STENPROP

Interim Report 2020

Stenprop Limited presents its half-yearly report

for the six months ended 30 September 2020

Who we are:

Stenprop is a UK REIT listed on the London Stock Exchange ('LSE') and the Johannesburg Stock Exchange ('JSE'). Our intention is to become a 100% focused UK multi-let industrial ('MLI') business.

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At a glance

Highlights

3.375p
dividend declared
COVERED INTERIM DIVIDEND PER SHARE MAINTAINED

90%
rent collection rate
AT 30 SEPTEMBER 2020 FOR THE PERIOD

8.38p
diluted IFRS EPS
(2019: 4.59p)

£574.1m
portfolio value
+4.4% LIKE-FOR-LIKE VALUATION INCREASE

36.6%
loan-to-value
(29.6% INCLUDING FREE CASH)

£40.0m
MLI acquisitions
ADDITIONAL £20.2m COMPLETED POST PERIOD END

Highlights

Statement of comprehensive income	Six months ended 30 September 2020	Six months ended 30 September 2019
Dividend per share	**3.375p**	3.375p
Diluted IFRS earnings per share	**8.38p**	4.59p
Adjusted earnings per share[1]	**3.40p**	3.41p
EPRA earnings per share	**3.30p**	3.41p
Net rental income	**£15.0m**	£15.8m

Statement of financial position	As at 30 September 2020	As at 31 March 2020
Portfolio valuation (incl. JV)	**£574.1m**	£532.6m
Like-for-like[2] portfolio valuation increase for period	**+4.4% (6 months)**	+2.8% (12 months)
MLI portfolio percentage	**62.8%**	58.0%
Diluted IFRS NAV per share	**£1.43**	£1.37
EPRA NTA per share[3]	**£1.44**	£1.38
Loan-to-value[4]	**36.6%**	40.8%
Loan-to-value including free cash	**29.6%**	27.7%

1. *See note 5 for reconciliation to IFRS earnings per share (and for all future references in this report to IFRS/EPRA earnings). Adjusted earnings per share was previously named 'Diluted adjusted EPRA earnings per share'.*
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 NTA). EPRA NTA assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax liabilities where assets are held for sale.*
4. *Loan-to-value (LTV) ratio means total borrowings to gross property valuation.*

Financial highlights

- Fully covered dividend maintained at 3.375 pence per share for the six months ended 30 September 2020. A scrip alternative will be offered, which the directors intend to match through the buyback of shares.
- 4.4% increase in diluted IFRS net asset value per share to £1.43 (31 March 2020: £1.37).
- 4.3% growth in EPRA Net Tangible Assets ('NTA') per share to £1.44 (31 March 2020: £1.38) driven by an asset management led uplift in property values, with like-for-like total portfolio valuation growth of 4.4%.
- Diluted IFRS EPS was 8.38 pence (2019: 4.59 pence). Adjusted EPS was 3.40 pence (2019: 3.41 pence).
- Strong balance sheet with cash and cash equivalents of £51.1 million, including free cash of approximately £40 million.
- Group LTV was 36.6% (March 2020: 40.8%), falling to 29.6% when applying free cash (March 2020: 27.7%). Significant headroom exists for both interest cover and LTV loan covenants.

Operational highlights

- Rent collection for the period remained strong at 90% across the portfolio as at 30 September 2020.
- 18% average uplift in MLI passing rents driven by continued strong leasing momentum with 119 new lettings/lease renewals at an average lease term of 3.8 years, generating £2.3 million of rental income per annum.
- MLI occupancy up 2.2% to 93.3% (March 2020: 91.1%) with total occupancy at 94.4%.
- Notable increases in traffic through our industrials.co.uk website resulted in a 30+% increase in direct leasing calls and total average weekly leasing calls up approximately 100% compared to 2019.
- Five MLI estates acquired in the six-month period for an aggregate purchase price of £40.0 million, generating an additional £2.5 million of rental income per annum. A further three estates completed post period end for £20.2 million, generating an additional £1.4 million of rental income per annum.
- MLI portfolio surpassed five million sq ft for the first time, growing the portfolio value to £360.5 million, up from £291.6 million at the same time last year and representing 62.8% (2019: 44.6%) of the total property portfolio by value with a target of 75% by the end of the financial year.
- Recycling of assets on track with the sale of the Neucölln Carrée retail park in Berlin at a sale price of €27.0 million, 15.4% ahead of the year end valuation. Further German sales expected in the second half of the financial year.

Operating and financial review

Resilient performance in the face of Coronavirus for the six months ended 30 September 2020.

Overview

Stenprop continued to perform well over the six months to 30 September 2020, regardless of the considerable changes we have seen in how we live and work as a result of the COVID-19 pandemic. These changes rapidly accelerated the adoption of e-commerce sales and distribution channels, with communications technology allowing businesses to operate remotely. Throughout these uncertain times, the MLI asset class remains, or has arguably become, more attractive to businesses and has resulted in increased tenant demand, reduced vacancy and rental growth over the period.

