Interim Report

2019

STENPROP

Interim Report 2019

Stenprop Limited^ presents its interim report for the six months ended 30 September 2019.

Stenprop is a UK REIT listed on the Specialist Fund Segment of the London Stock Exchange ('LSE') and the Johannesburg Stock Exchange ('JSE').

Stenprop at a Glance

On track to becoming the leading UK multi-let industrial ('MLI') business

Portfolio Highlights

30 September 2019

- MLI: **£291.6m** – 44.6% of total portfolio
- MLI estates: **68** – over 4.3 million sq ft
- Portfolio value: **£654.5m**
- Total debt: **£270.2m**
- Loan-to-value: **41.3%** (38.2% loan-to-value including unrestricted cash)
- Non-MLI: **£362.9m** – 55.4% of total portfolio
- Number of properties: **89**

Financial Highlights

30 September 2019

- **£1.39** Diluted IFRS NAV per share
- **4.59 pence** Diluted IFRS earnings per share
- **4.43 pence** Property-related diluted IFRS earnings per share (excl. management fee income of 0.16 pence)
- **£1.44** Diluted EPRA NAV per share
- **3.41 pence** Diluted adjusted EPRA earnings per share
- **3.25 pence** Property-related diluted adjusted EPRA earnings per share (excl. management fee income of 0.16 pence)
- **3.375 pence** Interim dividend per share declared

Contents

^Stenprop Limited ('Stenprop' or the 'Company' and together with its subsidiaries the 'Group')
Incorporated in Guernsey
Registration number: 64865
LSE share code: STP; JSE share code: STP;
ISIN: GG00BFWMR296

Highlights

	Six months ended 30 September 2019	Six months ended 30 September 2018
Statement of Comprehensive Income		
Dividend per share	**3.375p**	3.375p
Diluted IFRS earnings per share	**4.59p**	4.63p
Diluted adjusted EPRA earnings per share[1]	**3.41p**	5.28p
Management fee income per share	**0.16p**	1.88p
Property-related diluted adjusted EPRA earnings per share (excl. management fee income)	**3.25p**	3.40p

	As at 30 September 2019	As at 31 March 2019
Statement of Financial Position		
Portfolio valuation (incl. JV)	**£654.5m**	£612.9m
Like-for-like[2] portfolio valuation increase	**+3.5%**	+0.8%
MLI portfolio percentage	**44.6%**	42.7%
Diluted IFRS NAV per share	**£1.39**	£1.36
Diluted EPRA NAV per share[3]	**£1.44**	£1.41
Loan-to-value ratio[4]	**41.3%**	44.2%
Loan-to-value including unrestricted cash	**38.2%**	36%

1. See note 5 for reconciliation to IFRS earnings per share (and for all future references in this report to IFRS/EPRA earnings). Diluted adjusted EPRA earnings per share includes company specific adjustments in the comparative period.
2. Adjusted for sales and acquisitions in period.
3. See note 6 for reconciliation to IFRS NAV per share (and for all future references in this report to IFRS/EPRA NAV).
4. Loan-to-value (LTV) ratio means total borrowings to gross property valuation

Operational Highlights

- Like-for-like growth in the total portfolio valuation was 3.5% for the six-month period, of which the MLI portfolio was 2.5%.
- Completed 90 new lettings/lease renewals in the MLI portfolio for an average 4.36 years at an average rent which was 19.7% above the passing rent previously payable on those units.
- 52% of net rental income was derived from the MLI portfolio compared to 32% in the same period last year.
- Eight MLI estates acquired for an aggregate purchase price of £23.9 million.
- Strategic decision taken to accelerate the sale of German assets to capitalise on strong valuations and an active German investment market.
- Steady progress on developing our MLI operating platform.

Financial Highlights

- Declaration of an interim dividend on 21 November 2019 of 3.375 pence per share for the six months ended 30 September 2019 (2018: 3.375 pence), covered by earnings and payable on 14 February 2020. A scrip alternative will be offered, which the directors intend to match through the buyback of shares in the market.
- Diluted IFRS net asset value per share was £1.39 (31 March 2019: £1.36). Diluted EPRA net asset value per share of £1.44 (31 March 2019: £1.41).
- Diluted IFRS EPS was 4.59 pence (2018: 4.63 pence). Diluted adjusted EPRA EPS of 3.41 pence (2018: 5.28 pence) for the period ended 30 September 2019. The variance in EPRA EPS was driven by a £5.0 million reduction in net management fee income as the Group has exited its management activities. The property-related diluted adjusted EPRA EPS was 3.25 pence (2018: 3.40 pence).

FX rates in period

Average foreign exchange rates in the period: £1.00:€1.1263; £1.00:CHF1.2517 (2018: £1.00:€1.1308; £1.00:CHF1.3111)
Period end foreign exchange rates: £1.00:€1.1265; £1.00:CHF1.2236 (31 March 2019: £1.00:€1.1617; £1.00:CHF1.2970)
'EPRA' means European Public Real Estate Association. 'EPS' means earnings per share. 'NAV' means net asset value.

Operating and financial review

Stenprop is pleased to report its consolidated interim financial statements for the six months ended 30 September 2019.

Transition plan update

Stenprop continues its transition into a focused UK MLI company, with the aim of becoming the UK's leading MLI business. Stenprop has set out its plan which involves transitioning the portfolio to at least 60% MLI and reducing overall leverage to a loan-to-value ratio of no more than 40% by March 2020, with the plan to transition to 100% MLI over a 12 to 24 month period thereafter.

No new acquisitions were made in the first quarter of the year. During the second quarter Stenprop acquired eight MLI estates for an aggregate price of £23.9 million. Ordinarily we would have liked to have acquired approximately £50 million of MLI estates in the period, with a further £50 million in the following six months, but were not willing to compromise our purchase criteria to achieve this. As a result we held more cash in the first quarter which resulted in a small cash drag on earnings compared to the cash having been invested in MLI assets.

As at 30 September 2019, MLI assets comprised 44.6% of Stenprop's total portfolio (up from 42.7% at 31 March 2019 and 27.0% at 30 September 2018) and overall loan to value was 41.3% (31 March 2019: 44.2%).

MLI portfolio performance

The MLI occupational market remains strong with demand outstripping supply. Over the six months to 30 September 2019 we completed the following:

- 55 new lettings and 35 lease renewals generating £1.9m of contractual income over 312,628 sq ft. The average rental uplift on the previous passing rent was 22% on new lettings and 17% on renewals. The average rental incentive given across all new lettings and renewals was 2.1 months on a 4.36 year average term.
- The average rent of the MLI portfolio is £5.14/sq ft, reflecting a 1.6% increase on the passing rent of £5.06/sq ft as at 31 March 2019. The current passing rent is 7.8% below the average estimated rental value of the portfolio of £5.57/sq ft.
- The vacancy rate stands at 6.1% (excluding the space currently under refurbishment at Coningsby Park, Peterborough), down from 6.2% as at 31 March 2019.
- The most significant transactions completed were a letting of 27,000 sq ft at Compass Industrial Park in Liverpool on a five-year term with three months rent free and a letting of 21,000 sq ft at Eurolink 31 in Wakefield for a ten-year term with three months rent free.

As stated above, acquisitions over the period have been lower than projected due to a significant fall in investment volumes in the UK market. CBRE estimate that MLI transactions in the quarter ending September 2019 were down 42% year on year, with industrial portfolio transactions down 51% over the same period. Pricing remains steady as a result of the limited supply on the market, with none of the distress visible amongst sellers that has been seen in the UK retail and shopping centre markets. We remain disciplined in our investment criteria of only acquiring purpose-built MLI estates in densely populated areas which are accretive to returns. While we continue to see value where sellers are keen to dispose of assets, we do not foresee a significant change in investment market conditions this side of the General Election.

The eight MLI estates acquired in the period were purchased for an aggregate purchase price of £23.9 million, reflecting an average capital value of £75/sq ft. The eight estates comprise 317,923 sq ft with an average occupancy rate of 92% and 89 tenants and provide Stenprop with an additional £1.6 million of annual rental income, averaging £5.54/sq ft. We also acquired the freehold interest in a 3,000 sq ft unit on our existing Holbrook Enterprise Park in Sheffield, further consolidating our ownership of the estate.

Industrials Operating Platform

We continue to make steady progress in the development of our Industrials operating platform. The overarching aim is to build an MLI operating platform in the market which delivers scale efficiencies and the ability to offer multiple products and services to our customers, beyond simply space to rent. This will be achieved through a combination of cutting-edge technology, on-the-ground expertise, class leading customer service and efficient process management techniques. We believe Stenprop, with its internalised management platform and permanent capital structure, is uniquely placed to invest in such a platform to deliver significant medium to long-term value to investors.

