Annual Financial Statements

for the year ended 31 March 2018

STENPROP

(Incorporated in Guernsey)
Registration number: 64865
BSX share code: STP.BH
JSE share code: STP
ISIN: GG00BFWMR296

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Highlights

£1.41
Diluted EPRA NAV* per share

9.09 pence
Diluted adjusted EPRA earnings per share

4.0 pence
Final dividend per share declared

49.2%
Loan-to-value ratio at year end (2017: 51.6%)

Key Highlights

- Key strategic decisions have been taken to:
  - establish Stenprop as the leading multi-let industrial ('MLI') business in the UK;
  - sell all, or substantially all, of its non-MLI assets over the next few years, and utilise the sale proceeds to build a focused UK MLI business; and
  - reduce total borrowings to no more than 40% of its gross asset value by 31 March 2020.
- Stenprop migrated its jurisdiction of incorporation from Bermuda to Guernsey on 23 March 2018 and converted to a UK REIT on 1 May 2018.
- Admission of all of Stenprop's shares to trade on the Specialist Fund Segment of the London Stock Exchange is scheduled to take place on 15 June 2018, following publication of the Company's prospectus on its website on 8 June 2018. No new shares are being issued on listing.
- A total investment of £147.8 million in MLI assets has been made as at 31 March 2018, including the £130.5 million strategic acquisition of the industrials.co.uk portfolio and management platform. A further £11.0 million of MLI assets have been acquired since year end. This takes the total MLI component to 23% of total assets.
- Disposals totalling £210.4 million, including £41.7 million post year end, yielded proceeds of £97.9 million to fund the Company's investment in the MLI sector.
- In the nine months since the acquisition of the MLI portfolio, 90 new lettings and lease renewals have been entered into at an average rent which is 17.7% above the passing rent previously payable on those units.

Financial

- In line with guidance previously provided, a final dividend was declared on 6 June 2018 of 4.0 pence per share which, together with the interim dividend declared on 22 November 2017 of 4.0 pence per share, results in a total dividend for the year ended 31 March 2018 of 8.0 pence per share. This equates to a historic dividend yield of 7.0% on the share price of £1.14^ at 4 June 2018, or 5.7% on the diluted EPRA net asset value ('NAV') of £1.41 at 31 March 2018. Subject to the receipt of Regulatory approvals, a scrip alternative will be offered, which the Directors intend to match through the buyback of shares. The 2017 total dividend was paid in Euros and amounted to 9.0 cents per share, which at the then prevailing exchange rates would have equated to 7.8 pence per share. The current total dividend represents an increase of 2.5% over the previous year.
- The diluted adjusted EPRA EPS* for the year ended 31 March 2018 is 9.09 pence (2017: 8.99 pence), an increase of 1.1%. This equates to a historic earnings yield of 8.0% on the share price of £1.14^ at 4 June 2018, or 6.4% on the diluted EPRA NAV of £1.41 at 31 March 2018. Diluted IFRS EPS is 13.89 pence (2017: 5.18 pence).
- Diluted EPRA NAV per share is up 3.7% at £1.41 (2017: £1.36). Diluted IFRS NAV per share was £1.36 per share (2017: £1.31).

FX rates in period

Average foreign exchange rates in the year: £1.00:€1.134; £1.00:CHF1.287 (2017: £1.00:€1.190; £1.00:CHF1.290)

Year-end foreign exchange rates: £1.00:€1.137; £1.00:CHF1.337 (2017: £1.00:€1.169; £1.00:CHF1.250)

* 'EPRA' means European Public Real Estate Association. 'EPS' means earnings per share. 'NAV' means net asset value.

^ JSE closing price on 4 June 2018 was ZAR19.12. ZAR:GBP rate at the same date was 16.72:1.

Commentary

Stenprop Limited (the 'Company' and together with its subsidiaries the 'Group') is pleased to report its Group annual financial statements for the year ended 31 March 2018.

Business strategy

Investment

Stenprop's objective is to deliver sustainable growing income to its investors. The Company's investment strategy for achieving this objective has always been to identify and invest in sectors and assets that have positive growth fundamentals and, where there is an opportunity, to add value and grow earnings through active asset management.

In early 2017, Stenprop identified UK MLI as a sector likely to deliver superior long-term growth in sustainable earnings, as a result of a structural imbalance in supply and demand dynamics, with increasing tenant demand and static (and, in some cases, reducing) supply that was likely to translate into higher rents over time. Stenprop also identified that, in order to exploit opportunities in the UK MLI sector and deliver consistent returns, it required sufficient scale as well as an excellent management team and operating platform.

The June 2017 Stenprop acquisition of the industrials.co.uk multi-let industrial portfolio and C2 Capital management platform for £130.5 million achieved both of these objectives, positioning Stenprop to achieve its objective of becoming the leading MLI business in the UK.

Following the successful integration of the C2 Capital team and the significant growth in earnings experienced from the industrials.co.uk portfolio since acquisition, Stenprop took the strategic decision that its objective to deliver sustainable, growing income to shareholders would be best achieved by becoming a specialised UK MLI property company. This strategic repositioning means that Stenprop intends, over the next few years ('the transition period'), to sell all, or substantially all, of its non-MLI assets and utilise the sale proceeds to build a focused UK MLI business.

In pursuit of this strategy, in January 2018 Stenprop completed the sale of its office building in Pilgrim Street, London, via a sale of shares which valued the property at £79.9 million (2.4% above the valuation at 30 September 2017), and in June 2018, it completed the sale of its 50% interest in its office building located in Argyll Street, London, via a sale of shares which valued the property at £83.4 million (3.0% above the valuation at 30 September 2017). In the remaining period to 31 March 2020, Stenprop has identified a further £350 million of non-MLI assets for disposal.

Following the acquisition of the industrials.co.uk portfolio and C2 Capital, Stenprop has completed the acquisition of a further seven MLI estates, five prior to year end and two post year end, for an aggregate purchase price of £32.6 million. In the remaining period to 31 March 2020, Stenprop aims to acquire a further £185 million of MLI assets.

Based on these goals, MLI assets are expected to comprise approximately 60% to 65% of Stenprop's total portfolio of properties by 31 March 2020. In the three-year period following 31 March 2020, Stenprop intends to continue its programme of disposals and acquisitions, with the aim of having a portfolio of properties made up entirely, or almost entirely, of MLI assets and a target overall LTV ratio of no more than 40%.

Corporate

Following the decision to reposition Stenprop as the leading MLI business in the UK, the board of directors of the Company (the 'Board' or the 'Directors') considered that it would be better placed to achieve this goal if it pursued a listing of its shares on the London Stock Exchange. As a result, Stenprop announced its intention at the interim stage to seek a listing on the Specialist Fund Segment (the 'SFS') of the London Stock Exchange ('LSE'), reasoning that accessibility to additional investors including, in particular, UK investors focused on specialist income funds, should improve liquidity in the Company's shares and provide further access to equity capital, both of which would be beneficial to the strategic aims of the Company, and should add value to shareholders.

Alongside the decision to seek a listing on the SFS, a decision was taken by the Board to migrate the Company from Bermuda to Guernsey and to convert to a UK REIT. Guernsey is one of the world's largest offshore centres, with an efficient and flexible regulatory regime which is well regarded globally. Moreover, shareholders of Guernsey-registered companies listed on the SFS will typically benefit from the protections of the UK City Code on Takeovers and Mergers, which is designed principally to ensure that in a takeover situation, shareholders are treated fairly and equally. Following approval of shareholders at the Special General Meeting held on 7 March 2018, the change in the jurisdiction of incorporation of the Company from Bermuda to Guernsey took place on 23 March 2018.

The decision to convert to a UK REIT was driven by the changing tax environment in the UK, the fact that REITs are recognised as tax-efficient structures for investment in real estate and have a proven track record of attracting international capital, and that it will potentially improve after-tax returns for some shareholders. Stenprop acquired UK REIT status on 1 May 2018, and, as a consequence, became UK tax resident. This required a number of changes in the composition of the Board, and, as previously announced, resulted in the appointment of Julian Carey as executive property director, Richard Grant as independent chairman, and Philip Holland as independent non-executive director on 1 May 2018. At the same time, Guernsey residents Stephen Ball resigned as chairman and Neil Marais resigned as executive director. Sarah Bellilchi was appointed as company secretary.

Admission of all of Stenprop's shares to trade on the SFS is expected to take place on 15 June 2018, following the publication of the Company's prospectus on its website on 8 June 2018. Simultaneously with the new listing on the LSE, the Company will delist from the Bermuda Stock Exchange. It will retain its primary listing on the Main Board of the Johannesburg Stock Exchange ('JSE').

Active MLI portfolio management and product development

Stenprop has a highly-skilled and experienced in-house asset management team who intensively manage the MLI properties on a day-to-day basis by way of ongoing interaction with tenants, service providers and property managers. With the benefit of a permanent capital structure, Stenprop intends to develop a 'serviced' industrial model, which will offer more flexibility to tenants and in return unlock additional income streams for Stenprop. The MLI platform operates under the industrials.co.uk brand.

The key elements of Stenprop's product and asset management strategy include:

Getting 'Smart' about leasing

The traditional approach to leasing in the UK has tended to be inflexible and cumbersome, entailing lengthy lease documentation which serves to transfer risk from the landlord to the tenant by way of imposing significant repairing, maintenance, legal and time obligations on occupiers. As a general trend, but most dramatically in the office sector, this approach has changed with the rise of serviced office and co-working concepts such as WeWork and Regus. Stenprop believes that there is a huge opportunity to offer a similar approach in the MLI sector where our customer base is similar and where customer service has historically been poor. Stenprop is currently rolling out a new 'Smart Lease' that offers tenants the ability to make shorter-term commitments, with greater flexibility and no liability for repairs and maintenance in return for a rental premium. As the owner, Stenprop is able to price for this risk at a level which is attractive to our customers but also profitable for the Company. Stenprop also takes the view that this approach will significantly shorten the leasing and tenant decision-making process, thereby reducing voids and letting expenses. It eliminates significant work and time around service charge reconciliations and dilapidations claims, enabling Stenprop to keep units in good condition and ready for immediate occupation. By offering a 'Smart Lease' through the industrials.co.uk platform, the Company is building brand awareness and loyalty, which combined with market leading technology solutions (set out below) will position the Company for long-term sustainable growth.

Using technology to deliver class leading customer service

Statistics indicate that across the MLI sector approximately 50% of tenants leave their units upon lease expiry. Stenprop believes that the best way to reduce vacancy and increase rents is to deliver enhanced customer service to improve tenant retention. If customers perceive they are getting value for money through a good service and appropriate levels of communication, they will be less likely to leave upon expiry and will be less price sensitive upon renewal. Therefore, customer service is at the core of Stenprop's approach to good estate management. Stenprop believes that the key to success in delivering this on a scalable basis lies in implementing technology-driven solutions. Whilst personal visits to estates and direct contact with tenants will always remain a critical part of the business model, the use of technology provides the most effective method of servicing and communicating with a large number of tenants spread across multiple assets in a wide geographical area.

Commentary

Stenprop is currently implementing a number of technology based solutions:

- Onsite technology: Stenprop has installed high definition CCTV camaras with remote monitoring across 37% of the MLI assets and is reviewing a portfolio-wide roll out of the technology. In addition, Stenprop is putting in place security barriers with SMS and remote entry systems to enable tenants to control access for their staff and customers. It is exploring options to install ultra-high speed fibre supplies at a number of estates, which will give Stenprop an attractive and competitive offer to tenants. This will facilitate further enhanced security services to tenants in the future.

- CRM system: Stenprop is currently rolling out an enhanced customer relationship management ('CRM') system. The new system, which is synchronised with the Company's website and online leasing tool, will facilitate more effective communications with tenants and enable real time interaction with a large number of users.

- Website: Stenprop is launching a new industrials.co.uk website in June 2018 which will form the basis for a significantly enhanced platform. Not only will it list all available units and information on the assets owned, but it will also house the online leasing tool described below, and provide a wide range of additional information for tenants. As part of this initiative, the Company is also introducing a new 0800 number to field all tenant and prospective tenant enquiries, which will ensure a consistent and efficient service when interacting with the industrials.co.uk team.

- Online leasing tool: Stenprop will launch an online leasing tool in June 2018 which will allow existing tenants to renew their lease and/or take up additional space online. Using our new 'Smart Lease' tool will allow tenants to rent space from six weeks to three years on inclusive terms at the click of a button. In time, this will extend to new customers on all units and will also facilitate the offering of additional products and services which are key to our 'Serviced Industrial' model.

- PropTech partnerships: Stenprop's scale has enabled it to engage with a range of leading PropTech solutions available in the marketplace. The integration of these systems is expected to significantly enhance operational efficiencies when performing letting, lease management, portfolio management, acquisition and inspection processes. Stenprop is working with a leading system integration consultant to ensure all third-party technology partner systems integrate with existing property management, CRM and in-house systems.

- Tenant portal: A tenant portal is currently being developed which will provide real-time information to tenants, including lease details, status of rental charges, online payments and more. In addition, the portal will provide a communication forum between landlord and tenants, opening new value-add opportunities for trade and ensuring that relationships remain dynamic and relevant. The intention is to make the portal available in both online and in app form.

Active asset management

Stenprop is continually investigating ways to improve occupancy and increase rental income, particularly with the use of technology solutions which can reduce void times. As part of this, Stenprop has centralised the vacant property marketing function. This means that when a unit becomes available for rent, Stenprop can automate the process of uploading full details, including ordering high resolution photographs and virtual tours for the unit and the estate, and listing the property on high-traffic online letting sites without the need for formal leasing instructions or approvals. This significantly cuts delays in marketing the unit to let and ensures that Stenprop assets are accurately and consistently marketed across a wide variety of advertising spaces.

To ensure maximum occupancy and sustainable growth it is also important to continue to invest in the assets and enhance their appeal. An active capital enhancement programme is in place across the portfolio, which includes the refurbishment of c. 180,000 sq ft of space at Coningsby Park, Peterborough. As a rule, all vacant properties are refurbished upon the tenant vacating to ensure that they are immediately available for occupation when a prospective tenant is found at the best possible rental level.

In Stenprop's view, ensuring that the changing needs of customers are correctly analysed and dealt with is key to building resilience into the portfolio. Maintaining active contact with tenants and constantly monitoring rent collection statistics enables Stenprop to build resilience in the portfolio by addressing problem tenants before they become an issue, and, where appropriate, upscaling or downsizing tenants during the term of their lease to ensure they are occupying the optimum amount of space.

Debt management

Stenprop has been steadily reducing its total borrowings from above 54% of gross assets (its 'LTV' ratio) in October 2014 to an LTV ratio of 49.2% at 31 March 2018. The Company's LTV ratio temporarily increased at 30 September 2017 to approximately 55% as a result of the bridging finance used for the acquisition of the industrials.co.uk portfolio and C2 Capital. As planned, the bridging finance was repaid in January 2018 out of the proceeds from the sale of Pilgrim Street.

In view of its changed strategy, the Group is aiming to reduce its level of total borrowings (at a Group level) to approximately 45% of its gross asset value by 31 March 2019 and 40% by 31 March 2020, by utilising part of the sale proceeds of its existing portfolio. Thereafter, the Directors will employ a level of borrowing that they consider to be prudent for the asset class, taking into account prevailing market conditions.

During the transition period when existing assets are being sold and the proceeds reinvested in MLI assets, depending on the timing of such disposals and acquisitions, new acquisitions may be funded by drawing down on a £50 million revolving credit facility ('RCF') from Investec Bank plc. It is intended that drawdowns under the Investec RCF will be short term and will be replaced as soon as possible from a combination of disposal proceeds and longer term debt finance at an average of 40% of the purchase price.

Management fee income from assets managed for third parties

With the focus of the business now on growing the MLI portfolio and actively embracing technology to improve cost efficiencies and unlocking additional sustainable income streams, Stenprop intends to actively withdraw from involvement in its historic fund management arm. Many of these managed funds are coming to a natural end, and, at the year end, have delivered management fee income of £5.1 million (2017: £3.1 million). Further material fees may arise during the next six to twelve months. Thereafter, management fee income is expected to decline to insignificant levels. In future, guidance will be given to distinguish between EPRA earnings attributable to the property rental business and those attributable to the historic fund management business.

Future distributions

As previously reported, Stenprop has historically pursued a distribution policy in terms of which it distributed at least 85% of its EPRA earnings on a bi-annual basis. Following the successful conversion to UK REIT status on 1 May 2018 and the anticipated listing in London, Stenprop intends to distribute the amount necessary to comply with REIT regulations, or at least 90% of its property-related EPRA earnings, whichever is the higher. Distribution of non property-related earnings will be evaluated from time to time by the Board. Stenprop intends to pay dividends in cash on a bi-annual basis, but may offer a scrip equivalent from time to time. Further discussion of future distributions can be found under the Prospects section later in the commentary.

Business review

Portfolio Summary

As at 31 March 2018, including assets held for sale, the Company's real estate portfolio comprised an interest in 76 properties valued at £733.6 million[1], with 48.5% by value in the United Kingdom, 38.8% in Germany and 12.7% in Switzerland. The portfolio, which has a gross lettable area of approximately 415,105[1] sq m and gross annual rent of £44.0 million[1], is currently in the office, retail and MLI sectors, which account for 35%, 26% and 24% respectively of rental income. The MLI portfolio is expected to significantly increase over time as Stenprop pursues further acquisitions in the MLI sector and makes disposals from other asset classes.

A table detailing the top six property investments in the portfolio can be found below. These six investments account for 71% of the total portfolio asset value. The value of the two Central London properties (including Stenprop's share of 25 Argyll Street) accounts for 17% of the total portfolio asset value, although this reduced to 11% following completion of the sale of Stenprop's joint venture share in Argyll Street on 4 June 2018. The value of the MLI portfolio accounts for 20% of the total portfolio asset value and the Berlin retail centre portfolio (comprising three centrally-located, daily-needs shopping centres) accounts for 9%.

[1] Includes Stenprop's share of the properties held within joint venture investments.

Commentary

Top six investments by value as at 31 March 2018

Property	Market Value (£million)	Ownership interest %	Stenprop share of market value (£million)	Proportion of Stenprop portfolio %	Sector	Lettable area (sq m)	Annualised Gross Rental (Stenprop share) (£million)	Weighted Average unexpired lease term (years)
MLI portfolio, UK	147.8	100	147.8	20	MLI	215,299	10.4	3.1
Bleichenhof, Hamburg	130.8	94.9	124.2	17	Mixed use	19,320	4.6	4.7
Euston House, London	79.6	100	79.6	11	Office	10,204	4.0	4.5
Berlin daily-needs retail centre portfolio	66.1	100	66.1	9	Retail	35,346	3.9	9.0
Trafalgar Court, Guernsey	59.9	100	59.9	8	Office	10,564	4.3	9.1
Argyll Street, London*	83.4	50	41.7	6	Office	6,134	2.1	1.8
Total	**567.6**	**–**	**519.3**	**71**	**–**	**296,867**	**29.3**	**5.1**

* Sale completed on 4 June 2018

MLI portfolio and management platform acquisitions

On 30 June 2017, Stenprop acquired 100% of a portfolio of 25 MLI estates situated across the United Kingdom, operating as industrials.co.uk, based on a portfolio price of £127 million excluding costs. The portfolio comprised properties with a gross lettable area of approximately 2 million sq ft and a contractual rent (including contractual fixed uplifts) of approximately £9.1 million per annum representing an average rent of £5.15 /sq ft. There are more than 400 tenants creating a diversified base of earnings.

Also on 30 June 2017, Stenprop completed the acquisition of C2 Capital Limited, the management platform responsible for aggregating and managing the portfolio, for a purchase consideration of £3.5 million settled by the issue to Julian Carey, the founder and sole owner, of 3,270,500 Stenprop shares valued at €1.22 per share. By structuring the acquisition in this way, Stenprop acquired a strategic portfolio of sufficient scale in the MLI sector together with a specialist operating platform and team.

During the period of Stenprop ownership from 1 July 2017 to 31 March 2018, there have been 90 new lettings and lease renewals on the acquired portfolio. The average increase in rents over the previous passing rents for these units was 17.7%, illustrating the significant growth achievable through investing in the sector.

MLI Acquisitions

Following the acquisition of the industrials.co.uk portfolio and C2 Capital, Stenprop has appraised more than £1.2 billion of potential MLI acquisitions. With the capital available and the application of Stenprop's disciplined investment criteria, to date Stenprop has completed the acquisition of a further seven MLI estates, five prior to the financial year end and two post financial year end, for an aggregate purchase price of £32.6 million.

In three separate transactions concluded in December 2017, Stenprop acquired Souterhead Industrial Estate in Aberdeen from M&G Real Estate, Venture Park in Peterborough from Catalyst Capital and Coningsby Park in Peterborough from Thomas Cook for an aggregate price of £13.5 million. The three estates comprise 63 purpose-built, multi-let industrial units and approximately 360,000 sq ft of lettable space. Souterhead and Venture Park are well-let, income-producing estates in strong markets, with the prospect of excellent rental growth over time through active asset management. Coningsby Park was originally built as an MLI estate before being fitted out as a call centre by Thomas Cook. It was acquired for a purchase price which largely reflected vacant value and gave Stenprop the opportunity to reposition the estate to its former MLI use.

In the final quarter of the 2018 financial year Stenprop also completed the acquisition of two further industrial estates. Globe Park, Rochdale, a modern and well located industrial estate near Manchester comprising 17 units and 38,000 sq ft of industrial space, was acquired on 16 January 2018 for £2.2 million. Ellis Hill, Huddersfield, is a six unit scheme, comprising 76,140 sq ft of modern industrial space, on a busy main road and occupied by St Gobain, Sicame and Mercedes and VW dealerships, and was acquired on 12 March 2018 for £5.8 million.

After the financial year end, Stenprop acquired a further two MLI estates for an aggregate price of £11.0 million. Greenwood Industrial Estate in Shrewsbury, acquired on 24 April 2018 for £2.9 million, comprises a 30-unit scheme, totalling 44,611 sq ft, and is fully let to a number of local and national tenants.

A further acquisition of a multi-let industrial estate in Kirkstall, Leeds for £8.1 million completed on 1 June 2018. The estate comprises 14 units totalling 111,081 sq ft of industrial space.

