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PRESS RELEASE

CLS HOLDINGS PLC
("CLS", THE "COMPANY" OR THE "GROUP") ANNOUNCES ITS FULL YEAR FINANCIAL REPORT FOR THE 12 MONTHS TO 31 DECEMBER 2015

ANOTHER SUCCESSFUL YEAR

CLS is a FTSE 250 property investment company with a £1.5bn portfolio in the UK, Germany, France and Sweden offering geographical diversification with local presence and knowledge.

FINANCIAL HIGHLIGHTS

- EPRA net assets per share: up 17.4% to 2,083.2 pence (2014: 1,774.1 pence)
- Net assets per share: up 19.0% % to 1,810.1 pence (2014: 1,521.1 pence)
- EPRA earnings per share: up 9.5% to 84.7 pence (2014: 77.4 pence)
- Profit after tax: down to £132.1 million (2014: £194.8 million) due to higher property valuation increases in the prior year (2014: £154.3 million vs. 2015: £98.0 million)
- Increase in distributions to shareholders of 20% to £19.1 million for the full year with a proposed £13.4 million tender buy-back of 1 in 57 at 1,810p per share

OPERATIONAL HIGHLIGHTS

Investment Property Portfolio:
- Vacancy rate remains low at 3.1% (2014: 3.0%).
- 6 properties acquired for £57.8 million at an average net initial yield of 7.3%
- 8 properties sold for £34.8 million at an average net initial yield of 2.8%
- Since year end 2 further properties acquired for £6.1 million and 3 sold for £68.0 million

Developments:
- Obtained enhanced planning consent on Westminster Tower, SE1 and Spring Mews, SE11, progressed strategic plans for Vauxhall Square, and begun works on site at 4 significant refurbishments

Financing:
- Weighted average cost of debt lowered a further 24 bps to 3.40% (31 December 2014: 3.64%)
- Interest cover remains comfortable at 3.2 times (2014: 3.3 times)
- 10 new loans or refinancings completed with a value of £295.7 million and at an average all-in annual rate of 2.53%
- Repositioned the loan portfolio to 51% at fixed rates (2014: 32%)

Governance:
- Henry Klotz to become Chairman; Sten Mortstedt to remain as Executive Director, Anna Seeley appointed Non-Executive Vice Chairman

Sten Mortstedt, Executive Chairman of CLS, commented:

"This has been a successful year for the Group with low borrowing costs and vacancy levels, solid tenant demand and continued revaluation uplifts to produce record EPRA earnings per share and net asset value.

"The strength of the portfolio and the management team give me great comfort that now is the right time to hand over the Chairmanship and I will continue to play my part in the future success of CLS as an Executive Director and major shareholder."

-ENDS-

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CLS will be presenting to analysts at 8.30am on Tuesday, 8 March 2016, at Smithfield Consultants, 10 Aldersgate Street, London, EC1A 4HJ.

Conference call dial in numbers as follows:

Participant telephone number	+44 (0)20 3427 1912
Confirmation code	2865420

Please dial in at least 5 minutes prior to the start of the meeting and quote the above confirmation code when prompted.

CHAIRMAN'S STATEMENT

OVERVIEW

The Group has had another successful year, and has delivered a record EPRA net asset value of 2,083.2 pence (2014: 1,774.1 pence) and a record EPRA earnings per share of 84.7 pence (2014: 77.4 pence). Our property portfolio of £1.46 billion benefited from a revaluation uplift of 7.7%, and we have maintained low vacancy levels, reduced further our cost of debt and increased by 20% our distributions to shareholders.

Across the UK and in Germany we made opportunistic acquisitions and selective disposals to refine and improve our investment property portfolio, we fully let two London developments which had reached practical completion twelve months ago, and we gained enhanced planning consents for two other important development schemes in London. We also entered into ten new bank loans raising around £300 million at an average all-in cost of 2.54%, reducing our Group cost of debt to its lowest ever, and we maintained a low vacancy rate across the Group at 3.1% through our active in-house asset management.

During the year we acquired investments in Germany and the UK at an aggregate cost of £57.8 million, generating a net initial yield of 7.3%. We also took the opportunity to dispose of six small properties around the UK and one in Germany, each of which had limited potential for growth, and we completed the disposal of the student site at Vauxhall Square for £24.8 million.

The UK investment market remained resilient in 2015. In London and the south east, the volume of investment transactions was 25% higher than before the financial crisis in 2008, and 50% of acquisitions were made by institutions, with increasing interest beyond the traditional West End and City locations. In Germany and France the markets were characterised by low interest rates, a low level of new completions and improvement in occupier demand. Germany continued to offer the more attractive opportunities.

The Group places a strong emphasis on cash generation. Our portfolio produces a net initial yield of 5.9% and is financed by debt with a weighted average cost of 3.4%. In 2015 our Group revenue rose 19.4% to £118.9 million (2014: £99.6 million), including the effect of a full year's income from First Camp which became a subsidiary at the end of 2014. Our net cash flow from operating activities rose to £48.9 million (2014: £34.5 million) while EPRA earnings per share rose by 9.5% to 84.7 pence (2014: 77.4 pence).

On the strength of the Group's cash flow, the Board has decided to rebase distributions to shareholders, increasing total distributions for the year by 20% over those of 2014.

PROPERTY PORTFOLIO

The increase in EPRA net assets per share was driven by a rise in values across all of our regions, notably in the UK and Germany. The Group's property portfolio, including assets held for sale and the Spring Mews hotel, grew by £127.6 million or 9.6% over the period to £1.46 billion, due predominantly to a revaluation uplift of £106.6 million.

At the year end the contracted rent roll was £89.0 million (2014: £87.5 million), of which 70% came from governments and major corporations and 50% was index-linked.

Our development schemes in Vauxhall have progressed significantly. At Vauxhall Square, we completed the sale of the car park in Miles Street, SW8, which had planning consent for a 454 bed, 30 storey student tower, to Urbanest, the specialist developer and operator of student accommodation; this provided £24.8 million towards financing the rest of the scheme, whilst reducing our development risk and our exposure to further student housing in the Vauxhall area. We agreed final terms with Cap Gemini to gain vacant possession of the main site by the end of 2016. In February 2016, we gained an amendment to the overall planning consent, replacing a four-star hotel with 10,088 sqm (108,586 sq ft) of Grade A offices, increasing the office element of the entire scheme to 23,700 sqm (255,000 sq ft).

At Westminster Tower on Albert Embankment, SE1, we gained an enhancement to the existing planning consent, increasing the number of private apartments by five to 28, and on a site adjacent to Spring Mews, SE11, we gained consent to add three further storeys to the planned four and to change the use to include offices.

During the year, we acquired properties in London and Germany at an aggregate cost of £57.8 million, comprising principally: Tangentis, a fully-let, 14,867 sqm (160,000 sq ft), high quality office building close to Munich, for €24.4 million; the 9,610 sqm (103,400 sq ft) Reflex building in Bracknell, which is the European headquarters of Honda Motors, for £21.7 million; Chancery House, Sutton, an eight-storey, 5,132 sqm (55,240 sq ft) centrally-located office building for £10.2 million; One Elmfield Park, Bromley for £4.5 million, a 2,238 sqm (24,100 sq ft) office building which will be subject to a significant refurbishment in the summer; and two town houses on Wandsworth Road, adjacent to our Vauxhall Square site. £49.4 million of the acquisitions, with an average net initial yield of 7.74%, were financed at an average rate of 2.31%.

Since the year end we have acquired two buildings in Leatherhead comprising 2,613 sqm (28,122 sq ft) for £6.1 million at a net initial yield of 6.0%, with the objective to modernise them later this year.

Of the £34.8 million of disposals in the year, which were sold at a weighted average net initial yield of 2.8%, £24.8 million related to the non-income-producing Miles Street car park. Six high yielding smaller properties from the Rest of UK portfolio were sold in September for £7.4 million, and Unterschleissheim, Munich was sold for €3.8 million.

Since the end of the year we have disposed of three properties. After renewing most of the leases in 2015, we sold Vänerparken, Sweden for SEK 590 million, 12.6% higher than its valuation at 31 December 2015, taking advantage of the strong Swedish investment market. We have also disposed of our only investment in Luxembourg at 16 Rue Eugene Ruppert, for €10.2 million, marginally ahead of the 2015 valuation for this empty property, and we have exchanged contracts to sell Atholl House, Aberdeen for £11.0 million.

RESULTS

EPRA net assets per share rose by 17.4% to 2,083.2 pence (2014: 1,774.1 pence), and net assets per share by 19.0% to 1,810.1 pence (2014: 1,521.1 pence). Profit after tax was £129.9 million (2014: £194.9 million) and shareholders' funds rose by 16.8% to £762.8 million, after distributions to shareholders of £16.1 million. The balance sheet is strong, with cash and liquid resources of £173.3 million.

Recurring interest cover remained robust at 3.2 times (2014: 3.3 times), as the Group continued to enjoy a very low weighted average cost of debt of just 3.40% (2014: 3.64%). At 31 December 2015 the weighted average loan to value of our secured debt was 50.0% (2014: 49.7%).

FINANCING

The Group continues its strategy of having a wide variety of financing from banks and other debt providers, and of ring-fencing debt on individual properties where appropriate. During the year we secured financing for the 2014 acquisition Schellerdamm, the 2015 acquisitions of Reflex, Chancery House and Tangentis, and the newly-developed Spring Mews, and we refinanced Spring Gardens, Apex Tower, Great West House, Westminster Tower, Vänerparken and Bochum. In aggregate, £294.0 million was financed at a weighted average rate of 2.54%. Diversity of financing is important to reduce risk and we enjoy active lending relationships with 26 debt providers. We have taken advantage of the fall in medium-term interest swap rates in the year by increasing the proportion of loans at fixed rate to 51% (2014: 32%), with a further 20.7% protected against rising rates through interest rate caps, and 27.9% of our debt remains unhedged.

The Group's corporate bond portfolio has continued to play a valuable part in our cash management strategy. The portfolio outperformed the bond market during the year, delivering a total return of £3.4 million, or 5.0% on invested capital. At the year end the portfolio consisted of 27 bonds valued at £73.4 million with a running yield of 8.3% on market value, and a weighted average duration of 14.9 years.

SUSTAINABILITY

During the past twelve months we have met our objective to continue to improve the quality of our portfolio through carbon reduction programmes, investments in renewable technology and social engagement within the communities in which we invest. We achieved a 7.7% reduction in carbon emissions in our managed buildings, and our Energy Performance Certificate score improved further.

We installed three more solar photovoltaic arrays and a combine & heat power plant, and we now generate 2.7% of electricity consumed by our managed portfolio. In addition, our staff supported more community events than ever before. More details of these initiatives are set out in the Corporate Social Responsibility Report on page 30 of the 2015 Annual Report and Accounts.

DISTRIBUTIONS TO SHAREHOLDERS

In 2015, the Group distributed through tender offer buy-backs £10.4 million in April, equivalent to 24.4 pence per share, and £5.7 million in September, equivalent to 13.5 pence per share. The Board is proposing to increase the distribution with a tender offer buy-back of 1 in 57 shares at 1,810 pence per share in April 2016, to distribute £13.4 million to shareholders, equivalent to 31.8 pence per share. This will bring total distributions for the year to £19.1 million, an annual increase of 20.0% and corresponding to an implied yield of 3.1%, based on the market capitalisation of the Company at 1 March 2016. A circular setting out the details will be sent to shareholders with the Annual Report and Accounts.

BOARD CHANGES

During the year Jennica Mortstedt stepped down as a non-executive director and was replaced by Philip Mortstedt, and I wish to record our thanks for Jennica's contribution. In addition, my daughter Anna Seeley joined the Board as a non-executive director. Effective today, Henry Klotz becomes Executive Chairman of CLS, and Anna Seeley becomes Non-Executive Vice Chairman. I remain on the Board as an executive director.

On a personal note, this is the twenty-second and final statement that I have the privilege to write as Chairman of CLS. It is with confidence that I now hand over the helm as Executive Chairman to Henry Klotz who, in different positions within the Group, has played a key role in our success over the last 16 years. I look forward to the future with confidence and remain fully committed to CLS, both as a shareholder and as an executive director.

When looking back to my first statement in 1994, when our property portfolio was merely one-fifth of its current value and the net assets barely 17% of what they are today, I am pleased with what we have so far achieved. During the past 22 years our total shareholder return has been 2,052%, during which time the FTSE All Share index and the FTSE Real Estate index have returned 373% and 353%, respectively. The journey however, is far from over and the outlook for future growth is bright.

OUTLOOK

During the recent period of turbulence in the financial markets our strategy, to invest in attractive, high-yielding office properties in secondary areas of major cities, has continued to serve the Group well. Benefiting from record low borrowing costs and vacancy levels, solid tenant demand and continued revaluation uplifts of our property portfolio, we have achieved record profits and property values.

The forthcoming "Brexit" referendum may cause some temporary political and economic uncertainty in the UK, but beyond this we expect the UK economy to continue to grow. In addition, the commercial property market, particularly outside of the West End and City of London, should perform well in 2016, reflecting an excess of tenant demand over commercial office supply.

The economy in the Eurozone continues gradually to recover and we believe our overseas assets will continue to benefit from record low interest rates and a pick-up in occupier demand.

With our proven and successful business model, a strong balance sheet, ample liquid resources and our highly skilled and committed staff, the Group is well positioned to continue to deliver value to our shareholders and to benefit from the challenges and opportunities which lie ahead.

Sten Mortstedt
Executive Chairman
8 March 2016

BUSINESS REVIEW

The main activity of the Group is the investment in commercial real estate across five European regions – London, the rest of the United Kingdom, France, Germany and Sweden – with a focus on providing well-managed, cost-effective offices for cost-conscious occupiers in key European cities.

The Group’s total property interests have increased to £1,522.3 million at 31 December 2015, comprising the wholly-owned property investment portfolio valued at £1,366.8 million and properties held for sale of £58.6 million, a hotel with a value of £26.5 million, other assets of £11.0 million, vacation sites valued at £22.5 million (the Group’s share), and a 15.5% interest in Swedish listed property company Catena AB, valued at £36.9 million.