Over the last six months we have made significant progress in several areas towards this goal:

1. **Website** – We have made further enhancements to Industrials.co.uk, our customer-facing website. Prospective customers can now search online for available units, view high quality detailed information, photographs and plans on our properties, find helpful tips on leasing industrial premises and get in touch with us via email, phone or live chat. The website is currently generating over 150,000 page-views per annum for our vacant units. Combined with other digital marketing strategies and on-site advertising, this has resulted in over 200 direct leasing enquiries per month. These are enquiries that are in addition to those generated through the more traditional means by our letting agency partners.
2. **Enquiries** – We have also set up a call centre function to manage all enquiries (from new prospects and from existing customers) either through email, online chat or telephone. In addition to handling c. 1,500 leasing enquiries per annum, our call centre function is also handling a further c. 2,500 management calls per annum from existing customers, ensuring that every caller quickly gets through to the right person to help them. This initiative is designed to both improve letting conversion rates and customer satisfaction, and we are closely monitoring the effect of this with surveys and analytics.

3. **Customer Service** – We have recruited two Customer Engagement Managers (CEMs) to cover the North-West and Midlands regions. The CEM's role is to engage directly with our customers with a view to increasing customer satisfaction (and hence the propensity to renew at expiry), and also to conduct viewings with prospective leads which we are generating as well as new lease or lease renewal negotiations. Early successes have convinced us to continue the roll-out across the UK so that all of our properties across the country are covered by a local presence. We are currently recruiting two further CEMs in Scotland and the North-East, with a view to rolling out the position across the UK by early 2020.
4. **Smart lease** – We have extensively rolled out our Smart Lease across all assets in England and Wales. This three-page lease, which is offered on small units in conjunction with simple, transparent pricing, has been used on 45% of the applicable lettings in England and Wales over the last three months. In addition to reducing the time taken to agree lease terms and move to completion, all Smart leases are completed in-house, significantly reducing recurrent legal expenditure and time spent in negotiations.
5. **PropTech** – We continue to use technology to manage our letting process, and specifically to help us digitise leasing activity across all our agency partners around the UK. This is critical as it enables us to analyse trends and develop insight into what marketing methods and techniques will generate the highest quality and volume of leads in different regions, unit sizes and customer types. By developing deep expertise in these areas, we will be able to optimise our expenditure to deliver the most efficient leasing process for UK MLI.
6. **Operating system** – We have embarked upon a significant upgrade to our underlying finance, operating and customer relationship management systems. Delivery is scheduled in several phases during 2020, with the system designed to provide the foundations and flexibility to deliver our serviced industrial concept across our platform. As part of the upgrade we have conducted an extensive and detailed review of all our work and processes, resulting in a new Target Operating Model for Stenprop which will be implemented and enforced by the new system.

Having laid the foundations the intention is to continue to develop and enhance the Industrials platform as we transition into a focused MLI operating company.

The non-MLI portfolio

Over the period we completed 13 lettings totalling 51,857 sq ft, which will provide total annual rent of £0.8 million. The average term on the new lettings was 6.4 years and the vacancy rate stands at 1.0%.

We also sold two small retail properties in the UK at Walsall and Hemel Hempstead for a combined sale price of £3.6 million and broadly in line with the combined valuation at 31 March 2019 of £3.7 million.

Strategic acceleration of sales

Up to now, Stenprop has endeavoured to match sales of non-MLI assets as closely as possible with purchases of MLI assets, with the intention of minimising the holding of uninvested cash and associated reduced returns. This strategy proved effective up to the end of March 2019, as there was a reasonably steady pipeline of suitable MLI purchase opportunities. Since then, the volume of transaction opportunities in the UK has significantly decreased as sellers choose to adopt a 'wait and see' approach to both buying and selling.

We have sold most of our UK non-MLI assets and are left primarily with our German assets to sell. Given that transactional volumes and valuations in Germany are strong, we believe it is a good time to be disposing of our remaining German assets. Consequently, the board of Stenprop has taken a strategic decision to accelerate the sale of all of its German assets and not to wait until the sale proceeds can be matched with suitable UK MLI purchases. This may mean that Stenprop could hold large cash balances while waiting for opportunities to acquire suitable MLI assets, which would result in a temporary period of reduced earnings as a result of holding uninvested cash. However, it will give Stenprop significant purchasing power to buy when suitable MLI opportunities arise.

In line with this strategy the Bleichenhof property in Hamburg is at an advanced stage in a sales process. Furthermore, it is intended to bring to market in January our three Berlin retail centres and our portfolio of five retail warehouses. The combined sterling valuation of all of these properties at 30 September 2019 was £229.6 million.

Following the sale of all of these properties, and in the unlikely event of no further MLI acquisitions before then, our portfolio will comprise approximately 55.2% MLI, 19.6% cash and 25.2% non-MLI property still to be sold.

Operating and financial review

Transition of shareholder base

Over the 15 months since Stenprop listed on the London Stock Exchange we have undertaken a large number of investor presentations to introduce Stenprop to UK-based fund managers. This has resulted in the purchase of approximately 45 million shares by those in the UK seeking to gain exposure to our transition into a focused MLI business. This demand from UK investors coincided with a high level of sales from holders on the Johannesburg Stock Exchange (JSE) and has resulted in the proportion of shares held on the JSE falling from 32.8% to 16.7% since June 2018. We understand that the selling on the JSE was motivated primarily by uncertainty over UK investment as a result of Brexit as well as particular investment issues impacting the general listed property sector in South Africa.

We believe that as we accelerate our progress towards becoming a 100% focused UK MLI business, we will appeal to a greater range of investors wishing to invest in the MLI asset class.

Financial Review

Earnings

For the six months to 30 September 2019, basic earnings attributable to ordinary shareholders were £13.2 million (2018: £13.2 million). This equates to a diluted IFRS EPS of 4.59 pence (2018: 4.63 pence).

Net rental income was £15.8 million (2018: £16.0 million), of which £8.2 million, being 52% of the total, was derived from the growing MLI portfolio. MLI net rental income in the comparative period contributed £5.1 million representing 32% of net rental income.

Net management fee income totalled £0.4 million for the period (2018: £5.4 million). The prior period net fee income of £5.4 million included performance and management fees of £4.0 million relating to a managed property in Frankfurt which was sold in August 2018. As previously reported, Stenprop has withdrawn from its historic fund management activities and future management fee income will be insignificant.

Operating expenses were £4.6 million (2018: £5.3 million). The prior period included approximately £0.9 million of one-off costs associated with REIT conversion in May 2018 and listing on the LSE the following month.

In accordance with reporting standards widely adopted across the real estate industry in Europe, the directors feel it is appropriate and useful, in addition to providing the IFRS disclosed earnings, to also disclose EPRA[1] earnings. Adjusted EPRA earnings attributable to shareholders were £9.8 million (2018: £15.1 million). The variance to the comparative period was driven by the £5.0 million reduction in non-recurring management fee income. The diluted adjusted EPRA EPS was 3.41 pence (2018: 5.28 pence).

The diluted adjusted EPRA EPS attributable to the property rental business amounted to 3.25 pence per share (2018: 3.40 pence), with the remaining amount of 0.16 pence per share being attributable to the net management fee income (£0.4 million shown on the condensed consolidated income statement, divided by the average number of shares in the period as per note 5).

Dividends

On 21 November 2019, the directors declared an interim dividend of 3.375 pence per share (2018: 3.375 pence per share). The directors intend to offer shareholders the option to receive all or part of their dividend entitlement by way of a scrip issue of Stenprop treasury shares or in cash. An announcement containing details of the dividend, the timetable and the scrip dividend terms is anticipated to be made on 19 December 2019. It is expected that shares will commence trading ex-dividend on 22 January 2020 on the JSE and on 23 January 2020 on the LSE. The record date for the dividend is expected to be 24 January 2020 and the dividend payment date 14 February 2020.

In respect of this dividend, given the Company's share price which stands at a discount relative to net asset value, the directors intend to match any scrip scheme take up through the buyback of shares to mitigate the dilutive effect that would otherwise occur from the issuance of Stenprop treasury shares.

As one of the conditions of being a UK REIT, Stenprop must distribute 90% of its aggregate UK property rental business profits as calculated for tax purposes arising in the accounting year by way of dividend within 12 months of the accounting year end. There is no requirement to distribute non-UK property rental business profits, profits from third party management fees or capital gains. Notwithstanding this, Stenprop intends to distribute at least 90% of its UK and non-UK property-related EPRA earnings. In respect of the interim dividend, Stenprop has taken the decision to distribute non-property-related earnings to maintain the half year dividend at 3.375 pence per share, of which 3.25 pence per share related to property related earnings. The dividend remains fully covered by earnings.