Disposals

As a consequence of the repositioning of its portfolio, Stenprop intends, during the transition period, to sell all, or substantially all, of its non-MLI assets and utilise the sales proceeds to build a focused UK MLI business. During the financial year under review, and in the subsequent period to date, Stenprop has completed a number of disposals, which are detailed further below.

In June 2017, an associate in which Stenprop has a 28.42% interest, disposed of a shopping centre known as Nova Eventis, situated near Leipzig in Germany. The shopping centre was sold at a valuation of €208.5 million.

Stenprop has previously announced its intention to dispose of its Swiss portfolio. In July 2017, Stenprop completed the sale of the Swiss property in Granges Paccot at its valuation of CHF20.0 million and, in October 2017, it disposed of a property in Cham at its valuation of CHF14.2 million. Seven of the eight remaining Swiss properties based in in Arlesheim, Chiasso, Sissach, Altendorff, Baar, Vevey and Montreux, with a combined valuation at 31 March 2018 of CHF103.2 million, are currently being marketed for sale. They are expected to be sold by the end of 2018. The remaining property in Lugano is currently undergoing substantial repositioning by the tenant, which is expected to be completed by October 2018. It will be marketed separately once all the works are complete and trading in the premises has been established.

In August 2017, Stenprop sold an office block in Uxbridge, West London, at a sale price of £3.4 million, an uplift of 13.3% from the 31 March 2017 valuation of £3.0 million. In December 2017, Stenprop sold an office property in Worthing, West Sussex, for £3.7 million, an uplift of 12.7% from the 31 March 2017 valuation of £3.2 million.

On 11 January 2018, Stenprop sold its office building located in Pilgrim Street, London, by way of a share sale. The consideration valued the property at £79.9 million (2.4% above the valuation of £78.0 million at 30 September 2017) and released cash proceeds of £42.1 million (after sales costs and repayment of external debt). On 4 June 2018, Stenprop completed the sale of its 50% interest in the office building located in Argyll Street at a price which valued the property at £83.4 million, 3% higher than the September 2017 valuation, and released proceeds of £22.8 million.

Stenprop has commenced a sale process of its Aldi portfolio of 14 stores located in Germany, valued at €32.8 million as at 31 March 2018. The sale process is progressing in line with expectations and is expected to complete prior to 30 September 2018.

Stenprop has identified for future sale its investment in Euston House, London, which was valued at 31 March 2018 at £79.6 million. This office building, with a lettable area of 10,204 sq m, occupies an island site of 0.45 acres opposite Euston Station. With Kings Cross St Pancras approximately 500 m to the east, it is located between two significant nodes of regeneration. Marketing is expected to commence in the first quarter of 2019, subject to the number of MLI acquisitions made over the remainder of 2018.

Financial Review

Earnings

The basic earnings attributable to ordinary shareholders for the year ended 31 March 2018 were £39.4 million (2017: £14.7 million). This equates to a diluted IFRS EPS of 13.89 pence (2017: 5.18 pence). The variance compared with the prior year is the result of positive property valuation movements which, including Stenprop's share of joint ventures and associates, amounted to £21.2 million.

Net rental income from continuing operations (excluding Switzerland) increased by 29.0% over the prior year to £32.9 million, of which 20.2% is due to net rents from the industrials.co.uk portfolio and 1.7% due to different average exchange rates. Goodwill of £3.5 million attaching to the acquisition of the C2 Capital management platform was written off during the period. The increase in finance charges of 58.2% to £9.5 million was driven by the industrials.co.uk portfolio bank debt interest (28.5%) and the interest and costs associated with the bridging finance used to acquire the industrials portfolio (36.3%).

Commentary

In accordance with reporting standards widely adopted across the real estate industry in Europe, the Board feels it is appropriate and useful, in addition to providing the IFRS disclosed earnings, to also disclose EPRA[2] earnings. Adjusted EPRA earnings attributable to shareholders were £25.8 million (2017: £25.5 million), equating to a diluted adjusted EPRA EPS of 9.09 pence (2017: 8.99 pence) representing a 1.1% increase. Readers are referred to note 14 where this is calculated.

The diluted adjusted EPRA EPS attributable to the property rental business amounts to 7.29 pence per share, with the remaining amount of 1.80 pence being attributable to the management fee income.

Stenprop has considered the adoption of further EPRA metrics and in line with best practice believes it useful to disclose the EPRA cost ratio (including direct vacancy costs). The EPRA cost ratio includes all administrative and operating expenses in the IFRS statements (including share of joint ventures). The EPRA cost ratio (including direct vacancy costs) at 31 March 2018 was 28.0% (2017: 25.6%).

Management fee income totals £5.1 million for the period (2017: £3.1 million) and relates to fees earned by the management companies on management and administration services provided to certain managed property syndicates and funds. Included in the total are management fees of £1.8 million which relate to a managed syndicate which holds the WestendGate property in Frankfurt. This asset is currently being marketed for sale, and may result in a performance fee being earned by Stenprop.

Dividends

On 6 June 2018, the directors declared a final dividend of 4.0 pence per share (2017: 3.9 pence) which, together with the interim dividend of 4.0 pence per share (2017: 3.9 pence) declared on 22 November 2017, results in a total dividend for the year ended 31 March 2018 of 8.0 pence share (2017: 7.8 pence). For the avoidance of doubt, the final dividend comprises 100% ordinary dividend with no Property Income Distribution ('PID') component.

Subject to the receipt of Regulatory approvals, the directors intend to offer shareholders the option to receive, in respect of all or part of their Stenprop shareholding, either a scrip dividend by way of an issue of new Stenprop shares, or a cash dividend. An announcement containing details of the dividend, the timetable and the scrip dividend will be made on 10 July 2018. It is expected that shares will commence trading ex-dividend on 25 July 2018 on the JSE and on 26 July 2018 on the LSE. The record date for the dividend is expected to be 27 July 2018 and the dividend payment date 17 August 2018.

In respect of this dividend, given the Company's share price, which is at a discount relative to net asset value, the Directors intend to match the scrip alternative through the buyback of shares to mitigate the dilutive effect that would otherwise occur through the issuance of new ordinary shares.

Net asset value

The IFRS basic and diluted NAV per share at 31 March 2018 were £1.37 and £1.36 respectively (2017: basic and diluted £1.31).

With regard to the disclosure of EPRA earnings, the Directors feel that it is appropriate and useful, in addition to IFRS NAV, to also disclose EPRA NAV[3]. The diluted EPRA NAV per share at 31 March 2018 was £1.41 (2017: £1.36). This represents a 3.7% increase on the diluted EPRA NAV per share of £1.36 at 31 March 2017 and is driven by the increase in property valuations reported at the year end.

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[2] The European Public Real Estate Association ('EPRA') issued Best Practices Policy Recommendations in November 2016, which provide guidelines for performance measures relevant to real estate companies. Their recommended reporting standards are widely applied across this market, aiming to bring consistency and transparency to the sector. The EPRA earnings measure is intended to show the level of recurring earnings from core operational activities with the purpose of highlighting the Group's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. The measure excludes unrealised changes in the value of investment properties, gains or losses on the disposal of properties and other items that do not provide an accurate picture of the Group's underlying operational performance. The measure is considered to accurately capture the long-term strategy of the Group, and is an indication of the sustainability of dividend payments.

[3] The objective of the EPRA NAV measure is to highlight the fair value of net assets on an ongoing, long-term basis. EPRA NAV is used as a reporting measure to better reflect underlying net asset value attributable to shareholders. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value of financial derivatives and deferred taxes on property valuation surpluses are therefore excluded. The EPRA measure thus takes into account the fair value of assets and liabilities as at the balance sheet date, other than fair value adjustments to financial instruments, deferred tax and goodwill. As the Group has adopted fair value accounting for investment property per IAS 40, adjustments to reflect the EPRA NAV include only those relating to the revaluation of financial instruments and deferred tax.

Change in presentation currency

Effective 1 April 2017, the Company changed its presentation currency from Euros to Pounds Sterling ('GBP'). This represents a change from the previous year end and has been applied to reflect the relatively larger weighting of Stenprop's UK portfolio and Stenprop's entry into the UK multi-let industrial asset class. It is also better suited to the proposed Stenprop listing on the London Stock Exchange, an update of which is given in this report. Accordingly, all results and comparatives have been reported in GBP.

Foreign exchange

At 31 March 2018, approximately 39% of Stenprop's NAV and 35% of its net rents are denoted in Euros. Consequently, the GBP:EUR exchange rate has a material impact on reported GBP earnings and NAVs. At the start of April 2017, the GBP:EUR rate was £1.00:€1.169 and the Euro strengthened over the year by 3.1% to £1.00:€1.134 as at 31 March 2018.

Stenprop matches the currency of borrowings to the underlying asset. Where the timing and amount of a liability has been determined, and where it will be met from the proceeds of a sale which is also known in terms of timing and amount, the currency risk is managed through hedging instruments.

Stenprop's diversification across the UK, Germany and Switzerland (until the Swiss portfolio is sold) continues to provide a natural spread of currencies and it remains our policy not to hedge this natural spread, thereby maintaining a multi-currency exposure.

Portfolio valuation

Including the Company's share of associates and joint ventures, its investment properties were valued at £733.6 million (31 March 2017: £725.5 million), of which £163.5 million were classified as assets held for sale at 31 March 2018 (31 March 2017: £133.4 million). Assets held for sale consist of the remainder of the Swiss portfolio, the German Aldi portfolio and Stenprop's joint venture share of the office building in the centre of London known as Argyll Street. On a like-for-like basis, excluding the impact of additions and disposals in the period, the valuation of the portfolio since the prior year end increased by 3.9% of which 0.2% resulted from currency movements. The German and Swiss properties have been translated to GBP at a rate of £1.00:€1.13 and £1.00:CHF1.34 respectively. This compares with exchange rates of £1.00:€1.17 and £1.00:CHF1.25 at 31 March 2017.

Properties / portfolio	Portfolio by market value (%)	Market value 31 March 2018 (£m)	Properties	Area (sq m)	Annualised gross rental income (£m)	Net inital yield 31 March 2018 (%)	WAULT (by rental income) (years)
UK non-MLI	22.7	166.4	10	50,280	10.9	5.76	6.0
UK MLI	20.1	147.8	30	215,299	10.4	6.50	3.1
Germany	30.2	221.3	9	72,674	10.4	4.16	6.1
Held for sale	16.6	121.8	22	54,455	7.8	4.90	7.6
Total	89.6	657.3	71	392,708	39.5	5.23	5.6
Share of Joint Ventures and Associates (JV&A)	4.7	34.6	4	19,330	2.4	5.95	11.4
Share of JV&A – held for sale	5.7	41.7	1	3,067	2.1	4.61	1.8
Total	100.0	733.6	76	415,105	43.9	5.23	5.7

United Kingdom

The UK portfolio (excluding Stenprop's joint venture share of 25 Argyll Street) was independently valued at £314.2 million at the end of the reporting period. On a like-for-like basis, after excluding the sales of Pilgrim Street, Worthing and Uxbridge, and the acquisition of the Industrials portfolio as well as the six acquisitions during the year, the valuation of the UK portfolio decreased by £0.9 million, or 0.6%, from the valuation at 31 March 2017. Although virtually flat in total, the variance is made up of a £1.9 million increase at Euston House (2.4%) and a downward valuation of £2.7 million (4.3%) at the Trafalgar Court property in Guernsey, driven by a softening of yields on the island.

Commentary

On 30 June 2017, the 25 estates comprising the industrials.co.uk portfolio were acquired at a cost of £127.0 million as a corporate transaction. In line with accounting standards and the RICS Red Book valuation guide, these accounts are required to value these assets on an individual basis. This valuation was undertaken by third-party valuer, JLL, and at 30 September 2017 was £122.4 million. The 31 March 2018 valuation of the same assets was £125.6 million, an increase of 2.6% over the six-month period. JLL also provided a like-for-like portfolio valuation as at 31 March 2018 which valued the industrial portfolio as a whole at £157.5 million, an increase of 6.6% on the acquisition valuation of £147.8 million.

Stenprop acquired five further MLI estates between December 2017 and March 2018 for a combined purchase price (excluding costs) of £21.5 million. At 31 March 2018, these five estates were valued by JLL at £22.2 million, an increase of 3.3% since acquisition.

Germany

The German portfolio (excluding associates and joint ventures) was independently valued at €284.6 million. This represents a like-for-like increase of 11.1% on the year-end valuation of €256.1 million. The increase of €28.5 million was driven by a €21.3 million (16.7%) uplift at Stenprop's Bleichenhof property in central Hamburg, an asset which is benefiting from positive market development seen in core assets in prime cities and from decreasing vacancy and increased market rents. The asset management work being done to reposition this asset in conjunction with the adjacent city centre redevelopment is now reaping rewards. Elsewhere, it is pleasing to report higher valuations at the three central Berlin retail centres which experienced a combined uplift of €3.9 million and are now valued at €75.2 million, an increase of 5.5% on the prior year.

Switzerland

The Swiss portfolio was valued at CHF124.2 million compared with the like-for-like 2017 year-end valuation of CHF129.9 million (excluding the sales of Granges Paccot and Cham during the year for a combined sales price of CHF34.2 million). The decrease in valuation has been driven by a weakening of market rents over the period. As previously reported, following a decision to sell these lower yielding and more mature assets, the Swiss portfolio has been classified as held for sale in the financial statements. All remaining properties are being marketed for sale and are at various stages in the sale process.

Joint ventures and associates

The Care Homes portfolio in Germany was independently valued at €39.3 million, an increase of 11.0% on the 31 March 2017 valuation of €35.4 million.

Stenprop's 50% interest in 25 Argyll Street, a property located in the heart of London's West End, was externally valued at £41.7 million, an increase of £1.2 million from that at 31 March 2017. The interest was sold on 4 June by way of a share sale at a price which valued the property at its 31 March 2018 valuation of £83.4 million.

Following the disposal of the Nova Eventis shopping centre by Stenham European Shopping Centre Fund Limited on 22 June 2017, Stenprop no longer holds any direct property interests through associate investments.

UK industrial portfolio update

At the reporting date, Stenprop owned 30 MLI estates comprising 2.3 million sq ft of space, housing 489 tenants and generating a rent of £10.4 million per annum. As at year end, the portfolio has seen the signing of 56 new leases and the renewal of 34 existing leases. On average these leases have been signed up/renewed at rental levels which are 17.7% ahead of the previous passing rent for each respective unit. This rental growth will in due course translate into higher earnings, NAV and total shareholder return.

The integration of the C2 Capital management team with the existing Stenprop team is proceeding smoothly and synergies are emerging. A significant focus is to build on the industrials.co.uk platform using technology to increase efficiency and reduce costs. Stenprop is confident that investment in cutting-edge technology together with the Company's ability to offer tenants increasingly flexible terms and enhanced customer service will result in long-term sustainable earnings growth from the portfolio.

The Company continues to seek appropriate additional acquisition opportunities in the multi-let space. As a result of the long established relationships and networks of the industrials.co.uk team, subsequent to year end, the Company has acquired a further two estates and is under offer on a number of others. The industrials.co.uk team also benefits from a steady pipeline of further opportunities. In the first quarter of 2018, the sector saw more than 40 transactions with a deal volume of approximately £400 million.

Debt management

The value of the property portfolio as at 31 March 2018, including the Group's share of joint venture properties and assets held for sale, was £733.6 million. Senior bank debt at the same date was £360.9 million resulting in an average loan-to-value ratio of 49.2% (31 March 2017: 51.6%). The Group's short term bridge funding of €39 million was repaid in January 2018 with part of the net sales proceeds received from the sale of the property at Pilgrim Street in the City of London.

The weighted average debt maturity stood at 2.9 years at 31 March 2018 compared with 2.4 years at 31 March 2017. Excluding the Swiss debt facilities, which are expected to be repaid in the near term, the weighted average debt maturity at 31 March 2018 stands at 3.4 years.

Excluding the Swiss portfolio, annual amortisation payments are £3.7 million (31 March 2017: £1.2 million). The increase since prior year relates to the Trafalgar Court loan facility, and will be removed once the additional amount of £6.1 million, used in the acquisition of the Industrial portfolio in June 2017, has been repaid.

The all-in contracted weighted average cost of debt was 2.44% at year end, down from 2.53% at 31 March 2017.

The Swiss portfolio is being marketed for sale; consequently, loans secured against these assets amounting to CHF57.9 million were refinanced as a three month rolling credit facility, and loans amounting to CHF7.8 million were refinanced with a one year term until 31 March 2019.

The Care Homes bank facility with Deutsche Postbank totalled €22.1 million at year end and was refinanced on 31 March 2018 until December 2023. The new margin of 1.25% and a swap of 0.52% gives an all-in rate of 1.77% and there are annual combined amortisation payments of €549,000. The facility covers all four care homes, with the new terms for two of the loans not commencing until 1 January 2019, when they are due to mature. All four loans now have a coterminous maturity date. The all-in rate prior to this refinance was 2.61% per annum.

The bank facility relating to the five German Bikemax properties was refinanced in December 2017 to €12.6 million, with the existing lender for a new five-year facility maturing in December 2022, at a margin of 1.55%. The current LTV ratio of the loan is 46% and, as part of the refinancing, annual amortisation of €400,000 has been removed. An interest rate cap was purchased in order to provide flexibility over future disposals while also allowing Stenprop to benefit from the current low interest rate environment.

As mentioned above, in view of its changed strategy, Stenprop is targeting a reduced level of total borrowings (at a Group level) to approximately 45% of its gross asset value by 31 March 2019, and 40% by 31 March 2020, by utilising part of the proceeds of disposals of its existing non-MLI portfolio. Thereafter, the Directors will employ a level of borrowing that they consider to be prudent for the asset class, taking into account prevailing market conditions.

The Group mitigates interest rate risk through the use of derivative instruments such as interest rate swaps or interest rate caps in respect of at least 75% of its interest rate exposure. The Group utilises derivative instruments solely for the purposes of efficient portfolio management.

REIT conversion

As previously mentioned, the Company converted to UK REIT status on 1 May 2018.

Update on London Stock Exchange ('LSE') listing

The Company's entire issued ordinary share capital is currently admitted to trading on the Main Board for listed securities of JSE. Assisted by Numis Securities Limited, acting as financial adviser, an application will be made to the LSE for all of the ordinary shares of the Company to be admitted to trading on the SFS. Admission to trading on the LSE constitutes admission to trading on a regulated market. It is expected that UK Admission will become effective and that unconditional dealings will commence in the ordinary shares on the LSE at 8.00 a.m. on 15 June 2018, following publication of the Company's prospectus on its website on 8 June 2018. Simultaneously with the new listing on the LSE, the Company will delist from the Bermuda Stock Exchange. It will retain its primary listing on the Main Board of the JSE.

Ultimately, Stenprop's intention is to list on the Premium Segment of the Main Market of the LSE.

Commentary

Migration of the Company to Guernsey

As previously reported, as a consequence of the intended listing and following approval at the special general meeting held on 7 March 2018, Stenprop migrated its jurisdiction of incorporation from Bermuda to Guernsey on 23 March 2018.

Board appointments and resignations

Following the conversion of the Company to REIT status on 1 May 2018, there have been a number of changes to the Board. With effect from the date of conversion, the independent non-executive chairman, Stephen Ball, and executive director, Neil Marais, resigned from the Board. With effect from the same date, Julian Carey was appointed as executive property director, Richard Grant was appointed as independent non-executive chairman and Philip Holland was appointed as Independent non-executive director and chairman of the audit committee of Stenprop.

On 28 February 2018, Mandy Yachad resigned from the Board as an independent non-executive director and on 5 April 2017, Warren Lawlor was appointed as a non-executive director.

Subsequent events

On 4 June 2018, Stenprop completed the sale of its joint venture interest in Argyll Street in London's West End by way of a sale of shares. The sale valued the property at £83.4 million and generated net proceeds of £22.8 million.

As detailed earlier in this report, on 24 April 2018 Stenprop completed the acquisition of a fully-let industrial estate in Shrewsbury for £2.9 million. The estate comprises 24 units, totalling 44,611 sq ft of industrial space. On 1 June 2018, Stenprop completed the acquisition of a multi-let industrial estate in Kirkstall, Leeds for £8.1 million. The estate comprises 14 units totalling 111,081 sq ft of industrial space.

In May 2018, an amount of £8.4 million was drawn down from The Royal Bank of Scotland plc, secured against the MLI properties located in Shrewsbury, Leeds and Huddersfield, with a term of five years and an interest rate equal to three month LIBOR plus a margin of 2.25 per cent per annum.

Subsequent to the year end, a €14.8 million loan with DGHyp was refinanced. The loan, relating to the Aldi portfolio, was extended until 30 April 2020. Loan interest is calculated at 1.85% per annum over the 3-month-euribor and the terms of the facility allow the borrower to benefit from negative interest rates. At the date of refinance this reduced the all-in interest rate for the first three-month interest period to 1.52%.

On 6 June 2018, the Directors declared a final dividend of 4.0 pence per share. The final dividend will be payable in cash or as a scrip dividend by way of an issue of new Stenprop shares. An announcement containing details of the dividend and the timetable will be made in due course.

Prospects

Stenprop remains confident in its strategic decision that its objective to deliver sustainable growing income to shareholders is best achieved by transforming the business into a focused UK MLI property company. This strategic repositioning means that Stenprop, over the next few years, intends to sell all, or substantially all of its non-MLI assets and utilise the sale proceeds to build a focused UK MLI business and to target a reduced leverage ratio of no more than 40% by 31 March 2020. Simultaneously, Stenprop will also exit from its third-party management activity.

Whilst Stenprop is confident that its increasing investment in the MLI sector will, over time, position it to achieve its core objective of delivering sustainable growing income to its shareholders, the full impact on its earnings and distributions during the transition period will depend on a number of factors. These include the timing and commercial terms of acquisitions and disposals, and the implementation of its deleveraging strategy. Fluctuations from changes in exchange rates resulting from its holdings in Germany and Switzerland will diminish and eventually be eliminated.

As a result of its strategic repositioning, the Board has taken a decision to rebase the level of distributions going forward in order to ensure that they are fully covered by property-related earnings only. Distribution of non property-related earnings will be evaluated from time to time, but these are more likely to be utilised for additional MLI investment.