PROPERTIES

OVERVIEW

At 31 December 2015, the directly held investment property portfolio was independently valued at £1,366.8 million (31 December 2014: £1,310.1 million). The increase of £56.7 million primarily comprised new acquisitions of £57.8 million and other capital expenditure of £17.9 million, and a £99.3 million valuation uplift; the effect of these were mitigated by disposals of £30.5 million, and £24.0 million of negative exchange rate variances, whilst three properties with a combined value of £58.6 million were transferred to properties held for sale and a landholding worth £5.2 million was transferred to property, plant and equipment. In local currencies, the portfolio rose by 7.3%, after acquisitions and development expenditure. The drivers were the London and Rest of UK portfolios, which increased in value by 8.6% and 9.5%, respectively; Germany rose by 8.2%, France by 3.3% and Sweden by 1.7%.

Of the £57.8 million spent on acquisitions in the year, £35.5 million related to three properties in London, and £18.5 million to a multi-let office complex in Munich. A car park on Miles Street, SW8 was sold with planning consent for a 30 storey tower, and six smaller properties from around the UK were disposed of, together with a smaller property in Munich. Contracted rent rose by 1.9% in the twelve months on a like-for-like basis, which was significantly affected by over-rented leases expiring in Vänerparken, Sweden, excluding which contracted rent rose by 4.7%. The annualised rent rose by 0.2%, or 3.0% excluding Vänerparken. The increase in capital values was driven by a fall in yields of 40 bps, whilst rent-free periods given in the year reduced net initial yields by a further 20 bps; consequently, the EPRA net initial yield of the overall investment property portfolio (excluding developments) at 31 December 2015 fell to 5.9% (2014: 6.5%) and the EPRA topped-up net initial yield to 6.2% (2014: 6.6%). The average rent across the Group remained very affordable at £161 per sqm (£1,732 per sq ft), and the average capital value was also low at just £2,537 per sqm (£27,304 per sq ft). This was very close to replacement cost, meaning that the land element of our investments in key European cities was minimal. This also highlights how successful the Group can be in attracting occupiers with cost-effective rents.

The bedrock of the Group’s rental income is strong, with 41% being paid by government occupiers and 29% from major corporations, and 50% of our rents are subject to indexation. The weighted average lease length at 31 December 2015 was 6.1 years, or 4.9 years to first break. The portfolio is broadly let in line with current market rents.

The overall vacancy rate remained very low at just 3.1% (2014: 3.0%), which is testament to the benefit of active in-house asset management and property management, and of maintaining strong links with our customers to ensure we understand and respond to their needs.

The benefits of the Group’s geographical diversification remain self-evident: there is good growth in the London portfolio, at a time when there are good investment opportunities and readily available debt in Germany.

The Group maintains its strong commitment to sustainability, which has benefited both occupiers and the Group. The Corporate, Social and Environmental Responsibility Statement on page 30 of the 2015 Annual Report and Accounts provides more detail.

LONDON

Market during the year:

- GDP growth for 2015 down to 2.2% (2014: 2.9%)
- PMI of business confidence for January 2016 remained above 50
- Unemployment of 5.1% is at its lowest level since 2006
- Interest rates of 0.5% with little likelihood of rising in the short term
- 2015 was a record year for property investment volumes at over £66 billion
- Office rental values in London grew by 10.3%
- Capital growth rate in London was 14.9%, with Mid-Town the highest at 19.5%

Outlook:

The UK's membership of the EU is likely to dominate the political and economic landscape. Its uncertainty is impacting investor decisions, and large swings are likely in sterling. CLS is a member of business group London First, which is advocating remaining in the EU.

Office rents are likely to continue to rise on the back of strong demand and a tightening of supply, particularly if, as expected, the Permitted Development Regulations allowing the conversion of office space to residential is made permanent.

In 2015 we continued to seek, and deliver, a number of investment opportunities in and around London. In Bracknell, we acquired the Reflex building, a 9,607 sqm (103,400 sq ft) multi-let Grade A office which primarily houses Honda Motor's European headquarters, for £21.7 million at a net initial yield of 8.0%. In Sutton, we bought Chancery House for £10.2 million at a net initial yield of 7.0%. This multi-let, 5,132 sqm (55,242 sq ft) eight storey office block offered asset management opportunities in an under-supplied suburban office market. In Bromley, we bought One Elmfield Park, a 2,238 sqm (24,092 sq ft) office for £4.5 million at a net initial yield of 7.3%, which we intend to refurbish comprehensively prior to relaunching in 2017. We also acquired two town houses adjacent to Vauxhall Square, 109 and 111 Wandsworth Road, SW8, for £3.3 million in aggregate.

The London occupancy market maintained its strength in 2015, and with a lack of new developments to satisfy this demand, rental values rose. On average, new lettings were achieved at 9.3% above their estimated rental values (ervs) of 31 December 2014. During 2015, ervs of the London portfolio rose by 6.2%, and at 31 December 2015 the London portfolio was net reversionary. Those leases which were reversionary were £5.8 million or 14.2% under-rented; of the £1.5 million (3.7%) of over-renting in London, more than £0.6 million was on leases which expire in 2026. The vacancy rate for London remains low at just 3.6%, excluding development stock (2014: 3.3%). During 2015, 9,215 sqm became vacant and we let or renewed leases on 8,900 sqm.

Of the two developments in Central London which completed at the end of 2014, at Spring Mews, Vauxhall SE11, the 378 bed student accommodation building was fully let in the year and 1,000 sqm of office space were fully let, and the 93 bedroom suite hotel traded with an average occupancy rate of over 90%. Under IFRS, the hotel element of the scheme is carried in the balance sheet at market value within Property, Plant and Equipment. As expected, the entire office element at 138 Fetter Lane, EC4 became fully occupied during the year, and the eight adjoining residential apartments at 139 Fetter Lane have been retained and fully let on annual leases. The rent-free periods granted at 138 Fetter Lane in the year account for the majority of the difference between the EPRA net initial yield and its topped-up equivalent at 31 December 2015.

At Vauxhall Square, SW8, our 151,700 sqm (1.6 million sq ft) major development opportunity adjacent to Vauxhall's transport hub, we completed the sale of the car park in Miles Street, which had planning consent for a 454 bed, 30 storey student tower. The purchaser, specialist developer and operator of student accommodation, Urbanest, is expected to begin work on the site in 2016. This sale provided £24.8 million towards financing the rest of the scheme, whilst reducing our development risk and our exposure to further student housing in the Vauxhall area. We agreed final terms with our existing tenant, Cap Gemini, to gain vacant possession of the main site of Vauxhall Square by the end of 2016. In February 2016, we gained an amendment to the overall planning consent, replacing a four-star hotel with 10,088 sqm (108,586 sq ft) of Grade A offices, increasing the office element of the entire scheme to 23,700 sqm (255,000 sq ft). Our current intention is for the main site to be developed in two phases, the first of which could start in 2017 with the demolition of some existing buildings and the construction of a three storey basement, including 17,500 sqm (188,370 sq ft) of Grade A offices and a residential tower. We are working towards focusing on the commercial part of the scheme in which we have an established track record, and are considering finding a specialist partner for the development of the residential element. The carrying value of the existing property at 31 December 2015 was £83 million before the amendment to the overall planning consent gained in February 2016.

At Westminster Tower, SE1, on the south side of Lambeth Bridge, detailed planning consent for conversion of this 14 storey office building into a primarily residential 17 storey tower was enhanced with the addition of five further private apartments to the original 23. We anticipate beginning this redevelopment on gaining vacant possession in the medium term.

On an undeveloped site with planning consent in Tinworth Street adjacent to Spring Mews, SE11, we gained consent to add three further floors and a change of use from student accommodation, to create a 7 storey, mixed-use office and student building which we intend to develop in 2016/17.

The London portfolio rose by 8.6% in the year, reflecting both rental value growth and a 16 bps yield compression.

Since the year end we have continued to invest in the London area with the acquisition of Cassini Court and Pascal Place, Randalls Research Park, Leatherhead, two adjacent office buildings of 2,613 sqm (28,122 sq ft) in aggregate, for a cost of £6.1 million, representing a net initial yield of 6.0%. We intend to modernise the buildings and relet them later this year.

REST OF UK

Market during the year:

- Capital values grew by 9.3% in 2015
- Rents grew by 4.3%
- Market activity continues to be dominated by the major cities of Manchester, Birmingham and Leeds

Outlook:

The UK's membership of the EU is likely to dominate the political and economic landscape. Its uncertainty is impacting investor decisions, and large swings are likely in sterling.

Office rents are likely to continue to rise on the back of strong demand; in recent years there has been relatively little development outside the south east of England and supply is constrained.

The Rest of UK portfolio is 100% let to 14 government departments. During the year we took advantage of the buoyant investment market to sell six outlying properties which were individually sub-scale and which carried a disproportionately high letting risk. The proceeds of £7.4 million were 27% above their 2014 aggregate valuation. Also in 2015, we settled one rent review at no uplift and agreed one index-linked rent review at 15.6% above the passing rent, which added £314,000 to the rent roll.

The disposal values of the group of six properties provided evidence to support an increase in the portfolio which remained. Notwithstanding that it has a concentration of lease expiries and breaks in March 2018, the portfolio rose by 9.5%, reflecting a fall in the true equivalent yield of 170 bps.

Since the year end we have exchanged contracts to sell Atholl House, Aberdeen with vacant possession for £11.0 million.

FRANCE

Market during the year:

- GDP rose at 1.1%, implying economic resilience, but inflation is negligible and unemployment is over 10%
- The investment market in 2015 was strong, recording its second best performance ever and led by local investors, and yields continued to fall
- In the Greater Paris region the supply of lettable space fell marginally to 3.9 million sqm
- After a poor first half of the year, the second half saw one of the highest levels of letting activity in years, resulting in 2.2 million sqm let in the twelve months

- Most letting deals were of less than 5,000 sqm
- There is still a significant gap between vacancy levels in Paris (4.7%) and its inner suburbs (over 10%)
- €23 billion was invested in commercial real estate in France, and offices accounted for 72%
- Paris / Ile de France attracted 76% of investment; Lyon was the main regional driver with €1.4 billion

Outlook:
France remains a tenant's market, with relatively high lease incentives. Given the level of liquidity in the market, investment volumes are expected to reach 2015 levels again in 2016. The French macro environment seems likely to be conducive to an improvement, but only very gradually as GDP is only expected to rise to 1.2% in 2016 and 1.4% in 2017.

Our in-house French team managed to reduce still further our vacancy rate in France to only 3.9% (2014: 5.1%); two years ago 10.6% of the French portfolio was vacant. Of the 9,939 sqm of space subject to expiries or vacancies in the year, 3,698 sqm was taken into development stock and 6,241 sqm was let. This was achieved at a weighted average rent of less than 1.4% below ervs at 31 December 2014.

The French portfolio valuation rose by 3.3% in the year in local currency, but fell by 1.9% in sterling. Contracted rent on a like-for-like basis grew by 3.0% and, with little movement in yields, this accounted for most of the rise in the value of the properties.

Since the year end we have disposed of our only property investment in Luxembourg, at 16 Rue Eugene Ruppert, for €10.2 million, marginally ahead of the 2015 valuation for this empty property.

At Petits Champs, in the heart of Paris, planning consent was gained for a significant refurbishment to create 2,000 sqm of offices behind a new façade. The soft strip-out has been completed and the main contract is due to complete by the end of 2017.

GERMANY

Market during the year:

- Germany's GDP growth of 1.7% remained steady and it is projected to grow gradually, the effect of its otherwise robust labour market and low oil prices is likely to be offset by global economic weakness and migration issues
- Germany's real estate markets remained buoyant; the top seven property markets recorded the highest level of new lettings since 2007, up 17% on 2014
- The investment market transaction volume was virtually its highest ever, 39% above that of 2014
- The fall in yields continued, especially in the prime sector, and now stands at 3.65% in Munich and 4.0% in Berlin and Hamburg
- Yields for secondary properties have also shown strong compression, and are now between 5.5% and 6.5%
- Take-up increased 23% year-on-year with Berlin achieving an all-time record of 850,000 sqm, and office vacancy is low (Berlin 4%; Munich 4%; Hamburg 5.5%)
- Rents in Berlin, Hamburg and Munich experienced a strong Q4, fuelled by the record take-up; Berlin prime rents were up 9.1% in the year, the highest in 15 years

Outlook:
German economic growth is a key driver for Europe and is forecast to rise by 1.8% in 2016. Unemployment has again been decreasing and is forecast to fall to 6% in 2016 (2015: 6.6%). German political debate is dominated by the ongoing refugee crisis: the country received up to 1.1 million refugees in 2015 and a further 1.0 million are expected in 2016. This will put even more pressure on the residential market and the supply of commercial properties has been reduced by conversion of lower grade office properties. The favourable financing environment, with low interest rates and increased LTVs, is showing no signs of reversing and this, in combination with improved market fundamentals, is expected to keep the investment market strong in 2016.

We continue to see good investment value in German commercial real estate, supported by favourable financing conditions. In the previous two years we have bought Bismarckalle 18/20 in

Freiburg, and Schellerdamm 2 and Schellerdamm 16 in the Harburg district of Hamburg. In 2015, we acquired Tangentis, a 14,867 sqm (160,000 sq ft) multi-let office building near Munich for £18.5 million, at a net initial yield of 7.9%, and financed it with a fixed rate loan at 1.44% for seven years and with a 70% loan-to-value.

A smaller property, Unterschleissheim, on the outskirts of Munich, was sold in the year for €3.8 million, marginally below its valuation at December 2014.

During 2015, 6,186 sqm vacated or expired in the German portfolio, of which 4,589 sqm relet or renewed and 619 sqm was sold on the disposal of Unterschleissheim. The resulting increase in voids was matched by a net decrease in available space on the acquisition of Tangentis and, consequently, the vacancy rate remained relatively stable at 2.5% (2014: 2.6%). New leases and renewals were achieved at broadly their ervs of December 2014.

The valuation of the German portfolio rose by 8.2% in local currency, or by 3.2% in sterling. The uplift was driven by a 13 bps fall in yields, whilst ervs were up 1.3% on a like-for-like basis in the year.