Cash balances

At the start of the financial year, Stenprop held unrestricted cash of £50.5 million, of which approximately £35 million was available for MLI acquisitions. Investment market conditions and our strict purchase criteria resulted in £23.9 million of acquisitions completing towards the end of the period. Holding the cash surplus for longer than anticipated inevitably had an impact on earnings and the challenge of minimising this 'cash drag' remains a focus for management.

[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. See Note 5 for reconciliation to IFRS EPS.

Net asset value

The IFRS basic and diluted net asset value per share at 30 September 2019 were £1.41 and £1.39 respectively (31 March 2019: £1.38 and £1.36 respectively).

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[2]. The diluted EPRA NAV per share at 30 September 2019 was £1.44. This represented a 2.1% increase on the diluted EPRA NAV per share of £1.41 at 31 March 2019. This increase was largely driven by an increase in the like-for-like portfolio valuation and by weaker sterling exchange rates at the period end (£1.00:€1.1265) when compared with the rate at 31 March 2019 (£1.00:€1.1617).

Portfolio valuation

Including the Group's share of joint ventures, its investment properties were valued at £654.5 million at 30 September 2019 (31 March 2019: £612.9 million), of which £152.8 million were classified as assets held for sale (31 March 2019: £16.2 million). As at the period end, assets held for sale consisted of our Hamburg property, known as Bleichenhof, the remaining Swiss property in Lugano and the Davemount property at Grimsby. On a like-for-like basis, excluding the impact of additions and disposals in the period, the valuation of the portfolio since year end increased by 3.5%, of which 1.4% resulted from currency movements. The German and Swiss properties have been translated to GBP at exchange rates of £1.00:€1.1265 and £1.00:CHF1.2236 respectively. This compares with exchange rates of £1.00:€1.1617 and £1.00:CHF1.2970 at 31 March 2019.

Combined Portfolio (including share of jointly controlled entities)	**Market value 30 September 2019 (£ million)**	**Portfolio by market value (%)**	**Properties (number)**	**Area (sq m)**	**Annualised gross rental income (£ million)**	**Net initial yield (weighted average) (%)**	**Voids by area (%)**
Investment properties							
UK multi-let industrial	291.6	44.6	68	401,403	21.2	6.4	8.6
UK non multi-let industrial	79.4	12.1	6	32,399	6.0	7.2	0.1
Germany	94.9	14.5	8	53,117	5.8	5.3	0.9
Sub-total	**465.9**	**71.2**	**82**	**486,919**	**33.0**	**6.3**	**7.2**
Assets held for sale							
UK non multi-let industrial	1.0	0.1	1	2,668	0.2	18.9	–
Switzerland	17.1	2.6	1	5,974	1.2	5.7	–
Germany	134.7	20.6	1	19,397	6.2	3.1	4.0
Sub-total Assets held for sale	**152.8**	**23.3**	**3**	**28,039**	**7.6**	**3.5**	**2.8**
Total – wholly owned	**618.7**	**94.5**	**85**	**514,958**	**40.6**	**5.6**	**7.0**
Share of joint ventures	35.8	5.5	4	19,330	2.5	5.9	–
Total	**654.5**	**100.0**	**89**	**534,288**	**43.1**	**5.6**	**6.7**

[2] 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. See note 6 for reconciliation to IFRS NAV.

United Kingdom

The UK portfolio was independently valued at £372.0 million. On a like-for-like basis, after excluding the sales of the Walsall and Hemel Hempstead properties and the eight MLI estates acquired in the six-month period to 30 September 2019, the valuation of the UK portfolio increased by £6.7 million, or 2.0%, over the valuation at 31 March 2019. The MLI portfolio accounted for £6.5 million of this variance, of which £3.8 million related to Coningsby Park in Peterborough where the refurbishment is targeted for completion at the end of November. The non-MLI portfolio valuation remained broadly static with the valuation of the Trafalgar Court property in Guernsey unchanged at £57.8 million.

Germany

The German portfolio (excluding joint ventures) was independently valued at €258.6 million. There were no sales in the period, and this represented a like-for-like increase of 2.4% on the year-end valuation of €252.6 million. The increase of €6.0 million was driven by a €4.3 million uplift at Stenprop's Bleichenhof property in central Hamburg which is now valued at €151.7 million. If the sale were to conclude at this level, deferred tax of approximately €7.0 million would become payable. Elsewhere, a combined increase of €1.9 million was seen at our three Berlin retail centres.

Switzerland

The valuation of the final Swiss property, Lugano, was determined by the directors at 30 September 2019, and held at CHF21.0 million.

Joint ventures

The care homes portfolio in Germany was independently valued at €40.4 million, an increase of 2.5% on the 31 March 2019 valuation of €39.4 million.

Operating and financial review

Debt

During the six-month period, no new debt was drawn and the two small UK disposals (Walsall and Hemel Hempstead) resulted in a reduction of associated debt of £4.7 million.

As previously mentioned, the Group is targeting to reduce its level of total borrowings to approximately 40% of its gross asset value by 31 March 2020. 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 value of the property portfolio as at 30 September 2019, including the Group's share of joint venture properties and assets held for sale, was £654.5 million. Senior bank debt at the same date was £270.2 million, resulting in an average loan-to-value ratio of 41.3% (31 March 2019: 44.2%). Cash reserves at 30 September 2019 totalled £24.9 million, including restricted cash of £4.9 million. When unrestricted cash is added to this measure lowering net debt, our overall LTV was 38.2%.

The rolling credit facility provided by Investec Bank Plc to bridge the potential funding gap between property acquisitions and sales was refinanced in September 2019. The new £30 million facility is for an 18-month period and matures in April 2021. The facility was not utilised in the six-month period and was undrawn as at 30 September 2019. There are no non utilisation fees payable on the facility.

The weighted average debt maturity stood at 2.5 years at 30 September 2019 compared with 3.0 years at 31 March 2019. Excluding the Swiss property at Lugano which is designated as held for sale, annual amortisation payments are £0.7 million (31 March 2019: £0.7 million) and the all-in contracted weighted average cost of debt was 2.43% at the period end, compared with 2.46% at 31 March 2019.

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.

Net management fee income from assets managed for third parties

Stenprop has actively withdrawn from involvement in its historic fund management arm and, accordingly, management fees in the half year to 30 September 2019 totalled £0.4 million against £5.4 million in the prior period. Significant one-off performance and exit fees were earned in the prior period from the realisation of third party owned assets and as a result of crystallised returns exceeding performance hurdles. As previously reported, future fee income is expected to decline to insignificant levels.

Foreign exchange

At 30 September 2019, approximately 34.7% of Stenprop's net asset value and 32.3% of its net rental income are denominated in euros. Consequently the GBP:EUR exchange rate has a material impact on reported GBP earnings and net asset values. At the start of April 2019, the GBP:EUR rate was £1.00:€1.1617 and the euro strengthened over the six-month period by 3.0% to £1.00:€1.1265 as at 30 September 2019.

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 final Swiss property 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.

Confirmation of Chief Financial Officer

On 20 November 2019 the Board confirmed the appointment of James Beaumont as Chief Financial Officer.

Subsequent events

On 14 October 2019, Stenprop acquired an industrial estate known as Western Campus in Glasgow for £4.6 million.

On 21 November 2019, the directors declared an interim dividend of 3.375 pence per share (2018: 3.375 pence per share). The directors intend to offer shareholders the option to receive all or part of their dividend entitlement by way of a scrip issue of Stenprop treasury shares or in cash. An announcement containing details of the dividend, the timetable and the scrip dividend terms is anticipated to be made on 19 December 2019. It is expected that shares will commence trading ex-dividend on 22 January 2020 on the JSE and on 23 January 2020 on the LSE. The record date for the dividend is expected to be 24 January 2020 and the dividend payment date 14 February 2020.

Prospects

Our conviction regarding the growth prospects of the UK MLI asset class grows stronger as we gain more exposure to the sector. The increasing occupational demand, coupled with the restricted supply, continues to produce significant rental growth each time we renew or re-let any MLI units. This is generally the case across the whole MLI portfolio. We see no signs of this slowing in the near future as new types of occupiers, which have never previously occupied MLI units, enabled by technology and communication advancements, compete with traditional occupiers for MLI space. Supply continues to be constrained as it is still uneconomic to build new MLI estates at current rental levels. This is borne out by the growth in values shown by the MLI portfolio driven by growth in rents rather than changes in yields.

We have also committed to building out a market leading, technology-enabled management platform for the MLI asset class. We believe this sector is ripe for a platform approach in the same way as student accommodation, self-storage, hotels and serviced offices have evolved technology-enabled operating and marketing platforms to generate margin efficiencies and the ability to offer a wider range of services and products to their tenant base.