This strong demand, the diversity of our occupier base and the proactive approach we have taken in supporting our customers has allowed us to achieve a rent collection rate of 90% for the period.

Furthermore, we have not needed government funding or had to furlough staff. Since the start of our financial year, we have recruited seven additional staff members as part of the build out of our operational platform, including in our customer engagement team, to provide the necessary support to our customers. Our team has been working remotely in an efficient manner since the start of the pandemic and we have been able to continue to market space digitally and transact online through our industrials.co.uk platform and via Smart Leases, accelerating the adoption of this important area of growth for our business.

The business remains in strong financial shape, with substantial cash balances and sustained progress on the transition into a 100% MLI company. We have maintained a covered dividend of 3.375 pence per share and have seen strong valuation increases across the portfolio. Cash balances have been held at appropriate levels to provide liquidity in case of further uncertainty whilst also allowing us to focus on growing our MLI portfolio, with £40.0 million of acquisitions during the period and a further £20.2 million acquired post period end. The MLI portfolio now comprises over 5 million sq ft and represents 62.8% of the total portfolio at 30 September 2020, rising to 64.1% by the post period end.

The board considers it appropriate to give guidance on the likely level of the final dividend. Based on the current financial and operating performance, Stenprop plans to pay a further final dividend of 3.375 pence per share. This would result in a total dividend for the year ending 31 March 2021 of 6.75 pence per share (31 March 2020: 6.75 pence). The board is satisfied that, once collections return to normal, this level of dividend should be covered by sustainable, property-related earnings. Subject to no significant further deterioration to the conditions affecting the wider economy, the strong cash position of the business affords Stenprop the ability to pay this dividend and, even if uncovered, the directors are confident that this position would only be temporary.

At the end of the period under review, we completed the sale of one of our Berlin daily needs retail centres (Neucölln Carrée) for €27.0 million, reflecting a €3.6 million premium to the year-end valuation. The sales of our other German retail properties are all progressing well and we anticipate reporting further completions by the end of the current financial year.

Continued strong performance from our MLI portfolio

We have seen a continued strong performance from the MLI portfolio, both occupationally and from a rental perspective. After the UK came out of the first lockdown, we experienced a significant and sustained increase in tenant demand, which drove occupancy up to 93.3% at the end of the period, from 91.1% at 31 March 2020. We continue to capture rental reversions with like-for-like passing rent increasing 5.2% over the previous 12 months and year-on-year growth in ERVs of 4.2%.

Our rent collection statistics have clearly demonstrated the resilience of the MLI asset class while at the same time also highlighting the benefits of the diversity our customer base affords. Quarterly rents, which comprise approximately 60% of our MLI income, have seen collection rates of over 90% in the six-month period. Collection rates for monthly rents have been trending between 85-90%. It has been encouraging to note that the rate of collections has been improving as we have progressed through the pandemic with rents coming in earlier with each passing invoice period.

We have experienced strong leasing activity over the period, much of which has originated from businesses seeking to meet requirements for growing, or new e-commerce operations. We have seen significant benefits from our customer engagement managers, who have proved invaluable during the pandemic crisis in keeping in touch with our customers and facilitating transactions. Our industrials.co.uk website has seen notable increases in traffic and there has been a 30+% increase in both quarters in direct leasing calls as a result. So far in 2020, our average weekly leasing calls are up approximately 100% when compared to 2019.

Over the six months to 30 September 2020, we completed the following leasing activities:

- 83 new lettings and 36 lease renewals generating £2.27 million of contractual rental income over 329,245 sq ft.
- 18% average uplift on the previous passing rent on new lettings and 17% on lease renewals. The average rental incentives for the six-month period on all new lettings and renewals was 2.7 months on an average lease term of 3.8 years.
- As at 30 September 2020, the average passing rent of the portfolio was £5.34 per sq ft, compared to an estimated rental value of £5.87 per sq ft. This reflects a 9.9% premium to the average passing rent, illustrating the reversion available to capture within the portfolio.
- We have also supported several customers requiring more space during the pandemic, most notably in the second quarter at Coningsby Business Park in Peterborough, where we let an additional 28,300 sq ft to two existing customers.

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Operating and financial review continued

- We completed a 10-year lease renewal at one of our urban logistics properties in Sheffield for £260,000 per annum, representing an uplift of 4% on the previous passing rent and resulting in a 10% increase in valuation to £3.4 million.