SWEDEN

Market during the year:

- Sweden's economy has continued to show signs of robustness
- Inflation is negligible, unemployment is around 7.5%, interest rates are below 0% and GDP growth is above 4.0% and rising
- The total transaction volume of commercial properties in Q4 of SEK 48 billion was 37% higher than the average Q4 volume 2003-2014
- The total investment volume for 2015 of SEK 146 billion was down 7% on 2014; volumes are being held back by lack of available product
- Yields have continued to fall and prime office yields in Stockholm are now at 3.75%, in Gothenburg 4.2% and in Malmö 5%

Outlook:

With a strong investment market, we have sold our main Swedish asset, Vänerparken, in 2016. Catena is well positioned to benefit from the market conditions, and First Camp is well placed to benefit from the Swedish vacation market.

The Group's interests in Sweden consist of two operating segments: Investment Properties and Other Investments. The Other Investments are an equity stake in a financial investment, a landholding and a subsidiary; both equity stakes invest in Swedish real estate, and as they operate against the same economic backdrop, are considered together with the directly-held Swedish properties in this Business Review.

As reported last year, the majority of the leases at our main investment property in Sweden, Vänerparken, were renegotiated in 2015, significantly reducing the over-rented position at the property. These changes had been foreseen in the valuation at December 2014 and, as a consequence, the valuation of Vänerparken at 31 December 2015 was largely unchanged.

We have chosen to take advantage of the regularisation of the leases, and of the strong investment market in Sweden, and we have exchanged contracts to sell the building for SEK 590 million, some 13.5% above its 2015 valuation. Completion is due on or before 1 May 2016.

The remaining direct holding in Swedish real estate is a plot of land in Hyllinge, which has been transferred to Property, Plant and Equipment.

On the disposal of Vänerparken, the Group's main investment in Sweden will be a 15.5% (2014: 13.5%) interest in the share capital of Catena AB, a property company which specialises in logistics warehouses in Sweden. During the year the Group acquired 502,000 further shares in Catena, which is listed on Nasdaq Stockholm and during 2015 its share price rose by 7.8% to SEK 114 per share. Consequently, the sterling carrying value of the investment rose by 7.4% net of foreign exchange movements. Catena remains very profitable and we received a dividend of £0.9 million in the year.

The assets of First Camp Sverige Holding AB, predominantly vacation sites in Sweden, were valued at £38.8 million (Group's share: £22.5 million) at 31 December 2015, and the Group's share in the net assets of First Camp at that date was £8.4 million.

RESULTS FOR THE YEAR

HEADLINES

Profit after tax attributable to the owners of the Company of £129.9 million (2014: £194.9 million) generated EPRA earnings per share of 84.7 pence (2014: 77.4 pence), and basic earnings per share of 305.7 pence (2014: 449.0 pence). Investment properties at 31 December 2015 were £1,366.8 million (2014: £1,310.1 million), EPRA net assets per share were 17.4% higher at 2,083.2 pence (2014: 1,774.1 pence), and basic net assets per share rose by 19.0% to 1,810.1 pence (2014: 1,521.1 pence).

Approximately 65% of the Group's business is conducted in the reporting currency of sterling, around 31% in euros, and the balance is in Swedish kronor. Compared to last year, sterling strengthened against the euro by 11.0% and against the krona by 14.1%, reducing profits accordingly. Likewise, at 31 December 2015 the euro was 5.1% weaker and the krona 2.2% weaker against sterling than twelve months previously, reducing the sterling equivalent value of non-sterling net assets.

EXCHANGE RATES TO THE £

	EUR	SEK
At 31 December 2013	**1.2041**	**10.6562**
2014 average rate	**1.2410**	**11.2984**
At 31 December 2014	**1.2876**	**12.1654**
2015 average rate	**1.3774**	**12.8889**
At 31 December 2015	**1.3571**	**12.4420**

INCOME STATEMENT

At £85.3 million, rental income in 2015 was £0.9 million higher than in 2014; acquisitions added £3.3 million and completed developments contributed £3.7 million for the first time, along with £0.4 million of other lettings, but these were offset by £1.8 million of income lost on properties added to the development pipeline, and £0.7 million from disposals, whilst the strength of the sterling lowered rents by £4.0 million. A full year of income from First Camp of £14.0 million (2014: £0.7 million) and £3.5 million of income from the Spring Mews hotel for the first time, contributed to a 20.4% increase in net rental income to £99.0 million (2014: £82.2 million).

We monitor the administration expenses incurred in running the property portfolio by reference to the income derived from it, which we call the administration cost ratio, and this is a key performance indicator of the Group. In 2015, retaining key staff whilst expanding staff levels for the development programme and property purchases, drove the increase in administration expenses of the property segment of the Group to £13.5 million (2014: £7.2 million). As a proportion of net rental income, the administration cost ratio increased to 15.9% (2014: 15.7%), within our KPI target for the year of 16.0%.

The increase in group revenue less costs of the other investments segment to £4.2 million (2014: loss of £0.4 million) stemmed from the trading performance of the Spring Mews hotel and First Camp, and drove the 2.3% increase in the total Group revenue less costs to £71.7 million (2014: £70.1 million).

The net surplus on revaluation of investment properties of £98.0 million was predominantly generated by the London portfolio, which rose in value by £62.3 million, and Germany's, which added £19.5 million.

The disposal of Miles Street car park, Unterschleissheim and the small Rest of UK portfolio realised a gain of £4.3 million after costs over their aggregate valuation at 31 December 2014 of £30.5 million.

The majority of finance income of £10.0 million (2014: £7.7 million) was interest income of £4.9 million (2014: £6.1 million) from our corporate bond portfolio. At 31 December 2015, this had a value of £73.4 million, and remained an important cash management tool of the Group, earning a return on capital of 5.0% in the year.

Finance costs of £27.5 million (2014: £28.1 million) were lower than last year. The underlying interest cost, excluding the fair value movements of derivative financial instruments losses on partially redeeming a zero coupon note, rose to £26.6 million (2014: £24.8 million), after capitalising interest of £0.4 million (2014: £2.9 million) on developments. Interest costs before such capitalisation were marginally down on last year at £27.0 million (2014: £27.7 million), in line with the fall in our cost of borrowing to 3.40% (31 December 2014: 3.64%).

Once again this year the tax charge of 12.5% was significantly below the weighted average rate of the countries in which we do business (21.1%), primarily due to indexation allowances available on United Kingdom properties and a prospective change in the United Kingdom tax rate.

Overall, profit attributable to the owners of the Company was £129.9 million (2014: £194.9 million). EPRA earnings, which exclude items which are non-recurring in nature, such as profits on sales of investment properties, or which have no impact to earnings over their life, such as movements on the revaluation of investment properties, were £36.0 million (2014: £33.6 million), and generated EPRA earnings per share up 9.5% at 84.7 pence (2014: 77.4 pence).

EPRA NET ASSET VALUE

At 31 December 2015, EPRA net assets per share were 2,083.2 pence (2014: 1,774.1 pence), a rise of 17.4%, or 309.1 pence per share. The main reasons for the increase were the uplift in the valuation of the investment property portfolio which added 243.6 pence, and underlying profit after tax of 102.3 pence. Whilst sundry other items reduced it by 6.0 pence, the strength of sterling against the euro and krona reduced EPRA net assets per share by 30.8 pence.

CASH FLOW, NET DEBT AND GEARING

Net cash flow from operations generated £48.9 million, adding over 100 pence per share to net assets, of which £16.1 million was distributed to shareholders. £34.8 million was raised from eight property disposals and a further £62.6 million from net new debt after costs. The main cash outflows were on the six acquisitions in the year, which, together with the completion of Schellerdamm, amounted to £81.4 million in aggregate, and on capital expenditure in the year of £25.9 million. At 31 December 2015, the Group's cash balances of £100.7 million were virtually unchanged from twelve months previously, and were supplemented by corporate bonds with a value of £73.4 million and undrawn bank facilities of £65 million.

Gross debt increased by £54.0 million to £800.0 million. New bank loans of £294.0 million were taken out to finance acquisitions or to refinance existing loans, £7.6 million was taken out in the First Camp business, and £12.3 million of overdrafts were drawn, whilst loans of £185.5 million were repaid, together with £60.1 million of overdrafts. At 31 December 2015 the weighted average unexpired term of the Group's debt was 4.0 years.

Balance sheet loan-to-value (net debt to gross assets less cash) fell to 42.5% (2014: 43.4%), and the weighted average loan-to-value on borrowings secured against properties was a comfortable 50.0% (2014: 49.7%). Adjusted solidity was 50.4% (2014: 48.0%).

The weighted average cost of debt at 31 December 2015 was 3.40%, 24 basis points lower than 3.64% of twelve months earlier. The cost of new bank financing has fallen in the past few months, particularly in the UK, but notwithstanding low medium-term rates, refinancing existing debts as they fall due will probably gradually increase the average cost of debt of the Group.

In 2015, our low cost of debt led to recurring interest cover of 3.2 times (2014: 3.3 times).

FINANCING STRATEGY

The Group's strategy is to hold its investment properties predominantly in single-purpose vehicles financed primarily by non-recourse bank debt in the currency used to purchase the asset. In this way credit and liquidity risk can most easily be managed, around 70% of the Group's exposure to foreign currency is naturally hedged, and the most efficient use can be made of the Group's assets. Bank debt ordinarily attracts covenants on loan-to-value and on interest and debt service cover. None of the Group's debt was in breach of covenants at 31 December 2015. The Group had 67 loans across the portfolio from 26 banks, plus a debenture, a zero-coupon loan, secured notes and two unsecured bonds.

To the extent that Group borrowings are not at fixed rates, the Group's exposure to interest rate risk is mitigated by the use of financial derivatives, particularly interest rate caps and swaps. Since 2009, the Board has believed that interest rates were likely to remain low longer than the forward interest curve would imply, and, therefore, its policy has been to allow a majority of debt to remain subject to floating rates. To mitigate the risk of interest rates increasing more sharply than the Board expected, the Group entered into interest rate caps. This policy has served the Group well. As forecast twelve months ago, during 2015 medium-term interest swap rates fell close to short-term rates, and the Board chose to take advantage of these conditions, fixing medium-term debt taken out during the year predominantly with co-terminus interest rate swaps. During the year the Group financed or refinanced 10 loans to a value of £294.0 million at a weighted average all-in rate of 2.54%, and of these £195.1 million was fixed at a weighted average all-in rate of 2.68%. Consequently, at 31 December 2015, 51.4% of the Group's borrowings were at fixed rates or subject to interest rate swaps, 20.7% were subject to caps and 27.9% of debt costs were unhedged.

The Group's financial derivatives – predominantly interest rate caps and interest rate swaps – are marked to market at each balance sheet date. At 31 December 2015 they were a net liability of £5.3 million (2014: £7.3 million).

DISTRIBUTIONS TO SHAREHOLDERS

In April 2015, £10.4 million was distributed to shareholders by means of a tender offer buy-back of 1 in 80 shares at 1,950 pence per share. In September, a further £5.7 million was distributed by means of a tender offer buy-back of 1 in 162 shares at 2,190 pence per share, and a proposed tender offer buy-back of 1 in 57 shares at 1,810 pence per share to return £13.4 million will be put to shareholders at the Annual General Meeting in April 2016. This will bring total distributions for 2015 to £19.1 million, an uplift of 20% on last year. This uplift will rebase the distribution, from which we expect to increase it more modestly in future years. The distribution was rebased to reflect the strong cash generation of the business and, based on the market capitalisation of the Company at 1 March 2016, would imply the equivalent of a dividend yield of 3.1%.

SHARE CAPITAL

At 1 January 2015, there were 45,827,164 shares in issue, of which 2,903,103 were held as treasury shares. Shares were cancelled during the year under the distribution policy of tender offer buy-backs: in April, 536,738 shares were cancelled in exchange for £10.4 million distributed to shareholders, and in September, 261,742 shares were cancelled in exchange for a distribution of £5.7 million. Also during the year, 15,000 shares were issued from treasury shares to a Director in compensation for incentives forfeited on cessation of his previous employment.

Consequently, at 31 December 2015, 42,140,581 shares were listed on the London Stock Exchange, and 2,888,103 shares remained held in Treasury.

In April 2016, the Directors intend to put to the Annual General Meeting of the Company a proposal to issue a tender offer to buy-back 1 in 57 shares at 1,810 pence per share. If approved by shareholders this could lead to the purchase and cancellation of 702,343 shares, and a distribution to shareholders of £13.4 million.

TOTAL RETURNS TO SHAREHOLDERS

In addition to the distributions and share cancellations associated with the tender offer buy-backs, shareholders benefited from a rise in the share price in the year from 1,529 pence on 31 December 2014 to 1,820 pence at 31 December 2015. Accordingly, the total shareholder return in 2015 was 19.0%. In the five years to 31 December 2015, our total shareholder return of 240.5%, which represented a compound annual return of 27.8%, was one of the best performances in the listed real estate sector.

Since the Company listed on the London Stock Exchange, it has outperformed the FTSE Real Estate and FTSE All Share indices.

KEY PERFORMANCE INDICATORS

Our performance against our key performance indicators is set out on pages 4 and 5 of the 2015 Annual Report and Accounts.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance and could cause the results to differ materially from expected or historical results. The management and mitigation of these risks are the responsibility of the Board.