In the period under review, Stenprop has delivered solid results and is progressing well with its goals to transition the portfolio to at least 60% MLI and to reduce its overall loan-to-value ratio to no more than 40% by March 2020.

We are committed to our accelerated sales strategy outlined in this report and focused on continuing our MLI acquisitions.

Stenprop's objective remains to deliver sustainable and growing income to its shareholders over the medium to long term and we remain confident that the MLI asset class will deliver this.

Statement of Directors' responsibilities

Statement of principal risks and uncertainties

Stenprop is a listed property investment company with a diversified portfolio of commercial property currently located in the United Kingdom, Germany and with one property in Switzerland. Its principal risks are therefore related to the commercial property market in general and its investment properties. Other risks faced by the Group include strategy and performance, financial, operational and regulatory risks.

The Audit and Risk Committee assists the Board with its responsibilities for managing risk. The principal risks currently facing the business are described in more detail under the heading 'Risk Management' within the Company's Annual Report for the year ended 31 March 2019. The Group's principal risks and uncertainties have not changed materially since the date of the Annual Report.

Statement of going concern

Having reviewed the Group's current financial position and cash flow forecasts, the directors are satisfied that the Company and the Group have access to adequate resources to meet its obligations as they fall due for a period of at least twelve months from the date of these interim financial statements. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' responsibilities in respect of the interim report

The directors confirm that to the best of their knowledge:

i. the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

ii. the Operating and Financial Review together with the Statement of Principal Risks and Uncertainties above include a fair review of the information required by the Disclosure Guidance and Transparency Rules ('DTR') 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year, a description of principal risks and uncertainties for the remaining six months of the year, and their impact on the condensed set of consolidated interim financial statements; and

iii. the Operating and Financial Review together with the condensed set of consolidated interim financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

The financial statements are published on the Company's website, www.stenprop.com. A list of the current directors of Stenprop can be found on the Company's website. Legislation in Guernsey governing the preparation and dissemination of the interim financial statements may differ from legislation in other jurisdictions.

Approved by the Board on 21 November 2019 and signed on its behalf:

Paul Arenson
Chief Executive Officer

James Beaumont
Chief Financial Officer

Independent review report to Stenprop Limited

We have been engaged by the Company to review the condensed set of financial statements in the interim report for the six months ended 30 September 2019 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 16. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and the Listings Requirements of the Johannesburg Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim report have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as issued by the International Accounting Standards Board.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 30 September 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
St Peter Port
Guernsey
21 November 2019

JSE accredited independent auditor's review report on interim financial statements

to the shareholders of Stenprop Limited

We have reviewed the condensed consolidated financial statements of Stenprop Limited, contained in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 30 September 2019 and the condensed consolidated statement of comprehensive income, changes in equity and cash flows for the six-months period then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with International Financial Reporting Standard (IAS) 34, *Interim Financial Reporting*, and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and other within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of Stenprop Limited for the six months ended 30 September 2019 are not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting,* and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee.

Deloitte & Touche
Registered Auditor
Deloitte Place
20 Woodlands Drive
Woodmead
Johannesburg
2052

Per: Leon Taljaard
Partner
21 November 2019

Condensed consolidated statement of comprehensive income

for the six months ended 30 September 2019

	Note	Reviewed 30 September 2019 £'000	Reviewed 30 September 2018 £'000
Continuing operations			
Net rental income	3	**15,806**	16,012
Revenue		**21,065**	21,092
Property expenses		**(5,259)**	(5,080)
Net management fee income	2	**440**	5,357
Management fee income		**440**	9,052
Adjustment to deferred consideration		**–**	(3,695)
Operating costs	4	**(4,557)**	(5,301)
Net operating income		**11,689**	16,068
Fair value gain on investment properties		**4,804**	4,031
Income from associates		**–**	100
Income from joint ventures		**1,320**	960
Profit from operations		**17,813**	21,159
Net (loss)/gain from fair value of derivative financial instruments		**(953)**	18
Interest receivable		**223**	164
Finance costs		**(3,471)**	(3,870)
Net foreign exchange loss		**(68)**	(93)
Loss on disposal of property		**(119)**	–
Profit for the period before taxation		**13,425**	17,378
Current tax		**125**	(416)
Deferred tax		**(560)**	(2,124)
Profit for the period from continuing operations		**12,990**	14,838
Discontinued operations			
Loss for the period from discontinued operations	10	**(49)**	(1,541)
Profit for the period		**12,941**	13,297
Profit attributable to:			
Equity holders		**13,157**	13,209
Non-controlling interest derived from continuing operations		**(216)**	88
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation reserve		**4,860**	3,402
Total comprehensive profit for the period		**17,801**	16,699
Total comprehensive profit attributable to:			
Equity holders		**18,017**	16,611
Non-controlling interest		**(216)**	88
Earnings per share			
From continuing operations		**Pence**	Pence
IFRS EPS	5	**4.67**	5.22
Diluted IFRS EPS	5	**4.61**	5.17
From continuing and discontinued operations			
IFRS EPS	5	**4.65**	4.68
Diluted IFRS EPS	5	**4.59**	4.63

Condensed consolidated statement of financial position

as at 30 September 2019

	Note	Reviewed 30 September 2019 £'000	Audited 31 March 2019 £'000
ASSETS			
Non-current assets			
Investment properties	8	**465,917**	562,815
Investment in joint ventures	9	**15,709**	14,542
Other debtors	12	**13,895**	13,365
Right of use asset		**573**	–
		496,094	590,722
Current assets			
Cash and cash equivalents		**21,012**	57,425
Trade and other receivables	12	**7,138**	6,699
Assets classified as held for sale	10	**160,430**	21,423
		188,580	85,547
Total assets		**684,674**	676,269
LIABILITIES			
Current liabilities			
Bank loans	11	**47,235**	29,805
Taxes payable		**1,342**	1,625
Derivative financial instruments		**128**	176
Accounts payable and accruals		**13,930**	16,862
Lease obligations		**274**	–
Liabilities directly associated with assets classified as held for sale	10	**93,955**	9,326
		156,864	57,794
Non-current liabilities			
Bank loans	11	**121,232**	215,285
Derivative financial instruments		**1,593**	554
Lease obligations		**425**	–
Deferred tax		**3,153**	10,416
		126,403	226,255
Total liabilities		**283,267**	284,049
Net assets		**401,407**	392,220
EQUITY			
Capital and reserves			
Share capital and share premium		**322,993**	322,993
Equity reserve		**(14,974)**	(15,708)
Retained earnings		**64,674**	60,952
Foreign currency translation reserve		**25,874**	21,014
Total equity attributable to equity shareholders		**398,567**	389,251
Non-controlling interest		**2,840**	2,969
Total equity		**401,407**	392,220

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2019

	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 2019	**322,993**	**(15,708)**	**60,952**	**21,014**	**389,251**	**2,969**	**392,220**
Exercised share bonus plan	**–**	**(220)**	**–**	**–**	**(220)**	**–**	**(220)**
Utilisation of treasury shares	**–**	**220**	**–**	**–**	**220**	**–**	**220**
Credit to equity for equity-settled share-based payments	**–**	**630**	**–**	**–**	**630**	**–**	**630**
Repurchase of own shares	**–**	**(2,715)**	**–**	**–**	**(2,715)**	**–**	**(2,715)**
Total comprehensive profit for the period	**–**	**–**	**13,157**	**4,860**	**18,017**	**(129)**	**17,888**
Deferred tax on share-based payment transactions	**–**	**–**	**43**	**–**	**43**	**–**	**43**
Ordinary dividends	**–**	**–**	**(9,478)**	**–**	**(9,478)**	**–**	**(9,478)**
Scrip dividends	**–**	**2,819**	**–**	**–**	**2,819**	**–**	**2,819**
Balance at 30 September 2019	**322,993**	**(14,974)**	**64,674**	**25,874**	**398,567**	**2,840**	**401,407**
Balance at 1 April 2018	315,551	(8,453)	57,947	22,286	387,331	2,939	390,270
Issue of share capital	2,987	–	–	–	2,987	–	2,987
Exercised share bonus plan	65	(65)	–	–	–	–	–
Credit to equity for equity-settled share-based payments	–	421	–	–	421	–	421
Repurchase of own shares	–	(3,020)	–	–	(3,020)	–	(3,020)
Total comprehensive profit for the period	–	–	13,209	3,402	16,611	52	16,663
Ordinary dividends	–	–	(11,281)	–	(11,281)	–	(11,281)
Balance at 30 September 2018	318,603	(11,117)	59,875	25,688	393,049	2,991	396,040

