,458,188

Security for secured borrowings at 31 December 2013 is provided by charges on property with an aggregate carrying value of £74,916,023, drawn down for a 5 year period Interest on the amounts drawn under the loan facility is charged at LIBOR plus 3 75%

17 Capital and loan accounts

Group and Partnership	Balance at 7 December 2012	Transferred during the period	Balance at 31 December 2013
	£	£	£
General Partner			
Hansteen (General Partner 2) Limited	-	872	872
Limited Partner			
Hansteen UK Industrial Property Unit Trust II	-	43,589,564	43,589,564
	-	43,590,436	43,590,436

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

18 Notes to the cash flow statement

Group	**Period 7 December 2012 to 31 December 2013 £**
Profit for the period	5,860,924
Adjust for	
Finance income	(1,531)
Finance costs	1,240,603
Gain on investment properties	(3,648,194)
Gain on interest rate derivatives	(28,077)
Operating cash flows before movements in working capital	3,423,725
Adjust for movements in working capital	
Increase in receivables	(3,939,740)
Increase in payables	3,074,314
Cash generated by operations	2,558,299
Interest paid	-
Income taxes paid	-
Net cash inflow from operating activities	2,558,299

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

18 Notes to the cash flow statement (continued)

Partnership	**Period 7 December 2012 to 31 December 2013 £**
Profit for the period	5,860,924
Adjust for	
Investment in subsidiary	(2)
Finance income	(1,531)
Finance costs	1,240,603
Gain on investment properties	(3,648,194)
Gain on interest rate derivatives	(28,077)
Operating cash flows before movements in working capital	3,423,723
Adjust for movements in working capital	
Increase in receivables	(3,939,740)
Increase in payables	3,074,316
Cash generated by operations	2,558,299
Interest paid	-
Income taxes paid	-
Net cash inflow from operating activities	2,558,299

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

19 Operating lease arrangements

The Limited Partnership as lessor

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

Group and Partnership	31 December 2013 £
Within one year	5,742,362
In the second to fifth years inclusive	13,522,723
After five years	11,288,627
	30,553,712

20 Ultimate parent and controlling undertaking

The ultimate parent and controlling undertaking is Hansteen UK Industrial Property Unit Trust II, an unregulated fund established in Jersey The largest group in which the results of the Limited Partnership are consolidated is that headed by Hansteen UK Industrial Property Unit Trust As the Hansteen UK Industrial Property Unit Trust II is unregulated, copies of the financial statements into which the Limited Partnership results are consolidated are not publically available, thus the financial statements for the Limited Partnership are consolidated

21 Related party transactions

The Limited Partnership is a subsidiary of Hansteen UK Industrial Property Unit Trust II 33 33% of Hansteen UK Industrial Property Unit Trust II is owned by Hansteen LP No 2 Limited, which is a wholly owned subsidiary of Hansteen Holdings PLC Hansteen Holdings PLC owns and controls the entire issued share capital of Hansteen Limited and Hansteen (General Partner 2) Limited Hansteen (General Partner 2) Limited owns 0 001% of Hansteen UK Industrial Property II Limited Partnership Hansteen Holdings PLC, Hansteen Limited, Hansteen LP No 2 Limited and Hansteen (General Partner 2) Limited are considered to be related parties of the Limited Partnership

In the period to 31 December 2013 Hansteen Limited provided management services to the Limited Partnership The amounts charged for the provision of the management services during the period amounted to £380,543 of which £149,624 remained outstanding at 31 December 2013 This is included in the trade and other payables balance

During the period ended 31 December 2013, the Limited Partnership incurred expenses amounting to £18,921 on behalf of Hansteen (General Partner 2) Limited These costs are not recharged to Hansteen (General Partner 2) Limited

During the period ended 31 December 2013, Hansteen (General Partner 2) Limited owed £436 in respect of their investment in the Limited Partnership This is included in the trade and other receivables balance

22 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 Partnership comprise trade and other receivables and cash and cash equivalents which are classified as other financial assets

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

Fair value of financial instruments

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

Capital risk management

Capital available to the Partnership is managed for all entities on a group basis The capital of the Partnership 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 Partnership consists of cash and cash equivalents and net assets attributable to unit holders of the parent undertaking, comprising issued units, reserves, retained earnings as disclosed in the balance sheet