Risk	Areas of impact	Mitigation	Change in risk in year
PROPERTY INVESTMENT RISK			
Underperformance of investment portfolio due to: • Cyclical downturn in property market • Inappropriate buy/sell/hold decisions	Cash flow Profitability Net asset value Banking covenants	Senior management has detailed knowledge of core markets and experience gained through many market cycles. This experience is supplemented by external advisors and financial models used in capital allocation decision-making.	Unchanged
• Changes in supply of space and/or occupier demand	Rental income Cash flow Vacancy rate Void running costs Bad debts Net asset value	The Group's property portfolio is diversified across four countries. The weighted-average unexpired lease term is 6.1 years and the Group's largest occupier concentration is with the Government sector (41.1%).	Reduced
• Poor asset management	Rental income Cash flow Vacancy rate Void running costs Property values Net asset value	Property teams proactively manage customers to ensure changing needs are met, and review the current status of all properties weekly. Written reports are submitted monthly to senior management on, inter alia, vacancies, lease expiry profiles and progress on rent reviews.	Unchanged
OTHER INVESTMENT RISK			
Corporate bond investments: • Underperformance of portfolio • Insolvency of bond issuer	Net asset value Liquid resources	In assessing potential investments, the Treasury department undertakes research on the bond and its issuer, seeks third-party advice, and receives legal advice on the terms of the bond, where appropriate. The Treasury department and Executive Directors receive updates on bond price movements and third-party market analysis on a daily basis, and report on corporate bonds to the full Board on a monthly basis. The Executive Directors formally review the corporate bond strategy monthly.	Increased

Risk	Areas of impact	Mitigation	Change in risk in year
DEVELOPMENT RISK			
Failure to secure planning permission	Abortive costs Reputation	Planning permission is sought only after engaging in depth with all stakeholders.	Unchanged
Contractor solvency and availability	Reduced development returns Cost overruns Loss of rental revenue	Only leading contractors are engaged. Prior to appointment, contractors are the subject of a due diligence check and assessed for financial viability.	Unchanged
Downturn in investment or occupational markets	Net asset value Cash flow Profitability	Developments are undertaken only after an appropriate level of pre-lets have been sought.	Unchanged
Increased construction costs	Net asset value Reduced development returns Cost overruns	All development appraisals contain contingencies, and are subject to sensitivity analysis. Monthly cost reports are produced for the Executive Directors to identify and address potential issues at an early stage.	Reduced
SUSTAINABILITY RISK			
Increasing building regulation and obsolescence	Rental income, cash flow, vacancy rate, net asset value, profitability, liquid resources	Continual assessment of all properties against emerging regulatory changes. Fit-out and refurbishment projects benchmarked against third party schemes.	Unchanged
Climate change	Net asset value, profitability, liquid resources	Board responsibility for environment. Dedicated specialist personnel. Increased due diligence when making acquisitions. Investment in energy efficient plant and building mounted renewable energy systems.	Unchanged
Increasing energy costs and regulation	Net asset value, profitability, liquid resources	Investment in energy efficient plant and building mounted renewable energy systems.	Unchanged

Risk	Areas of impact	Mitigation	Change in risk in year
FUNDING RISK			
Unavailability of financing at acceptable prices	Cost of borrowing Ability to invest or develop	The Group has a dedicated Treasury department and relationships are maintained with some 26 banks, thus reducing credit and liquidity risk. The exposure on refinancing debt is mitigated by the lack of concentration in maturities.	Unchanged
Adverse interest rate movements	Cost of borrowing Cost of hedging	The Group's exposure to changes in prevailing market rates is largely hedged on existing debt through interest rate swaps and caps, or by borrowing at fixed rates.	Unchanged
Breach of borrowing covenants	Cost of borrowing	Financial covenants are monitored by the Treasury department and regularly reported to the Board.	Unchanged
Foreign currency exposure	Net asset value Profitability	Property investments are partially funded in matching currency. The difference between the value of the property and the amount of the financing is generally unhedged and monitored on an ongoing basis.	Unchanged
Financial counterparty credit risk	Loss of deposits Cost of rearranging facilities Incremental cost of borrowing	The Group has a dedicated Treasury department and relationships are maintained with some 26 banks, thus reducing credit and liquidity risk. The exposure on refinancing debt is mitigated by the lack of concentration in maturities.	Unchanged
TAXATION RISK			
Increases in tax rates or changes to the basis of taxation	Cash flow Profitability Net asset value	The Group monitors legislative proposals and consults external advisors to understand and mitigate the effects of any such change.	Unchanged
POLITICAL AND ECONOMIC RISK			
Break-up of the Euro	Net asset value Profitability	Euro-denominated liquid resources are kept to a minimum. Euro property assets are largely financed with euro borrowings in the countries in which they are situated.	Unchanged
UK exit from the EU	Net asset value Profitability	Over 80% of the Group's assets are in the UK and Germany, both of which have economies resilient enough to accommodate economic shocks, should they occur.	Increased

PROPERTY PORTFOLIO

RENTAL DATA

	Gross rental income for the year £m	Net rental income for the year £m	Lettable space sqm	Contracted rent at year end £m	ERV at year end £m	Contracted rent subject to indexation £m	Vacancy rate at year end
London	37.8	35.4	175,403	41.1	46.9	7.8	3.6%
Rest of UK	13.0	13.2	85,751	12.1	9.2	6.0	0.7%
France	13.8	13.7	88,375	14.5	14.3	14.5	3.9%
Germany	16.2	16.0	183,376	17.7	17.5	12.5	2.5%
Sweden	4.5	3.2	38,909	3.6	3.9	3.5	4.8%
Total Portfolio	**85.3**	**81.5**	**571,814**	**89.0**	**91.8**	**44.3**	**3.1%**

VALUATION DATA

	Market value of property £m	Valuation movement in the year		EPRA net initial yield	EPRA topped up net initial yield	Reversion	Over-rented	True equivalent yield
		Underlying £m	Foreign exchange £m					
London	800.1	63.2	–	4.7%	5.3%	14.2%	3.7%	5.9%
Rest of UK	100.9	8.8	–	11.3%	11.3%	1.7%	26.7%	8.3%
France	222.9	7.1	(11.5)	6.2%	6.3%	1.8%	7.1%	6.3%
Germany	259.4	19.5	(11.6)	6.1%	6.2%	3.2%	7.1%	6.1%
Sweden	42.1	0.7	(0.9)	8.7%	8.8%	5.2%	1.2%	8.7%
Total Portfolio	**1,425.4**	**99.3**	**(24.0)**	**5.9%**	**6.2%**	**7.9%**	**8.0%**	

LEASE DATA

	Average lease length		Passing rent of leases expiring in:				ERV of leases expiring in:			
	To break years	To expiry years	Year 1 £m	Year 2 £m	Year 3 to 5 £m	After year 5 £m	Year 1 £m	Year 2 £m	Year 3 to 5 £m	After year 5 £m
London	5.48	6.49	6.1	2.6	7.0	25.4	7.0	3.3	8.2	27.0
Rest of UK	3.51	6.42	0.8	1.2	2.0	8.1	0.9	0.9	1.6	5.6
France	2.55	5.00	1.0	1.3	4.3	7.9	0.9	1.1	4.0	7.7
Germany	6.16	6.29	3.2	0.8	6.6	7.1	3.0	0.9	6.5	6.7
Sweden	5.18	5.18	0.4	0.0	2.0	1.2	0.4	0.0	2.0	1.3
Total Portfolio	**4.86**	**6.14**	**11.5**	**5.9**	**21.9**	**49.7**	**12.2**	**6.2**	**22.3**	**48.3**

Note:
Property portfolio data comprises investment properties and properties held for sale; it excludes the hotel, owner-occupied property, landholdings and First Camp land and buildings

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;

- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This statement of responsibilities was approved by the Board on 8 March 2016.

On behalf of the Board

David Fuller BA FCIS
Company Secretary
8 March 2016

GROUP INCOME STATEMENT

for the year ended 31 December 2015

	Notes	**2015 £m**	2014 £m
Continuing operations			
Group revenue		**118.9**	99.6
Net rental income	2	**99.0**	82.2
Administration expenses		**(19.5)**	(13.6)
Other expenses		**(13.8)**	(4.9)
Group revenue less costs		**65.7**	63.7
Net movements on revaluation of investment properties	8	**98.0**	186.0
Profit on sale of investment properties		**4.3**	8.7
Gain on sale of corporate bonds		**0.7**	–
Fair value gain on reclassification of an associate as a subsidiary		**–**	0.2
Gain arising from acquisition		**–**	1.2
Operating profit		**168.7**	259.8
Finance income	3	**10.0**	7.7
Finance costs	4	**(27.5)**	(28.1)
Share of loss of associates after tax	10	**–**	(2.6)
Profit before tax		**151.2**	236.8
Taxation	5	**(19.1)**	(42.0)
Profit for the year		**132.1**	194.8
Attributable to:			
Owners of the Company		**129.9**	194.9
Non-controlling interests		**2.2**	(0.1)
		132.1	194.8
Earnings per share from continuing operations (expressed in pence per share)			
Basic	6	**305.7**	449.0

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Notes	**2015 £m**	2014 £m
Profit for the year		**132.1**	194.8
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Foreign exchange differences		**(8.7)**	(14.7)
Items that may be reclassified to profit or loss			
Fair value (losses)/gains on corporate bonds and other financial investments	11	**(0.2)**	3.2
Fair value losses taken to net gain on sale of corporate bonds and other financial investments	11	**–**	0.2
Revaluation of property, plant and equipment	9	**2.9**	6.5
Deferred tax on net fair value losses/(gains)	15	**0.5**	(1.3)
Items that may be reclassified to profit or loss			
Total items that may be reclassified to profit or loss		**3.2**	8.6
Total comprehensive income for the year		**126.6**	188.7
Total comprehensive income attributable to:			
Owners of the Company		**126.0**	187.5
Non-controlling interests		**0.6**	1.2
		126.6	188.7

GROUP BALANCE SHEET

at 31 December 2015

	Notes	**2015 £m**	2014 £m
Non-current assets			
Investment properties	8	**1,366.8**	1,310.1
Property, plant and equipment	9	**78.9**	60.4
Goodwill		**1.1**	1.1
Investments in associates	10	**1.5**	1.5
Other financial investments	11	**121.0**	99.9
Deferred tax	15	**3.3**	4.8
		1,572.6	1,477.8
Current assets			
Trade and other receivables	12	**13.5**	10.8
Properties held for sale		**58.6**	–
Derivative financial instruments	17	**0.5**	–
Cash and cash equivalents	13	**100.7**	100.2
		173.3	111.0
Total assets		**1,745.9**	1,588.8
Current liabilities			
Trade and other payables	14	**(54.2)**	(68.1)
Current tax		**(7.7)**	(7.7)
Borrowings	16	**(220.3)**	(192.8)
Derivative financial instruments	17	**–**	(1.0)
		(282.2)	(269.6)
Non-current liabilities			
Deferred tax	15	**(114.7)**	(105.9)
Borrowings	16	**(575.2)**	(549.5)
Derivative financial instruments	17	**(5.8)**	(6.3)
		(695.7)	(661.7)
Total liabilities		**(977.9)**	(931.3)
Net assets		**768.0**	657.5
Equity			
Share capital	19	**11.3**	11.5
Share premium	21	**83.0**	82.9
Other reserves	22	**85.1**	88.8
Retained earnings		**583.4**	469.7
Equity attributable to owners of the Company		**762.8**	652.9
Non-controlling interests		**5.2**	4.6
Total equity		**768.0**	657.5

The financial statements of CLS Holdings plc (registered number: 2714781) were approved by the Board of Directors and authorised for issue on 8 March 2016 and were signed on its behalf by:

Mr S A Mortstedt
Director

Mr E H Klotz
Director

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Notes	**Share capital £m**	**Share premium £m**	**Other reserves £m**	**Retained earnings £m**	**Total £m**	**Non-controlling interest £m**	**Total equity £m**
Arising in 2015:								
Total comprehensive income for the year		**–**	**–**	**(3.9)**	**129.9**	**126.0**	**0.6**	**126.6**
Issue of share capital		**–**	**0.1**	**–**	**–**	**0.1**	**–**	**0.1**
Purchase of own shares	**19**	**(0.2)**	**–**	**0.2**	**(16.1)**	**(16.1)**	**–**	**(16.1)**
Expenses thereof		**–**	**–**	**–**	**(0.1)**	**(0.1)**	**–**	**(0.1)**
Total changes arising in 2015		**(0.2)**	**0.1**	**(3.7)**	**113.7**	**109.9**	**0.6**	**110.5**
At 1 January 2015		**11.5**	**82.9**	**88.8**	**469.7**	**652.9**	**4.6**	**657.5**
At 31 December 2015		**11.3**	**83.0**	**85.1**	**583.4**	**762.8**	**5.2**	**768.0**

	Notes	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Arising in 2014:								
Total comprehensive income for the year		–	–	(7.4)	194.9	187.5	1.2	188.7
Adjustment arising from change								
in non-controlling interest		–	–	–	–	–	3.4	3.4
Purchase of own shares	19	(0.2)	–	0.2	(15.4)	(15.4)	–	(15.4)
Expenses thereof		–	–	–	(0.1)	(0.1)	–	(0.1)
Total changes arising in 2014		(0.2)	–	(7.2)	179.4	172.0	4.6	176.6
At 1 January 2014		11.7	82.9	96.0	290.3	480.9	–	480.9
At 31 December 2014		11.5	82.9	88.8	469.7	652.9	4.6	657.5

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

	Notes	**2015 £m**	2014 £m
Cash flows from operating activities			
Cash generated from operations	23	**72.1**	53.3
Interest received		**6.9**	8.1
Interest paid		**(22.9)**	(24.4)
Income tax paid		**(7.2)**	(2.5)
Net cash inflow from operating activities		**48.9**	34.5
Cash flows from investing activities			
Purchase of investment properties		**(81.4)**	(4.2)
Capital expenditure on investment properties		**(16.6)**	(45.2)
Proceeds from sale of investment properties		**34.8**	37.1
Purchases of property, plant and equipment		**(9.3)**	(11.3)
Purchase of corporate bonds		**(40.9)**	(70.9)
Proceeds from sale of corporate bonds		**28.5**	82.9
Purchase of equity investments		**(6.2)**	(5.1)
Proceeds from sale of equity investments		**0.5**	3.3
Dividends received from equity investments		**1.0**	0.7
Costs on foreign currency transactions		**(0.1)**	(0.9)
Net cash inflow from business acquisition		**–**	2.9
Loans to associate undertakings		**–**	(1.0)
Distributions received from associate undertakings		**–**	0.8
Net cash outflow from investing activities		**(89.7)**	(10.9)
Cash flows from financing activities			
Purchase of own shares		**(16.2)**	(15.5)
New loans		**301.6**	32.6
Issue costs of new loans		**(2.8)**	(0.2)
Repayment of loans		**(236.2)**	(65.0)
Net cash inflow/(outflow) from financing activities		**46.4**	(48.1)
Cash flow element of net increase/(decrease) in cash and cash equivalents		**5.6**	(24.5)
Foreign exchange loss		**(5.1)**	(5.1)
Net increase/(decrease) in cash and cash equivalents		**0.5**	(29.6)
Cash and cash equivalents at the beginning of the year		**100.2**	129.8
Cash and cash equivalents at the end of the year	13	**100.7**	100.2

NOTES TO THE GROUP FINANCIAL STATEMENTS
31 December 2015

1 GENERAL INFORMATION

CLS Holdings plc (the "Company") and its subsidiaries (together "CLS Holdings" or the "Group") is an investment property group which is principally involved in the investment, management and development of commercial properties, and in other investments. The Group's principal operations are carried out in the United Kingdom, France, Germany and Sweden.