Condensed consolidated statement of cash flows

for the six months ended 30 September 2019

	Note	Reviewed 30 September 2019 £'000	Reviewed 30 September 2018 £'000
Operating activities			
Profit from operations from continuing operations		**17,813**	21,159
Profit/(Loss) from operations from discontinued operations		**32**	(2,442)
		17,845	18,717
Adjustment for depreciation and amortisation		**114**	–
Share of profit from associates		**–**	(100)
Increase in fair value of investment property		**(4,883)**	(3,170)
Dividends received from joint ventures		**–**	1,068
Share of profit in joint ventures		**(1,319)**	(960)
Loss on disposal of subsidiaries		**–**	2,207
Exchange rate losses		**(68)**	(92)
Increase in trade and other receivables		**(656)**	(1,361)
(Decrease)/Increase in trade and other payables		**(1,231)**	779
Interest paid		**(2,988)**	(3,644)
Interest received		**870**	576
Net tax paid		**(509)**	(709)
Net cash from operating activities		**7,175**	13,311
Contributed by: Continuing operations		**6,891**	15,592
Discontinued operations		**284**	(2,281)
Investing activities			
Purchase of investment property	8	**(25,644)**	(26,481)
Capital expenditure	8	**(5,389)**	(5,091)
Proceeds on disposal of assets held for sale – investment property		**3,531**	51,015
Proceeds on disposal of joint venture		**–**	22,726
Disposal of subsidiary	13	**–**	9,875
Net cash disposed of in subsidiary		**–**	(67)
Net cash (used in)/from investing activities		**(27,502)**	51,977
Financing activities			
New bank loans raised		**–**	10,211
Dividends paid		**(6,431)**	(8,294)
Repayment of borrowings		**(4,740)**	(29,205)
Principal elements of lease payments		**(145)**	–
Repurchase of shares		**(2,715)**	(3,020)
Financing fees paid		**(229)**	(380)
Net cash used in financing activities		**(14,260)**	(30,688)
Net (decrease)/increase in cash and cash equivalents		**(34,587)**	34,600
Effect of foreign exchange gains		**290**	31
Cash and cash equivalents at beginning of the period		**59,219**	25,287
Cash and cash equivalents at end of the period		**24,922**	59,918
Contributed by: Continuing operations		**21,012**	55,541
Discontinued operations and assets held for sale		**3,910**	4,377

Funds totalling £4.9 million were restricted at 30 September 2019 (31 March 2019: £8.7 million).

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). These reviewed condensed consolidated interim financial statements for the six months ended 30 September 2019 have been prepared in accordance with IAS 34 'Interim Financial Reporting', the JSE Listings Requirements, the Disclosure and Transparency Rules of the UK's FCA and applicable Guernsey law.

These financial statements have been prepared by, and are the responsibility of, the directors of Stenprop.

The accounting policies and methods of computation are consistent with those applied in the preparation of the annual financial statements for the year ended 31 March 2019 which were audited and reported on by the Group's external auditor, except for the new standards adopted during the period. The consolidated annual financial statements for the year ended 31 March 2019 are available on the Company's website: stenprop.com.

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

Going concern

At the date of signing these condensed consolidated financial statements, the Group has positive operating cash flow forecasts and positive net assets. Management has reviewed the Group's cash flow forecasts for the 18 months to 31 March 2021 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 directors believe that it is therefore appropriate to prepare the accounts on a going concern basis.

Adoption of new and revised standards

In the current period, the following effective new and revised Standards and Interpretations have been adopted. Their adoption has not had a material impact on the disclosures or the amounts reported in these interim financial statements.

- IFRS 16 Leases (effective 1 January 2019)

No other standards or interpretations not yet effective are expected to have a material impact on the financial statements of the Group.

Impact assessment of adopting new accounting standards

IFRS 16: Leases. This standard does not impact the Group's financial position as a lessor or the Group's rental income from its investment properties. The standard requires lessees to recognise a right-of-use asset and related lease liability representing the obligation to make lease payments. Having reviewed the Group's operating leases, the most significant is the lease of office space at 180 Great Portland Street, London. The Group's new right-of-use assets and corresponding lease liabilities recognised, leads to a £126,000 net liability on the statement of financial position with an immaterial impact on the statement of comprehensive income.

The lease terms of leasehold investment properties were reviewed and determined that the present value of future minimum lease payments of ground rent is de minimis.

1. Basis of preparation continued

Critical Accounting Judgements and key sources of estimation uncertainty

The preparation of condensed 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 period 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.

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.

Significant judgements

Assets held for sale

The directors consider only three of the Group's properties (Lugano in the Swiss portfolio, Bleichenhof in the German portfolio and Grimsby in the non-MLI UK portfolio) to meet the criteria defined in IFRS 5: Assets held for sale and discontinued operations. In the case of the one remaining Swiss property at Lugano, 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 and 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 value of these properties has been determined by the directors, based on an independent external appraisal.

Notes to the condensed consolidated interim financial statements

2. Operating segments

The Group is focused on real estate investment in well-developed, large economies with established real estate markets. The investment portfolio is geographically diversified across the United Kingdom, Germany and Switzerland, with a further sub-division within the UK between multi-let industrial ('MLI') and non-MLI. 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	
	UK MLI £'000	UK non-MLI £'000	Germany £'000	Switzerland £'000	Total £'000
Reviewed for the period ended 30 September 2019					
Net rental income	8,179	3,281	4,309	–	15,769
Fair value movement of investment properties	2,834	210	1,760	–	4,804
Net (loss)/gain from fair value of financial liabilities	(983)	57	(27)	–	(953)
Income from joint ventures	–	–	1,315	–	1,315
Net finance costs	(1,710)	(777)	(772)	–	(3,259)
Operating costs	(240)	93	(408)	–	(555)
Net foreign exchange loss	–	–	(60)	–	(60)
Loss on disposal of investment properties	–	(102)	(17)	–	(119)
Loss for the period from discontinued operations (see note 10)	–	–	–	(49)	(49)
Taxation	(9)	58	(598)	–	(549)
Total profit/(loss) per reportable segment	8,071	2,820	5,502	(49)	16,344
Reviewed 30 September 2019					
Investment properties	291,625	79,415	94,877	–	465,917
Investment in joint ventures	–	–	15,684	–	15,684
Cash	10,129	1,766	1,848	–	13,743
Other	5,535	2	14,890	–	20,427
Assets classified as held for sale (see note 10)	–	1,073	137,994	21,363	160,430
Total assets	307,289	82,256	265,293	21,363	676,201
Borrowings – bank loans	97,512	34,362	36,593	–	168,467
Other	11,212	1,628	5,114	–	17,954
Liabilities directly associated with assets classified as held for sale (see note 10)	–	(5)	84,195	9,765	93,955
Total liabilities	108,724	35,985	125,902	9,765	280,376

2. Operating segments continued

	Continuing operations			Discontinued operations	
	UK MLI £'000	UK non-MLI £'000	Germany £'000	Switzerland £'000	Total £'000
Reviewed for the period ended 30 September 2018					
Net rental income	5,095	5,173	5,744	–	16,012
Fair value movement of investment properties	928	1,180	1,923	–	4,031
Net (loss)/gain from fair value of financial liabilities	(44)	47	15	–	18
Income from associates	–	–	100	–	100
Income from joint ventures	–	231	715	–	946
Interest receivable	–	1	163	–	164
Finance costs	(1,318)	(1,488)	(1,064)	–	(3,870)
Operating costs	(258)	(157)	(311)	–	(726)
Net foreign exchange loss	–	–	(26)	–	(26)
Loss for the period from discontinued operations (see note 10)	–	–	–	(1,541)	(1,541)
Taxation	(147)	(98)	(2,431)	–	(2,676)
Total profit/(loss) per reportable segment	4,256	4,889	4,828	(1,541)	12,432
Audited 31 March 2019					
Investment properties	261,530	83,855	217,429	–	562,814
Investment in joint ventures	–	–	14,485	–	14,485
Cash	8,701	36,612	10,524	–	55,837
Other	4,401	517	14,762	–	19,680
Assets classified as held for sale (see note 10)	–	–	–	21,423	21,423
Total assets	274,632	120,984	257,200	21,423	674,239
Borrowings – bank loans	97,601	38,910	108,579	–	245,090
Other	9,417	3,711	14,813	–	27,941
Liabilities directly associated with assets classified as held for sale (see note 10)	–	–	–	9,326	9,326
Total liabilities	107,018	42,621	123,392	9,326	282,357