This approach aligns the dividend policy with the more predictable contractual rental income streams derived from the properties owned by Stenprop, rather than the less predictable management fee income from third-party fund management activities. It also takes into account the Board's view that, with yields on income producing property having contracted over the past 12 months, reflecting the low interest rate environment and increasing competition for income producing property, yields on MLI property may contract further as the Company transitions into a focused MLI specialist. This reflects Stenprop's view of the MLI property fundamentals and the likelihood of further strong rental growth materialising in the sector. If Stenprop is to remain competitive in the market place for acquisitions of additional MLI property and to pay a sustainable and growing dividend, it is necessary to rebase the dividend.

Stenprop will no longer provide guidance on its earnings; instead it will provide guidance on its anticipated distributions per share. Assuming that current trading conditions will prevail and based on average exchange rates of €1.13:£1.00 and CHF1.30:£1.00 for the year ended 31 March 2019, Stenprop is targeting to pay a total dividend of 6.75 pence per share, a 15.6% reduction over the 8 pence total dividend paid in respect of the year ended 31 March 2018. This target can be evaluated against the diluted adjusted EPRA EPS attributable to the property rental business of 7.29 pence per share for the year ended 31 March 2018, with a further amount of 1.80 pence per share attributable to the non property-related earnings.

The Company intends to pay an interim dividend of 3.375 pence per share in January 2019 and the remainder by way of a final dividend in late July or early August 2019. A 6.75 pence dividend would represent a dividend yield of 5.9% on the current share price of £1.14 or a dividend yield of 4.8% on the Company's diluted EPRA NAV per share at 31 March 2018 of £1.41. Part of the distributions will be a Property Income Distribution (known as a PID) which, subject to certain exemptions, will attract UK withholding tax.

This general forecast has been based on the Group's forecast and has not been reported on by the external auditors. There can be no assurance that these targets will be met or that the Company will make any distributions at all.

Given the nature of its business, Stenprop has adopted distribution per share as its key performance measure, as this is considered more relevant than earnings or headline earnings per share.

Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 March 2018.

Principal activities

The principal activity of the Group is that of a property investment company. Stenprop Limited is incorporated in Guernsey. The address of the registered office is Kingsway House, Havilland Street, St Peter Port, Guernsey, GY1 2QE.

Results and dividends

The results of the Group for the year are set out in the consolidated statement of comprehensive income. A final dividend was declared on 6 June 2018 of 4.0 pence per share, which together with the interim dividend declared on 22 November 2017 of 4.0 pence per share, results in a total dividend for the year ended 31 March 2018 of 8.0 pence per share (2017: 7.8 pence per share).

Capital structure

Details of the authorised and issued share capital are shown in Note 12. The company has one class of share; all shares rank equally and each share carries the right to one vote at general meetings of the company.

Going concern

The financial statements of the Group have been prepared on a going concern basis. At the date of signing these accounts, the Group has positive operating cash flow forecasts and positive net assets. Management have reviewed the Group's cash flow forecasts for the 18 months to 30 September 2019 and, in light of this review and the current financial position, they are satisfied that the Company and the Group have access to adequate resources to meet the obligations and continue in operational existence for the foreseeable future, and specifically the 12 months subsequent to the signing of these financial statements. Further details are set out in note 1.

Directors

The directors of the Company who served during the year and to the date of this report were as follows:

Executive Directors

P Arenson	
P Watson	
N Marais	(resigned 1 May 2018)
J Carey	(appointed 1 May 2018)

Non-executive Directors

S Ball	(resigned 1 May 2018)
M Yachad	(resigned 28 February 2018)
P Miller	
W Lawlor	
R Grant	(appointed 1 May 2018)
P Holland	(appointed 1 May 2018)

Independent auditor

A resolution to reappoint Deloitte LLP as independent auditor will be provided at the next annual general meeting.

Statement of directors' responsibilities

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

The Companies (Guernsey) Law, 2008 (as amended) requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards ('IFRS'). The financial statements are required to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

To the best of the directors' knowledge, the financial statements, prepared in accordance with IFRS; 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.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Approval of annual financial statements

The consolidated annual financial statements of Stenprop Limited were approved by the Board of Directors on 6 June 2018 and are signed on their behalf by:

Paul Arenson	**Patsy Watson**
Chief Executive Officer	Chief Financial Officer

Independent auditor's report
to the shareholders of Stenprop Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Stenprop Limited and its subsidiaries (together "the Group"), which comprise the statement of financial position as at 31 March 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements numbers 1 to 35, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Group as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements including the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investment property valuation	
The valuation of investment properties is inherently judgmental and there can be complexities surrounding the key inputs and assumptions used in valuation models, for example market rents, market yields, tenancy arrangements, vacancy rates, the credit-worthiness of tenants, as well as discount and capitalisation rates used in the discounted cash flows. The Group's property portfolio, as disclosed in notes 3 and 16, is valued at £535.5m as at 31 March 2018 and is independently valued by professionally-qualified valuers in each geographic location. **How the scope of our audit responded to the key audit matter** We have: • Evaluated the design and the implementation of the Group's internal controls over the valuation process, including the provision of data to valuers and management's challenge of valuation reports; • Reconciled all property valuations to the financial statements; • Discussed and challenged key inputs and assumptions with the valuers and management; • Obtained the tenancy schedules used in the valuations and verified tenancy details, on a sample basis, to tenancy agreements; • Selected a sample of properties which we considered to be of most audit interest and engaged with our real estate valuations specialists in both the UK and Germany to challenge those properties' valuations in detail; • Enquired whether the valuers are independent of the Group and assessed the reliability and competency of the valuers; and • Evaluated the disclosures in the financial statements are in compliance with IFRS 13 Fair Value Measurement, and IAS 40 Investment Property.	**Key observations** We concluded that the assumptions applied in arriving at the fair value of the Group's investment properties were appropriate and that the resulting valuations were within a reasonable range.

Accounting for acquisitions of investment properties	
As disclosed in notes 3, 4 and 16, the group acquired £149.8m of investment property in the year. Of this amount, £127m of investment property was acquired at the same time as the acquisition of the management company C2 Capital Limited. The accounting for these transactions can be complex and involved management making significant judgements as to whether to classify the acquisitions as asset acquisitions or business combinations. Specifically, management had to decide whether the acquisitions of the property-owning structures were inherently connected to – and dependent on – the acquisition of C2 Capital Limited. **How the scope of our audit responded to the key audit matter** We have: • Evaluated the design and the implementation of the Group's internal controls over the accounting processes for acquisitions and the review thereof; • Reviewed management's memo on the acquisition accounting and their significant judgments made; • Assessed whether the assets and liabilities acquired me the definition of a business under the requirements of IFRS 3 Business Combinations in terms of identifying inputs, outputs and business processes acquired during a combination; • Reviewed the relevant sales agreements in order to understand the terms and conditions of the acquisitions in order to challenge management on the accounting treatment adopted; • Traced the costs of the acquisitions to cash payments made; and • Reviewed the completeness and accuracy of disclosures surrounding the acquisitions in the financial statements.	**Key observations** We concluded that management's decision to account for the acquisition of C2 Capital Limited as a business combination was appropriate. We concluded that the acquisitions of other property owning structures were correctly accounted for as asset acquisitions. We concluded that the acquisitions of the property structures and C2 Management Limited were not dependent on each other and so were not linked.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. The materiality that we used in the current year was £7.4m (2017, £7.4m) which was determined on the basis of 2% of the Group's net assets as of December 2017. We adopted a lower threshold for testing balances that affect the Group's EPRA earnings. This was set at £2.7m (2017, £2.4m), which was 10% of the Group's 31 March 2018 EPRA earnings.

An overview of the scope of our audit

We performed a full scope audit to respond to the risks of material misstatement for the Group and have performed an audit of specified account balances for subsidiaries of the Group. Together these elements account for 100% of the Group's net assets and 100% of profit before tax. At the group level we tested the consolidation process. All audit work was performed by the Group audit team.

Information other than the financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the Highlights, Commentary, the unaudited notes to the financial statements and the other elements of the Integrated Annual Report, which is expected to be made available to us after the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Integrated Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent auditor's report

to the shareholders of Stenprop Limited

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is David Becker.

Deloitte LLP
Guernsey
6 June 2018

Consolidated statement of comprehensive income

for the year ended 31 March 2018

	Note	31 March 2018 £'000	*31 March 2017 £'000
Net rental income	6	**32,861**	25,468
Rental Income		**42,349**	34,028
Property expenses		**(9,488)**	(8,560)
Management fee income		**5,092**	3,109
Operating costs	7	**(8,290)**	(5,019)
Net operating income		**29,663**	23,558
Fair value movement of investment properties	16	**20,223**	2,431
Gain/(loss) from associates	18	**292**	(9,838)
Income from joint ventures	19	**7,624**	3,430
Loss on disposal of subsidiaries	29	**(26)**	–
Profit from operations		**57,776**	19,581
Net gain from fair value of derivative financial instruments	26	**2,453**	489
Interest receivable		**356**	245
Finance costs	9	**(9,843)**	(6,241)
Net foreign exchange (loss)/gain		**(492)**	274
Gain on disposal of property	16	**1,046**	–
Goodwill impairment	27	**(3,500)**	–
Profit for the year before taxation		**47,796**	14,348
Current tax	10	**(563)**	(970)
Deferred tax	10	**(4,286)**	(1,282)
Profit for the year from continuing operations		**42,947**	12,096
Discontinued operations			
(Loss)/profit for the year from discontinued operations	20	**(2,712)**	2,814
Profit for the year		**40,235**	14,910
Profit attributable to:			
Equity holders		**39,357**	14,687
Non-controlling interest derived from continuing operations		**878**	223
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation reserve		**(154)**	16,827
Total comprehensive profit for the year		**40,081**	31,737
Total comprehensive profit attributable to:			
Equity holders		**39,203**	31,514
Non-controlling interest		**878**	223
Earnings per share		**Pence**	Pence
From continuing operations			
IFRS EPS	14	**14.94**	4.20
Diluted IFRS EPS	14	**14.85**	4.19
From continuing and discontinued operations			
IFRS EPS	14	**13.98**	5.20
Diluted IFRS EPS	14	**13.89**	5.18

* The comparatives have been restated to reflect the change in presentational currency. See note 1.

Consolidated statement of financial position

as at 31 March 2018

	Note	31 March 2018 £'000	*31 March 2017 £'000	*31 March 2016 £'000
ASSETS				
Investment properties	16	**535,509**	470,603	576,757
Investment in associates	18	**303**	17,863	31,057
Investment in joint ventures	19	**14,660**	31,435	29,731
Other debtors	21	**13,617**	11,634	5,853
Derivative financial instruments	26	**712**	-	-
Total non-current assets		**564,801**	531,535	643,398
Cash and cash equivalents	22	**24,549**	25,202	29,093
Trade and other receivables	21	**8,208**	4,069	5,032
Assets classified as held for sale	20	**147,408**	135,373	-
Total current assets		**180,165**	164,644	34,125
Total assets		**744,966**	696,179	677,523
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and share premium	12	**315,551**	310,141	305,999
Equity reserve		**(8,453)**	(8,976)	353
Retained earnings		**57,947**	40,945	48,021
Foreign currency translation reserve		**22,286**	22,440	5,613
Total equity attributable to equity shareholders		**387,331**	364,550	359,986
Non-controlling interest		**2,939**	2,051	1,685
Total equity		**390,270**	366,601	361,671
Non-current liabilities				
Bank loans	24	**256,697**	216,047	141,236
Derivative financial instruments	26	**699**	2,853	3,298
Other loan and interest	25	**-**	-	9
Deferred tax	30	**9,379**	5,794	7,670
Total non-current liabilities		**266,775**	224,694	152,213
Current liabilities				
Bank loans	24	**2,800**	13,004	149,198
Derivative financial instruments	26	**-**	119	1,398
Taxes payable		**2,792**	2,294	1,403
Accounts payable and accruals	23	**14,622**	13,266	11,640
Liabilities directly associated with assets classified as held for sale	20	**67,707**	76,201	-
Total current liabilities		**87,921**	104,884	163,639
Total liabilities		**354,696**	329,578	315,852
Total equity and liabilities		**744,966**	696,179	677,523
		£	£	£
IFRS net asset value per share	15	**1.37**	1.31	1.27

*The comparatives have been restated to reflect the change in presentational currency. See note 1.

The consolidated financial statements were approved by the board of directors on 6 June 2018 and signed on its behalf by

PWatson

Patsy Watson
Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 March 2018

	Share capital and share premium £'000	Equity reserve £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Attributable to equity shareholders £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 April 2017	**310,141**	**(8,976)**	**40,945**	**22,440**	**364,550**	**2,051**	**366,601**
Issue of share capital	**5,410**	**(16)**	**-**	**-**	**5,394**	**-**	**5,394**
Credit to equity for equity-settled share-based payments	**-**	**539**	**-**	**-**	**539**	**-**	**539**
Total comprehensive profit/(loss) for the year	**-**	**-**	**39,357**	**(154)**	**39,203**	**888**	**40,091**
Ordinary dividends	**-**	**-**	**(22,355)**	**-**	**(22,355)**	**-**	**(22,355)**
Balance at 31 March 2018	**315,551**	**(8,453)**	**57,947**	**22,286**	**387,331**	**2,939**	**390,270**
	-	-	-	-	-	-	-
Balance at 1 April 2016	305,999	353	48,021	5,613	359,986	1,685	361,671
Issue of share capital	4,142	(11)	-	-	4,131	-	4,131
Credit to equity for equity-settled share-based payments	-	268	-	-	268	-	268
Repurchase of own shares	-	(9,586)	-	-	(9,586)	-	(9,586)
Total comprehensive profit for the year	-	-	14,687	16,827	31,514	366	31,880
Ordinary dividends	-	-	(21,763)	-	(21,763)	-	(21,763)
Balance at 31 March 2017	310,141	(8,976)	40,945	22,440	364,550	2,051	366,601

Consolidated statement of cash flows

for the year ended 31 March 2018

	Note	31 March 2018 £'000	31 March 2017 £'000
Operating activities			
Profit from operations from continuing operations		**57,776**	19,581
(Loss)/profit from operations from discontinued operations		**(2,127)**	4,254
		55,649	23,835
Share of (gain) /loss from associates		**(292)**	9,838
Increase in fair value of investment property		**(14,305)**	(1,573)
Share of profit in joint ventures		**(7,624)**	(3,430)
Loss on disposal of subsidiaries		**26**	-
Exchange rate (gains)/losses		**(492)**	274
Increase in trade and other receivables		**(416)**	(83)
(Decrease)/Increase in trade and other payables		**(594)**	3,338
Interest paid		**(9,098)**	(7,781)
Interest received		**976**	1,090
Net tax paid		**(855)**	(865)
Net cash from operating activities		**22,975**	24,643
Contributed by: Continuing operations		**20,552**	22,354
Discontinued operations		**2,423**	2,289
Investing activities			
Dividends received from joint ventures		**563**	1,521
Asset acquisitions	27	**(57,858)**	-
Purchases of investment property	16	**(22,831)**	-
Capital expenditure		**(5,553)**	(1,641)
Proceeds on disposal of investment property	16	**35,850**	5,346
Acquisition of investment in joint venture		**1**	-
Proceeds on disposal of investment in associate		**18,345**	5,745
Disposal of subsidiary	29	**42,608**	-
Net cash disposed of in subsidiary		**(1,831)**	-
Net cash from investing activities		**9,294**	10,971
Financing activities			
New bank loans raised		**20,703**	-
New third party loans raised	25	**34,080**	-
Dividends paid		**(22,355)**	(21,763)
Repayment of borrowings		**(29,509)**	(7,680)
Repayment of third party loans	25	**(34,591)**	-
Repurchase of shares		**-**	(9,586)
Financing fees paid		**(1,247)**	(169)
Payments made on swap break		**-**	(84)
New loan advances		**-**	(1,045)
Repayment of loan advances		**-**	210
Net cash used in financing activities		**(32,919)**	(40,117)
Net decrease in cash and cash equivalents		**(650)**	(4,503)
Effect of foreign exchange rate changes		**110**	1,237
Cash and cash equivalents at beginning of the period		**25,827**	29,093
Cash and cash equivalents at end of the period		**25,287**	25,827
Contributed by: Continuing operations		**24,549**	25,202
Discontinued operations and assets held for sale		**738**	625

Notes to the consolidated financial statements

for the year ended 31 March 2018

1. General Information

Stenprop Limited (the 'Company' and together with its subsidiaries the 'Group') was registered in Guernsey with effect from 23 March 2018 (Registration number 64865) and has adopted new articles of incorporation. The registered address of the Company is Kingsway House, Havilland Street, St Peter Port, GY1 2QE, Guernsey. The Company was formerly registered in Bermuda under number 47031. With effect from 1 May 2018, the Company converted to a UK real estate investment trust ('REIT').

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS's) as issued by the IASB, the JSE Listings Requirements and applicable Guernsey law. The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies, which are consistent with those applied in the previous annual financial statements, are set out below.

The consolidated financial statements are presented in GBP (Pounds Sterling).

Going concern

At the date of signing these consolidated financial statements, the Group has positive operating cash flow forecasts and positive net assets. Management have reviewed the Group's cash flow forecasts for the 18 months to 30 September 2019 and, in light of this review and the current financial position, they are satisfied that the Company and the Group have access to adequate resources to meet the obligations and continue in operational existence for the foreseeable future, and specifically the 12 months subsequent to the signing of these financial statements.

The remaining Swiss portfolio is currently being marketed for sale (note 20) and are at various stages in the sale process. As such, the loans at 31 March 2018, were refinanced on a short-term basis as a rolling credit facility or will mature on 31 March 2019. Should a decision be taken not to sell the properties for any reason, or if the sale process is delayed, the directors anticipate that, given the quality of the properties and the strong and proven relationships with Swiss lenders, a refinancing can be secured on favourable terms where necessary.

The directors believe that it is therefore appropriate to prepare the accounts on a going concern basis.

Note 31 to the consolidated financial statements includes the Group's objectives, policies and procedures for managing its market, interest and liquidity risk.

Notes to the consolidated financial statements

2. Basis of preparation continued

Change in presentation currency

From 1 April 2017, the Group changed its presentation currency to Pounds Sterling ('GBP'). This represents a change from the prior period and has been applied to reflect the relatively larger weighting of Stenprop's UK portfolio following implementation of the acquisition and sales strategy and Stenprop's entry into the multi-let industrial estate asset class.

Comparative information has been restated in GBP in accordance with the guidance defined in IAS 21, specifically:

- Assets and liabilities for each statement of financial position presented have been translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income presented have been translated at average exchange rates for the period; and
- All resulting exchange differences have been recognised in other comprehensive income.

Adoption of new and revised standards

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

• IAS 7 (amendments)	Disclosure Initiative
• IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
• IAS 40 (amendments)	Transfers of investment property
• IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions
• IFRS 4 (amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
• IFRS 9	Financial Instruments
• IFRS 14	Regulatory Deferral Accounts
• IFRS 15	Revenue from Contracts with Customers
• IFRS 16	Leases
• IFRIC 22	Foreign Currency Transactions and Advance Consideration

Impact assessment of adopting new accounting standards

Management are in the process of assessing these standards and do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

IFRS 9: Financial instruments is effective for financial years commencing on or after 1 January 2018. This standard replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 outlines an impairment model which reflects expected credit losses. This differs from IAS 39 which only recognised those credit losses which have been incurred. The new impairment model will apply to the Group's financial assets including trade and other receivables and cash and cash equivalents. The Directors will apply a simplified approach to recognise expected credit losses for these current assets. The Directors do not expect there to be any material impact on the adoption of IFRS 9. The Directors note that there will be no change in the accounting for financial liabilities as derivative financial instruments continue to qualify for designation as at fair value through profit and loss under IFRS 9.

IFRS 15: Revenue from Contracts with Customers is effective for financial years commencing on or after 1 January 2018. The standard combines a number of previous standards, setting out a five-step model for the recognition of revenue as well as establishing principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue. The standard applies to service charge income, car park income and asset management income. The Directors do not consider that its adoption will have a material impact on the financial statements.

IFRS 16: Leases is effective for financial years commencing on or after 1 January 2019 and requires lessees to recognise a right-of-use asset and related obligation to make lease payments. Related interest and depreciation will be recognised in the statement of comprehensive income. The Group does not anticipate that the adoption of this standard will have a material impact on the financial statements.

3. Significant accounting policies

Basis of consolidation

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of the subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial instruments: recognition and measurement or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant interest is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and discontinued operations. Under the equity method, an investment in associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

Joint ventures

The Group's investment properties are typically held in property-specific special purpose vehicles ('SPVs'), which may be legally structured as joint ventures. In assessing whether a particular SPV is accounted for as a subsidiary or joint venture, the Group considers all of the contractual terms of the arrangement, including the extent to which the responsibilities and parameters of the venture are determined in advance of the joint venture agreement being agreed between the two parties. The Group will then consider whether it has the power to govern the financial and operating policies of the SPV, so as to obtain benefits from its activities, and the existence of any legal disputes or challenges to this control in order to conclude on the classification of the SPV as a joint venture or subsidiary undertaking. The Group considers this position with the evidence available at the time.

The consolidated financial statements account for interests in joint ventures using the equity method of accounting per IFRS 11.

Notes to the consolidated financial statements

3. Significant accounting policies continued

Business combinations and asset acquisitions

Business combinations are accounted for using the acquisition method and any excess of the purchase consideration over the fair value of the next assets acquired is initially recognised as goodwill and reviewed for impairment. Any discount received and/or acquisition costs are recognised in the consolidated income statement. Where an acquisition of properties held within a corporate structure is not judged to be an acquisition of a business, the transaction is accounted for as if the Group had acquired the underlying properties directly.

Revenue recognition

The Group earns returns from investments in direct property assets and management fees. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably.

Revenue includes amounts receivable in respect of property rental income and service charges earned in the normal course of business, net of sales-related taxes.

Rental income from operating leases is recognised on an accruals basis. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Where a significant rent free period is included in a lease, the rental income forgone is allocated evenly over the period from the date of lease commencement to the expiry date of the lease.

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the entire lease term. Where such rental income is recognised ahead of the related cash flow, an adjustment is made to ensure the carrying value of the investment property, including the accrued rent, does not exceed the external valuation. Initial significant direct costs incurred in negotiating and arranging a new lease are amortised on a straight-line basis over the period from the date of lease commencement to the expiry date of the lease.