The Company is registered in the UK, registration number 2714781, with its registered address at 86 Bondway, London, SW8 1SF. The Company is listed on the London Stock Exchange.

The annual financial report (produced in accordance with the Disclosure and Transparency Rules) can be found on the Company's website www.clsholdings.com. The 2015 Annual Report and Accounts will be posted to shareholders on 18 March 2016 and will also be available on the Company's website.

The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the statutory accounts for the year ended 31 December 2015. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Company's statutory accounts for the years ended 31 December 2015 or 2014, but is derived from those accounts. Those accounts give a balanced, true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole. Statutory accounts for 2014 have been delivered to the Registrar of Companies and those for 2015 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts and the auditors' reports on both the 2014 and 2015 accounts were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under s498(2) or (3) Companies Act 2006 or preceding legislation.

Going Concern

The Group's business activities, and the factors likely to affect its future development, performance and position are set out in the Strategic Review. The financial position of the Group, its liquidity position and borrowing facilities are described in the Strategic Review and in the notes to the accounts.

The Directors regularly stress-test the business model to ensure that the Group has adequate working capital and have reviewed the current and projected financial positions of the Group, taking into account the repayment profile of the Group's loan portfolio, and making reasonable assumptions about future trading performance. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and, therefore, they continue to adopt the going concern basis in preparing the annual report and accounts.

2 SEGMENT INFORMATION

The Group has two operating divisions – Investment Property and Other Investments. Other Investments comprise the hotel at Spring Mews, corporate bonds, shares in Catena AB, Bulgarian Land Development Plc and First Camp Sverige Holding AB, and other small corporate investments. The Group manages the Investment Property division on a geographical basis due to its size and geographical diversity. Consequently, the Group's principal operating segments are:

Investment Property –	London
	Rest of United Kingdom
	France
	Germany

Sweden

Other Investments

There are no transactions between the operating segments.

The Group's results for the year ended 31 December 2015 by operating segment were as follows:

	Investment Property						
	London £m	**Rest of UK £m**	**France £m**	**Germany £m**	**Sweden £m**	**Other Investments £m**	**Total £m**
Rental income	**37.8**	**13.0**	**13.8**	**16.2**	**4.5**	**–**	**85.3**
Other property-related income	**0.8**	**0.2**	**0.1**	**–**	**0.4**	**17.5**	**19.0**
Service charge income	**6.5**	**–**	**4.5**	**3.3**	**0.3**	**–**	**14.6**
Service charges and similar expenses	**(9.7)**	**–**	**(4.7)**	**(3.5)**	**(2.0)**	**–**	**(19.9)**
Net rental income	**35.4**	**13.2**	**13.7**	**16.0**	**3.2**	**17.5**	**99.0**
Administration expenses	**(4.2)**	**(0.1)**	**(1.4)**	**(1.4)**	**(0.4)**	**(6.0)**	**(13.5)**
Other expenses	**(4.3)**	**(0.4)**	**(0.7)**	**(1.1)**	**–**	**(7.3)**	**(13.8)**
Group revenue less costs	**26.9**	**12.7**	**11.6**	**13.5**	**2.8**	**4.2**	**71.7**
Net movements on revaluation of investment properties	**62.3**	**8.7**	**6.7**	**19.5**	**0.8**	**–**	**98.0**
Profit/(loss) on sale of investment property	**3.2**	**1.5**	**–**	**(0.4)**	**–**	**–**	**4.3**
Gain on sale of corporate bonds	**–**	**–**	**–**	**–**	**–**	**0.7**	**0.7**
Segment operating profit/(loss)	**92.4**	**22.9**	**18.3**	**32.6**	**3.6**	**4.9**	**174.7**
Finance income	**–**	**–**	**–**	**–**	**–**	**10.0**	**10.0**
Finance costs	**(17.0)**	**(3.2)**	**(2.3)**	**(2.5)**	**(0.5)**	**(2.0)**	**(27.5)**
Segment profit/(loss) before tax	**75.4**	**19.7**	**16.0**	**30.1**	**3.1**	**12.9**	**157.2**
Central administration expenses							**(6.0)**
Profit before tax							**151.2**

The Group's results for the year ended 31 December 2014 by operating segment were as follows:

	Investment Property						
	London £m	Rest of UK £m	France £m	Germany £m	Sweden £m	Other Investments £m	Total £m
Rental income	32.4	13.3	17.1	15.3	6.3	–	84.4
Other property-related income	1.0	–	0.3	–	–	0.7	2.0
Service charge income	4.9	0.2	4.8	3.0	0.3	–	13.2
Service charges and similar expenses	(6.6)	(0.2)	(5.2)	(3.4)	(2.0)	–	(17.4)
Net rental income	31.7	13.3	17.0	14.9	4.6	0.7	82.2
Administration	(3.2)	(0.2)	(1.6)	(1.2)	(0.2)	(0.8)	(7.2)

expenses							
Other expenses	(2.0)	(0.4)	(1.0)	(1.1)	(0.1)	(0.3)	(4.9)
Group revenue less costs	26.5	12.7	14.4	12.6	4.3	(0.4)	70.1
Net movements on revaluation of investment properties	185.1	(0.4)	3.4	7.0	(9.1)	–	186.0
Profit on sale of investment property	6.8	–	1.9	–	–	–	8.7
Fair value gain on reclassifying an associate as a subsidiary	–	–	–	–	–	0.2	0.2
Gain arising from acquisition	–	–	–	–	–	1.2	1.2
Segment operating profit/(loss)	218.4	12.3	19.7	19.6	(4.8)	1.0	266.2
Finance income	–	–	–	–	–	7.7	7.7
Finance costs	(10.1)	(3.3)	(3.0)	(2.4)	(0.9)	(8.4)	(28.1)
Share of loss of associates after tax	–	–	–	–	–	(2.6)	(2.6)
Segment profit/(loss) before tax	208.3	9.0	16.7	17.2	(5.7)	(2.3)	243.2
Central administration expenses							(6.4)
Profit before tax							236.8

Other segment information:

	Assets		Liabilities		Capital expenditure	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Investment Property						
London	**824.2**	717.9	**458.5**	402.4	**53.7**	45.5
Rest of UK	**102.5**	100.2	**79.9**	81.8	**0.3**	–
France	**227.1**	229.8	**172.7**	184.7	**2.2**	2.3
Germany	**263.3**	239.5	**162.7**	160.2	**19.1**	29.4
Sweden	**50.3**	49.7	**35.0**	36.6	**0.6**	3.0
Other Investments	**278.5**	251.7	**69.1**	65.6	**12.0**	30.1
	1,745.9	1,588.8	**977.9**	931.3	**87.9**	110.3

Included within the assets of other investments are investments in associates of £1.5 million (2014: £1.5 million).

3 FINANCE INCOME

	2015 £m	2014 £m
Interest income	**7.2**	7.0
Other finance income	**1.0**	0.7
Foreign exchange variancies	**1.8**	–
	10.0	7.7

4 FINANCE COSTS

	2015 £m	2014 £m
Interest expense		

Bank loans	**13.3**	13.3
Debenture loan	**3.0**	3.2
Zero coupon note	**1.1**	1.3
Secured notes	**3.1**	3.2
Unsecured bonds	**4.5**	4.8
Amortisation of loan issue costs	**2.0**	1.9
Total interest costs	**27.0**	27.7
Less interest capitalised on development projects	**(0.4)**	(2.9)
	26.6	24.8
Loss on partial redemption of zero coupon note	**1.2**	1.3
Movement in fair value of derivative financial instruments		
Interest rate swaps: transactions not qualifying as hedges	**(0.4)**	0.5
Interest rate caps: transactions not qualifying as hedges	**0.1**	0.4
Foreign exchange variances	**–**	1.1
	27.5	28.1

5 TAXATION

	2015 £m	2014 £m
Current tax charge	**5.6**	7.2
Deferred tax charge (note 15)	**13.5**	34.8
	19.1	42.0

A deferred tax credit of £0.5 million (2014: charge of £1.3 million) was recognised directly in equity (note 15).

The charge for the year differs from the theoretical amount which would arise using the weighted average tax rate applicable to profits of Group companies as follows:

	2015 £m	2014 £m
Profit before tax	**151.2**	236.8
Tax calculated at domestic tax rates applicable to profits in the respective countries	**31.9**	52.3
Expenses not deductible for tax purposes	**0.1**	0.6
Tax effect of fair value movements on investments	**(0.6)**	0.9
Change in tax basis of United Kingdom properties, including indexation uplift	**(6.6)**	(3.5)
Non-taxable income	**(0.4)**	(2.8)
Change in tax rate	**(5.0)**	–
Deferred tax on losses not recognised	**(0.6)**	(3.3)
Other deferred tax adjustments	**0.3**	(0.2)
Tax effect of unrecognised losses in associates and joint ventures	**–**	0.3
Deferred tax liability released on disposals	**–**	(0.8)
Gain arising from acquisition	**–**	(0.3)
Adjustment in respect of prior periods	**–**	(1.2)
Tax charge for the year	**19.1**	42.0

The weighted average applicable tax rate of 21.1% (2014: 22.1%) was derived by applying to their relevant profits and losses the rates in the jurisdictions in which the Group operated.

6 EARNINGS PER SHARE

Management has chosen to disclose the European Public Real Estate Association (EPRA) measure of earnings per share which has been provided to give relevant information to investors on the long-term performance of the Group's underlying property investment business. The EPRA measure excludes items which are non-recurring in nature such as profits (net of related tax) on sale of investment properties and of other non-current investments, and items which have no impact to earnings over their life, such as the change in fair value of derivative financial instruments and the net movement on revaluation of investment properties, and the related deferred taxation on these items.

Earnings	2015 £m	2014 £m
Profit for the year	**129.9**	194.9
Net movements on revaluation of investment properties	**(98.0)**	(186.0)
Other gains and losses	**(2.9)**	(1.2)
Profit on sale of investment properties	**(4.3)**	(8.7)
Gain on sale of corporate bonds	**(0.7)**	–
Change in fair value of derivative financial instruments	**(0.3)**	0.9
Impairment of carrying value of associates	**–**	2.2
Fair value gain on reclassification of an associate as a subsidiary	**–**	(0.2)
Deferred tax relating to the above adjustments	**12.3**	31.7
EPRA earnings	**36.0**	33.6

Weighted average number of ordinary shares	2015 Number	2014 Number
Weighted average number of ordinary shares in circulation	**42,494,950**	43,410,928

Earnings per Share	2015 Pence	2014 Pence
Basic	**305.7**	449.0
EPRA	**84.7**	77.4

7 NET ASSETS PER SHARE

Management has chosen to disclose the two European Public Real Estate Association (EPRA) measures of net assets per share: EPRA net assets per share and EPRA triple net assets per share. The EPRA net assets per share measure highlights the fair value of equity on a long-term basis, and so excludes items which have no impact on the Group in the long term, such as fair value movements of derivative financial instruments and deferred tax on the fair value of investment properties. The EPRA triple net assets per share measure discloses net assets per share on a true fair value basis: all balance sheet items are included at their fair value in arriving at this measure, including deferred tax, fixed rate loan liabilities and any other balance sheet items not reported at fair value.

Net Assets	2015 £m	2014 £m
Basic net assets attributable to owners of the Company	**762.8**	652.9
Adjustment to increase fixed rate debt to fair value, net of tax	**(27.7)**	(29.2)
Goodwill as a result of deferred tax	**(1.1)**	(1.1)
EPRA triple net assets	**734.0**	622.6
Deferred tax on property and other non-current assets, net of minority interest	**110.9**	102.4
Fair value of derivative financial instruments	**5.3**	7.3
Adjustment to decrease fixed rate debt to book value, net of tax	**27.7**	29.2
EPRA net assets	**877.9**	761.5

Number of ordinary shares	2015 Number	2014 Number
Number of ordinary shares in circulation	**42,140,581**	42,924,061

Net Assets Per Share	2015 Pence	2014 Pence

Basic	**1,810.1**	1,521.1
EPRA	**2,083.2**	1,774.1
EPRA triple net	**1,741.8**	1,450.5

8 INVESTMENT PROPERTIES

	London £m	**Rest of UK £m**	**France £m**	**Germany £m**	**Sweden £m**	**Total £m**
At 1 January 2015	**705.0**	**97.6**	**225.1**	**235.5**	**46.9**	**1,310.1**
Acquisitions	**39.3**	**–**	**–**	**18.5**	**–**	**57.8**
Capital expenditure	**14.2**	**0.3**	**2.2**	**0.6**	**0.6**	**17.9**
Disposals	**(21.6)**	**(5.8)**	**–**	**(3.1)**	**–**	**(30.5)**
Net movement on revaluation of investment properties	**62.3**	**8.7**	**6.7**	**19.5**	**0.8**	**98.0**
Rent-free period debtor adjustments	**0.9**	**0.1**	**0.4**	**–**	**(0.1)**	**1.3**
Exchange rate variances	**–**	**–**	**(11.5)**	**(11.6)**	**(0.9)**	**(24.0)**
Transfer to properties held for sale	**–**	**(9.2)**	**(7.3)**	**–**	**(42.1)**	**(58.6)**
Transfer to property, plant and equipment	**–**	**–**	**–**	**–**	**(5.2)**	**(5.2)**
At 31 December 2015	**800.1**	**91.7**	**215.6**	**259.4**	**–**	**1,366.8**

	London £m	Rest of UK £m	France £m	Germany £m	Sweden £m	Total £m
At 1 January 2014	519.9	97.9	240.6	214.4	60.1	1,132.9
Acquisitions	2.3	–	–	27.4	1.9	31.6
Capital expenditure	42.8	–	2.3	2.0	1.1	48.2
Disposals	(22.4)	–	(6.2)	–	–	(28.6)
Transfer to property, plant and equipment	(22.7)	–	–	–	–	(22.7)
Net movement on revaluation of investment properties	185.1	(0.4)	3.4	7.0	(9.1)	186.0
Rent-free period debtor adjustments	–	0.1	0.6	(0.1)	(0.1)	0.5
Exchange rate variances	–	–	(15.6)	(15.2)	(7.0)	(37.8)
At 31 December 2014	705.0	97.6	225.1	235.5	46.9	1,310.1

The investment properties (and the hotel, landholding and owner-occupied property detailed in note 9) were revalued at 31 December 2015 to their fair value. Valuations were based on current prices in an active market for all properties. The property valuations were carried out by external, professionally qualified valuers as follows:

London: Cushman and Wakefield; Knight Frank (2014: DTZ; Knight Frank)

Rest of UK: Cushman and Wakefield (2014: DTZ)

France: Jones Lang LaSalle

Germany: Cushman and Wakefield (2014: Colliers International)

Sweden: L Fällström AB (2014: CB Richard Ellis)

Property valuations are complex and require a degree of judgements and are based on data which is not publicly available. Consistent with EPRA guidance, we have classified the valuations of our property portfolio as level 3 as defined by IFRS 13. In addition to note 3(i) of the 2015 Annual Report and Accounts, inputs into the valuations include equivalent yields and rental income and are described as 'unobservable' as per IFRS 13. These inputs are analysed by segment in the property portfolio information on the inside front cover. All other factors remaining constant, an increase in rental income would increase valuations, whilst an increase in equivalent nominal yield would result in a fall in value and vice versa.