During the six-month period, we acquired five estates for an aggregate purchase price of £40.0 million. The five estates comprise 479,746 sq ft with an average occupancy rate of 94% and 54 tenants and provide Stenprop with an additional £2.5 million of annual rental income, averaging £5.55 per sq ft. After the period end, we acquired three further estates for an aggregate purchase price of £20.2 million, details of which can be found in the subsequent events section below. The pipeline for future MLI acquisitions is much stronger than it was during 2019 and the first half of 2020, with a significant increase in available opportunities. The increased pipeline of opportunities has been coupled with significant additional appetite for industrial property as investors seek a safe haven for their capital outside of other traditional investment asset classes, such as retail and office.

Industrials operating platform

During the period, we launched a new CRM system that collates, processes and manages our sales and marketing information across the Industrials platform. This delivered significant improvements in customer service and process efficiencies. It has enabled us to deploy more sophisticated and informative business intelligence tools, which are delivering significant insight to management, helping with decision making and business planning. For example, the sales enquiry data we are now collecting on a daily basis enabled the management team to identify early signs of the strong recovery that MLI experienced after the first Coronavirus lockdown. This gave us the confidence to reactivate our investment programme sooner than would otherwise have been the case, thereby securing £40 million of transactions in the three months to September 2020 at attractive pricing levels.

We have seen further significant uptake of our digital Smart Lease, which has enabled Stenprop not only to continue leasing space throughout the pandemic, but also to capture spikes in tenant demand due to the significantly shorter transaction times versus traditional leasing methods. Much of the reduction in vacancy we have seen in the portfolio over the period relates to our ability to let large numbers of smaller units more quickly, something which historically would have been significantly constrained by time and relative cost.

Looking forward, we have several enhancements planned for the platform during the course of 2021, including the deployment of a new ERP ('enterprise resource planning') system, further marketing innovations and a new forecasting and budgeting tool. These technological changes will be complemented by further investment in our Industrials team, where we are seeking to put in place additional expertise across a range of areas including customer relationship management, product development and operations, with a view to delivering on our core platform goals of enhancing efficiency and growing revenue. Our investment in the platform is designed to allow the business to scale up significantly in future at small incremental cost.

The non-industrial portfolio

Non-MLI properties comprise an office building in Guernsey known as Trafalgar Court, a portfolio of four care homes in Germany (held as a joint venture), two daily needs shopping centres in Central Berlin, five retail warehouses (let to a bike and ski business) also in Germany, and a leisure complex in Switzerland. All of these assets are scheduled for sale by March 2022, with the German retail assets all currently under offer and earmarked for disposal by the end of this financial year.

Rent collections in the period under review were unaffected in Guernsey where we collected 100% of rents invoiced. Over the summer we settled a 1 July 2020 rent review at £36.50 per sq ft, reflecting a 0.7% uplift and delivering additional rental income of £21,700 per annum. We also completed a lease renewal on a small office suite at an annual rent of £9,423 per annum, reflecting a 4.7% uplift on previous passing rent.

"AFTER THE UK CAME OUT OF THE FIRST LOCKDOWN, WE EXPERIENCED A SIGNIFICANT AND SUSTAINED INCREASE IN MLI TENANT DEMAND."

Paul Arenson
Chief Executive Officer

In Germany, where rents are invoiced monthly, we achieved collection rates of just under 90% in April and May, which subsequently rose to an average of 98% for the second quarter, ending September at 99%. Rent collections at our Care Homes portfolio were 100% over the period. At the start of November, Germany entered a month-long 'lockdown light', shutting restaurants, bars, gyms and entertainment venues, whilst leaving open schools, shops and workplaces. As with the UK, we await developments to see whether restrictions are lifted at the start of December.

Our property in Switzerland is let to a gym and wellness centre, which, after two months of closure due to COVID-19, reopened for business on 11 May 2020. We agreed a temporary deferral of 50% of rents to support the tenant, after which collections retuned to 100% from the month of September onwards.

At the end of the period we completed the sale of Neucölln Carrée retail park in Berlin at a sale price of €27.0 million, 15.4% ahead of the year-end valuation and generated net sales proceeds after costs, tax and debt repayments of just over €15 million. The sales of the two remaining Berlin daily needs centres and five retail warehouses (let to a bike and ski business) are progressing well.

Operating and financial review continued

Transition plan update

Stenprop continues to deliver on its plan to transition the portfolio to 100% MLI by March 2022, with the aim of becoming the UK's leading MLI business. As at 30 September 2020, MLI represented 62.8% of the property portfolio, an increase from 52% a year earlier. As at the date of signing these accounts, the MLI percentage had risen to 64.1% as a result of post period end transactions. We are targeting 76% MLI by 31 March 2021, following the sale of our German retail portfolio and further acquisitions of £30.0 million of UK MLI.