Notes to the condensed consolidated interim financial statements

2. Operating segments continued

ii) Reconciliation of reportable segment profit or loss

	30 September 2019 £'000	30 September 2018 £'000
Rental income		
Net rental income for reported segments	**15,769**	16,012
Profit or loss		
Fair value movement of investment properties	**4,804**	4,031
Net (loss)/gain from fair value of financial liabilities	**(953)**	18
Income from associates	**–**	100
Income from joint ventures	**1,315**	946
Net finance costs	**(3,259)**	(3,706)
Operating costs	**(555)**	(726)
Net foreign exchange loss	**(60)**	(26)
Loss on disposal of investment properties	**(119)**	–
Loss for the period from discontinued operations (see note 10)	**(49)**	(1,541)
Taxation	**(549)**	(2,676)
Total profit per reportable segments	**16,344**	12,432
Other profit or loss – unallocated amounts		
Other income	**38**	–
Net management fee income	**440**	5,357
Income from joint ventures	**6**	14
Net finance costs	**11**	–
Tax, legal and professional fees	**(400)**	(1,217)
Audit fees	**(142)**	(134)
Administration fees	**(79)**	(58)
Non-executive directors' costs	**(112)**	(94)
Staff remuneration costs	**(2,379)**	(2,205)
Other operating costs	**(892)**	(866)
Net foreign exchange loss	**(8)**	(68)
Taxation	**114**	136
Consolidated profit before taxation	**12,941**	13,297

Unallocated profit or loss amounts relate to management fee income and central costs incurred by the Group.

2. Operating segments continued

iii) Reconciliation of reportable segment financial position

	30 September 2019 £'000	31 March 2019 £'000
ASSETS		
Investment properties	**465,917**	562,814
Investment in joint venture	**15,684**	14,485
Cash	**13,743**	55,837
Other	**20,427**	19,680
Assets classified as held for sale (see note 10)	**160,430**	21,423
Total assets per reportable segments	**676,201**	674,239
Other assets – unallocated amounts		
Investment in joint ventures	**24**	57
Right of use asset	**573**	–
Cash	**7,270**	1,588
Other	**606**	385
Total assets per consolidated statement of financial position	**684,674**	676,269
LIABILITIES		
Borrowings – bank loans	**168,467**	245,090
Other	**17,954**	27,941
Liabilities directly associated with assets classified as held for sale (see note 10)	**93,955**	9,326
Total liabilities per reportable segments	**280,376**	282,357
Other liabilities – unallocated amounts		
Lease obligations	**700**	–
Other	**2,191**	1,692
Total liabilities per consolidated statement of financial position	**283,267**	284,049

3. Net rental income

	30 September 2019 £'000	30 September 2018 £'000
Rental income	**18,884**	18,404
Other income – tenant recharges	**2,444**	3,783
Other income	**224**	191
Discontinued Operations Adjustment (note 10)	**(487)**	(1,286)
Total rental income	**21,065**	21,092
Direct property costs	**(5,600)**	(5,644)
Discontinued Operations Adjustment (note 10)	**341**	564
Total property expenses	**(5,259)**	(5,080)
Net rental income	**15,806**	16,012

Notes to the condensed consolidated interim financial statements

4. Operating costs

	30 September 2019 £'000	30 September 2018 £'000
Tax, legal and professional fees	**624**	1,654
Audit fees	**109**	123
Interim review fees	**30**	30
Administration fees	**267**	194
Investment advisory fees	**161**	172
Non-executive directors' costs	**112**	94
Staff remuneration costs	**1,749**	1,784
Share-based payments	**630**	421
Other operating costs	**989**	925
Discontinued operations adjustment (note 10)	**(114)**	(96)
	4,557	5,301

Share-based payments of £630,000 (2018: £421,000) relate to the equity-settled incentive schemes operated by the Group. As at 30 September 2019 the Group's equity reserve held £2.2 million (31 March 2019: £1.8 million) in relation to the schemes after the exercise of options at fair value of £224,000 (2018: £65,000) during the period.

5. Earnings per ordinary share

	30 September 2019 £'000	30 September 2018 £'000
Reconciliation of profit for the period to adjusted EPRA[1] earnings		
Earnings per IFRS statement of comprehensive income attributable to shareholders	**13,157**	13,209
Adjustment to exclude loss from discontinued operations	**49**	1,541
Earnings per IFRS statement of comprehensive income from continuing operations attributable to shareholders	**13,206**	14,750
Earnings per IFRS statement of comprehensive income attributable to shareholders	**13,157**	13,209
Adjustments to calculate EPRA earnings, exclude:		
Changes in fair value of investment properties	**(4,799)**	(3,170)
Changes in fair value of financial instruments and close-out costs	**1,001**	(18)
Deferred tax in respect of EPRA adjustments	**759**	624
Loss on disposal of properties	**119**	1,163
Loss on disposal of subsidiaries	**–**	2,207
Adjustments above in respect of joint ventures and associates		
Changes in fair value	**(618)**	41
Deferred tax in respect of EPRA adjustments	**144**	72
EPRA earnings attributable to shareholders	**9,763**	14,128
Further adjustments to arrive at adjusted EPRA earnings		
Straight-line unwind of purchased swaps	**–**	40
Cost associated with group listing and REIT conversion	**–**	902
Adjusted EPRA earnings attributable to shareholders	**9,763**	15,070
Weighted average number of shares in issue (excluding treasury shares)	**282,798,778**	282,430,456
Share-based payment award	**3,869,130**	3,115,355
Diluted weighted average number of shares in issue	**286,667,908**	285,545,811
Earnings per share from continuing operations	**pence**	pence
IFRS EPS	**4.67**	5.22
Diluted IFRS EPS	**4.61**	5.17
Earnings per share	**pence**	pence
IFRS EPS	**4.65**	4.68
Diluted IFRS EPS	**4.59**	4.63
EPRA EPS	**3.45**	5.00
Diluted EPRA EPS	**3.41**	4.95
Adjusted EPRA EPS	**3.45**	5.34
Diluted adjusted EPRA EPS	**3.41**	5.28

As at 30 September 2019, the Company held 15,830,040 treasury shares (2018: 11,662,469 and 31 March 2019: 16,028,050).

[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.

Notes to the condensed consolidated interim financial statements

5. Earnings per ordinary share continued

Straight-line unwind of purchased swaps

An 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 listing on the Special Funds Segment of the London Stock Exchange. Both costs are specific 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

	30 September 2019 £'000	30 September 2018 £'000
Earnings per IFRS statement of comprehensive income from continuing operations attributable to shareholders	**13,157**	13,209
Adjustments to calculate headline earnings exclude:		
Changes in fair value of investment properties	**(4,799)**	(3,170)
Deferred tax in respect of headline earnings adjustments	**778**	624
Loss on disposal of properties	**119**	1,163
Loss on disposal of subsidiaries	**-**	2,207
Adjustments above in respect of joint ventures and associates:		
Changes in fair value of investment properties	**(884)**	(107)
Deferred tax	**182**	71
Headline earnings attributable to shareholders	**8,553**	13,997
Earnings per share	**pence**	pence
Headline EPS	**3.02**	4.96
Diluted headline EPS	**2.98**	4.90

6. Net asset value per ordinary share

	30 September 2019 £'000	31 March 2019 £'000
Net assets attributable to equity shareholders	**398,567**	389,251
Adjustments to arrive at EPRA net asset value:		
Derivative financial instruments	**1,721**	730
Deferred tax	**10,856**	10,416
Adjustments above in respect of joint ventures	**2,088**	1,649
EPRA net assets attributable to shareholders	**413,232**	402,046
Number of shares in issue (excluding treasury shares)	**282,945,135**	282,747,125
Share-based payment award	**3,869,130**	2,852,255
Diluted number of shares in issue	**286,814,265**	285,599,380
Net asset value per share (basic and diluted)	**£**	£
IFRS net asset value per share	**1.41**	1.38
Diluted IFRS net asset value per share	**1.39**	1.36
EPRA net asset value per share	**1.46**	1.42
Diluted EPRA net asset value per share	**1.44**	1.41

As at 30 September 2019, the Company held 15,830,040 treasury shares (31 March 2019: 16,028,050). Refer to note 7.

7. Share capital

Authorised

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

Issued share capital	30 September 2019 (no. shares)	31 March 2019 (no. shares)
Opening balance	**298,775,175**	291,718,476
Issue of new shares	**–**	7,056,699
Closing number of shares issued	**298,775,175**	298,775,175

Authorised share capital	£'000	£'000
Share capital	**1**	1
Share premium	**325,223**	325,223
Less: Acquisition/transaction costs	**(2,231)**	(2,231)
Total share capital and share premium	**322,993**	322,993

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 298,775,175 (31 March 2019: 298,775,175) ordinary shares in issue at the balance sheet date.