Investment properties included leasehold properties with a carrying amount of £38.7 million (2014: £49.6 million).

Interest capitalised within capital expenditure in the year amounted to £0.4 million (2014: £2.9 million).

Where the Group leases out its investment property under operating leases the duration is typically three years or more. No contingent rents have been recognised in either the current or the comparative year.

Substantially all investment properties (and the hotel and owner-occupied property detailed in note 9) are secured against debt.

In 2010 the Group purchased a property in London for £1.8 million. Under the terms of the purchase agreement, should the site be developed additional consideration may become due to the vendor. The maximum liability in respect of this is estimated to be £0.5 million. At the balance sheet date the fair value of the liability was £nil (2014: £nil).

9 PROPERTY, PLANT AND EQUIPMENT

	Hotel £m	Land and buildings £m	Owner-occupied property £m	Fixtures and fittings £m	Total £m
Cost or valuation					
At 1 January 2014	–	–	2.6	1.5	4.1
Additions	–	10.9	–	0.4	11.3
Acquired during the year	–	18.0	–	1.2	19.2
Transfer from investment properties	21.3	–	–	1.4	22.7
Exchange rate variances	–	(1.8)	–	–	(1.8)
Revaluation	–	5.0	1.5	–	6.5
At 31 December 2014	**21.3**	**32.1**	**4.1**	**4.5**	**62.0**
Additions	**–**	**12.0**	**–**	**0.2**	**12.2**
Transfer from investment properties	**–**	**5.2**	**–**	**–**	**5.2**
Exchange rate variances	**–**	**(0.5)**	**–**	**–**	**(0.5)**
Revaluation	**5.4**	**(4.4)**	**1.9**	**–**	**2.9**
At 31 December 2015	**26.7**	**44.4**	**6.0**	**4.7**	**81.8**
Comprising:					
At cost	–	–	–	4.7	4.7
At valuation 31 December 2015	26.7	44.4	6.0	–	77.1
	26.7	44.4	6.0	4.7	81.8
Accumulated depreciation and impairment					
At 1 January 2014	–	–	(0.2)	(1.1)	(1.3)
Depreciation charge	–	–	–	(0.3)	(0.3)
At 31 December 2014	**–**	**–**	**(0.2)**	**(1.4)**	**(1.6)**
Depreciation charge	**(0.2)**	**(0.4)**	**–**	**(0.7)**	**(1.3)**
At 31 December 2015	**(0.2)**	**(0.4)**	**(0.2)**	**(2.1)**	**(2.9)**
Net book value					
At 31 December 2015	**26.5**	**44.0**	**5.8**	**2.6**	**78.9**
At 31 December 2014	21.3	32.1	3.9	3.1	60.4

A hotel, an owner-occupied property and a landholding were revalued at 31 December 2015 based on the external valuation performed by Cushman and Wakefield, Knight Frank and L Fällström AB (2014: DTZ, Knight Frank and CB Richard Ellis), respectively, as detailed in note 8.

The other land and buildings were revalued based on an external valuation performed by Forum Fastighetsekonomi AB.

10 INVESTMENTS IN ASSOCIATES

	Net assets £m	Goodwill £m	Impairment £m	Total £m
At 1 January 2015	**6.2**	**1.3**	**(6.0)**	**1.5**
Share of loss of associates after tax	**(5.2)**	**–**	**5.2**	**–**
Exchange rate differences	**(0.4)**	**–**	**0.4**	**–**
At 31 December 2015	**0.6**	**1.3**	**(0.4)**	**1.5**

	Net assets £m	Goodwill £m	Impairment £m	Total £m
At 1 January 2014	15.6	1.5	(8.0)	9.1
Share of loss of associates after tax	(0.4)	–	(2.2)	(2.6)
Dividends received	(0.8)	–	–	(0.8)
Disposal	(6.8)	–	3.5	(3.3)
Exchange rate differences	(1.4)	(0.2)	0.7	(0.9)
At 31 December 2014	6.2	1.3	(6.0)	1.5

11 OTHER FINANCIAL INVESTMENTS

	Investment type	Destination of Investment	**2015 £m**	2014 £m
Available-for-sale financial investments carried at fair value	Listed corporate bonds	UK	**24.0**	19.1
		Eurozone	**4.2**	3.9
		Other	**45.2**	38.8
			73.4	61.8
	Listed equity securities	UK	**0.3**	0.2
		Sweden	**42.8**	34.6
	Unlisted investments	Sweden	**4.5**	3.3
			121.0	99.9

The movement of other financial investments, analysed based on the methods used to measure their fair value, was as follows:

	Level 1 Quoted market prices £m	Level 2 Observable market data £m	Level 3 Other valuation methods* £m	Total £m
At 1 January 2015	**34.8**	**61.8**	**3.3**	**99.9**
Additions	**4.4**	**40.9**	**1.8**	**47.1**
Disposals	**–**	**(25.6)**	**(0.5)**	**(26.1)**
Fair value movements recognised in reserves on available-for-sale assets	**4.6**	**(4.8)**	**–**	**(0.2)**
Exchange rate variations	**(0.7)**	**1.1**	**(0.1)**	**0.3**
At 31 December 2015	**43.1**	**73.4**	**4.5**	**121.0**

	Level 1 Quoted market prices £m	Level 2 Observable market data £m	Level 3 Other valuation methods* £m	Total £m
At 1 January 2014	34.6	69.4	0.3	104.3
Acquisitions arising from business combinations	–	–	3.0	3.0

Additions	2.5	70.9	2.6	76.0
Disposals	(0.6)	(80.9)	(2.7)	(84.2)
Fair value movements recognised in reserves on available-for-sale assets	2.6	0.6	–	3.2
Fair value movements recognised in profit before tax on available-for-sale assets	0.1	–	0.1	0.2
Exchange rate variations	(4.4)	1.8	–	(2.6)
At 31 December 2014	34.8	61.8	3.3	99.9

* Unlisted equity shares valued using multiples from comparable listed organisations.

Corporate Bond Portfolio
At 31 December 2015

Sector	Banking	Insurance	Travel and Tourism	Telecoms and IT	Energy and Resources	Other	Total
Value	£30.6m	£6.6m	£7.6m	£13.9m	£12.9m	£1.8m	£73.4m
Running yield	7.6%	6.8%	8.2%	7.8%	11.2%	6.9%	8.3%
Issuers	RBS	Old Mutal	SAS	Dell	Enel	Stora Enso	
	HSBC	PGH Capital	Stena	Millicom	Seadrill		
	Lloyds	Brit Insurance	British Airways	T-Mobile	Transocean		
	Investec			Centurylink	ArcelorMittal		
	Barclays			Telecom Italia	Freeport-McMoRan		
	Unicredit						
	SNS Bank						
	Credit Agricole						
	Bank of Ireland						
	Deutsche Bank						
	Societe Generale						

12 TRADE AND OTHER RECEIVABLES

	2015 £m	2014 £m
Current		
Trade receivables	**5.8**	4.6
Prepayments	**2.3**	1.7
Accrued income	**1.8**	1.5
Other debtors	**3.6**	3.0
	13.5	10.8

There was no concentration of credit risk with respect to trade receivables as the Group had a large number of customers spread across the countries in which it operated.

There were no material trade and other receivables classified as past due but not impaired (2014: none). No trade and other receivables were interest-bearing.

Included within other debtors is £1.0 million (2014: £1.1 million) due after more than one year.

13 CASH AND CASH EQUIVALENTS

	2015 £m	2014 £m
Cash at bank and in hand	**100.7**	95.2
Short-term bank deposits	**–**	5.0
	100.7	100.2

At 31 December 2015, Group cash at bank and in hand included £11.0 million (2014: £11.0 million) which was restricted by a third-party charge.

14 TRADE AND OTHER PAYABLES

	2015 £m	2014 £m
Current		
Trade payables	**6.4**	1.6
Social security and other taxes	**6.7**	2.1
Other payables	**10.7**	34.1
Accruals	**15.8**	15.3
Deferred income	**14.6**	15.0
	54.2	68.1

15 DEFERRED TAX

	2015 £m	2014 £m
Deferred tax assets:		
– after more than 12 months	**(3.3)**	(4.8)
Deferred tax liabilities:		
– after more than 12 months	**114.7**	105.9
	111.4	101.1

The movement in deferred tax was as follows:

	2015 £m	2014 £m
At 1 January	**101.1**	68.0
Charged in arriving at profit after tax	**13.5**	34.8
(Credited)/charged to other comprehensive income	**(0.5)**	1.3
Deferred tax on acquisition	**–**	1.3
Exchange rate variances	**(2.7)**	(4.3)
At 31 December	**111.4**	101.1

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

Deferred tax assets	**Tax losses £m**	**Other £m**	**Total £m**
At 1 January 2015	**(1.3)**	**(3.5)**	**(4.8)**
Charged in arriving at profit after tax	**1.2**	**1.1**	**2.3**
Credited to other comprehensive income	**–**	**(0.8)**	**(0.8)**
At 31 December 2015	**(0.1)**	**(3.2)**	**(3.3)**

Deferred tax assets	Tax losses £m	Other £m	Total £m
At 1 January 2014	(4.5)	(1.9)	(6.4)
Charged/(credited) in arriving at profit after tax	3.1	(1.7)	1.4
Charged to other comprehensive income	–	0.1	0.1
Exchange rate variances	0.1	–	0.1
At 31 December 2014	(1.3)	(3.5)	(4.8)

Deferred tax liabilities	**UK capital allowances £m**	**Fair value adjustments to investment properties £m**	**Other £m**	**Total £m**

At 1 January 2015	**10.6**	**91.8**	**3.5**	**105.9**
(Credited)/charged in arriving at profit after tax	**(0.1)**	**11.3**	**–**	**11.2**
Charged to other comprehensive income	**–**	**0.1**	**0.2**	**0.3**
Exchange rate variances	**–**	**(0.4)**	**(2.3)**	**(2.7)**
At 31 December 2015	**10.5**	**102.8**	**1.4**	**114.7**

Deferred tax liabilities	UK capital allowances £m	Fair value adjustments to investment properties £m	Other £m	Total £m
At 1 January 2014	8.0	65.5	0.9	74.4
Charged in arriving at profit after tax	2.6	30.5	0.3	33.4
Charged to other comprehensive income	–	–	1.2	1.2
Deferred tax on acquisition	–	–	1.3	1.3
Exchange rate variances	–	(4.2)	(0.2)	(4.4)
At 31 December 2014	10.6	91.8	3.5	105.9

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2015 the Group did not recognise deferred tax assets of £5.6 million (2014: £10.6 million) in respect of losses amounting to £22.7 million (2014: £47.0 million) which can be carried forward against future taxable income or gains. The majority of deferred tax assets recognised within the “other” category relate either to deferred tax on swaps with a negative book value or to corporate bonds carried at below cost. Losses recognised as deferred tax assets can be carried forward without restriction.

16 BORROWINGS

At 31 December 2015	**Current £m**	**Non-current £m**	**Total borrowings £m**
Bank loans	**190.5**	**409.8**	**600.3**
Debenture loans	**1.8**	**25.5**	**28.7**
Zero coupon note	**–**	**8.4**	**7.0**
Unsecured bonds	**23.9**	**64.6**	**88.5**
Secured notes	**4.1**	**66.9**	**71.0**
	220.3	**575.2**	**795.5**

At 31 December 2014	Current £m	Non-current £m	Total borrowings £m
Bank loans	187.4	350.9	538.3
Debenture loans	1.6	27.4	29.0
Zero coupon note	–	11.2	11.2
Unsecured bonds	(0.3)	89.1	88.8
Secured notes	4.1	70.9	75.0
	192.8	549.5	742.3

Arrangement fees of £4.5 million (2014: £3.7 million) have been offset in arriving at the balances in the above tables.

Bank loans
Interest on bank loans is charged at fixed rates ranging between 1.4% and 6.9%, including margin (2014: 3.1% and 6.9%) and at floating rates of typically LIBOR, EURIBOR or STIBOR, plus a margin. Floating rate margins range between 0.8% and 3.8% (2014: 0.8% and 3.8%). All bank loans are secured by legal charges over the respective properties, and in most cases a floating charge over the remainder of the assets held in the company which owns the property. In addition, the share capital of some of the subsidiaries within the Group has been charged.

Debenture loans
The debenture loans represent amortising bonds which are repayable in equal quarterly instalments of £1.2 million (2014: £1.2 million) with final repayment due in January 2025. Each instalment is apportioned between principal and interest on a reducing balance basis. Interest is charged at an annual fixed rate of 10.8%, including margin. The debentures are secured by a legal charge over a property and securitisation of its rental income.