Where a lease incentive payment, or surrender premium is paid to enhance the value of a property, it is amortised on a straight-line basis over the period from the date of lease commencement to the expiry date of the lease. Upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non recoverable outgoings relating to the lease concerned, is immediately reflected in income.

Contingent rents, such as turnover rents, rent reviews and indexation, are recorded as income in the periods in which they are earned.

Management fees are recognised in the income statement on an accruals basis.

Service charge income is recognised in the accounting period in which the services are rendered and the related property expenses are recognised in the period in which they are incurred.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are expressed in GBP Sterling, which is the functional currency of the Company and the presentational currency for the Group.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss for the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

3. Significant accounting policies continued

Borrowing costs

Interest costs are recognised in the consolidated statement of comprehensive income using the effective interest rate method.

Borrowing costs directly attributable to arranging finance are amortised over the facility term in the consolidated statement of comprehensive income.

Current tax

Tax currently payable is based on taxable profit for the year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Non-controlling interest

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of the changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. Significant accounting policies continued

Investment properties

Properties held to earn rental income and/or for capital appreciation are classified as investment properties. Investment properties comprise both freehold and leasehold land and buildings.

Investment properties are recognised as assets when:

- it is probable that the future economic benefits that are associated with the investment property will flow to the Group;
- there are no material conditions precedent which could prevent completion; and
- the cost of the investment property can be measured reliably.

Investment properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value, determined by the directors and/or based on independent external appraisals.

The Group uses the valuations prepared by its independent valuers as the fair value of its investment properties. These valuations are undertaken in accordance with the appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Valuation – Professional Standards ('Red Book'). This is an internationally accepted basis of valuation. The valuations are based upon assumptions including contractual and estimated rental values, future rental income, anticipated maintenance costs, future development costs and appropriate discount rates. The valuers also make reference to market evidence of transaction prices for similar properties.

The difference between the fair value of a property at the reporting date and its carrying amount prior to re-measurement is included in the consolidated statement of comprehensive income as a valuation surplus or deficit.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and short-term deposits with an original maturity of three months or less.

Expenditure

Expenses are accounted for on an accrual basis.

Financial instruments

A financial instrument is a contract that gives rise to a financial asset to one entity and a financial liability or equity instrument to another. The classification of financial assets and financial liabilities depends on the nature and purpose of the instrument and is determined at the time of initial recognition.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ('FVTPL')) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transactions costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in the statement of comprehensive income.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable inputs for the asset or liability.

3. Significant accounting policies continued

Financial assets

The Group classifies its financial assets as either at fair value through profit and loss or as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include current assets with maturities or terms greater than 12 months after the reporting dates which are classified as non-current assets.

Loans and receivables, including those relating to the purchase of Stenprop shares (note 21), are measured at amortised cost using the effective interest method, less impairment losses which are recognised in the statement of comprehensive income. In the case of short-term trade receivables and payables, the impact of discounting is not material and cost approximates amortised costs.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership of the asset to another entity.

Financial assets, specifically accounts receivable and other debtors, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investments have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account. When a trade receivable is considered uncollectable, it is written off against the provision account. Changes in the carrying amount of the provision account are recognised in the statement of comprehensive income in the period.

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

Notes to the consolidated financial statements

3. Significant accounting policies continued

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual agreement.

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

The Group's financial liabilities comprise interest-bearing borrowings, loans and payables and trade payables. Financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument. Financial liabilities are measured at amortised cost using the effective interest method.

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

Interest rate swaps have been initially recognised at fair value, and subsequently re-measured at fair value in accordance with IAS 39, Financial Instruments: Recognition and Measurement. They have been entered into in order to hedge against the exposure to variable interest rate loans as described in note 26. They have been valued by an independent valuer in line with internationally accepted practice.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. It is Group policy not to hedge account. Other derivatives are presented as current assets or current liabilities.

Trade and other receivables

These are valued at their nominal value (less accumulated impairment losses) as the time value of money is immaterial for these current assets. Impairment losses are estimated at the year end by reviewing amounts outstanding and assessing the likelihood of recoverability.

Trade and other payables

Trade and other payables are valued at their nominal value as the time value of money is immaterial for these current liabilities.

Dividends

Dividends to the Group's ordinary shareholders are recognised when they are declared. This is when they are approved by the board.

Earnings/(loss) per share

Earnings per share is calculated on the weighted average number of shares in issue in respect of the current period and is based on the profit attributable to the ordinary shareholders.

Share-based payments

Deferred Share Bonus Plan and Long term incentive plans

Share options are granted to key management. The cost of equity settled transactions is measured with reference to the fair value at the date at which they were granted. The Company accounts for the fair value of these options on a straight-line basis over the vesting period in the income statement, with a corresponding increase to the share-based payment reserve in Equity. The cost to the Company is based on the Company's best estimate of the number of equity instruments that will ultimately vest.

Readers are referred to note 13: Share-based payments, where share-based payments are further disclosed.

3. Significant accounting policies continued

Share Purchase Plan

As part of the Group's previous remuneration policy, the Company awarded shares to qualifying participants, funded through the advance of loans to the participants. Loans advanced under the share purchase plan are interest-bearing at a rate equal to the average interest rate incurred by the Group from time to time. Interest is payable six monthly in arrears. Loans are repayable within 30 days of cessation of employment (unless the participant ceases employment in circumstances beyond his or her control, in which case the loan is repayable within 12 months), and must in all circumstances be repaid in ten years. All dividends received by such employees (or his or her nominee) by virtue of their shareholding must first be utilised to discharge any interest outstanding in terms of the loan advanced in terms of the Share Purchase Plan.

The loans have full recourse to the participants and as such fall outside of the scope of IFRS 2 and are accounted for as financial instruments under IAS. The participants must charge their shares by way of security for the loan. The loans have full recourse to the participants who waive all rights to compensation for any loss in relation to the Plan. No further awards will be made under the Share Purchase Plan.

Repurchase of share capital (Own Shares)

Where share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Such shares may either be held as Own Shares (treasury shares) or cancelled. Where Own Shares are subsequently re-sold from treasury, the amount received is recognised as an increase in equity.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Although the estimates are based on management's best knowledge of the amount, events or actions, actual results may ultimately differ from those estimates.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Significant estimates

Investment properties

The Group's investment properties are stated at estimated fair value, determined by directors, based on an independent external appraisal. The valuation of the Group's property portfolio is inherently subjective due to a number of factors including the individual nature of each property, its location and the expectation of future rentals. As a result, the valuations placed on the property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions that may not prove to be accurate particularly in years of volatility or low transaction flow in the market. The estimated market value may differ from the price at which the Group's assets could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. As a result, if the assumptions prove to be false, actual results of operations and realisation of net assets could differ from the estimates set forth in these financial statements, and the difference could be significant.

Notes to the consolidated financial statements

4. Critical accounting judgements and key sources of estimation uncertainty

continued

Deferred tax assets and liabilities

Tax liabilities are recognised when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgement as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognised in income in the period in which the change occurs. Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognised in respect of deferred tax assets as well as in the amounts recognised in income in the period in which the change occurs. Deferred tax assets and liabilities are presented in note 30.

Significant judgements

Assets held for sale

The directors have disclosed a number of properties which met the criteria defined in IFRS 5 as Assets held for sale. In the case of the Swiss Porfolio the directors consider the exceptions permitted by IFRS 5:9 to apply in respect to the one-year requirement within which a sale should complete. This is due to the fact that during the initial one-year period, circumstances arose that were previously considered unlikely. As a result, the properties which were previously classified as held for sale were not sold; however:

(i) during the initial one-year period the entity took action necessary to respond to the change in circumstances;

(ii) the properties are still being actively marketed at a price that is reasonable, given the change in circumstances, and

(iii) all other criteria in paragraphs 7 & 8 of IFRS 5 are met.

The value of the Assets held for sale are estimated at fair value, determined by the directors, based on an independent external appraisal.

Business combinations and asset acquisitions

In accounting for the acquisitions of the Industrials portfolio and C2 Capital Limited, both of which completed on 30 June 2017, Stenprop has considered whether each of the transactions represented a business combination as defined by IFRS 3, or an asset acquisition. When management conclude that processes and inputs are being acquired in addition to the property then the transaction is accounted for as a business combination. When there are no such items, the transaction is treated as an asset acquisition. Management concluded that the acquisition of Industrials portfolio was an asset acquisition and the acquisition of C2 Capital Limited was a business combination.

5. Operating segments

The Group is focused on real estate investment in well-developed, large economies with established real estate markets. The investment portfolio is primarily geographically diversified across Germany, the United Kingdom and Switzerland, with a further sub-division within the UK between industrial and non-industrial. Each segment derives its revenue from the rental of investment properties in the respective geographical regions.

Relevant financial information is set out below:

i) Information about reportable segments

	Continuing operations			Discontinued operations	
	Germany £'000	UK Non Multi-let Industrial £'000	UK Multi-let Industrial £'000	Switzerland £'000	Total £'000
For the year ended 31 March 2018					
Net rental income	11,589	14,628	6,644	-	32,861
Fair value movement of investment properties	23,969	448	(4,194)	-	20,223
Net gain from fair value of financial liabilities	346	1,370	737	-	2,453
Income from associates	292	-	-	-	292
Income from joint ventures	4,678	2,880	-	-	7,558
Loss on disposal of subsidiaries	-	(26)	-	-	(26)
Net finance costs	(2,081)	(5,403)	(1,713)	-	(9,197)
Operating costs	(735)	(853)	(342)	-	(1,930)
Net foreign exchange loss	(25)	(321)	-	-	(346)
Other gains	-	1,046	-	-	1,046
Loss for the year from discontinued operations (see note 20)	-	-	-	(2,712)	(2,712)
Taxation	(4,325)	156	(570)	-	(4,739)
Total profit/(loss) per reportable segment	33,708	13,925	562	(2,712)	45,483
As at 31 March 2018					
Investment properties	221,354	166,400	147,755	-	535,509
Investment in associates	303	-	-	-	303
Investment in joint ventures	14,617	-	-	-	14,617
Cash	12,074	4,460	5,853	-	22,387
Other	15,091	1,724	2,331	-	19,146
Assets classified as held for sale (see note 20)	28,987	23,546	-	94,875	147,408
Total assets	292,426	196,130	155,939	94,875	739,370
Borrowings – bank loans	110,889	70,800	77,808	-	259,497
Other	13,289	5,676	5,238	-	24,203
Liabilities directly associated with assets classified as held for sale (see note 20)	14,063	–	–	53,644	67,707
Total liabilities	138,241	76,476	83,046	53,644	351,407

Notes to the consolidated financial statements

5. Operating segments continued

	Continuing operations			Discontinued operations	
	Germany £'000	UK Non Multi-let Industrial £'000	UK Multi-let Industrial £'000	Switzerland £'000	Total £'000
For the year ended 31 March 2017					
Net rental income	10,470	14,998	-	-	25,468
Fair value movement of investment properties	4,928	(2,496)	-	-	2,431
Net gain from fair value of financial liabilities	363	127	-	-	489
Loss from associates	(9,838)	-	-	-	(9,838)
Income from joint ventures	2,270	854	-	-	3,124
Net finance costs	(2,349)	(3,655)	-	-	(6,004)
Operating costs	(656)	(140)	-	-	(795)
Net foreign exchange gain	54	-	-	-	54
Profit for the year from discontinued operations (see note 20)	-	-	-	2,814	2,814
Taxation	(1,319)	(812)	-	-	(2,131)
Total profit per reportable segment	3,923	8,876	-	2,814	15,612
As at 31 March 2017					
Investment properties	219,057	251,546	-	-	470,603
Investment in associates	17,863	-	-	-	17,863
Investment in joint venture	10,283	21,115	-	-	31,398
Cash	11,693	12,280	-	-	23,973
Other	12,999	2,347	-	-	15,346
Assets classified as held for sale	2,541	-	-	132,832	135,373
Total assets	274,436	287,288	-	132,832	694,556
Borrowings – bank loans	122,898	106,153	-	-	229,051
Other	11,365	11,245	-	-	22,610
Liabilities directly associated with assets classified as held for sale (see note 20)	-	-	-	76,201	76,201
Total liabilities	134,263	117,398	-	76,201	327,862

5. Operating segments continued
ii) Reconciliation of reportable segment profit or loss

	31 March 2018 £'000	31 March 2017 £'000
Rental income		
Net rental income for reported segments	**32,861**	25,468
Profit or loss		
Fair value movement of investment properties	**20,223**	2,431
Net gain from fair value of financial liabilities	**2,453**	489
Gain/(loss) from associates	**292**	(9,838)
Income from joint ventures	**7,558**	3,124
Loss on disposal of subsidiaries	**(26)**	-
Net finance costs	**(9,197)**	(6,004)
Operating costs	**(1,930)**	(795)
Net foreign exchange (loss)/gain	**(346)**	54
Other gains	**1,046**	-
Profit for the year from discontinued operations (see note 20)	**(2,712)**	2,814
Taxation	**(4,739)**	(2,131)
Total profit per reportable segments	**45,483**	15,612
Other profit or loss – unallocated amounts		
Management fee income	**5,092**	3,109
Income from joint ventures	**66**	305
Net finance income	**(290)**	8
Tax, legal and professional fees	**(295)**	(200)
Audit fees	**(194)**	(223)
Administration fees	**(764)**	(216)
Investment advisory fees	**(73)**	-
Non-executive directors costs	**(405)**	(133)
Staff remuneration costs	**(3,375)**	(2,284)
Other operating costs	**(1,255)**	(1,166)
Net foreign exchange (loss)/gain	**(145)**	220
Other losses	**(3,500)**	-
Taxation	**(110)**	(122)
Consolidated profit before taxation	**40,235**	14,910

Notes to the consolidated financial statements

5. Operating segments continued

iii) Reconciliation of reportable segment financial position

	31 March 2018 £'000	31 March 2017 £'000
ASSETS		
Investment properties	**535,509**	470,603
Investment in associates	**303**	17,863
Investment in joint venture	**14,617**	31,398
Cash	**22,387**	23,973
Other	**19,146**	15,346
Assets classified as held for sale (see note 20)	**147,408**	135,373
Total assets per reportable segments	**739,370**	694,556
Other assets – unallocated amounts		
Investment in joint ventures	**43**	37
Cash	**2,162**	1,229
Other	**3,391**	357
Total assets per consolidated statement of financial position	**744,965**	696,179
LIABILITIES		
Borrowings - bank loans	**259,497**	229,051
Other	**24,203**	22,610
Liabilities directly associated with assets classified as held for sale (see note 20)	**67,707**	76,201
Total liabilities per reportable segments	**351,407**	327,862
Other liabilities – unallocated amounts		
Other	**3,289**	1,716
Total liabilities per consolidated statement of financial position	**354,696**	329,578

6. Net rental income

	31 March 2018 £'000	31 March 2017 £'000
Rental income	**40,293**	34,863
Other income – tenant recharges	**7,413**	6,558
Other income	**806**	98
Discontinued Operations Adjustment (note 20)	**(6,163)**	(7,491)
Rental Income	**42,349**	34,028
Direct property costs	**(11,262)**	(10,499)
Discontinued Operations Adjustment (note 20)	**1,774**	1,939
Property expenses	**(9,488)**	(8,560)
Total net rental income	**32,861**	25,468

7. Operating costs

	31 March 2018 £'000	31 March 2017 £'000
Tax, legal and professional fees	**2,402**	655
Audit fees	**226**	248
Interim review fees	**30**	31
Administration fees	**553**	338
Investment advisory fees	**431**	429
Non-executive directors costs	**405**	133
Staff remuneration costs	**3,375**	2,284
Other operating costs	**1,466**	1,341
Discontinued Operations Adjustment (note 20)	**(598)**	(440)
	8,290	5,019

The increase in Tax, legal and professional fees is driven by the costs associated with the London listing (£488,000) and the selling costs and fees associated with the share sale of Normanton Properties Ltd (Pilgrim Street) of £593,000.

8. Employees' and directors' emoluments

The Group had 20 employees at 31 March 2018 (2017: 11). The aggregate remuneration paid to employees during the period, including that to executive directors, was:

	31 March 2018 £'000	31 March 2017 £'000
Wages and salaries (including key management)	**2,760**	1,742
Social security costs	**201**	184
Pension costs	**137**	92
Share-based payments	**277**	266
	3,375	2,284

As at 31 March 2018, the Group had six directors (2017: six). The directors of the Company during the financial year and at the date of this report were as follows:

Non-executive directors	**Appointed**	**Change in appointment**
S Ball	2/10/2014	resigned 1/05/2018
M Yachad	10/12/2014	resigned 28/02/2018
P Miller	14/09/2016	
W Lawlor	5/04/2017	
R Grant	1/05/2018	
P Holland (chairman)	1/05/2018	

Executive directors	**Appointed**	**Change in appointment**
P Arenson (CEO)	2/10/2014	
P Watson (CFO)	2/10/2014	
N Marais	2/10/2014	resigned 1/05/2018
J Carey	1/05/2018	

Notes to the consolidated financial statements

8. Employees' and directors' emoluments continued

Emoluments paid to executive and non-executive directors are summarised below:

	Basic salary £'000	Pension £'000	Other benefits^ £'000	Cash bonus £'000	Vested share options £'000	Total remuneration 31 March 2018 £'000
Executive directors						
P Arenson	**260**	**26**	**1**	**118**	**40**	**445**
P Watson	**250**	**25**	**-**	**95**	**32**	**402**
N Marais	**130**	**13**	**2**	**32**	**12**	**189**
	640	**64**	**3**	**245**	**84**	**1,036**

	Basic salary £'000	Pension £'000	Other benefits^ £'000	Cash bonus £'000	Vested share options £'000	Total remuneration 31 March 2017 £'000
Executive directors						
P Arenson	253	25	2	118	144	542
P Watson	202	20	-	95	115	432
N Marais	126	13	2	32	16	189
	581	58	4	245	275	1,163

^ Other benefits relates to the provision of private medical insurance.

	31 March 2018 £'000	31 March 2017 £'000
Non-executive directors		
S Ball-paid to Sphere Management Limited	**50**	38
M Yachad-paid to Peregrine SA Holdings Proprietary Limited (resigned 28 February 2018)	**21**	15
P Miller	**44**	23
W Lawlor-paid to Ferryman Capital Partners (Pty) Limited (appointed 5 April 2017)	**28**	-
G Leissner (passed away 16 December 2016)	**-**	21
M Fienberg (resigned 14 September 2016)	**-**	18
J Keyes (resigned 23 November 2016)	**-**	11
P Hughes (resigned 23 November 2016)	**-**	7
Share-based payments	**262**	-
	405	133

The above non-executive fees include all management, consulting, technical or other fees paid for such services rendered, including payments to management companies.

8. Employees' and directors' emoluments continued

The Group's share-based payments comprise the Deferred Share Bonus Plan ('STIP') and the Long-Term Incentive Plan ('LTIP') for executive directors and senior management respectively, and various share option schemes.

The Company measures the fair value of these options at grant date and accounts for the cost over the vesting period in the income statement, with a corresponding increase to the share-based payment reserve. The cost is based on the quantity of shares that are likely to vest taking into account expected performance against the relevant performance targets, where applicable, and service periods. Share-based awards and the respective vesting dates are further detailed in note 13.

On 6 June 2018, the board of directors, on the recommendation of the remuneration committee, approved the following:

	Bonuses in respect of the year ended 31 March 2018				
Executive directors	**Cash bonus £'000**	**Deferred Share Bonus Plan £'000**	**Number of share options (estimated)**	**LTIP for executive directors £'000**	**Number of share options (estimated)**
P Arenson	**156**	**125**	**113,800**	**536**	**487,100**
P Watson	**150**	**120**	**109,400**	**515**	**468,200**
N Marais	**33**	**20**	**18,400**	**83**	**75,500**
	339	**265**	**241,600**	**1,134**	**1,030,800**

On 24 January 2018, the board of directors, on the recommendation of the remuneration committee, approved the following:

	Share incentives in respect of the year ended 31 March 2017	
Executive directors	**LTIP for executive directors £'000**	**Number of share options**
P Arenson	**520**	**484,623**
P Watson	**500**	**465,804**
	1,020	**950,427**

On 7 June 2017, the board of directors, on the recommendation of the remuneration committee, approved the following:

	Bonuses in respect of the year ended 31 March 2017			Share Purchase Plan^	
Executive directors	**Cash bonus £'000**	**Deferred Share Bonus Plan £'000**	**Number of share options**	**Loans £'000**	**Number of share options**
P Arenson	118	-	-	916	881,897
P Watson	95	-	-	733	705,517
N Marais	32	12	11,024	84	80,855
	245	12	11,024	1,733	1,668,269

^ Loans advanced under the share purchase plan are interest-bearing at a rate equal to the average interest rate incurred by the Group from time to time. Interest is payable six-monthly in arrears. Loans are repayable within 30 days of cessation of employment (unless the participant ceases employment in circumstances beyond his or her control, in which case the loan is repayable within 12 months), and must in all circumstances be repaid in ten years. All dividends paid to such employees (or his or her nominee) by virtue of their shareholding must first be utilised to discharge any interest outstanding in terms of the loan advanced in terms of the Share Purchase Plan.

Notes to the consolidated financial statements

8. Employees' and directors' emoluments continued

Directors' Interests - Beneficial direct and indirect holdings in the Company

As at 31 March 2018:

	Direct number of shares	% of shares	Indirect number of shares	% of shares in issue	Number of share options held	% of shares
S Ball (Chairman)	**-**	**-**	**250,000**	**0.09**	**-**	**-**
P Arenson (CEO)	**-**	**-**	**12,523,096**	**4.29**	**959,531**	**0.33**
P Watson (CFO)	**-**	**-**	**4,364,027**	**1.50**	**887,722**	**0.30**
N Marais	**-**	**-**	**280,600**	**0.10**	**12,632**	**0.00**
W Lawlor	**-**	**-**	**1,154,100**	**0.40**	**2,000,000**	**0.69**
P Miller	**-**	**-**	**21,898**	**0.01**	**-**	**-**

The above Directors' interests have not changed from 31 March 2018 to the date of the signing of these financial statements.