On 5 June 2019, the Company announced a final dividend of 3.375 pence per share in respect of the six months to 31 March 2019. On 15 August 2019, the Company announced a take-up of the scrip dividend representing 0.83% of the issued share capital and 2,491,772 shares were subsequently issued from treasury shares on 16 August 2019.

As at 30 September 2019, the Company held 15,830,040 treasury shares (31 March 2019: 16,028,050). In the period the shareholders were offered the option to receive either a scrip dividend by way of an issue of Stenprop treasury shares, or a cash dividend. Given the Company's share price, which is at a discount relative to NAV, the directors matched the scrip alternative through share purchases to mitigate the dilutive effect that would otherwise have occurred through the issuance of new ordinary shares. During the period 17 July 2019 to 8 August 2019 the Company repurchased 2,491,772 shares at an average price of £1.089 per share. In the period to 30 September 2019, a total of 198,010 shares were issued from Treasury shares in respect of the Deferred Share Bonus Plan.

8. Investment property

The consolidated fair value of investment properties at 30 September 2019 was £465.9 million (31 March 2019: £562.8 million). This excludes an amount of £152.8 million (31 March 2019: £16.2 million) for properties which have been classified as assets held for sale, including the remaining Swiss asset at Lugano, the German Bleichenhof asset and the UK non-MLI Davemount property at Grimsby. 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 properties being valued ('valuers').

Other than the valuation of the remaining Swiss property, for which a directors' valuation has been adopted, the fair value of each of the properties as at 30 September 2019 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. Where a sale and purchase agreement has been signed as at the Statement of Financial Position date, the fair value is taken as the sales price less expected associated disposal costs.

The valuations performed by the independent external 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 regarding the valuation process and results are held between 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 year end.

Notes to the condensed consolidated interim financial statements

8. 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 the 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.

With the exception of 13 recently acquired MLI properties, all investment properties are mortgaged, details of which can be seen in note 11. 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 30 September 2019 are detailed in the table below:

Combined Portfolio (including share of jointly controlled entities)	**Market value 30 September 2019 (£ million)**	**Portfolio by market value (%)**	**Properties (number)**	**Area (sq m)**	**Annualised gross rental income (£ million)**	**Net initial yield (Weighted average) (%)**	**Voids by area (%)**
Investment properties							
UK MLI	291.6	44.6	68	401,403	21.2	6.4	8.6
UK non-MLI	79.4	12.1	6	32,399	6.0	7.2	0.1
Germany	94.9	14.5	8	53,117	5.8	5.3	0.9
Sub-total	465.9	71.2	82	486,919	33.0	6.3	7.2
Assets held for sale							
UK non-MLI	1.0	0.1	1	2,668	0.2	18.9	–
Switzerland	17.1	2.6	1	5,974	1.2	5.7	–
Germany	134.7	20.6	1	19,397	6.2	3.1	4.0
Sub-total Assets Held for Sale	152.8	23.3	3	28,039	7.6	3.5	2.8
Total – wholly owned	618.7	94.5	85	514,958	40.6	5.6	7.0
Share of joint ventures	35.8	5.5	4	19,330	2.5	5.9	–
Total	654.5	100.0	89	534,288	43.1	5.6	6.7

	30 September 2019 £'000	**31 March 2019 £'000**
Opening balance	**562,815**	535,509
Properties acquired	**25,644**	110,188
Adjustment to purchase price (escrow release)	**(212)**	–
Capitalised expenditure	**5,389**	9,996
Foreign exchange movement in foreign operations	**7,683**	(757)
Net fair value gain/(loss) on investment property	**4,883**	(3,404)
Assets held for sale	**(140,285)**	(88,717)
Closing balance	**465,917**	562,815

9. 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
Republic of Ireland			
Ardale Industrials Limited	Republic of Ireland	Management company	50.00

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 issued to 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 which manages the portfolio. It has previously been determined that the Group does not have control of Elysion S.A. and does not consolidate its results or net assets. However, the shareholder loans have attracted 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 thereby representing 100% of the economic interest in the structure.

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

	Elysion S.A. £'000	Stenpark Management Limited £'000	Ardale Industrials Limited £'000	Total £'000
30 September 2019				
Investment property	36,085	–	–	36,085
Current assets	552	79	48	679
Assets	36,637	79	48	36,764
Bank loans	(18,678)	–	–	(18,678)
Intergroup shareholder loan	(14,237)	–	–	(14,237)
Deferred tax	(1,280)	–	–	(1,280)
Financial liability	(808)	–	–	(808)
Current liabilities	(186)	(79)	–	(265)
Liabilities	(35,189)	(79)	–	(35,268)
Net assets of joint ventures	1,448	–	48	1,496
Net assets of joint ventures excluding shareholder loans	15,685	–	48	15,733
Group share of joint ventures' net assets	15,685	–	24	15,709
Revenue	1,255	–	15	1,270
Interest payable	(875)	–	–	(875)
Tax expense	(132)	–	–	(132)
Profit/(loss) from continuing operations and total comprehensive income/(loss) excluding interest due to the Group	1,316	(6)	14	1,324
Share of joint ventures' profit/(loss) due to the Group	1,316	(3)	7	1,320

Notes to the condensed consolidated interim financial statements

9. 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 2019					
Investment property	34,151	–	–	–	34,151
Current assets	570	96	–	121	787
Assets	34,721	96	–	121	34,938
Bank loans	(18,442)	–	–	–	(18,442)
Shareholder loan	(13,666)	–	–	–	(13,666)
Deferred tax	(1,124)	–	–	–	(1,124)
Financial liability	(524)	–	–	–	(524)
Current liabilities	(145)	(15)	–	(88)	(248)
Liabilities	(33,901)	(15)	–	(88)	(34,004)
Net assets of joint ventures	820	81	–	33	934
Net assets of joint ventures excluding shareholder loans	14,486	81	–	33	14,600
Group share of net assets	14,486	40	–	17	14,542
Revenue	2,489	38	876	753	4,156
Interest payable	(1,755)	–	(199)	–	(1,954)
Tax expense	(110)	–	–	(95)	(205)
Profit from continuing operations and total comprehensive income excluding interest due to the Group	1,044	14	462	651	2,171
Share of joint ventures' profit due to the Group	1,044	7	23	325	1,607

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 sale of shares.

9. Investment in joint ventures continued

	Elysion S.A. £'000	Stenpark Management Limited £'000	Stenprop Argyll Limited £'000	Ardale Industrials Limited £'000	Total £'000
30 September 2019					
Opening balance	**14,486**	**40**	**–**	**16**	**14,542**
Share of joint venture profit	**1,316**	**(3)**	**–**	**7**	**1,320**
Distribution received from joint venture	**(557)**	**(38)**	**–**	**–**	**(595)**
Foreign exchange movement in foreign operations	**440**	**1**	**–**	**1**	**442**
Closing balance	**15,685**	**–**	**–**	**24**	**15,709**
31 March 2019					
Opening balance	14,618	34	–	8	14,660
Share of joint venture profit	1,044	7	231	325	1,607
Distribution received from joint venture	(852)	–	–	(317)	(1,169)
Foreign exchange movement in foreign operations	(324)	(1)	–	–	(325)
Disposal of joint ventures	–	–	(231)	–	(231)
Closing balance	14,486	40	–	16	14,542

10. Assets held for sale and discontinued operations

At 30 September 2019, management consider just three properties (Lugano in the Swiss portfolio, Bleichenhof in the German portfolio and the Davemount property at Grimsby in the non-MLI UK portfolio) 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. The sale of Lugano, which is valued at 30 September 2019 at CHF21 million (£17.1 million) may not complete within 12 months. However, 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. Other than the valuation of Lugano, for which a directors' valuation has been adopted, the fair value of all assets held for sale have been determined by an external valuer, Jones Lang LaSalle. Where a sale and purchase agreement has been signed as at the Statement of Financial Position date, the fair value is taken as the sales price less expected associated disposal costs.

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

	30 September 2019 £'000	31 March 2019 £'000
Investment properties	**152,797**	16,160
Cash and cash equivalents	**3,910**	1,795
Trade and other receivables	**3,723**	3,468
Total assets classified as held for sale	**160,430**	21,423
Bank loans	**81,806**	6,106
Deferred tax	**8,117**	–
Accounts payable and accruals	**4,032**	3,220
Liabilities directly associated with assets classified as held for sale	**93,955**	9,326

Notes to the condensed consolidated interim financial statements

10. Assets held for sale and discontinued operations continued

The Swiss property, Lugano is the only asset that has been recognised as a discontinued operation in accordance with IFRS 5.32 during the six months to 30 September 2019. In the comparative period, eight Swiss properties were recognised as discontinued operations.