Zero coupon note
The zero coupon note accrues interest at an annual rate of 11.2%, including margin. It is unsecured and is redeemable as a balloon repayment of principal and interest of £21.8 million in aggregate in February 2025. £4.0 million (2014: £3.6 million) of the zero coupon note was bought back in the year at a cost of £5.2 million (2014: £4.9 million).

Unsecured bonds
On 11 September 2012, the Group issued £65.0 million unsecured retail bonds, which attract a fixed rate coupon of 5.5% and are due for repayment in 2019. The bonds are listed on the London Stock Exchange's Order book for Retail Bonds.

On 15 April 2011, the Group issued SEK 300 million unsecured bonds. The bonds attract a floating rate coupon of 3.75% over three months' STIBOR and are due for repayment in 2016. The Group has an option to redeem all outstanding bonds subject to an early repayment premium. The bonds were listed on Nasdaq Stockholm on 5 July 2011.

Secured notes
On 3 December 2013, the Group issued £80.0 million secured, partially-amortising notes. The notes attract a fixed rate coupon of 4.17% on the unamortised principal, the balance of which is repayable in December 2022.

The maturity profile of the carrying amount of the Group's borrowings was as follows:

At 31 December 2015	**Bank loans £m**	**Debenture loans £m**	**Zero coupon note £m**	**Unsecured bonds £m**	**Secured notes £m**	**Total £m**
Within one year or on demand	**191.5**	**1.8**	**–**	**24.1**	**4.2**	**221.6**
More than one but not more than two years	**57.1**	**2.0**	**–**	**–**	**4.2**	**63.3**
More than two but not more than five years	**186.2**	**7.6**	**–**	**65.0**	**12.5**	**271.3**
More than five years	**168.8**	**15.9**	**8.4**	**–**	**50.7**	**243.8**
	603.6	**27.3**	**8.4**	**89.1**	**71.6**	**800.0**
Unamortised issue costs	**(3.3)**	**–**	**–**	**(0.6)**	**(0.6)**	**(4.5)**
Borrowings	**600.3**	**27.3**	**8.4**	**88.5**	**71.0**	**795.5**
Less amount due for settlement within 12 months	**(190.5)**	**(1.8)**	**–**	**(23.9)**	**(4.1)**	**(220.3)**
Amounts due for settlement after 12 months	**409.8**	**25.5**	**8.4**	**64.6**	**66.9**	**575.2**

At 31 December 2014	Bank loans £m	Debenture loans £m	Zero coupon note £m	Unsecured bonds £m	Secured notes £m	Total £m
Within one year or on demand	188.3	1.7	–	–	4.2	194.2
More than one but not more than two years	158.1	1.8	–	24.7	4.2	188.8
More than two but not more than five years	153.4	6.8	–	65.0	12.5	237.7
More than five years	40.5	18.7	11.2	–	54.9	125.3
	540.3	29.0	11.2	89.7	75.8	746.0
Unamortised issue costs	(2.0)	–	–	(0.9)	(0.8)	(3.7)
Borrowings	538.3	29.0	11.2	88.8	75.0	742.3
Less amount due for settlement within 12 months	(187.4)	(1.6)	–	0.3	(4.1)	(192.8)
Amounts due for settlement after 12 months	350.9	27.4	11.2	89.1	70.9	549.5

The interest rate risk profile of the Group's fixed rate borrowings was as follows:

	At 31 December 2015		At 31 December 2014	
	Weighted average fixed rate of financial liabilities %	Weighted average period for which rate is fixed Years	Weighted average fixed rate of financial liabilities %	Weighted average period for which rate is fixed Years
Sterling	**5.8**	**6.2**	6.2	7.5
Euro	**1.8**	**6.0**	5.0	0.7

The interest rate risk profile of the Group's floating rate borrowings was as follows:

	At 31 December 2015			At 31 December 2014		
	% of net floating rate loans capped	Average capped interest rate %	Average tenure Years	% of net floating rate loans capped	Average capped interest rate %	Average tenure Years
Sterling	**20**	**3.3**	**0.7**	68	3.0	1.4
Euro	**65**	**3.4**	**0.9**	72	3.2	1.2

The carrying amounts of the Group's borrowings are denominated in the following currencies:

At 31 December 2015	**Fixed rate financial liabilities £m**	**Floating rate financial liabilities £m**	**Total £m**
Sterling	**247.2**	**198.8**	**446.0**
Euro	**60.5**	**207.0**	**267.5**
Swedish Krona	**–**	**75.0**	**75.0**
Other	**–**	**7.0**	**7.0**
	307.7	**487.8**	**795.5**

At 31 December 2014	Fixed rate financial liabilities £m	Floating rate financial liabilities £m	Total £m
Sterling	205.4	202.2	407.6
Euro	25.3	228.0	253.3
Swedish Krona	–	81.4	81.4
	230.7	511.6	742.3

The carrying amounts and fair values of the Group's borrowings are as follows:

	Carrying amounts		Fair values	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Current borrowings	**220.3**	192.8	**220.4**	192.8
Non-current borrowings	**575.2**	549.5	**609.6**	586.0
	795.5	742.3	**830.0**	778.8

Arrangement fees of £4.5 million (2014: £3.7 million) have been offset in arriving at the balances in the above table.

The fair value of non-current borrowings represents the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, discounted at the prevailing market rate, and excludes accrued interest.

The Group has the following undrawn committed facilities available at 31 December:

	2015 £m	2014 £m
Floating rate:		
– expiring within one year	**39.7**	39.0
– expiring after one year	**–**	–
	39.7	39.0

17 DERIVATIVE FINANCIAL INSTRUMENTS

	2015 Assets £m	**2015 Liabilities £m**	2014 Assets £m	2014 Liabilities £m
Non-current				
Interest rate swaps	**–**	**(5.8)**	–	(6.3)
Current				
Forward foreign exchange contracts	**0.5**	**–**	–	(1.0)
	0.5	**(5.8)**	–	(7.3)

The valuation methods used to measure the fair value of all derivative financial instruments were derived from inputs which were either observable as prices or derived from prices (Level 2).

There were no derivative financial instruments accounted for as hedging instruments.

Interest rate swaps
The aggregate notional principal of interest rate swap contracts at 31 December 2015 was £135.7 million (2014: £41.8 million). The average period to maturity of these interest rate swaps was 6.1 years (2014: 4.1 years).

Forward foreign exchange contracts
The Group uses forward foreign exchange contracts from time to time to add certainty to, and to minimise the impact of foreign exchange movements on, committed cash flows. At 31 December 2015 the Group had £20.0 million of outstanding net foreign exchange contracts (2014: £2.6 million).

18 FINANCIAL INSTRUMENTS

Categories of financial instruments
Financial assets of the Group comprise: interest rate caps; foreign currency forward contracts; available-for-sale investments; investments in associates; trade and other receivables; and cash and cash equivalents.

Financial liabilities of the Group comprise: interest rate swaps; forward foreign currency contracts; bank loans; debenture loans; zero coupon notes; unsecured bonds; secured notes; trade and other payables; and current tax liabilities.

The fair values of financial assets and liabilities are determined as follows:

(a) Interest rate swaps and caps are measured at the present value of future cash flows based on applicable yield curves derived from quoted interest rates.

(b) Foreign currency options and forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

(c) The fair values of non-derivative financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Financial assets in this category include available-for-sale instruments such as listed corporate bonds and equity investments.

(d) In more illiquid conditions, non-derivative financial assets are valued using multiple quotes obtained from market makers and from pricing specialists. Where the spread of prices is tightly clustered the consensus price is deemed to be fair value. Where prices become more dispersed or there is a lack of available quoted data, further procedures are undertaken such as evidence from the last non-forced trade.

(e) The fair values of other non-derivative financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices from observable current market transactions and dealer quotes for similar instruments.

Except for investments in associates and fixed rate loans, the carrying amounts of financial assets and liabilities recorded at amortised cost approximate to their fair value.

Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity balances. The capital structure of the Group consists of debt, cash and cash equivalents, other investments and equity attributable to the owners of the parent, comprising issued capital, reserves and retained earnings. Management perform “stress tests” of the Group’s business model to ensure that the Group’s objectives can be met. The objectives have been met in the year.

The Directors review the capital structure on a quarterly basis to ensure that key strategic goals are being achieved. As part of this review they consider the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end was as follows:

	2015 £m	2014 £m
Debt	**800.0**	746.0
Liquid resources	**(174.1)**	(162.0)
Net debt	**625.9**	584.0
Equity	**768.0**	657.5
Net debt to equity ratio	**81%**	89%

Debt is defined as long-term and short-term borrowings before unamortised issue costs as detailed in note 16. Liquid resources are cash and short-term deposits and listed corporate bonds. Equity includes all capital and reserves of the Group attributable to the owners of the Company.

Externally imposed capital requirement

At 31 December 2015 the Group was subject to a minimum equity ratio of total equity to total assets of 22.5% imposed by unsecured bonds of £89.1 million (2014: £89.1 million). The Group was also restricted from making distributions to shareholders if to do so would reduce net assets below £250 million, imposed by unsecured bonds of £65.0 million (2014: £65.0 million). Additionally, the Group was subject to externally imposed capital requirements to the extent that debt covenants may require group companies to maintain ratios such as debt to equity (or similar) below certain levels.

Risk management objectives

The Group’s activities expose it to a variety of financial risks, which can be grouped as:

- market risk
- credit risk
- liquidity risk

The Group’s overall risk management approach seeks to minimise potential adverse effects on the Group’s financial performance whilst maintaining flexibility.

Risk management is carried out by the Group's treasury department in close co-operation with the Group's operating units and with guidance from the Board of Directors. The Board regularly assesses and reviews the financial risks and exposures of the Group.

(a) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates, and to a lesser extent other price risk. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk and also uses natural hedging strategies such as matching the duration, interest payments and currency of assets and liabilities.

(i) Interest rate risk

The Group's most significant interest rate risk arises from its long-term variable rate borrowings. Interest rate risk is regularly monitored by the treasury department and by the Board on both a country and a Group basis. The Board's policy is to mitigate variable interest rate exposure whilst maintaining the flexibility to borrow at the best rates and with consideration to potential penalties on termination of fixed rate loans. To manage its exposure the Group uses interest rate swaps, interest rate caps and natural hedging from cash held on deposit.

In assessing risk, a range of scenarios is taken into consideration such as refinancing, renewal of existing positions and alternative financing and hedging. Under these scenarios, the Group calculates the impact on the income statement for a defined movement in the underlying interest rate. The impact of a reasonably likely movement in interest rates is set out below:

Scenario	**2015 Income statement £m**	2014 Income statement £m
Cash +50 basis points	**0.5**	0.3
Variable borrowings (including caps) +50 basis points	**(2.4)**	(2.5)
Cash -50 basis points	**(0.5)**	(0.3)
Variable borrowings (including caps) -50 basis points	**1.0**	1.8

(ii) Foreign exchange risk

The Group does not have any regular transactional foreign exchange exposure. However, it has operations in Europe which transact business denominated in euros and, to a lesser extent, in Swedish kronor. Consequently, there is currency exposure caused by translating into sterling the local trading performance and net assets for each financial period and balance sheet, respectively.

The policy of the Group is to match the currency of investments with the related borrowing, which largely eliminates foreign exchange risk on property investments. A portion of the remaining operations, equating to the net assets of the foreign property operations, is not hedged except in exceptional circumstances, such as the uncertainty surrounding the euro in late 2011. Where foreign exchange risk arises from future commercial transactions, the Group will hedge the future committed commercial transaction using foreign exchange swaps or forward foreign exchange contracts.

The Group's principal currency exposures are in respect of the euro and the Swedish krona. If the value of sterling were to increase or decrease in strength the Group's net assets and profit for the year would be affected. The impact of a 1% increase or decrease in the strength of sterling against these currencies is set out below:

Scenario	**2015 Net assets £m**	**2015 Profit before tax £m**	2014 Net assets £m	2014 Profit before tax £m

1% increase in value of sterling against the euro	**(2.2)**	**(0.4)**	(1.4)	(0.2)
1% increase in value of sterling against the Swedish krona	**(0.3)**	**(0.1)**	(0.4)	–
1% fall in value of sterling against the euro	**2.2**	**0.4**	1.4	0.2
1% fall in value of sterling against the Swedish krona	**0.3**	**0.1**	0.4	–

(iii) Other price risk

The Group is exposed to corporate bond price risk and, to a lesser extent, to equity securities price risk, because of investments held by the Group and classified in the balance sheet as available-for-sale.

In order to manage the risk in relation to the holdings of corporate bonds and equity securities the Group holds a diversified portfolio. Diversification of the portfolio is managed in accordance with the limits set by the Group.

The table below shows the effect on other comprehensive income which would result from an increase or decrease of 10% in the market value of corporate bonds and listed equity securities, which is an amount management believes to be reasonable in the current market:

Scenario: Shift of 10% in valuations	**2015 Other Comprehensive Income £m**	2014 Other Comprehensive Income £m
10% fall in value	**(11.7)**	(9.7)
10% increase in value	**11.7**	9.7

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from the ability of customers to meet outstanding receivables and future lease commitments, and from financial institutions with which the Group places cash and cash equivalents, and enters into derivative financial instruments. The maximum exposure to credit risk is partly represented by the carrying amounts of the financial assets which are carried in the balance sheet, including derivatives with positive fair values.

For credit exposure other than to occupiers, the Directors believe that counterparty risk is minimised to the fullest extent possible as the Group has policies which limit the amount of credit exposure to any individual financial institution.

The Group has policies in place to ensure that rental contracts are made with customers with an appropriate credit history. Credit risk to customers is assessed by a process of internal and external credit review, and is reduced by obtaining bank guarantees from the customer or its parent, and rental deposits. The overall credit risk in relation to customers is monitored on an ongoing basis. Moreover, a significant proportion of the Group portfolio is let to Government occupiers which can be considered financially secure.

At 31 December 2015 the Group held £121.0 million (2014: £99.9 million) of available-for-sale financial assets. Management considers the credit risk associated with individual transactions and monitors the risk on a continuing basis. Information is gathered from external credit rating agencies and other market sources to allow management to react to any perceived change in the underlying credit risk of the instruments in which the Group invests. This allows the Group to minimise its credit exposure to such items and at the same time to maximise returns for shareholders.