As at 31 March 2017:

	Direct number of shares	% of shares	Indirect number of shares	% of shares in issue	Number of share options held	% of shares
S Ball (Chairman)	-	-	250,000	0.09	-	-
M Yachad	-	-	150,000	0.06	-	-
P Miller	-	-	21,898	0.01	-	-
P Arenson (CEO)	-	-	9,955,994	3.47	474,908	0.17
P Watson (CFO)	-	-	3,658,510	1.28	412,918	0.14
N Marais	-	-	219,663	0.08	15,345	0.01

9. Finance costs

	31 March 2018 £'000	31 March 2017 £'000
Bank interest payable	**(9,443)**	(7,838)
Amortisation of facility costs	**(1,087)**	(399)
Discontinued Operations Adjustment (note 20)	**687**	1,996
Net finance costs	**(9,843)**	(6,241)

10. Taxation

(i) Tax recognised in statement of comprehensive income

	31 March 2018 £'000	31 March 2017 £'000
Income tax in respect of current year	**1,354**	1,227
Deferred tax (see note 30)	**3,260**	1,714
Discontinued Operations Adjustment (see note 20)	**235**	(689)
Total tax expense	**4,849**	2,252

The Company converted to UK REIT status on 1 May 2018.

No tax was recognised on other comprehensive income during the period (2017: Nil).

- Germany 15.825%
- United Kingdom 19%
- Switzerland (depending on the district in which the property is situated). Average rate of 19.6%.

(ii) Reconciliation of tax charge for the year

Continuing operations	31 March 2018 £'000	31 March 2017 £'000
Profit for the year before taxation	**47,796**	14,348
Tax provided at applicable rate in Bermuda and Guernsey	**-**	-
Current tax charge in respect of other jurisdictions	**(563)**	(970)
Deferred tax charge in respect of other jurisdictions	**(4,286)**	(1,282)
Profit for the year after taxation	**42,947**	12,096

For discontinued operations	31 March 2018 £'000	31 March 2017 £'000
(Loss)/profit for the year before taxation	**(2,947)**	3,503
Tax provided at applicable rate in Bermuda and Guernsey	**-**	-
Tax charge in respect of other jurisdictions	**235**	(689)
(Loss)/Profit for the year after taxation	**(2,712)**	2,814

Notes to the consolidated financial statements

11. Dividends

	31 March 2018 £'000	31 March 2017 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the prior year	**11,047**	11,266
Interim dividend for the current year	**11,308**	10,496
Total dividends	**22,355**	21,762

On 18 July 2017, the directors of the Company declared a final dividend of 3.95 pence per share in respect of the year ended 31 March 2017 equating to £11,047,000 (2016: £11,266,000). This was paid in cash on 1 August 2017. An interim dividend of 4.00 pence per share equating to £11,308,000 (2017: £10,496,000) was declared on 23 November 2017 and paid in cash on 26 January 2018.

The directors declared a final dividend on 6 June 2018, for the year ended 31 March 2018, of 4.00 pence per share, which is detailed in note 35.

12. Share capital

Authorised

1,000,000,000 ordinary shares with a par value of €0.000001258 each

	31 March 2018	31 March 2017
Issued share capital	**(no. shares)**	(no. shares)
Opening balance	**286,681,880**	282,984,626
Issue of new shares	**5,036,596**	3,697,254
Closing number of shares issued	**291,718,476**	286,681,880

	£'000	£'000
Authorised share capital		
Share capital	**1**	1
Share premium	**317,781**	312,371
Less: Acquisition/transaction costs	**(2,231)**	(2,231)
Total share capital and share premium	**315,551**	310,141

There were no changes made to the number of authorised shares of the Company during the period under review. Stenprop Limited has one class of share; all shares rank equally and are fully paid.

The Company has 291,718,476 (March 2017: 286,681,880) ordinary shares in issue at the reporting date. On 8 June 2017, 1,752,359 and 13,737 new ordinary shares were issued on the JSE and the BSX at an issue price of €1.22 per share in respect of the Share Purchase Plan and Deferred Share Bonus Plan respectively. On 7 July 2017, 3,270,500 new ordinary shares were issued on the JSE and the BSX at an issue price of €1.22 per share in order to fund the acquisition of C2 Capital Limited (refer to note 27). The total cost of issuing the 5,036,596 shares was £5,410,000.

As at 31 March 2018, the Company held 9,026,189 treasury shares (March 2017: 9,026,189).

13. Share-based payments

The Group operates share incentive plans which are used to attract and retain high-calibre employees to help grow the business. All awards are considered by the remuneration committee and are subject to board approval.

The Group recognised a total share-based expense of £539,000 in the year (2017: £268,000) in relation to the share option schemes. As at 31 March 2018, the Equity Reserve held £1,133,000 in relation to share-based payment transactions (2017:£610,000).

The incentive plans are discussed in more detail below.

13. Share-based payments continued

Deferred Share Bonus Plan

The Board may grant an award to an eligible employee following a recommendation from the remuneration committee over such number of shares that have an aggregate value equal to the deferred bonus. Such share options vest in three equal tranches; the first tranche vests on the date of grant with subsequent tranches vesting at the first and second anniversaries of the relevant year end. Share options may be exercised until the tenth anniversary of the grant date, after which time they will lapse.

The fair value of this nil-cost option is determined using the Black-Scholes model. The key inputs used in determining the award granted on 7 June 2017 are shown below:

Share price at date of grant	£1.08
Expected option life in years	2
Risk free rate	1.50%
Standard Deviation (annualized)	11%
Value per option	£1.08

Movement in options granted in terms of this plan are detailed below:

Date of grant	At 1 April 2017	Granted	Dividend equivalents	Exercised	Outstanding at 31 March 2018	Exercisable at 31 March 2018	Fair Value at Grant date in GBP	Exercise dates From	Exercise dates To
10 June 2015	395,590	-	31,464	(4,780)	422,274	**422,274**	£1.08	10 June 2015	10 June 2025
8 June 2016	269,031	-	12,888	(5,282)	276,637	**276,637**	£1.05	8 June 2016	8 June 2026
7 June 2017	-	41,970	762	(3,675)	39,057	**25,067**	£1.08	7 June 2017	7 June 2027

LTIP for senior management

Such share options vest in three equal tranches; the first tranche vests on the first anniversary of year end, with subsequent tranches vesting at the second and third anniversaries of the relevant year ends. Share options may be exercised until the tenth anniversary of the grant date, after which time they will lapse.

The fair value of this award is determined using the Black-Scholes model. The key inputs used in determining the award granted 24 January 2018 are shown below:

Share price at date of grant	£1.13
Exercise price at grant date	£1.07
Expected option life in years	10
Risk free rate	1.50%
Expected volatility	29.01%
Value per option	£0.47

Date of grant	At 1 April 2017	Granted	Dividend equivalents	Exercised	Outstanding at 31 March 2018	Exercisable at 31 March 2018	Fair Value at Grant date	Exercise dates From	Exercise dates To
24 January 2018	-	142,887	-	-	142,887	**47,629**	£0.47	31 March 2018	24 January 2028

Notes to the consolidated financial statements

13. Share-based payments continued

LTIP for executive directors

Such share options vest on the third anniversary of grant date subject to pre-determined vesting conditions being met. All options not vesting on the vesting date will automatically lapse and once vested may not be exercised for two years. The fair value of these nil-cost options is determined by external valuers using an intrinsic model. The key inputs used in determining the award granted 24 January 2018 are shown below:

Share price	£1.07
Exercise price at grant date	£0.00
Expected option life in years	3+2
Discount applied for two year lock-in period	10%
Value per option	£0.68

Date of grant	At 1 April 2017	Granted	Dividend equivalents	Exercised	Outstanding at 31 March 2018	Exercisable at 31 March 2018	Fair Value at Grant date	Exercise dates From	Exercise dates To
24 January 2018	-	1,416,231	-	-	1,416,231	**-**	£0.68	8 June 2022*	8 June 2027

* lock-in period of two years applies after vesting.

Other share options

On 30 March 2017, the Company agreed to grant to Ferryman Capital Partners Limited, a company in which Warren Lawlor, a non-executive director, has a one-third beneficial interest, an option to subscribe for two million Stenprop shares. The exercise price was £1.31 (€1.53), with a seven month vesting period. The full cost of this option was therefore recognised in the current year. The option lapses should the individual cease to be a director, or after five years, whichever is sooner. The option only has a dilutive effect when the average market price of ordinary shares exceeds the exercise price of the options. The share price at year end was £1.07, which was below the exercise price. The fair value of this award is determined using the Black-Scholes model. The key inputs used in determining the award granted 30 March 2017 are shown below:

Share price	£1.08
Exercise price at grant date	£1.31
Expected option life in years	5
Risk free rate	1.50%
Expected volatility	31.31%
Expected dividend yield	5%
Value per option	£0.13

Date of grant	At 1 April 2017	Granted	Exercised	Outstanding at 31 March 2018	Exercisable at 31 March 2018	Fair Value at Grant date	Exercise dates From	Exercise dates To
30 March 2017	2,000,000	-	-	2,000,000	**2,000,000**	£0.13	30 December 2017	30 March 2022

13. Share-based payments continued

Share Purchase Plan

Loans advanced under the share purchase plan are interest-bearing at a rate equal to the average interest rate incurred by the Group from time to time. Interest is payable six monthly in arrears. Loans are repayable within 30 days of cessation of employment (unless the participant ceases employment in circumstances beyond his or her control, in which case the loan is repayable within 12 months), and must in all circumstances be repaid in 10 years. All dividends received by such employees (or his or her nominee) by virtue of their shareholding must first be utilised to discharge any interest outstanding in terms of the loan advanced in terms of the Share Purchase Plan. The loans have full recourse to the participants who must charge their shares by way of security for the loans.

The table below summarises the position at year end in terms of loans advanced and the number of shares to which they relate. Loans relating to the Share Purchase Plan issued to executive directors are disclosed in more detail in note 8.

		31 March 2018	31 March 2017
Brought forward at start of year	(number of shares)	**8,656,219**	5,209,109
Share Purchase Plan shares issued in year	(number of shares)	**1,752,358**	3,687,191
Share Purchase Plan shares redeemed	(number of shares)	**(197,432)**	(240,081)
Carried forward at end of year	(number of shares)	**10,211,145**	8,656,219
Stock price at advancement	(€)	**1.24**	1.41
Share Purchase Plan loans advanced (including accrued interest)	(£'000)	**12,536**	10,590

Other share purchase loan

On 30 March 2017, a €1.22 million loan was advanced from Stenprop Germany Limited to Ferryman Capital Partners Limited, a company in which Warren Lawlor, a non-executive director, has a one-third beneficial interest, to purchase one million Stenprop shares in the market. The loan advanced is interest-bearing at a rate equal to the average interest rate incurred by the Group from time to time. Interest is payable six monthly in arrear. The loan has full recourse to the participant who must charge their shares by way of security for the loans.

		31 March 2018	31 March 2017
Brought forward at start of year	(number of shares)	**1,000,000**	–
Shares issued in year	(number of shares)	**–**	1,000,000
Shares redeemed	(number of shares)	**–**	–
Carried forward at end of year	(number of shares)	**1,000,000**	1,000,000
Stock price at advancement	(€)	**–**	1.22
Loan advanced (including accrued interest)	(£'000)	**1,081**	1,044

Notes to the consolidated financial statements

14. Earnings per ordinary share

	31 March 2018 £'000	31 March 2017 £'000
Reconciliation of profit for the period to adjusted EPRA[1] earnings		
Earnings per IFRS income statement attributable to shareholders	**39,357**	14,687
Adjustment to exclude profit/(loss) from discontinued operations	**2,712**	(2,814)
Earnings per IFRS income statement from continuing operations attributable to shareholders	**42,069**	11,873
Earnings per IFRS income statement attributable to shareholders	**39,357**	14,687
Adjustments to calculate EPRA earnings, exclude:		
Changes in fair value of investment properties	**(14,305)**	(1,573)
Changes in fair value of financial instruments	**(2,453)**	(1,734)
Deferred tax in respect of EPRA adjustments	**3,728**	3,084
Goodwill impairment	**3,500**	-
Profit on disposal of properties	**(507)**	-
Cost associated with disposal of property company	**679**	-
Adjustments above in respect of joint ventures and associates		
Changes in fair value	**(5,802)**	10,908
Deferred tax in respect of EPRA adjustments	**800**	(638)
EPRA earnings attributable to shareholders	**24,997**	24,734
Further adjustments to arrive at adjusted EPRA earnings		
Straight-line unwind of purchased swaps	**239**	767
Cost associated with group listing and REIT conversion	**528**	-
Adjusted EPRA earnings attributable to shareholders	**25,764**	25,502
Weighted average number of shares in issue (excluding treasury shares)	**281,494,114**	282,644,639
Share-based payment award	**1,796,978**	956,185
Diluted weighted average number of shares in issue	**283,291,092**	283,600,824
Earnings per share from continuing operations	**pence**	pence
IFRS EPS	**14.94**	4.20
Diluted IFRS EPS	**14.85**	4.19
Earnings per share	**pence**	pence
IFRS EPS	**13.98**	5.20
Diluted IFRS EPS	**13.89**	5.18
EPRA EPS	**8.88**	8.75
Diluted EPRA EPS	**8.82**	8.72
Adjusted EPRA EPS	**9.15**	9.02
Diluted adjusted EPRA EPS	**9.09**	8.99

1 The European Public Real Estate Association (EPRA) issued Best Practices Policy Recommendations in November 2016, which provide guidelines for performance measures relevant to real estate companies. Their recommended reporting standards are widely applied across this market, aiming to bring consistency and transparency to the sector. The EPRA earnings measure is intended to show the level of recurring earnings from core operational activities with the purpose of highlighting the Group's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. The measure excludes unrealised changes in the value of investment properties, gains or losses on the disposal of properties and other items that do not provide an accurate picture of the Group's underlying operational performance. The measure is considered to accurately capture the long-term strategy of the Group, and is an indication of the sustainability of dividend payments.

14. Earnings per ordinary share continued

As at 31 March 2018, the Company held 9,026,189 treasury shares (March 2017: 9,026,189).

Straight-line unwind of purchased swaps

A further adjustment was made to the EPRA earnings attributable to shareholders relating to the straight-line unwind of the value as at 1 April 2014 of the swap contracts in the property companies acquired. When the property companies were acquired by Stenprop with effect from 1 April 2014, it also acquired the bank loans and swap contracts which were in place within these property companies. As a result, Stenprop took over loans with higher swap interest rates than would have been the case had new loans and swaps been put in place at 1 April 2014. To compensate for this, the value of the swap break costs was calculated at 1 April 2014 and the purchase consideration for the property companies was reduced accordingly to reflect this liability.

Costs associated with Group Listing and REIT conversion

A further adjustment was made to the EPRA earnings attributable to shareholders relating to the costs associated with converting to REIT status and the planned listing on the Special Funds Segment of the London Stock Exchange. Both costs are specifc to non-recurring activities and are not relevant to the underlying net income performance of the Group.

Reconciliation of profit for the period to headline earnings

	31 March 2018 £'000	31 March 2017 £'000
Earnings per IFRS income statement from continuing operations attributable to shareholders	**39,357**	14,687
Adjustments to calculate headline earnings, exclude:		
Changes in fair value of investment properties	**(14,305)**	(1,573)
Deferred tax in respect of headline earnings adjustments	**3,675**	2,834
Goodwill impairment	**3,500**	-
Cost associated with disposal of property company	**679**	-
Adjustments above in respect of joint ventures and associates		
Changes in fair value of investment properties	**(4,857)**	13,655
Deferred tax	**757**	(696)
Headline earnings attributable to shareholders	**28,806**	28,906
Earnings per share	**pence**	pence
Headline EPS	**10.23**	10.23
Diluted headline EPS	**10.17**	10.19

Notes to the consolidated financial statements

15. Net asset value per ordinary share

	31 March 2018 £'000	*31 March 2017 £'000	*31 March 2016 £'000
Net assets attributable to equity shareholders	**387,331**	364,550	359,986
Adjustments to arrive at EPRA net asset value:			
Derivative financial instruments	**(13)**	2,972	5,885
Deferred tax	**13,276**	10,138	11,192
Adjustments above in respect of non-controlling interests	**1,641**	1,573	2,243
EPRA net assets attributable to shareholders	**402,235**	379,233	379,306
Number of shares in issue (excluding treasury shares)	**282,692,287**	277,655,691	282,984,626
Share-based payment award	**1,796,978**	956,185	647,806
Diluted number of shares in issue	**284,489,265**	278,611,876	283,632,432
Net asset value per share (basic and diluted)	**£**	£	£
IFRS net asset value per share	**1.37**	1.31	1.27
Diluted IFRS net asset value per share	**1.36**	1.31	1.27
EPRA net asset value per share	**1.42**	1.37	1.34
Diluted EPRA net asset value per share	**1.41**	1.36	1.34

*The comparatives have been restated to reflect the change in presentational currency. See note 1.

As at 31 March 2018, the Company held 9,026,189 treasury shares (March 2017: 9,026,189).

16. Investment property

The fair value of the consolidated investment properties at 31 March 2018 was £535,508,774 (31 March 2017: £470,603,000). This excludes an amount of £121,763,592 (31 March 2017: £133,645,000) for properties which have been classified classified as Held for Sale, including the entire Swiss portfolio, the German Aldi Properties and the UK joint venture, Stenprop Argyll Limited. The carrying amount of investment property is the fair value of the property as determined by registered independent appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued ('valuers').

The fair value of each of the properties for the period ended 31 March 2018 was assessed by the valuers in accordance with the Royal Institution of Chartered Surveyors ('RICS') standards and IFRS 13. Valuers are qualified for purposes of providing valuations in accordance with the 'Appraisal and Valuation Manual' published by RICS.

The valuations performed by the independent valuers are reviewed internally by senior management. This includes discussions of the assumptions used by the external valuers, as well as a review of the resulting valuations.

Discussions of the valuations process and results are held between the senior management and the external valuers on a bi-annual basis. The audit committee reviews the valuation results and, provided the committee is satisfied with the results, recommends them to the board for approval.

The valuation techniques used are consistent with IFRS 13 and use significant 'unobservable' inputs. Investment properties are all at level 3 in the fair value hierarchy and valuations represent the highest and best use of the properties. There have been no changes in valuation techniques since the prior year.

16. Investment property continued

There are interrelationships between all these unobservable inputs as they are determined by market conditions. An increase in more than one unobservable input would magnify the impact on the valuation. The impact on the valuation would be mitigated by the interrelationship of two unobservable inputs moving in opposite directions e.g. an increase in rent may be offset by an increase in yield, resulting in no net impact on the valuation. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yield. All revenue is derived from the underlying tenancies given on the investment properties.

All investment properties are mortgaged, details of which can be seen in note 24. As at the date of signing this report, there are no restrictions on the realisability of any of the underlying investment properties, nor on the remittance of income and disposal proceeds.

The key unobservable inputs used in the valuation of the Group's investment properties at 31 March 2018 are detailed in the table below:

Combined Portfolio (including share of jointly controlled entities)	Portfolio by market value (%)	Market value 31 March 2018 (£ million)	Properties (number)	Area (sq m)	Annualised gross rental income (£ million)	Net initial yield (Weighted average) (%)	Voids by area (%)	Market rent range per month (£/sq m)
UK non multi-let Industrial	22.7	166.4	10	50,280	10.9	5.76	1.6	3.0-60.6
UK multi-let Industrial	20.1	147.8	30	215,299	10.4	6.50	15.3	3.6-9.0
Germany	30.2	221.3	9	72,674	10.4	4.16	7.8	4.4-66.0
Assets Held for Sale	16.6	121.8	22	54,455	7.8	4.90	3.0	5.0-26.2
	89.6	657.3	71	392,708	39.5	5.23	10.5	-
Share of joint ventures and associates	4.7	34.6	4	19,330	2.4	5.95	0.0	7.0-14.1
Share of joint ventures and associates Held for Sale	5.7	41.7	1	3,067	2.1	4.61	0.0	20.2-67.3
Total	100.0	733.6	76	415,105	44.0	5.23	9.9	-

	31 March 2018 £'000	31 March 2017 £'000
Opening balance	**470,603**	576,757
Properties acquired	**149,831**	-
Capitalised expenditure	**5,549**	1,643
Disposals through the sale of property	**(34,946)**	(5,346)
Disposals through the sale of subsidiary (see note 29)	**(79,900)**	-
Foreign exchange movement in foreign operations	**(1,814)**	29,621
Net fair value gain on investment property - continuing operations	**20,223**	2,431
Net fair value loss on investment property - discontinued operations (note 20)	**(5,918)**	(858)
Assets Held for Sale (note 20)	**11,881**	(133,645)
Closing balance	**535,509**	470,603

Notes to the consolidated financial statements

16. Investment property continued

		31 March 2018 £'000	31 March 2017 £'000
Acquisitions			
UK			
Stenprop Industrials 1 + 2 Limited	25 properties	**127,000**	-
Stenprop Industrials 3 Limited	4 properties	**16,715**	-
Stenprop Industrials 4 Limited	1 property	**6,116**	-
Total		**149,831**	-
Disposals			
Germany			
Hermann (Burger King)		**(2,931)**	-
Swiss			
Kantone (Granges-Paccot)		**(15,414)**	-
David (Cham)		**(10,711)**	-
Clint (Interlaken)		**-**	(5,346)
UK			
GGP1 – Uxbridge		**(3,000)**	-
GGP1 – Worthing		**(2,890)**	-
Disposals through the sale of property		**(34,946)**	**-**
Normanton – Pilgrim Street		**(79,900)**	-
Disposals through the sale of subsidiary		**(79,900)**	-
Total		**(114,846)**	(5,346)

Gain on disposal of property

	Sales proceeds £'000	Disposal costs £'000	Net Sales proceeds £'000	Carrying value £'000	Foreign exchange movement £'000	Gain/(loss) on disposal £'000
Continuing Operations						
Dolphin Bridge House, Uxbridge, UK	3,400	(64)	3,336	(3,000)	-	336
Wicker House & Studios, Worthing, UK	3,650	(50)	3,600	(2,890)	-	710
	7,050	**(114)**	**6,936**	**(5,890)**	**-**	**1,046**
Discontinued Operations						
Granges-Paccot, Switzerland	15,953	(581)	15,372	(15,414)	(3)	(45)
Cham, Switzerland	10,783	(167)	10,616	(10,711)	(1)	(96)
Burger King, Germany	2,931	-	2,931	(2,931)	-	-
	29,667	**(748)**	**28,919**	**(29,056)**	**(4)**	**(141)**

17. Subsidiaries, associates and joint ventures

The Group consists of a parent company, Stenprop Limited, incorporated in Guernsey (formerly Bermuda) and a number of subsidiaries, associates and joint ventures held directly and indirectly by Stenprop Limited which operate and are incorporated around the world.