	30 September 2019 £'000	30 September 2018 £'000
Net rental income	**146**	722
Rental income	**487**	1,286
Property expenses	**(341)**	(564)
Operating costs	**(114)**	(96)
Net operating income	**32**	626
Fair value movement of investment properties	**–**	(861)
Loss on disposal of subsidiaries	**–**	(2,207)
Profit/(Loss) from operations	**32**	(2,442)
Loss on disposal of property	**–**	747
Net finance costs	**(36)**	(222)
Loss for the period before taxation	**(4)**	(1,917)
Current tax	**(45)**	(1,742)
Deferred tax	**–**	2,118
Loss for the period from discontinued operations	**(49)**	(1,541)

Disposals

On 21 June 2019, the Group disposed of its Hemel Hempstead property in Davemount Properties Limited for £1.9 million. On 19 August 2019, the Group disposed of its Walsall property in Davemount Properties Limited for £1.7 million.

Prior year disposals

On 19 July 2018, the Group disposed of seven properties in Switzerland, two of which were disposed of as subsidiaries, with the remaining five disposed of as assets. Of the five assets sold, three were located in Baar, Vevey and Montreux and were owned by Kantone Holdings Limited while Chiasso and Sissach were owned by Bruce Properties Sarl and Clint Properties Sarl respectively. The gross purchase consideration of CHF103.65 million (£81.6 million) compared with the valuation of these seven properties at 31 March 2018 of CHF103.23 million (£77.2 million).

As part of the agreements entered into for the sale of the seven Swiss properties, all of which were sold to the same buyer, Stenprop provided a guarantee for obligations and liabilities of each of the selling entities. The maximum amount of the guarantee is CHF6.0 million, which lasts until all obligations under the sale agreements have been fulfilled, with a backstop date of 31 July 2028. As at the date of signing these accounts, there had not been any claim under the guarantee.

11. Borrowings

	30 September 2019 £'000	31 March 2019 £'000
Opening balance	**245,090**	259,497
Loan repayments	**(4,675)**	–
New loans	**–**	37,051
Amortisation of loans	**(65)**	(3,593)
Capitalised borrowing costs	**(180)**	(873)
Amortisation of transaction fees	**237**	436
Foreign exchange movement in foreign operations	**3,760**	(1,264)
Adjustment for liabilities directly associated with assets classified as held for sale adjustment	**(75,700)**	(46,164)
Total borrowings	**168,467**	245,090
Amount due for settlement within 12 months	**47,235**	29,805
Amount due for settlement between one to three years	**73,707**	106,943
Amount due for settlement between three to five years	**47,525**	108,342
Total borrowings	**168,467**	245,090
Non-current liabilities		
Bank loans	**121,232**	215,285
Total non-current loans and borrowings	**121,232**	215,285
Current liabilities		
Bank loans	**47,235**	29,805
Total current loans and borrowings	**47,235**	29,805
Total loans and borrowings	**168,467**	245,090

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:

				Nominal value		Carrying value*	
	Amortising	Loan interest rate	Maturity date	30 September 2019 £'000	31 March 2019 £'000	30 September 2019 £'000	31 March 2019 £'000
United Kingdom							
Davemount Properties Limited	No	LIBOR +2.25% GBP	26/05/2021	**–**	**4,000**	–	3,983
LPE Limited	Yes	LIBOR +2.5% GBP	31/03/2020	**30,000**	**30,000**	29,902	29,805
GGP1 Limited	No	LIBOR +2.25% GBP	26/05/2021	**4,500**	**5,175**	4,460	5,123
Industrials UK LP	No	LIBOR +2.25% GBP	02/06/2022	**61,484**	**61,484**	61,258	61,215
Stenprop Industrials 4 Limited	No	LIBOR +2.25% GBP	01/06/2023	**10,211**	**10,211**	10,063	10,043
Stenprop Industrials 6 Limited	No	LIBOR +2.0% GBP	01/02/2024	**26,840**	**26,840**	26,369	26,343
Switzerland							
Kantone Holdings Limited	Yes	LIBOR +1.15% CHF	3 month rolling facility	**6,408**	**6,106**	6,408	6,106
Germany							
Century BV	Yes	Euribor +1.55% EUR	31/12/2022	**7,358**	**7,135**	7,300	7,070
Century 2 BV	Yes	Euribor +1.55% EUR	31/12/2022	**3,827**	**3,711**	3,793	3,673
Isabel Properties BV	No	Euribor +2.32% EUR	30/12/2021	**7,989**	**7,747**	7,989	7,747
Bleichenhof GmbH & Co. KG	No	Fixed 1.58% EUR	28/02/2022	**75,399**	**73,114**	75,399	73,114
Stenprop Hermann Ltd	No	Euribor +1.13% EUR	30/06/2020	**8,371**	**8,117**	8,367	8,109
Stenprop Victoria Ltd	No	Euribor +1.28% EUR	31/08/2020	**9,143**	**8,866**	9,143	8,866
				251,530	**252,506**	250,451	251,197

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

Notes to the condensed consolidated interim financial statements

12. Trade and other receivables

	30 September 2019 £'000	31 March 2019 £'000
Non-current receivables		
Other debtors	**13,897**	13,365
Transfer to assets held for sale	**(2)**	–
	13,895	13,365

Non-current other debtors includes £12.85 million (31 March 2019: £12.27 million) of loans advanced under the Share Purchase Plan and £1.0 million (31 March 2019: £1.1 million) advanced on 30 March 2017 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. Part of the loans are denominated in EUR and are therefore subject to foreign exchange movements.

	30 September 2019 £'000	31 March 2019 £'000
Current receivables		
Accounts receivable	**6,263**	6,173
Loss allowance	**(1,276)**	(1,120)
Other debtors	**4,791**	4,490
Prepayments	**1,083**	624
Transfer to assets held for sale	**(3,723)**	(3,468)
	7,138	6,699

13. Disposal of subsidiaries

In the prior year, on 17 July 2018, the Group disposed of its 100% shareholding in Polo Property GmbH for a consideration of CHF12.7 million. Polo Property GmbH owned the properties known as Altendorf and Arlesheim in Switzerland.

On 12 March 2019, the Group disposed of its 100% shareholding in Euston PropCo Limited for a consideration of £66.6 million. Euston PropCo Limited owned the property known as Euston House, London.

The impact of these disposals on the Group is shown below:

	30 September 2019 £'000	31 March 2019 £'000
Carrying value of net assets at disposal date		
Investment property	**–**	110,419
Trade and other receivables	**–**	627
Cash and cash equivalents	**–**	2,132
Borrowings	**–**	(45,334)
Trade and other payables	**–**	(2,871)
Net assets disposed	**–**	64,973
Net disposal proceeds	**–**	74,094
Foreign exchange movement in foreign operations	**–**	(231)
Profit on disposal of subsidiaries (including discontinued operations)	**–**	8,890
Net assets disposed	**–**	64,973
Discontinued Operations - Loss on disposal of subsidiary	**–**	(2,236)
Continuing Operations - Profit on disposal of subsidiary	**–**	11,126
Profit on disposal of subsidiaries (including discontinued operations)	**–**	8,890

14. Financial risk management

The fair value measurement for the Group's financial assets and financial liabilities are categorised into different levels in the fair value hierarchy. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

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). The fair values of the Group's secured loan facilities and derivative financial instruments are included in Level 2.

Level 3: unobservable inputs for the asset or liability. The fair value of the Group's investment properties is included in Level 3. Valuations represent the highest and best use of the properties.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between levels for the period ended 30 September 2019.

The fair value of all other financial assets and liabilities is not materially different from their carrying value in the financial statements.

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 March 2019.

15. 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.

There have been no material changes in the related party transactions described in the Annual Report for the year ended 31 March 2019. Transactions with key management personnel are materially consistent with those described in note 8 of the 2019 Annual Report, including details of the bonuses approved on 5 June 2019 in respect of the year ended 31 March 2019.

16. Events after the reporting period

On 14 October 2019, Stenprop acquired an industrial estate known as Western Campus in Glasgow for £4.6 million.

On 21 November 2019, the directors declared an interim dividend of 3.375 pence per share (2018: 3.375 pence per share). The directors intend to offer shareholders the option to receive all or part of their dividend entitlement by way of a scrip issue of Stenprop treasury shares or in cash. An announcement containing details of the dividend, the timetable and the scrip dividend terms is anticipated to be made on 19 December 2019. It is expected that shares will commence trading ex-dividend on 22 January 2020 on the JSE and on 23 January 2020 on the LSE. The record date for the dividend is expected to be 24 January 2020 and the dividend payment date 14 February 2020.

Corporate information

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Registration number 64865
LSE share code: STP
JSE share code: STP
ISIN: GG00BFWMR296

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