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

22 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

	31 December 2013	
Group	**Carrying value £**	**Fair value £**
Financial assets		
Designated as held for trading		
Interest rate swaps	20,696	20,696
Financial assets		
Trade and other receivables	3,660,428	3,660,428
Cash and cash equivalents	3,222,550	3,222,550
	6,882,978	6,882,978
Total	6,903,674	6,903,674
Financial liabilities		
Designated as held for trading		
At amortised cost		
Secured bank loans	(33,102,500)	(33,102,500)
	(33,102,500)	(33,102,500)
Trade and other payables	(3,225,058)	(3,225,058)
Total	(36,327,558)	(36,327,558)

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

22 Financial Instruments continued

Categories of financial instruments

	31 December 2013	
Partnership	**Carrying value £**	**Fair value £**
Financial assets		
Designated as held for trading		
Interest rate swaps	20,696	20,696
Financial assets		
Trade and other receivables	3,660,428	3,660,428
Cash and cash equivalents	3,222,550	3,222,550
	6,882,978	6,882,978
Total	6,903,674	6,903,674
Financial liabilities		
Designated as held for trading		
At amortised cost		
Secured bank loans	(33,102,500)	(33,102,500)
	(33,102,500)	(33,102,500)
Trade and other payables	(3,225,060)	(3,225,060)
Total	(36,327,560)	(36,327,560)

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 analyses exposures by degree and magnitude of risks These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk 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 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, and
- forward foreign exchange contracts to hedge the exchange rate risk arising on translation of the Group's investment in foreign operations which have the Euro as their functional currency

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

22 Financial Instruments continued

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 and Company 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

Group and Partnership	**Increase/(decrease) in profit before tax 31 December 2013 £**
Increase interest rate by 1%	(265,747)
Decrease interest rate by 1%	22,602

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

Interest rate swaps and cap contracts

Under interest rate swap contracts, the Group and Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts Such contracts enable the Group and Company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held The following tables detail the notional principal amounts and remaining terms of interest rate swap and cap contracts outstanding as at the reporting date

Economic hedges to the cash flows

Group and Partnership	**Average contract fixed interest rate 31 December 2013 %**	**Notional principal amount 31 December 2013 £**	**Fair value 31 December 2013 £**
Interest rate swaps – outstanding receive floating pay fixed contracts			
In more than one year but less than two	-	-	-
In more than two years but less than five	0 986%	13,400,000	13,400,000

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

The interest rate swaps settle on a monthly basis The floating rate on the interest rate swaps is the one month LIBOR The Company settles the difference between the fixed and floating interest rate on a net basis

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

The interest rate caps settle on a monthly basis The floating rate on the interest rate caps is one month LIBOR If the floating rate exceeds the capped rate the Company receives the difference between the fixed and capped interest rate on a net basis

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

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

22 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 Limited Partnership

The Group's maximum exposure to credit risk is £6,882,978 comprising trade and other receivables, amounts due from its immediate and ultimate parent undertaking, and cash and cash equivalents The Group's principal credit risk is attributable primarily to its trade receivables of £1,778,854 and other receivables £1,881,138 The balances are low relative to both the current and net assets of the Group

Prepayments relate principally to professional fees

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

Liquidity risk management

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

Group	Weighted average effective interest rate	Less than one year	One to two years	Two to five years	More than five years	31 December 2013 Maturity Total
	%	£	£	£	£	£
Non-interest bearing	-	3,225,058	-	-	-	3,225,058
Variable rate debt instruments	4 462	3,091,642	1,341,642	34,109,300	-	38,542,584
		6,316,700	1,341,642	34,109,300	-	41,767,642

Partnership	Weighted average effective interest rate	Less than one year	One to two years	Two to five years	More than five years	31 December 2013 Maturity Total
	%	£	£	£	£	£
Non-interest bearing	-	3,225,060	-	-	-	3,225,060
Variable rate debt instruments	4 462	3,091,642	1,341,642	34,109,300	-	38,542,584
		6,316,702	1,341,642	34,109,300	-	41,767,644

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2013

22 Financial Instruments continued

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

Group and Partnership	Less than one year £	One to two years £	Two to five years £	More than five years £	31 December 2013 Maturity Total £
Non-interest bearing	3,660,428	-	-	-	3,660,428
Variable interest rate instruments	3,222,550	-	-	-	3,222,550
	6,882,978	-	-	-	6,882,978

The following table details the Company s liquidity analysis for its derivative financial instruments The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the interest rates as at the reporting date

Group and Partnership	Less than one year £	One to two years £	Two to five years £	More than five years £	31 December 2013 Maturity Total £
Net settled					
Interest rate swaps	(132,160)	(132,160)	(45,107)	-	(309,427)

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

Description of Financial Instrument	Fair value measurement of derivative at 31 December 2013	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Interest rate swaps	28,077	-	28,077	-