Details of the Group's subsidiaries as at 31 March 2018 are as follows:

	Place of		% equity owned by	
Name	**incorporation**	**Principal activity**	**Company**	**Subsidiary**
BVI				
Davemount Properties Limited	BVI	Property Investment		100.00
Laxton Properties Limited	BVI	Property Investment		100.00
Loveridge Properties Limited	BVI	Dormant		100.00
Ruby Red Holdings Limited	BVI	Management		100.00
SP Corporate Services Limited	BVI	Management		100.00
SP Nominees Limited	BVI	Management		100.00
SP Secretaries Limited	BVI	Management		100.00
Stenprop Management Holdings Limited	BVI	Holding Company	100.00	
Stenprop (UK) Limited	BVI	Holding Company	100.00	
Leatherback Property Holdings Limited	BVI	Holding Company		100.00
Stenprop Hermann Limited	BVI	Property Investment		100.00
Stenprop Victoria Limited	BVI	Property Investment		100.00
Stenprop Industrials 1 Limited	BVI	Holding Company		100.00
Stenprop Industrials 2 Limited	BVI	Holding Company		100.00
Stenprop Industrials 3 Limited	BVI	Property Investment		100.00
Stenprop Industrials 4 Limited	BVI	Property Investment		100.00
Curacao				
Anarosa Holdings N.V.	Curacao	Holding Company		94.90
C.S. Property Holding N.V.	Curacao	Holding Company		94.90
Lakewood International N.V.	Curacao	Holding Company		89.00
T.B. Property Holdings N.V.	Curacao	Holding Company		100.00
Guernsey				
APF1 Limited (in liquidation)	Guernsey	Dormant	100.00	
Bernina Property Holdings Limited	Guernsey	Holding Company		100.00
GGP1 Limited	Guernsey	Property Investment	100.00	
Kantone Holdings Limited	Guernsey	Property Investment		100.00
KG Bleichenhof Grundtuscksverwaaltung GmbH & Co. KG	Germany	Property Investment		94.90
LPE Limited	Guernsey	Property Investment		100.00
Stenprop Advisers Limited	Guernsey	Management		100.00
Stenprop (Germany) Limited	Guernsey	Holding Company	100.00	
Stenprop (Swiss) Limited	Guernsey	Holding Company	100.00	
Stenprop Trafalgar Limited	Guernsey	Holding Company		100.00
Stenprop Arsenal Limited	Guernsey	Dormant		100.00

Notes to the consolidated financial statements

17. Subsidiaries, associates and joint ventures continued

Name	Place of incorporation	Principal activity	% equity owned by Company	Subsidiary
Stenprop (Guernsey) Limited	Guernsey	Dormant		100.00
Jersey				
Industrials Investment Unit Trust	Jersey	Holding Company		100.00
Luxembourg				
Algy Properties S.a.r.l.	Luxembourg	Property Investment		100.00
Bruce Properties S.a.r.l.	Luxembourg	Property Investment		100.00
Clint Properties S.a.r.l.	Luxembourg	Property Investment		100.00
David Properties S.a.r.l.	Luxembourg	Property Investment		100.00
Jimmy Investments S.a.r.l.	Luxembourg	Holding Company		100.00
Spike Investments S.A.	Luxembourg	Holding Company		100.00
Netherlands				
Century 2 BV	Netherlands	Property Investment		94.90
Century BV	Netherlands	Property Investment		94.90
Isabel Properties BV	Netherlands	Property Investment		94.90
Mindel Properties BV	Netherlands	Holding Company		94.50
Isle of Man				
Stenham Beryl Limited	IoM	Property Investment		100.00
Stenham Crystal Limited	IoM	Property Investment		100.00
Stenham Jasper Limited	IoM	Property Investment		100.00
Gemstone Properties Limited (formerly Stenham Properties (Germany) Limited)	IoM	Holding Company		100.00
Switzerland				
Polo Property GmbH	Switzerland	Property Investment		100.00
United Kingdom				
Stenprop Management Limited	England	Management		100.00
C2 Capital Limited	England	Management		100.00
Stenprop Limited	England	Dormant		100.00
United States				
Industrials UK GP LLC	United States	Holding Company		100.00
Industrials UK LP	United States	Property Investment		100.00

Details of the Group's investments in associates and joint ventures are disclosed in note 18 and note 19 respectively.

18. Investment in associates

Details of the Group's associates at the end of the reporting period are as follows:

Name	Place of incorporation	Principal activity	% equity owned by subsidiary
Stenham European Shopping Centre Fund Limited ('SESCF')	Guernsey	Fund	28.42*

* 28.16% of the investment in the underlying property was held through SESCF, and 0.26% of the property investment was held via a wholly-owned subsidiary, Leatherback Property Holdings Limited, a company incorporated in the British Virgin Islands.

During the period, both SESCF and Leatherback Property Holdings Limited disposed of their investment in the underlying property.

During the period the Group sold its investment in Stenham Berlin Residential Fund Limited in which it had held a 5.24% holding at 31 March 2017.

Associates are accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies.

Summarised financial information in respect of each of the Group's associates is set out below:

	Stenham European Shopping Centre Fund Limited £'000	Stenham Berlin Residential Fund Limited £'000	Total £'000
31 March 2018			
Non-current assets	**-**	**-**	**-**
Assets Held for Sale	**-**	**-**	**-**
Current assets	**1,298**	**-**	**1,298**
Non-current liabilities	**-**	**-**	**-**
Current liabilities	**(523)**	**-**	**(523)**
Equity attributable to owners of the Company	**775**	**-**	**775**
Revenue	**3,415**	**21,351**	**24,766**
Profit from continuing operations and total comprehensive income	**786**	**1,568**	**2,354**
31 March 2017			
Non-current assets	141	-	141
Assets Held for Sale	177,637	16,865	194,502
Current assets	6,725	19,317	26,042
Non-current liabilities	-	-	-
Current liabilities	(128,328)	(498)	(128,826)
Equity attributable to owners of the Company	56,175	35,684	91,859
Revenue	15,984	50,230	66,214
(Loss)/Profit from continuing operations and total comprehensive income	(42,506)	19,598	(22,908)

Notes to the consolidated financial statements

18. Investment in associates

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates recognised in the financial statements:

	Stenham European Shopping Centre Fund Limited £'000	Stenham Berlin Residential Fund Limited £'000	Total £'000
31 March 2018			
Opening balance as at 1 April 2017	**15,994**	**1,869**	**17,863**
Share of associates' profit *	**221**	**71**	**292**
Share in associates disposed of during the period	**(16,353)**	**(1,992)**	**(18,345)**
Distribution received from associates	**-**	**-**	**-**
Foreign exchange movement in foreign operations	**441**	**52**	**493**
Closing balance	**303**	**-**	**303**
31 March 2017			
Opening balance as at 1 April 2016	26,095	4,962	31,057
Share of associates' (loss)/profit *	(12,041)	2,203	(9,838)
Associate balance sheet adjustment	16	-	16
Share in associates disposed of during the year	-	(5,745)	(5,745)
Distribution received from associates	(6)	-	(6)
Foreign exchange movement in foreign operations	1,930	449	2,379
Closing balance	15,994	1,869	17,863

* The share of associates' profit includes the fair value movement in the underlying investments for the period. This is covered in the subsequent paragraphs.

Stenham European Shopping Centre Fund Limited ('SESCF')

SESCF, in which the Group has a 28.42% interest, completed the sale of its investment in the Nova Eventis Shopping Centre on 22 June 2017. The sale price of the property was €208.5 million less selling costs (equivalent to the value at 31 March 2017) and any fair value movement in the underlying investment is reflective of the movement in the net asset value of SESCF and the property company which was sold. There are no restrictive conditions on the distribution of the remaining balance due subsequent to release of the final amount in escrow.

Stenham Berlin Residential Fund Limited ('SBRF')

At 31 March 2017, SBRF's sole investment was its remaining holding of 623,868 shares in ADO Properties Limited. All of these shares were sold by 31 May 2017 and monies subsequently distributed to the SBRF shareholders by way of a share buyback in June 2017. SBRF's share price at 31 March 2017 was €1.85. This had risen to €1.92 at the date of share buyback in June 2017. Stenprop Germany Limited disposed of its entire shareholding of 1,180,251 shares at €1.92 per share realising €2,268,002. This represented a gain of €82,687 for the year to 31 March 2018. The 'rounded' GBP equivalent thereof, as shown above, is £71k.

19. Investment in joint ventures

Details of the Group's joint ventures at the end of the reporting period are as follows:

Name	Place of incorporation	Principal activity	% equity owned by subsidiary
Luxembourg			
Elysion S.A.	Luxembourg	Holding company	50.00
Elysion Braunschweig S.a.r.l	Luxembourg	Property company	50.00
Elysion Dessau S.a.r.l	Luxembourg	Property company	50.00
Elysion Kappeln S.a.r.l	Luxembourg	Property company	50.00
Elysion Winzlar S.a.r.l	Luxembourg	Property company	50.00
Guernsey			
Stenpark Management Limited	Guernsey	Management company	50.00
BVI			
Stenprop Argyll Limited	BVI	Holding company	50.00
Regent Arcade House Holdings Limited	BVI	Property company	50.00
Republic of Ireland			
Ardale Industrials Limited	Republic of Ireland	Management company	50.00

Summarised consolidated financial information in respect of the Group's joint ventures is set out below. Where applicable, these represent the consolidated results of the respective holding companies.

Notes to the consolidated financial statements

19. Investment in joint ventures continued

	Elysion S.A. £'000	Stenpark Management Limited £'000	Stenprop Argyll Limited £'000	Ardale Industrials Limited £'000	Total £'000
31 March 2018					
Investment property	34,878	-	83,400	-	118,278
Current assets	607	151	5,751	18	6,527
Assets	35,485	151	89,151	18	124,805
Bank loans	(19,454)	-	(37,373)	-	(56,827)
Shareholder loan	(13,463)	-	-	-	(13,463)
Deferred tax	(1,104)	-	-	-	(1,104)
Financial liability	(137)	-	(453)	-	(590)
Current liabilities	(172)	(82)	(4,235)	(1)	(4,490)
Liabilities	(34,330)	(82)	(42,061)	(1)	(76,474)
Net assets of joint ventures	1,155	69	47,090	17	48,331
Net assets of joint ventures excluding shareholder loans	14,618	69	47,090	17	61,777
Group share of net assets	14,618	34	23,545	8	38,205
Net assets directly associated with assets classified as held for sale adjustment (see note 20)	-	-	(23,545)	-	(23,545)
Group share of joint ventures' net assets	14,618	34	-	8	14,660
Revenue	2,450	381	4,794	35	7,660
Interest payable	(1,795)	-	(1,115)	-	(2,910)
Tax expense	(713)	-	-	-	(713)
Profit from continuing operations and total comprehensive income excluding interest due to Group	4,678	101	5,760	30	10,569
Share of joint ventures' profit due to the Group	4,678	51	2,880	15	7,624

19. Investment in joint ventures continued

	Elysion S.A. £'000	Stenpark Management Limited £'000	Stenprop Argyll Limited £'000	Ardale Industrials Limited £'000	Total £'000
31 March 2017					
Investment property	30,385	-	80,997	-	111,382
Current assets	450	258	3,826	-	4,534
Assets	30,835	258	84,823	-	115,916
Bank loans	(19,393)	-	(37,313)	-	(56,706)
Shareholder loan	(12,435)	-	-	-	(12,435)
Deferred tax	(453)	-	-	-	(453)
Financial liability	(502)	-	(1,236)	-	(1,738)
Current liabilities	(202)	(186)	(4,046)	-	(4,434)
Liabilities	(32,985)	(186)	(42,595)	-	(75,766)
Net (liabilities)/assets of joint ventures	(2,150)	72	42,228	-	40,150
Net assets of joint ventures excluding shareholder loans	10,285	72	42,228	-	52,585
Group share of net assets	10,285	36	21,114	-	31,435
Revenue	2,313	822	4,509	-	7,644
Interest payable	(1,676)	-	(1,114)	-	(2,790)
Tax expense	(327)	-	-	-	(327)
Profit from continuing operations and total comprehensive income excluding interest due to Group	2,270	611	1,708	-	4,589
Share of joint ventures profit due to the Group	2,270	306	854	-	3,430

Notes to the consolidated financial statements

19. Investment in joint ventures continued

Elysion S.A.

Stenprop owns 100% of the shares and shareholder loans in Bernina Property Holdings Limited (Bernina). Bernina in turn owns 50% of the issued share capital and 100% of the shareholder loans of Elysion S.A., a company incorporated in Luxembourg which is the beneficial owner of the Care Home portfolio. The remaining 50% of Elysion S.A. is owned by a joint venture partner who manages the portfolio.

The acquired shareholder loans have attracted, and continue to attract, a 10% compounded interest rate since inception in 2007. The outstanding shareholder loan, which is wholly-owned by Stenprop, has been valued at the recoverable balance which is deemed equal to the net assets of the joint venture excluding the shareholder loan.

Reconciliation of the above summarised financial information to the carrying amount of the interest recognised in the consolidated financial statements:

	Elysion S.A. £'000	Stenpark Management Limited £'000	Stenprop Argyll Limited £'000	Ardale Industrials Limited £'000	Total £'000
31 March 2018					
Opening balance	**10,283**	**37**	**21,115**	**-**	**31,435**
Share in associates acquired during the period	**-**	**-**	**-**	**(1)**	**(1)**
Share of joint venture profit	**4,678**	**51**	**2,880**	**15**	**7,624**
Distribution received from joint venture	**(613)**	**(54)**	**(450)**	**(6)**	**(1,123)**
Foreign exchange movement in foreign operations	**270**	**-**	**-**	**-**	**270**
Transfer to Assets Held for Sale (note 20)	**-**	**-**	**(23,545)**	**-**	**(23,545)**
Closing balance	**14,618**	**34**	**-**	**8**	**14,660**
31 March 2017					
Opening balance	8,163	32	21,536	-	29,731
Share of joint venture profit	2,270	306	854	-	3,430
Distribution received from joint venture	(864)	(301)	(1,275)	-	(2,440)
Foreign exchange movement in foreign operations	714	-	-	-	714
Closing balance	10,283	37	21,115	-	31,435

20. Assets held for sale and discontinued operations

Management consider 23 properties (the entire Swiss portfolio, the Aldi portfolio and the joint venture interest in Argyll Street, London) to meet the conditions relating to Assets Held for Sale, as per IFRS 5: Non-current Assets Held for Sale. The properties are expected to be disposed of during the next 12 months. As part of the Swiss portfolio, the property at Lugano, which is valued at year end at CHF20.9 million (GBP15.7 million) is classified as held for sale. Although the sale may not complete within 12 months, Stenprop is committed to the disposal of the asset in line with its strategy to exit the Swiss market. Accordingly, Stenprop has disclosed the asset as Held For Sale. The fair values of all assets Held for Sale have been determined by a third party valuer, Jones Lang LaSalle.

The fair value of these properties, and their comparatives are shown in the table below:

	31 March 2018 £'000	31 March 2017 £'000
Investment properties	**121,764**	133,646
Investment in joint ventures	**23,545**	-
Cash and cash equivalents	**738**	625
Trade and other receivables	**1,361**	1,102
Total assets classified as held for sale	**147,408**	135,373
Bank loans	**62,225**	70,783
Derivative financial instruments	**14**	-
Deferred tax	**3,897**	4,344
Accounts payable and accruals	**1,571**	1,074
Liabilities directly associated with assets classified as held for sale	**67,707**	76,201

Nine properties (the entire Swiss portfolio) have been recognised as discontinued operations in accordance with IFRS 5.32.

The results of the discontinued operations were as follows:

	31 March 2018 £'000	31 March 2017 £'000
Net rental income	**4,389**	5,552
Rental income	**6,163**	7,491
Property expenses	**(1,774)**	(1,939)
Operating costs	**(598)**	(440)
Net operating income	**3,791**	5,112
Fair value movement of investment properties	**(5,918)**	(858)
(Loss)/Profit from operations	**(2,127)**	4,254
Loss on disposal of property	**(141)**	-
Net gain from fair value of derivative financial instruments	**-**	1,245
Net finance costs	**(687)**	(1,996)
Net foreign exchange gains	**8**	-
(Loss)/Profit for the year before taxation	**(2,947)**	3,503
Taxation	**235**	(689)
(Loss)/Profit for the year from discontinued operations	**(2,712)**	2,814

Notes to the consolidated financial statements

20. Assets held for sale and discontinued operations continued

Disposals

On 1 July 2017, the Group disposed of the Kantone Holdings Limited properties known as Grange Paccot 1 and Grange Paccot 2, Switzerland, for CHF20 million (equating to CHF19.9 million after disposal costs). At disposal, there was a loss of CHF0.1 million to the Group equating to the disposal costs, as the property was already held at a fair value equivalent to the sale price.

On 30 October 2017, the Group disposed of the property known as Cham which was the sole property owned by David Properties S.a.r.l for CHF14.2million (equating to CHF14.1 million after disposal costs). At disposal, there was a loss of CHF0.1 million to the Group equating to the disposal costs, as the property was already held at a fair value equivalent to the sale price.

21. Trade and other receivables

Non-current receivables	31 March 2018 £'000	31 March 2017 £'000
Other debtors	**13,617**	11,634
	13,617	11,634

Non-current other debtors includes £12.52 million (2017: £10.59 million) of loans advanced under the Share Purchase Plan (see note 13; share-based payments) and a £1.1 million (2017: £1.04 million) loan advanced on 30 March 2017 used to purchase one million Stenprop shares in the market by Ferryman Capital Partners Limited, a company in which Warren Lawlor, a non-executive director, has a one-third beneficial interest.

Current receivables	31 March 2018 £'000	31 March 2017 £'000
Accounts receivable*	**7,089**	4,149
Other debtors	**1,755**	507
Prepayments	**725**	515
Transfer to assets held for sale (see note 20)	**(1,361)**	(1,102)
	8,208	4,069

* Included in this balance are provisions for doubtful debts of £260,918 (2017: £232,677).

22. Cash and cash equivalents

	31 March 2018 £'000	31 March 2017 £'000
Cash at bank	**25,287**	25,827
Transfer to assets held for sale (see note 20)	**(738)**	(625)
	24,549	25,202

Restricted cash

At year end funds totalling £11.1 million (2017: £12.4 million) were restricted. Tenant deposits of £2.58 million (2017: £2.4 million) are included in this amount as are net rents held in bank accounts which are secured by the lenders for the purposes of debt repayments and redevelopment, including £8.0 million (2017: £9.4 million) for the redevelopment of Bleichenhof. As the Group is in compliance with all the terms and conditions of its loans as at the date of signing these financial statements, there are no further restrictions, and any surplus will flow to the Group.

23. Accounts payable and accruals

	31 March 2018 £'000	31 March 2017 £'000
Accruals	**4,745**	2,885
Deferred income	**4,883**	4,930
Other payables	**6,565**	6,525
Liabilities directly associated with assets classified as held for sale adjustment (see note 20)	**(1,571)**	(1,074)
	14,622	13,266

24. Borrowings

	31 March 2018 £'000	31 March 2017 £'000
Opening balance	**229,051**	290,434
Loan repayments	**(60,808)**	(4,143)
New loans	**89,703**	-
Amortisation of loans	**(5,751)**	(3,536)
Capitalised borrowing costs	**(505)**	(161)
Amortisation of transaction fees	**401**	392
Foreign exchange movement in foreign operations	**(1,152)**	16,848
Adjustment for liabilities directly associated with assets classified as Held for Sale adjustment (see note 20)	**8,558**	(70,783)
Total borrowings	**259,497**	229,051
Amount due for settlement within 12 months	**65,025**	83,787
Amount due for settlement between one to three years	**76,258**	79,265
Amount due for settlement between three to five years	**180,439**	136,782
Liabilities directly associated with assets classified as Held for Sale adjustment (see note 20)	**(62,225)**	(70,783)
	259,497	229,051
Non-current liabilities		
Bank loans	**256,697**	216,047
Total non-current loans and borrowings	**256,697**	216,047
The maturity of non-current borrowings is as follows:		
Amount due for settlement between one to three years	**76,258**	79,265
Amount due for settlement between three to five years	**180,439**	136,782
	256,697	216,047
Current liabilities		
Bank loans	**65,025**	83,787
Liabilities directly associated with assets classified as Held for Sale adjustment (see note 20)	**(62,225)**	(70,783)
Total current loans and borrowings	**2,800**	13,004
Total loans and borrowings	**259,497**	229,051

Notes to the consolidated financial statements

24. Borrowings continued

The facilities are secured by legal charges over the properties to which they correspond. There is no cross-collaterisation of the facilities. The terms and conditions of outstanding loans are as follows:

Entity	Note	Amortising	Loan interest rate	Currency	Maturity date	Nominal value 31 March 2018 £'000	Nominal value 31 March 2017 £'000	Carrying value* 31 March 2018 £'000	Carrying value* 31 March 2017 £'000
United Kingdom									
Laxton Properties Limited		No	LIBOR +1.4%	GBP	8/05/2020	**27,540**	27,540	**27,410**	27,348
Normanton Properties Limited		No	LIBOR +1.4%	GBP	25/03/2019	**-**	37,050	**-**	36,958
Davemount Properties Limited		No	LIBOR +2.25%	GBP	26/05/2021	**4,000**	4,000	**3,975**	3,967
LPE Limited	1	Yes	LIBOR +2.5%	GBP	31/03/2020	**34,708**	30,000	**34,317**	29,620
GGP1 Limited		No	LIBOR +2.25%	GBP	26/05/2021	**5,175**	8,360	**5,099**	8,260
Industrials UK	2	No	LIBOR +2.25%	GBP	2/06/2022	**77,984**	-	**77,808**	-
Switzerland									
Algy Properties S.a.r.l.	3	Yes	LIBOR +2.47%	CHF	31/03/2019	**2,310**	2,590	**2,310**	2,590
Bruce Properties S.a.r.l.	3	No	LIBOR +1.35%	CHF	29/03/2019	**3,557**	3,804	**3,557**	3,804
David Properties S.a.r.l.	3	Yes	LIBOR +1.4%	CHF	31/03/2018	**-**	6,181	**-**	6,181
Kantone Holdings Limited	3	Yes	LIBOR +1.15%	CHF	Note 1	**26,296**	39,205	**26,296**	39,205
Polo Property GmbH	3	Yes	LIBOR +1.15%	CHF	Note 1	**17,019**	19,002	**17,020**	19,003
Germany									
Century BV		Yes	Euribor +1.55%	EUR	31/12/2022	**7,290**	8,254	**7,205**	8,238
Century 2 BV		Yes	Euribor +1.55%	EUR	31/12/2022	**3,791**	3,573	**3,742**	3,567
Century 2 BV		Yes	Euribor +1.65%	EUR	31/12/2022	**-**	748	**-**	746
Stenham Beryl Limited		Yes	Euribor +1.85%	EUR	30/04/2018	**4,565**	4,599	**4,565**	4,599
Stenham Crystal Limited		Yes	Euribor +1.85%	EUR	30/04/2018	**3,812**	3,841	**3,812**	3,841
Stenham Jasper Limited		Yes	Euribor +1.85%	EUR	30/04/2018	**4,665**	4,700	**4,665**	4,700
Isabel Properties BV		No	Euribor +2.32%	EUR	30/12/2021	**7,915**	7,699	**7,915**	7,699
Bleichenhof GmbH & Co. KG		No	1.58%	EUR	28/02/2022	**74,694**	72,655	**74,694**	72,655
Stenprop Hermann Ltd		No	Euribor +1.13%	EUR	30/06/2020	**8,293**	8,066	**8,274**	8,042
Stenprop Victoria Ltd		No	Euribor +1.28%	EUR	31/08/2020	**9,058**	8,811	**9,058**	8,811
						322,672	300,678	**321,722**	299,834

* The difference between the nominal and the carrying value represents unamortised facility costs.