The table below shows the external Standard & Poor's credit banding on the available-for-sale financial investments held by the Group:

S&P Credit rating at balance sheet date	**2015 £m**	2014 £m
Investment grade	**9.4**	5.8
Non-investment grade	**56.6**	50.7

Not rated	**55.0**	43.4
Total	**121.0**	99.9

(c) Liquidity risk

Liquidity risk management requires maintaining sufficient cash, other liquid assets and the availability of funding to meet short, medium and long-term requirements. The Group maintains adequate levels of liquid assets to fund operations and to allow the Group to react quickly to potential opportunities.

Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flows so that future requirements can be managed effectively.

The majority of the Group's debt is arranged on an asset-specific, non-recourse basis. This allows the Group a higher degree of flexibility in dealing with potential covenant defaults than if the debt was arranged under a Group-wide borrowing facility.

Loan covenant compliance is closely monitored by the treasury department. Potential covenant breaches can ordinarily be avoided by placing additional security or a cash deposit with the lender, or by partial repayment to cure an event of default.

The table below analyses the Group's contractual undiscounted cash flows payable under financial liabilities and derivative assets and liabilities at the balance sheet date, into relevant maturity groupings based on the period remaining to the contractual maturity date. Amounts due within one year are equivalent to the carrying values in the balance sheet as the impact of discounting is not significant.

At 31 December 2015	**Less than 1 year £m**	**1 to 2 years £m**	**2 to 5 years £m**	**Over 5 years £m**
Non-derivative financial liabilities:				
Borrowings	**221.6**	**63.3**	**271.3**	**243.8**
Interest payments on borrowings†	**27.1**	**27.0**	**30.4**	**33.9**
Trade and other payables	**54.2**	**–**	**–**	**–**
Forward foreign exchange contracts:				
Cash flow hedges				
– Outflow	**(20)**	**–**	**–**	**–**
– Inflow	**20**	**–**	**–**	**–**

At 31 December 2014	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m
Non-derivative financial liabilities:				
Borrowings	194.2	188.8	237.7	125.5
Interest payments on borrowings†	22.0	17.5	37.2	16.4
Trade and other payables	68.1	–	–	–
Forward foreign exchange contracts:				
Cash flow hedges				
– Outflow	(2.6)	–	–	–
– Inflow	2.6	–	–	–

† Interest payments on borrowings are calculated without taking into account future events. Floating rate interest is estimated using a future interest rate curve as at 31 December.

19 SHARE CAPITAL

	Number					
	Ordinary shares in circulation	**Treasury shares**	**Total ordinary shares**	**Ordinary shares in circulation £m**	**Treasury shares £m**	**Total ordinary shares £m**
At 1 January 2015	**42,924,061**	**2,903,103**	**45,827,164**	**10.8**	**0.7**	**11.5**

Issued	**15,000**	**(15,000)**	**–**	**–**	**–**	**–**
Cancelled following tender offers	**(798,480)**	**–**	**(798,480)**	**(0.2)**	**–**	**(0.2)**
At 31 December 2015	**42,140,581**	**2,888,103**	**45,028,684**	**10.6**	**0.7**	**11.3**

	Number					
	Ordinary shares in circulation	Treasury shares	Total ordinary shares	Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
At 1 January 2014	43,953,790	2,903,103	46,856,893	11.0	0.7	11.7
Cancelled following tender offers	(1,029,729)	–	(1,029,729)	(0.2)	–	(0.2)
At 31 December 2014	42,924,061	2,903,103	45,827,164	10.8	0.7	11.5

Ordinary shares have a nominal value of 25 pence each.

20 TENDER OFFER BUY-BACKS

A tender offer by way of a Circular dated 13 March 2015 for the purchase of 1 in 80 shares at 1,950 pence per share was completed in April. It returned £10.4 million to shareholders, equivalent to 24.4 pence per share.

A tender offer by way of a Circular dated 21 August 2015 for the purchase of 1 in 162 shares at 2,190 pence per share was completed in September. It returned £5.7 million to shareholders, equivalent to 13.5 pence per share.

A further tender offer will be put to shareholders in April 2016 for the purchase of 1 in 57 shares at a price of 1,810 pence per share which, if approved, will return £13.4 million to shareholders, equivalent to 31.8 pence per share.

21 SHARE PREMIUM

	2015 £m	2014 £m
At 1 January	**82.9**	82.9
Ordinary shares issued from treasury shares	**0.1**	–
At 31 December 2015	**83.0**	82.9

22 OTHER RESERVES

	Capital redemption reserve £m	**Cumulative translation reserve £m**	**Fair value reserve £m**	**Other reserves £m**	**Total £m**
At 1 January 2015	**22.2**	**33.2**	**5.3**	**28.1**	**88.8**
Purchase of own shares:					
– cancellation pursuant to tender offer	**0.2**	**–**	**–**	**–**	**0.2**
Exchange rate variances	**–**	**(8.6)**	**–**	**–**	**(8.6)**
Property, plant and equipment					
– net fair value gains in the year	**–**	**–**	**4.7**	**–**	**4.7**
– deferred tax thereon	**–**	**–**	**(0.4)**	**–**	**(0.4)**
Available-for-sale financial assets:					
– net fair value losses in the year	**–**	**–**	**(0.2)**	**–**	**(0.2)**
– deferred tax thereon	**–**	**–**	**0.6**	**–**	**0.6**
At 31 December 2015	**22.4**	**24.6**	**10.0**	**28.1**	**85.1**

	Capital redemption reserve £m	Cumulative translation reserve £m	Fair value reserve £m	Other reserves £m	Total £m

At 1 January 2014	22.0	47.2	(1.3)	28.1	96.0
Purchase of own shares:					
– cancellation pursuant to tender offer	0.2	–	–	–	0.2
Exchange rate variances	–	(14.0)	(0.3)	–	(14.3)
Available-for-sale financial assets:					
– net fair value gains in the year	–	–	7.8	–	7.8
– deferred tax thereon	–	–	(0.9)	–	(0.9)
At 31 December 2014	22.2	33.2	5.3	28.1	88.8

The cumulative translation reserve comprises the aggregate effect of translating net assets of overseas subsidiaries into sterling since acquisition.

The fair value reserve comprises the aggregate movement in the value of corporate bonds, other available-for-sale assets and owner-occupied property since acquisition, net of deferred tax.

The amount classified as other reserves was created prior to listing in 1994 on a Group reconstruction and is considered to be
non-distributable.

23 CASH GENERATED FROM OPERATIONS

	2015 £m	2014 £m
Operating profit	**168.7**	259.8
Adjustments for:		
Net movements on revaluation of investment properties	**(98.0)**	(186.0)
Depreciation and amortisation	**1.3**	0.3
Profit on sale of investment property	**(4.3)**	(8.7)
Gain on sale of corporate bonds	**(0.7)**	–
Non-cash rental income	**(1.3)**	(0.5)
Share-based payment expense	**0.2**	–
Other gains and losses	**(2.9)**	(1.2)
Fair value gain on reclassification of an associate as a subsidiary	**–**	(0.2)
Changes in working capital:		
(Increase)/decrease in debtors	**(2.5)**	(2.0)
Increase/(decrease) in creditors	**11.6**	(8.2)
Cash generated from operations	**72.1**	53.3

24 ASSOCIATES

The group financial statements include the Group's share of the results and net assets of the following associates:

Name	**Country of incorporation**	**Holding**
Bulgarian Land Development plc	Isle of Man	48.3%
Nyheter 24 AB	Sweden	20.0%
Lociloci AB	Sweden	24.6%

25 RELATED PARTY TRANSACTIONS

Associates and Joint Ventures

A Group company provided accounting services to Bulgarian Land Development plc, an associate of the Group, for which a charge of £12,500 was made (2014: £25,000), of which £nil (2014: £6,250) remained outstanding at the balance sheet date.

At 31 December 2015, the Group had a convertible loan of SEK 5.0 million (2014: SEK 5.0 million), due from Nyheter24 Media Network AB, an associate company. Until 1 May 2015, this loan was interest free, and thereafter attracted Swedish base rate plus 2%. At any date between 1 May 2016 and 30 June 2016, the Group is permitted to convert the loan into shares in Nyheter24 Media Network AB at SEK 40.5 each.

Transactions with Directors
Distributions totalling £9,235,402 (2014: £8,813,580) were made through tender offer buy-backs in the year in respect of ordinary shares held by the Company's Directors.

During the year, a company owned by Sten Mortstedt rented office space to a Group company, Vänerparken Investment AB ("Vänerparken"), at a cost of SEK 400,000 (2014: SEK 400,000). At the balance sheet date a Group company, Museion Förvaltning AB, had signed an agreement to lease the office space until 30 September 2018 at a cost of SEK 400,000 per annum. No balances were outstanding at the balance sheet date (2014: £nil).

Skansen Group Limited, a company in which Anna Seeley and Thomas Lundqvist are directors, rented office space from a Group company, Vauxhall Square Limited, at an arm's length rent of £46,530 per annum (2014: £nil) plus annual service charge of £21,650 (2014: £23,255). No balances were outstanding at the balance sheet date.

Directors' Remuneration
The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Information about the remuneration of individual directors is provided in the audited part of the Remuneration Committee Report on pages 46 to 52 of the 2015 Annual Report and Accounts. Directors fees of £425,000 (2014: £400,000) were paid to a company owned by Sten Mortstedt.

	2015 £000	2014 £000
Short-term employee benefits	**2,421**	2,060
Post-employment benefits	**45**	35
Other long-term benefits	**736**	250
	3,202	2,345

GLOSSARY OF TERMS

ADJUSTED NET ASSETS OR ADJUSTED SHAREHOLDERS' FUNDS
Net assets excluding the fair value of financial derivatives, deferred tax on revaluations, and goodwill arising as a result of deferred tax

ADJUSTED NET GEARING
Net debt expressed as a percentage of adjusted net assets

ADJUSTED SOLIDITY
Adjusted net assets expressed as a percentage of adjusted total assets

ADJUSTED TOTAL ASSETS
Total assets excluding deferred tax assets

ADMINISTRATION COST RATIO
Recurring administration expenses of the Investment Property operating segment expressed as a percentage of net rental income

BALANCE SHEET LOAN TO VALUE
Net debt expressed as a percentage of total assets less cash and short-term deposits

CONTRACTED RENT
Annual contracted rental income after any rent-free periods have expired

CORE PROFIT
Profit before tax and before net movements on revaluation of investment properties, profit on sale of investment properties, subsidiaries and corporate bonds, impairment of intangible assets and goodwill, non-recurring costs, change in fair value of derivatives and foreign exchange variances

DILUTED EARNINGS PER SHARE
Profit after tax divided by the diluted weighted average number of ordinary shares

DILUTED NET ASSETS
Equity shareholders' funds increased by the potential proceeds from issuing those shares issuable under employee share schemes

DILUTED NET ASSETS PER SHARE OR DILUTED NET ASSET VALUE

Diluted net assets divided by the diluted number of ordinary shares

DILUTED NUMBER OF ORDINARY SHARES
Number of ordinary shares in circulation at the balance sheet date adjusted to include the effect of potential dilutive shares issuable under employee share schemes

DILUTED WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES
Weighted average number of ordinary shares in issue during the period adjusted to include the effect of potential weighted average dilutive shares issuable under employee share schemes

EARNINGS PER SHARE
Profit after tax divided by the weighted average number of ordinary shares in issue in the period

EPRA
European Public Real Estate Association

EPRA EARNINGS PER SHARE
Profit after tax, but excluding net gains or losses from fair value adjustments on investment properties, profits or losses on disposal of investment properties and other non-current investment interests, impairment of goodwill and intangible assets, movements in fair value of derivative financial instruments and their related current and deferred tax

EPRA NET ASSETS
Diluted net assets excluding the fair value of financial derivatives, deferred tax on revaluations, and goodwill arising as a result of deferred tax

EPRA NET ASSETS PER SHARE
EPRA net assets divided by the diluted number of ordinary shares

EPRA NET INITIAL YIELD
Annual passing rent less net service charge costs on investment properties expressed as a percentage of the investment property valuation after adding purchasers' costs

EPRA TOPPED UP NET INITIAL YIELD
Annual net rents on investment properties expressed as a percentage of the investment property valuation after adding purchasers' costs

EPRA TRIPLE NET ASSETS
EPRA net assets adjusted to reflect the fair value of debt and derivatives and to include the fair value of deferred tax on property revaluations

EPRA TRIPLE NET ASSETS PER SHARE
EPRA triple net assets divided by the diluted number of ordinary shares

ESTIMATED RENTAL VALUE (ERV)
The market rental value of lettable space as estimated by the Group's valuers

INTEREST COVER
The aggregate of group revenue less costs, divided by the aggregate of interest expense and amortisation of loan issue costs, less interest income

LIQUID RESOURCES
Cash and short-term deposits and listed corporate bonds

NET ASSETS PER SHARE OR NET ASSET VALUE (NAV)
Equity shareholders' funds divided by the number of ordinary shares in circulation at the balance sheet date

NET DEBT
Total borrowings less liquid resources

NET GEARING
Net debt expressed as a percentage of net assets

NET INITIAL YIELD
Annual net rents on investment properties expressed as a percentage of the investment property valuation

NET RENT
Contracted rent less net service charge costs

OCCUPANCY RATE
Contracted rent expressed as a percentage of the aggregate of contracted rent and the ERV of vacant space

OVER-RENTED
The amount by which ERV falls short of the aggregate of passing rent

PASSING RENT
Contracted rent before any rent-free periods have expired

PROPERTY LOAN TO VALUE
Property borrowings expressed as a percentage of the market value of the property portfolio

RENT ROLL
Contracted rent

SOLIDITY
Equity shareholders’ funds expressed as a percentage of total assets

TOTAL SHAREHOLDER RETURN
For a given number of shares, the aggregate of the proceeds from tender offer buy-backs and change in the market value of the shares during the year adjusted for cancellations occasioned by such buy-backs, as a percentage of the market value of the shares at the beginning of the year

TRUE EQUIVALENT YIELD
The capitalisation rate applied to future cash flows to calculate the gross property value, as determined by the Group’s external valuers