24. Borrowings continued

1. On 2 June 2017, LPE Limited entered into an amendment agreement with RBSI to extend their facility by a further £6.1 million. Per the amended facility agreement the full loan is repayable in March 2020. The margin on the debt increased by 0.5% to 2.5% for the period until the extended debt is repaid. The all-in rate on this facility is 3.85% (including a swap of 1.35%). Finance costs associated with this transaction amounted to £189,000.
2. On 2 June 2017, an amount of £69.1 million was lent to Industrials UK by RBS for a period of five years, until 2 June 2022. £60.375 million of the loan is covered by means of a swap at an all-in interest rate of 3.2% per annum (the balance incurs interest at LIBOR + a margin of 2.25% per annum). On 16 January 2018, this loan facility was increased to £77,984,375 with the margin and the amount covered by the swap remaining unchanged.
3. All of the bank loans in respect of the Swiss properties were due for expiry on 31 March 2017. Given that all of the properties in the Swiss portfolio were held for sale at this date, the loans were re-financed on a short-term basis as follows:
   - Algy Properties S.a.r.l extended its loan with Credit Suisse in the sum of CHF3,237,500, for a period of one year from 1 April 2017 at a loan interest rate of LIBOR +1.5 % and no swap (previous facility: LIBOR + 1.3% + 0.91% swap). The loan was extended for a further period of one year from 1 April 2018 at an interest rate of LIBOR+2.47% with no swap.
   - Bruce Properties S.a.r.l extended its loan with Credit Suisse in the sum of CHF4,755,000, for a period of one year from 1 April 2017 at a loan interest rate of LIBOR +1.35 % and no swap (previous facility: LIBOR + 1.25% + 1.90% swap). The loan was extended for a further period of one year from 30 March 2018 at an interest rate of LIBOR+1.35% with no swap.
   - David Properties S.a.r.l sold its sole property, Cham, in October 2017 and repaid its loan at that time. In the prior year it had extended its loan with Credit Suisse in the sum of CHF7,725,000, for a period of one year from 1 April 2017 at a loan interest rate of LIBOR +1.4 % and no swap.
   - Kantone Holdings Limited entered into a rolling credit facility with its existing lender, Union Bank of Switzerland ('UBS'). The credit facility was for CHF 49,000,000 at a loan interest rate of LIBOR +1.05 % and no swap (previous facility: LIBOR + 1.05% + 0.7% swap). As each property within the Kantone portfolio is sold, partial repayments of the loan are to be made. In December 2017, a supplemental agreement was entered into whereby the revised loan amount was amended to CHF 36,000,000 at an interest rate of LIBOR +1.15% with no swap. Amortisation was reduced from CHF 500,000 per quarter to CHF 425,000 per quarter.
   - Polo Properties GmbH entered into a rolling credit facility with its existing lender, Union Bank of Switzerland ('UBS'). The credit facility was for CHF 23,750,000 at a loan interest rate of LIBOR +1.15 % and no swap.

25. Other loans

	31 March 2018 £'000	31 March 2017 £'000
Loans	34,080	-
Loan repayments including foreign exchange movement	(34,591)	-
Foreign exchange movement	518	-
Interest	1,503	-
Interest repayments including foreign exchange movement	(1,510)	-
	-	-

On 2 June 2017 and 23 June 2017 the Group secured a bridging loan of €31 million from Bellerive SPV5 Limited, which attracted interest at 7% per annum. The loan was subject to a Group loan-to-value covenant of 65% and was repaid in full on 17 January 2018. A further 12 month facility of €8 million was secured at an interest rate of 7% per annum from Peregrine Direct Limited. Drawdown was on 23 June 2017 and the loan was repaid in full on 24 January 2018.

During the period a £50 million revolving credit facility ('RCF') was agreed with Investec Bank plc at an all-in interest rate of 7% + 1 month LIBOR. It is intended that drawdowns under the Investec RCF will be short term in nature to fund new acquisitions and will be repaid as soon as possible from a combination of disposal proceeds and longer term debt finance. As at year end, the facility was undrawn.

Notes to the consolidated financial statements

26. Derivative financial instruments

In accordance with the terms of the borrowing arrangements and Group policy, the Group has entered into interest rate swap agreement which are entered into by the borrowing entities to convert the borrowings from floating to fixed interest rates and are used to manage the interest rate profile of financial liabilities and eliminate future exposure to interest rate fluctuations. It is the Group's policy that no economic trading in derivatives is undertaken by the Group. In the current year, the Group recognised a total net profit in fair value of financial instruments from continuing and discontinuing operations of £2,453,000 (2017: £489,000 loss) and £nil (2017: £1,245,000) respectively.

The following table sets out the interest rate swap agreements at 31 March 2017 and 31 March 2018.

Entity	Effective date	Maturity Date	Swap rate %	Notional value 31 March 2018 £'000	Fair value 31 March 2018 £'000	Notional value 31 March 2017 £'000	Fair value 31 March 2017 £'000
UK							
Laxton Properties Limited	14/04/2014	8/05/2020	1.62	**27,540**	**(361)**	27,539	(945)
Normanton Properties Limited	1/04/2014	25/03/2019	1.50	**-**	**-**	37,049	(825)
LPE Limited	26/03/2015	31/03/2020	1.35	**30,000**	**(207)**	29,999	(746)
Industrials UK LP	2/06/2017	2/06/2022	0.95	**60,375**	**691**	-	-
Germany							
Century BV	31/12/2017	30/12/2022	2.50	**7,156**	**14**	8,254	(81)
Century 2 BV	31/12/2017	30/12/2022	2.50	**3,924**	**7**	3,573	(38)
Century 2 BV	1/04/2014	29/12/2017	1.85	**-**	**-**	748	-
Stenham Beryl Limited	1/04/2014	30/04/2018	0.83	**4,565**	**(5)**	4,568	(56)
Stenham Crystal Limited	1/04/2014	30/04/2018	0.83	**3,812**	**(4)**	3,814	(46)
Stenham Jasper Limited	1/04/2014	30/04/2018	0.83	**4,665**	**(5)**	4,667	(57)
Isabel Properties BV	30/01/2015	30/12/2021	0.48	**7,915**	**(131)**	7,699	(178)
Adjustment for liabilites directly associated with assets classified as Held for Sale adjustment (see note 20)					**14**		-
Total swaps				**149,952**	**13**	127,910	(2,972)
Liabilities maturing within 12 months					**-**		(119)
Assets maturing after 12 months					**712**		-
Liabilities maturing after 12 months					**(699)**		(2,853)
Derivative financial instruments - on balance sheet					**13**		(2,972)
Swaps included in investments in associates and joint ventures							
Regent Arcade House Holdings Ltd	20/05/2015	20/05/2020	1.57	**37,500**	**(453)**	37,499	(1,236)
Elysion Braunschweig S.a.r.l	1/04/2014	29/03/2018	2.43	**-**	**-**	5,101	(98)
Elysion Dessau S.a.r.l	1/04/2014	29/03/2018	2.43	**-**	**-**	4,929	(94)
Elysion Kappeln S.a.r.l	1/04/2014	31/12/2018	2.80	**5,346**	**(82)**	5,348	(186)
Elysion Winzlar S.a.r.l	1/04/2014	31/12/2018	2.80	**3,564**	**(55)**	3,565	(124)
Derivative financial instruments - associates and joint ventures				**46,410**	**(590)**	56,442	(1,738)

27. Acquisitions of subsidiaries (business combinations and asset acquisitions)

Business combinations

On 30 June 2017, the Group acquired 100% of the share capital of C2 Capital Limited which is the management platform that, amongst other mandates, provides asset management and portfolio services to Industrials LP, the partnership which owns 25 multi-let industrial estates across the UK. Stenprop acquired the shares in C2 Capital Limited for £3.5 million, which was settled by the issue of 3,270,500 Stenprop shares valued at €1.22 per share.

Details of the assets and liabilities acquired and goodwill arising are as follows:

	Attributed fair value £'000
Investment in joint venture	(1)
Cash and cash equivalents	89
Trade and other receivables	52
Trade and other payables	(138)
Fair value of acquired interest in net assets of subsidiary	**2**
Goodwill	3,500
Total purchase consideration	**3,502**

Goodwill of £3.5 million arising as a result of the acquisition of C2 Capital Limited has subsequently been impaired in full during the period.

C2 Capital Limited's revenue for the period from acquistion, being 30 June 2017 to 31 March 2018 was £0.2 million with a net loss of £0.3 million. C2 Capital Limited's revenue for the period from 1 April 2017 to 31 March 2018 was £0.6 million with a net loss of £0.6 million.

Asset acquisitions

On 30 June 2017, the Group acquired 100% of the interests in Industrials UK LP which owns a portfolio of multi-let industrial properties (the 'MLI Portfolio'). The MLI Portfolio is made up of 25 separate multi-let industrial estates situated in or near densely populated nodes across the United Kingdom. The acquisition was effected through the acquisition of a Jersey unit trust (Industrials Investment Unit Trust) and a general partner (Industrials UK GP LLC) who together held 100% of the limited partnership.

The total purchase consideration for the acquisition was calculated with reference to the net asset value of the three entities as at 30 June 2017 and which valued the properties at £127 million. The acquisition was financed by a loan of £69 million, proceeds from the sale of Prejan Enterprises Limited (Nova Eventis Shopping Centre) and bridging loan facilities.

	Industrials Investment Unit Trust £'000	Industrials UK GP LLC £'000	Industrials UK LP £'000	Total attributed fair value £'000
Investment property	-	-	127,000	127,000
Cash and cash equivalents	23	6	2,954	2,983
Trade and other receivables	52	-	1,208	1,260
Trade and other payables	(14)	(4)	(4,234)	(4,252)
External debt	-	-	(69,133)	(69,133)
Total purchase consideration settled in cash	**61**	**2**	**57,795**	**57,858**

Costs incurred in the acquisition of the MLI Portfolio amounted to £1.65 million. These acquisition costs were capitalised to the cost of the asset. At 31 March 2018, the investment was stated at fair value, and any movement was recognised as fair value movement in the Statement of Comprehensive Income.

Notes to the consolidated financial statements

28. Acquisition of subsidiaries and joint ventures

During the year the Group incorporated the following companies:

Name	Jurisdiction	Incorporation date	Cost £'000	Net assets acquired £'000
Acquisition of Industrials UK LP (refer to note 27):				
Stenprop Industrials 1 Limited	BVI	11/05/2017	-	-
Stenprop Industrials 2 Limited	BVI	11/05/2017	-	-
Acquisition of industrial properties			-	
Stenprop Industrials 3 Limited	BVI	17/10/2017	-	-
Stenprop Industrials 4 Limited	BVI	16/01/2018	-	-

No companies were incorporated in the prior year.

29. Disposal of subsidiaries

Normanton

On 11 January 2018, the Group disposed of its 100% shareholding in Normanton Properties Limited for a consideration of £42,607,525. Normanton Properties Limited owned the property Pilgrim Street, London. The impact of the disposal on the Group is shown below:

	31 March 2018 £'000
Carrying value of net assets at disposal date	
Investment property	79,900
Trade and other receivables	205
Cash and cash equivalents	1,831
Borrowings	(37,608)
Trade and other payables	(1,694)
Net assets disposed	42,634
Cash consideration	42,608
Loss on disposal of subsidiaries	(26)

There were no disposals of subsidiaries made in the prior year.

30. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	31 March 2018 £'000	31 March 2017 £'000
Opening balance	**(5,794)**	(7,670)
Deferred tax recognised on investment properties	**(3,675)**	(2,834)
Deferred tax recognised on revaluation of financial liabilities	**(53)**	(250)
Deferred tax on tax losses	**590**	615
Adjustment for liabilities directly associated with assets classified as held for sale adjustment (see note 20)	**(447)**	4,345
Closing balance	**(9,379)**	(5,794)

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	31 March 2018 £'000	31 March 2017 £'000
Deferred tax liabilities	**(18,040)**	(14,361)
Deferred tax assets	**4,764**	4,223
Adjustment for liabilities directly associated with assets classified as held for sale adjustment (see note 20)	**3,897**	4,344
Closing balance	**(9,379)**	(5,794)
Deferred tax opening balance	**10,139**	7,670
Exchange movements	**(123)**	754
Deferred tax liability closing balance	**(13,276)**	(10,138)
Movement in deferred tax	**(3,260)**	(1,714)

31. Financial Risk Management (i)

The Group is exposed to a variety of financial risks including market risk, credit risk and liquidity risk. The overall risk management strategy seeks to minimise the potential adverse effects on the Group's financial performance. Certain risk exposures are hedged via the use of financial derivatives.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing these risks, and the Group's management of capital. Further quantitative disclosures are included throughout these audited financial statements where relevant. The Group's Board has overall responsibility for the establishment and oversight of the Group's risk management framework.

During the reporting period, the Risk Committee, established by the Board, assumed responsibility for developing and monitoring the Group's risk management policies. With effect from 1 May 2018, the Risk Committee was replaced with a combined Audit and Risk Committee. The committee participates in management's process of formulating and implementing the risk management plan and it reports on the plan adopted by management to the Board.

The objective of risk management is to identify, assess, manage and monitor the risks to which the business is exposed, including, but not limited to, information technology risk. The Board is responsible for ensuring the adoption of appropriate risk management policies by management. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities. The Board will also ensure that there are processes in place between itself and management enabling complete, timely, relevant, accurate and accessible risk disclosure to shareholders.

Notes to the consolidated financial statements

31. Financial Risk Management (i) continued

To enable the Audit and Risk Committee to meet its responsibilities, terms of reference were adopted by the Board. These include appropriate standards, the implementation of systems of internal control and an effective risk-based internal audit which comprises policies, procedures, systems and information to assist in:

- safeguarding assets and reducing the risk of loss, error, fraud and other irregularities;
- ensuring the accuracy and completeness of accounting records and reporting;
- preparing timely, reliable financial statements and information in compliance with relevant legislation and generally accepted accounting policies and practices; and
- increasing the probability of anticipating unpredictable risk.

The committee oversees how management monitor compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Group.

Credit risk

The Group's principal financial assets are cash and cash equivalents as well as trade and other receivables. The credit risk arising from deposits with banks is managed through a policy of utilising only independently rated banks with acceptable credit ratings.

The credit quality of cash and cash equivalents can be assessed by reference to external credit ratings of the counterparty where the account or deposit is placed. A summary of the European financial institutions credit ratings for the six banks in which 80% of the Group's cash is held, are as follows:

	31 March 2018	31 March 2017
• ABN AMRO Bank NV	**A**	A
• Barclays Private Clients International Limited	**A**	A-
• Berliner Sparkasse	**A+**	AA-
• Deustche Bank AG``	**A-**	A-
• HSBC Bank plc	**AA-**	AA-
• Royal Bank of Scotland Group plc	**BBB+**	BBB-
• Santander UK plc	**A**	A
• UBS AG	**A+**	A+

The directors are satisfied as to the creditworthiness of the banks where the remaining cash is held.

At the time of acquisition of a property, and from time to time thereafter, the Company reviews the quality of the contracted tenants to ensure that the tenants meet acceptable covenants. Trade receivables are presented in the statement of financial position net of allowances for doubtful receivables. An allowance for impairment is made where there is an indefinable loss event, which based on previous experience, may give risk to a non recovery of a receivable.

The carrying amount of financial assets represents the maximum credit exposure at the reporting date.

At 31 March 2018, trade and other receivables and cash and cash equivalents amounts to £32,757,000 (March 2017: £29,271,000) as shown in the statement of financial position.

31. Financial Risk Management (ii)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash resources, the availability of funding through appropriate and adequate credit lines and managing the ability of tenants to settle within lease obligations. Through the forecasting and budgeting of cash requirements the Group ensures that adequate committed resources are available.

By its nature, the market for investment property is not immediately liquid therefore, the Group's ability to vary its portfolio in a timely fashion and to receive a fair price in response to changes in economic and other conditions may be limited. Furthermore, where the Group acquires investment properties for which there is not a readily available market, the Group's ability to deal in any such investment or obtain reliable information about the value of such investment or risks to which such property investment is exposed may be limited. The Group's short term liquidity risk is secured by the existence of cash balances, through the fact that rental income exceeds the Group's cost structures and through ensuring that facilities are managed within debt covenants.

The following table details the contractual maturity date of the Group's financial liabilities. The table has been compiled based on the undiscounted contractual maturities of the financial liabilities, including interest that will accrue to those liabilities, except where the Group is entitled and intends to repay the liability before its maturity. The discount column represents the possible future cash flows included in the maturity analysis, such as future interest or potential payments that have not been included in the carrying amount of the financial liability. The table also includes a reconciliation to the carrying value in the statement of financial position.

	Less than one month £'000	One to three months £'000	Three to twelve months £'000	One to five years £'000	Over five years £'000	Discount £'000	Total £'000
Interest-bearing loans	**56,358**	**-**	**8,667**	**76,261**	**180,436**	**-**	**321,722**
Loan interest	**825**	**1,912**	**5,509**	**15,684**	**-**	**(23,076)**	**854**
Financial liabilities	**14**	**-**	**-**	**699**	**-**	**-**	**713**
Deferred tax	**-**	**-**	**3,898**	**9,379**	**-**	**-**	**13,277**
Other payables (incl. Tax)	**-**	**2,177**	**7,180**	**-**	**-**	**-**	**9,357**
Accruals	**-**	**-**	**3,891**	**-**	**-**	**-**	**3,891**
Deferred income	**-**	**4,883**	**-**	**-**	**-**	**-**	**4,883**
Liabilities directly associated with assets classified as held for sale	**(56,405)**	**(286)**	**(11,016)**	**-**	**-**	**-**	**(67,707)**
As at 31 March 2018	**792**	**8,686**	**18,129**	**102,023**	**180,436**	**(23,076)**	**286,990**

	Less than one month £'000	One to three months £'000	Three to twelve months £'000	One to five years £'000	Over five years £'000	Discount £'000	Total £'000
Interest-bearing loans	-	-	83,783	216,051	-	-	299,834
Loan interest	492	1,668	4,798	12,079	-	(18,507)	530
Financial liabilities	-	-	119	2,853	-	-	2,972
Deferred tax	-	-	4,344	5,795	-	-	10,139
Other payables (incl. Tax)	-	3,614	5,204	-	-	-	8,818
Accruals	-	-	2,355	-	-	-	2,355
Deferred income	-	4,930	-	-	-	-	4,930
Liabilities directly associated with assets classified as held for sale	-	(659)	(76,344)	-	-	802	(76,201)
As at 31 March 2017	492	9,553	24,259	236,778	-	(17,705)	253,377

Notes to the consolidated financial statements

31. Financial Risk Management (iii)

Fair value of financial instruments

The following table summarises the Group's financial assets and liabilities into categories required by IFRS 7 Financial instruments disclosures. The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

	Held at fair value through profit and loss £'000	Held at amortised cost £'000	Total carrying amount 31 March 2018 £'000
Financial assets			
Cash and cash equivalents	-	24,549	24,549
Derivative financial instruments	712	-	712
Accounts receivable	-	7,089	7,089
Other debtors	-	15,372	15,372
31 March 2018	712	47,010	47,722
Financial liabilities			
Bank loans	-	259,497	259,497
Derivative financial instruments	699	-	699
Accounts payable and accruals	-	17,414	17,414
31 March 2018	699	276,911	277,610

	Held at fair value through profit and loss £'000	Held at amortised cost £'000	Total carrying amount 31 March 2017 £'000
Financial assets			
Cash and cash equivalents	–	25,202	25,202
Accounts receivable	–	4,149	4,149
Other debtors	–	15,372	15,372
31 March 2017	–	44,723	44,723
Financial liabilities			
Bank loans	–	229,051	229,051
Derivative financial instruments	2,972	–	2,972
Accounts payable and accruals	–	15,560	15,560
31 March 2017	2,972	244,611	247,583

31. Financial Risk Management (iv)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns to shareholders.

31. Financial Risk Management (iv) continued

Investment in property is subject to varying degrees of risk. The main factors which affect the value of the investment in property include:

- changes in the general economic climate;
- local conditions in respective markets, such as oversupply, or a reduction in demand, for commercial space in a specific area;
- competition from other available properties; and
- government regulations, including planning, environmental and tax laws.

While a large number of these factors are outside the control of the management, market and property specific factors relevant to maintain a sustainable income stream within the Group's yield parameters are considered as part of the initial due diligence. Properties and tenant leases are actively managed.

Foreign currency risk

The Group's functional currency is Sterling. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency or exchange rates. At the reporting date, the following table summarises the Group's exposure to foreign currency risk in respect of assets and liabilities held in EUR (Germany) and CHF (Switzerland).

	31 March 2018 £'000	31 March 2017 £'000
Assets		
CHF	**94,875**	132,832
EUR	**292,426**	274,436
Liabilities		
CHF	**53,644**	76,201
EUR	**138,241**	134,263

Foreign currency sensitivity analysis

The sensitivity analysis measures the impact on the Group's exposure in Sterling (based on a change in the reporting date spot rate) and the impact on the Group's Sterling profitability, given a simultaneous change in the foreign currencies to which the Group is exposed at the reporting date.

A 10% strengthening in the Sterling exchange rate against the following currencies at year end would have decreased equity and profits by the amounts shown below. The 10% threshold was selected as a reasonable, worst-case scenario and is considered a prudent threshold. This analysis assumes that all other variables remain constant. For a 10% weakening of Sterling, there would be an equal but opposite impact on the profit and equity and the balance would be positive.

	Equity £'000	Profit or loss £'000
CHF impact	(4,123)	248
EUR impact	(15,418)	(3,371)
	(19,542)	(3,123)

The following exchange rates against GBP were applied during the year:

	Effective average rate for twelve months to 31 March 2018	Period end 31 March 2018
CHF	**0.7599**	0.7481
EUR	**0.8859**	0.8794

Notes to the consolidated financial statements

31. Financial Risk Management (iv) continued

Interest rate risk

The Group's interest rate risk is associated with cash and cash equivalents, on the one hand, and interest-bearing borrowings, on the other. If the interest is variable, it presents the Group with a cash flow interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As stated in note 24, borrowings from credit institutions are protected against movements in interest rates. The Company uses interest rate swaps to manage its interest rate exposure.

31. Financial Risk Management (v)

Fair value hierarchy

The table below analyses the Group's financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Total financial instruments recognised at fair value £'000	Designated at fair value Level 1 £'000	Level 2 £'000	Level 3 £'000
31 March 2018				
Assets				
Derivative financial instruments	**712**	**-**	**712**	**-**
Total assets	**712**	**-**	**712**	**-**
Liabilities				
Derivative financial instruments	**699**	**-**	**699**	**-**
Total liabilities	**699**	**-**	**699**	**-**
31 March 2017				
Liabilities				
Derivative financial liabilities	2,972	-	2,972	-
Total liabilities	2,972	-	2,972	-

Details of changes in valuation techniques

There have been no significant changes in valuation techniques during the period under review.

Significant transfers between Level, 1 Level 2 and Level 3

There have been no significant transfers during the period under review.

Unobservable inputs

Unobservable inputs for Level 3 investment properties are disclosed in note 16.

Capital risk management

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 24, cash and cash equivalents and equity attributable to ordinary shareholders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity. Stenprop's average loan-to-value ratio ('LTV') ratio at 31 March 2018 was 49.2% (March 2017: 51.6%), including joint ventures and associates and the Group is not subject to any external capital requirements. The Group strategy is to maintain a debt to equity ratio and LTV to ensure that property performance is translated into an enhanced return for shareholders while at the same time ensuring that it will be able to continue as a going concern through changing market conditions. The directors are of the opinion that a 50% LTV in respect of secured external borrowings is an appropriate target for the Group, given the current market conditions.

32. Related party transactions

Parties are considered related if one party has control, joint control or significant influence over the other party in making financial and operating decisions. Transactions with related parties are made on terms equivalent to those that prevail in an arm's length transaction.

Other than those further referred to below, there were no other related party transactions during the period ended 31 March 2018.

Until his resignation on 2 August 2017, P Arenson a director of the Company, was also a director of Stenham Limited which at his resignation had an indirect beneficial interest of 4.76% in Stenprop Limited through its wholly-owned subsidiary, Stenham Group Limited (March 2017: 4.85%).

At 31 March 2018, P Arenson held no interest in the share capital of Stenham Limited (March 2017: 1.13%). His interest in Stenprop Limited is seperately disclosed in note 8.

M Yachad was a non-executive director of the Company until his resignation on 28 February 2018. During the period he was also a non-executive director of Sandown Capital Limited ('SCL'), owned by Sandown Capital International Limited ('SCIL'). He resigned from the board of SCL on 29 November 2017 at which time SCIL had a direct beneficial interest of 6.93% in the shares of the Company (March 2017: 5.98% direct and indirect beneficial interest via Peregrine Holdings Limited on whose board M Yachad sat).

33. Minimum lease payments

The Group earns rental income by leasing its investment properties to tenants under non-cancellable operating leases.

At the balance sheet date the Group had contracted with tenants for the following future minimum lease payments on its investment properties:

	31 March 2018 £'000	31 March 2017 £'000
Continuing operations		
Within one year	**30,006**	32,536
Between one and two years	**26,849**	30,531
Between two and five years	**57,087**	76,284
After five years	**42,336**	63,304
	156,278	202,656
Discontinuing operations		
Within one year	**7,086**	9,210
Between one and two years	**6,516**	8,282
Between two and five years	**17,779**	20,792
After five years	**27,621**	30,030
	59,002	68,314

34. Contingent liabilities and commitments

As at 31 March 2018. the Group was contractually committed to CHF2.45 million (GBP1.83 million). This reflects a contribution towards capital expenditure in respect of an investment property in Switzerland.

Notes to the consolidated financial statements

35. Events after the reporting period

(i) Disposal of Argyll Street

On 4 June 2018, Stenprop completed the sale of its joint venture interest in Argyll Street in the West End of London by way of a sale of shares. The sale valued the property at £83.4 million and generated net proceeds of £22.8 million.

(ii) MLI Acquisitions

On 24 April 2018, Stenprop completed the acquisition of a fully-let industrial estate in Shrewsbury for £2.9 million. The estate comprises 30 units totalling 44,611 sq ft of industrial space.

On 1 June 2018, Stenprop completed the acquisition of a multi-let industrial estate in Kirkstall, Leeds for £8.1 million. The estate comprises 14 units totalling 111,081 sq ft of industrial space.

(iii) Refinancing

Subsequent to the year end, the €14.8 million loan with DGHyp was refinanced. The loan, relating to the Aldi portfolio, was extended until 30 April 2020. Loan interest is calculated at 1.85% p.a. over the three month Euribor and the terms of the facility allow the borrower to benefit from negative interest rates. At the date of refinance this reduced the all-in interest rate for the first three month interest period to 1.52%.

In May 2018, an amount of £8.4 million was drawn down from The Royal Bank of Scotland plc, secured against the MLI properties located in Shrewsbury, Leeds and Huddersfield, with a term of five years and an interest rate equal to three month LIBOR plus a margin of 2.25 per cent per annum.

(iv) REIT conversion and changes to the board of directors

The Company converted to a UK REIT on 1 May 2018. Following the conversion there have been a number of changes to the board of directors. With effect from the date of conversion, the independent non-executive chairman, Stephen Ball, and executive director, Neil Marais resigned from the board of directors of Stenprop. With effect from the same date, Julian Carey was appointed as executive group property director, Richard Grant was appointed as independent non-executive chairman and Philip Holland was appointed as independent non-executive director and chairman of the audit committee of Stenprop.

(v) Declaration of dividend

On 6 June 2018, the Board declared a final dividend of 4.0 pence per share. The final dividend will be payable in cash or as a scrip dividend by way of an issue of new Stenprop shares. An announcement containing details of the dividend and the timetable will be made in due course.

(vi) Share incentive awards

On 6 June 2018, the Board, on the recommendation of the remuneration committee, approved share-based awards in relation to the Long Term Incentive Plan and the Deferred Share Bonus Plan. Details of awards made to executive directors can be seen in Note 8.

Property summary

(unaudited)

		Asset value £m	Asset value as % of portfolio	Gross lettable area sq m	Occupancy (by area) %	Annual gross rental income £m	WAULT (by revenue) Years	WAULT (by area) Years	W.A. rental (per sq m) £/sq m
UK	**Office**	153.0	20.9%	28,289	97.2%	9.4	6.6	6.2	333
	MLI	147.8	20.1%	215,299	84.7%	10.4	3.1	3.1	48
	Retail	6.6	0.9%	7,678	100.0%	0.9	2.4	2.4	119
	Other Industrial	6.8	0.9%	14,313	100.0%	0.6	2.4	2.4	40
	Total	314.2	42.8%	265,579	87.3%	21.2	4.6	3.4	80
Germany	**Retail**	103.2	14.1%	56,543	96.9%	6.0	7.1	7.2	107
	Office	58.4	8.0%	15,040	75.6%	2.2	4.7	5.1	145
	Nursing Homes	34.6	4.7%	19,330	100.0%	2.4	11.4	11.1	124
	Other	59.7	8.1%	1,090	75.6%	2.2	4.7	5.1	2,043
	Total	255.9	34.9%	92,003	93.8%	12.8	7.1	7.7	140
Held for sale	**Office**	71.4	9.7%	15,430	96.3%	4.0	3.1	3.4	257
	Retail	70.0	9.5%	33,433	97.1%	4.6	6.4	7.5	136
	Other	22.1	3.0%	8,659	99.1%	1.3	16.2	16.7	153
	Total	163.5	22.3%	57,522	97.2%	9.8	6.4	7.8	171
Total	**Office**	**282.8**	**38.6%**	**58,759**	**91.4%**	**15.5**	**5.4**	**5.2**	**265**
	MLI	**147.8**	**20.1%**	**215,299**	**84.7%**	**10.4**	**3.1**	**3.1**	**48**
	Retail	**179.8**	**24.5%**	**97,654**	**97.2%**	**11.5**	**6.5**	**7.0**	**118**
	Other Industrial	**6.8**	**0.9%**	**14,313**	**100.0%**	**0.6**	**2.4**	**2.4**	**40**
	Nursing Homes	**34.6**	**4.7%**	**19,330**	**100.0%**	**2.4**	**11.4**	**11.1**	**124**
	Other	**81.8**	**11.2%**	**9,749**	**96.5%**	**3.6**	**9.0**	**15.4**	**364**
	Total	**733.6**	**100.0%**	**415,105**	**90.1%**	**43.9**	**5.7**	**4.9**	**106**

Rental Escalation profile

Stenprop operates in countries with low inflation rates. The annual inflation rate during the 2017 calendar year was 2.9% for the UK, 1.6% for Germany and nil for Switzerland. Rental escalation clauses vary across the portfolio. In the UK, a majority of leases are subject to periodic upwards-only rent reviews, at different stages of the tenancy. Leases in the German and Swiss properties are generally adjusted for CPI with a hurdle rate before an increase can be applied, with the exception of the Aldi portfolio, which sees increases of 1.66% annually. Rental escalation clauses within leases, as in previous years, currently have a minor impact on rents. Rental growth is rather driven by lease events such as new lettings and regears when passing rent realigns with estimated rental value.

Portfolio analysis

(unaudited)

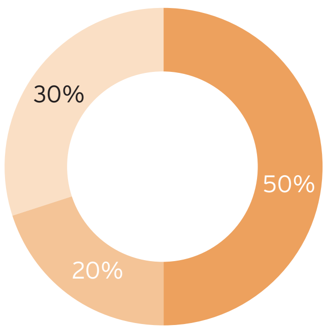
Property/ Portfolio	Portfolio by market value (%)	Market value 31 March 2018 (£m)	Properties	Area (sq m)	Annualised Gross Rental Income (£m)	Net Initial Yield 31 March 2018 (%)	WAULT (by rental) (years)	Voids (by area) (%)	Rental per sq m (£/sq m)
UK non-MLI	22.7%	166.4	10	50,280	10.9	5.76%	6.0	1.6%	217
UK MLI	20.1%	147.8	30	215,299	10.4	6.50%	3.1	15.3%	48
Germany	30.2%	221.3	9	72,674	10.4	4.16%	6.1	7.8%	144
Held for sale	16.6%	121.8	22	54,455	7.8	4.90%	7.6	3.0%	143
Total	89.6%	657.3	71	392,708	39.5	5.23%	5.6	10.5%	101
Share of Joint Ventures and Associates (JV&A)	4.7%	34.6	4	19,330	2.4	5.95%	11.4	0.0%	124
Share of JV&A – held for sale	5.7%	41.7	1	3,067	2.1	4.61%	1.8	0.0%	671
Total	100.0%	733.6	76	415,105	43.9	5.23%	5.7	9.9%	106

Note: The German portfolio includes the minority interest in Bleichenhof

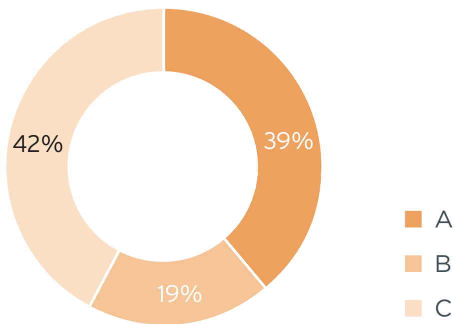
Tenant profile

Stenprop's tenants are classified into three groups as follows:

Tenant profile by annual rent



Tenant profile by lettable area



Type A: Large tenants with a national presence or multi-national tenants, government and major franchisees.

Type B: Nationally recognised tenants, listed tenants, franchisees, and medium to large professional firms.

Type C: 477 other tenants.

* includes Stenprop's share of joint ventures and associates

Consolidated portfolio

(unaudited)

Company	Property/ Portfolio	Ownership interest %	Market value 31 March 2018 (£m)	Properties	Area (sq m)	Annualised Gross Rental Income (£m)	Net Initial Yield 31 March 2018 (%)	WAULT (by rental) (years)	Voids (by area) (%)	Rental per sq m (£/sq m)
UK MLI										
Stenprop Industrials	Industrials	100.0%	**147.8**	**30**	**215,299**	**10.4**	**6.50%**	**3.1**	**15.3%**	**48**
UK non-MLI										
Davemount Properties (BVI)	Davemount	100.00%	6.6	3	7,678	0.9	11.38%	2.4	0.0%	119
Laxton Properties Ltd (BVI)	Euston	100.00%	79.6	1	10,204	4.0	3.94%	4.5	7.4%	392
GGP1 Limited (Guernsey)	GGP1	100.00%	20.4	5	21,835	1.7	7.71%	3.5	0.0%	76
LPE Ltd (Guernsey)	Trafalgar	100.00%	59.9	1	10,564	4.3	6.90%	9.1	0.3%	410
Total UK non-MLI			**166.4**	**10**	**50,280**	**10.9**	**5.76%**	**6.0**	**1.6%**	**217**
Germany										
Anarosa Holdings N.V (Curacao)	BikeMax	100.00%	24.4	5	18,007	1.7	6.33%	3.4	0.0%	92
KG Bleichenhof GmbH	Bleichenhof	94.90%	130.8	1	19,320	4.9	3.33%	4.7	24.4%	253
Isabel Properties B.V	Isabel	100.00%	19.3	1	13,365	1.2	5.37%	7.0	0.0%	87
Stenprop Hermann	Hermann	100.00%	20.8	1	8,272	1.3	5.23%	6.2	2.7%	155.18
Stenprop Victoria	Victoria	100.00%	26.1	1	13,710	1.5	4.57%	13.0	5.5%	107
Total Germany			221.3	9	72,674	10.4	4.16%	6.1	7.8%	144

Assets Held for sale

(unaudited)

Company	Property/ Portfolio	Ownership interest %	Market value 31 March 2018 (£m)	Properties	Area (sq m)	Annualised Gross Rental Income (£m)	Net Initial Yield 31 March 2018 (%)	WAULT (by rental) (years)	Voids (by area) (%)	Rental per sq m (£/ sq m)
Germany										
Stenham Gemstone Ltd	**Aldi**	100.0%	**28.9**	**14**	**18,843**	**1.9**	**5.97%**	**8.9**	**0.0%**	**101**
Switzerland	**Switzerland**									
Credit Suisse	**Credit Suisse**									
Bruce Properties S.a.r.l. (Lux)	Chiasso	100.00%	6.5	1	4,183	0.4	4.07%	1.5	10.8%	107
Algy Properties S.a.r.l. (Lux)	Sissach	100.00%	2.9	1	1,694	0.2	2.62%	3.2	52.0%	97
Total Credit Suisse	**Total Credit Suisse**		**9.3**	**2**	**5,877**	**0.6**	**3.63%**	**1.9**	**22.7%**	**104**
Polo	**Polo**									
Polo Property GmbH (Swiss)	Altendorf	100.00%	19.8	1	8,228	1.2	5.35%	8.7	0.0%	147
Polo Property GmbH (Swiss)	Arlesheim	100.00%	9.5	1	4,834	0.8	6.54%	5.5	0.0%	163
Total Polo	**Total Polo**		**29.3**	**2**	**13,062**	**2.0**	**5.74%**	**7.4**	**0.0%**	**153**
Kantone	**Kantone**									
Kantone Holdings Ltd (Guernsey)	Baar	100.00%	15.3	1	3,995	1.1	4.77%	0.8	2.0%	279
Kantone Holdings Ltd (Guernsey)	Lugano	100.00%	15.7	1	6,974	1.0	4.38%	19.5	0.0%	145
Kantone Holdings Ltd (Guernsey)	Montreux	100.00%	18.9	1	4,198	0.9	3.70%	5.3	4.6%	218
Kantone Holdings Ltd (Guernsey)	Vevey	100.00%	4.4	1	1,506	0.2	2.47%	2.1	0.9%	149
Total Kantone	**Total Kantone**		**54.3**	**4**	**16,673**	**3.3**	**4.10%**	**7.9**	**1.7%**	**196**
Total Switzerland	**Total Switzerland**		**92.9**	**8**	**35,612**	**5.9**	**4.57%**	**7.1**	**4.6%**	**165**
Total held for sale	**Total held for sale**		**121.8**	**22**	**54,455**	**7.8**	**4.90%**	**7.6**	**3.0%**	**142.80**
Total Wholly-Owned Portfolio	**Total Wholly-Owned Portfolio**		**657.3**	**71**	**392,708**	**39.5**	**5.23%**	**5.6**	**10.5%**	**100.50**

Jointly controlled entities

(unaudited)

Company	Property/ Portfolio	Ownership interest %	Market value 31 March 2018 (£m)	Properties	Area (sq m)	Annualised Gross Rental Income (£m)	Net Initial Yield 31 March 2018 (%)	WAULT per valuations (by rental)	Voids (by area) (%)	Rental per sq m (£/ sq m)
Germany	**Germany**									
Elysion S.a.r.l.	Carehomes	100.00%	34.6	4	19,330	2.4	5.95%	11.4	0.0%	124
Total	**Germany**		**34.6**	**4**	**19,330**	**2.4**	**5.95%**	**11.4**	**0.0%**	**124**
Held for sale										
UK	**UK**									
Stenprop Argyll Limited	**Argyll**	50.0%	**83.4**	**1**	**6,134**	**4.1**	**4.61%**	**1.8**	**0.0%**	**671**
Total	**Jointly Owned Interests (100%)**		**118.0**	**5**	**25,463**	**6.5**	**5.00%**	**5.4**	**0.0%**	**256**
Total	**Jointly Owned Interests (Stenprop share)**		**76.3**	**5**	**22,397**	**4.5**	**5.22%**	**7.0**	**0.0%**	**199**

Analysis of shareholders
(unaudited)

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 - 1,000 shares	445	16.63	168,950	0.06
1,001- 10,000 shares	1,001	37.41	4,095,985	1.40
10,001- 100,000 shares	780	29.15	30,601,230	10.49
100,001- 1,000,000 shares	403	15.06	112,164,042	38.45
1,000,001 shares and over	47	1.76	144,688,269	49.60
Totals	**2,676**	**100.00**	**291,718,476**	**100.00**

Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks/Brokers	59	2.20	42,845,626	14.69
Close Corporations	30	1.12	724,703	0.25
Control Account	2	0.07	254,592	0.09
Endowment Funds	15	0.56	1,245,881	0.43
Individuals	1,736	64.87	58,188,811	19.95
Insurance Companies	14	0.52	2,344,446	0.80
Investment Companies	5	0.19	20,964,632	7.19
Medical Scheme	1	0.04	1,604	0.00
Mutual Funds	81	3.03	28,559,196	9.79
Other Corporations	10	0.37	279,771	0.10
Private Companies	183	6.84	44,112,569	15.12
Public Companies	40	1.49	21,997,625	7.54
Retirement Funds	19	0.71	5,842,190	2.00
Treasury Stock	1	0.04	9,026,189	3.09
Trusts	480	17.94	55,330,641	18.97
Totals	**2,676**	**100.00**	**291,718,476**	**100.00**

Public/Non-public Shareholders	Number of shareholdings	%	Number of shares	%
Non - Public Shareholders	13	0.49	27,598,781	9.46
Directors and Associates of the Company holdings	12	0.45	18,572,592	6.37
Treasury Stock	1	0.04	9,026,189	3.09
Public Shareholders	2,664	99.55	273,145,884	93.63
Totals	**2,676**	**100.00**	**291,718,476**	**100.00**

Major Shareholders
As at the financial year end there were 2,676 shareholders in the Company. As at 31 March 2018 Sandown Capital Limited held a direct and indirect interest of 6.93% in the issued share capital of the Company. The Company does not know of any other shareholder which has beneficial interest of greater than 5% of the Company's issued share capital as at 31 March 2018.

Shareholder diary

Financial year end	31 March
Integrated Annual Report posted	July
Annual general meeting	September

Announcement of results	
Interim	November
Annual	June

Dividends	**Declared**	**Paid**
Interim	November	January
Annual	June	July/August

Corporate information

STENPROP LIMITED
(Incorporated in Guernsey)
Registration number: 64865
BSX share code: STP.BH
JSE share code: STP
ISIN: GG00BFWMR296

Registered office of the Company
Stenprop Limited
(Registration number 64845)
Kingsway House
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St Peter Port, GY1 2QE
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United Kingdom

Company secretary
Sarah Bellilchi
(Stenprop Head of Legal)

JSE sponsor
Java Capital Trustees and Sponsors Proprietary Limited
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Sandown
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South Africa
(PO Box 522606, Saxonwold, 2132)

SA transfer secretaries
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United Kingdom

South African corporate advisor
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South Africa
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BSX sponsor
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(Postal address the same as the physical address above)

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Channel Islands