We have made strong progress against our plan in the period, with the acquisition of five MLI estates for an aggregate purchase price of £40.0 million and the first disposal of our German retail assets. Following a quiet first quarter during which we preserved capital in the face of a national lockdown, and made only one acquisition, we then transacted four acquisitions in the second quarter of 2020, having identified an opportunity to move quickly at a time of continued market uncertainty on the back of strong demand-side data emanating from the Industrials platform. We are confident that these acquisitions will look increasingly attractive as a long term solution to COVID-19 emerges and investors see market conditions starting to return to normal.

Reducing leverage to below 40% was a key component of the first phase of our transition and, having achieved this in March 2020, the board of directors believe that operating at this level remains an appropriate strategy.

Environmental, social, and governance update

We have seen an increasing awareness in the market place regarding responsible investment and management within business practises. It is now widely accepted that Environmental, Social & Governance ("ESG") factors are integrated into an organisation's strategy focusing on the most material issues, with a range of ESG metrics collected and reported on. Complementing these are ESG policies which are accessible to all. In 2020, we created an ESG policy to describe the application of responsible investment and management into our day to day processes including origination, due diligence, approval, asset and operational management and reporting.

Stenprop is committed to establishing a broad set of environmental, social and governance initiatives. We have been developing our ESG strategy over the course of 2020 in partnership with a specialist sustainability consultancy firm, Carbon Intelligence. This has involved undertaking a detailed materiality assessment, engagement with stakeholders from across the organisation and developing a number of targets. An ESG steering group will be accountable for the delivery of the strategy and will ensure the fundamentals of the ESG policy are an integral part of the Group's ethos. With the ESG policy finalised and strategy nearing completion, we aim to align with a number of reporting frameworks in 2021 onwards, starting with the European Public Real Estate Association ('EPRA') best practice sustainability award and carbon emissions data, while continuing to communicate and evolve our ESG vision.

Financial review

Earnings

For the six months to 30 September 2020, basic earnings attributable to ordinary shareholders rose significantly to £24.0 million (2019: £13.2 million), equating to 8.38 pence on a diluted IFRS EPS basis (2019: 4.59 pence). The increase was driven by strong valuation uplifts in the period.

Net rental income from the MLI portfolio rose 17.1% to £9.6 million, representing 64% of total net rental income (2019: £8.2 million; 52%), with total net rental income at £15.0 million for the period, slightly down on the £15.8 million reported for the same period last year.

The period to 30 September 2020 has seen rental income collection rates of approximately 90% across the portfolio.

Net rental income is presented after provision for expected credit losses. Provisions of £1.5 million were made for expected losses related to the six month period under review, compared with £0.5 million for the same period last year, the increase being due to the impact of the Covid-19 pandemic. The total aggregate provision for expected credit losses stood at £2.5 million as at 30 September 2020 (31 March 2020: £1.0 million). Net management fee income totalled £0.7 million compared with £0.4 million a year earlier.

Operating expenses were £4.8 million (2019: £4.6 million). This included approximately £0.5 million of costs in relation to the ERP operating platform project. The implementation of this platform is a key part of our strategy and will deliver a unified system which can scale efficiently as Stenprop grows its MLI operating business, improving efficiencies and capturing economies of scale.

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 earnings and adjusted earnings (in previous reports referred to as 'diluted adjusted EPRA earnings'). Adjusted earnings attributable to shareholders were £9.7 million (2019: £9.8 million). The adjusted EPS was 3.40 pence (2019: 3.41 pence).

Operating and financial review continued

Stenprop has considered the adoption of further EPRA metrics and in line with best practice believes it useful to disclose the EPRA cost ratio (including direct vacancy costs). The EPRA cost ratio includes all administrative and operating expenses in the IFRS statements (including share of joint ventures) and for the period ended 30 September 2020 was 38.8% (2019: 38.9%). However, the directors do not believe that this cost ratio is representative of where the business will be in the future, as the envisaged cost savings from our operating platform are not yet being maximised. This arises from the fact that we continue to invest in the platform and are still transitioning towards having a 100% MLI portfolio, at which point we will begin to see the benefits flow through. We are investing now to grow a platform capable of dealing with bigger volumes and servicing a much larger portfolio with small incremental costs.

Dividends

On 2 December 2020, the directors declared an interim dividend of 3.375 pence per share (2019: 3.375 pence per share). The dividend is fully covered by adjusted earnings of 3.40 pence per share. Part of the distribution will be a Property Income Distribution (known as a PID) which, subject to certain exemptions, will attract UK withholding tax.

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 ordinary shares or in cash. A further announcement informing shareholders of the salient dates and tax treatment will be released in due course.

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 ordinary shares.

Net asset value

Driven by a £20.9 million increase in the portfolio valuation, IFRS basic and diluted net asset value ('NAV') per share grew 4.4% and 4.3% to £1.44 and £1.43 respectively as at 30 September 2020 (31 March 2020: £1.38 and £1.37 respectively).

Following the October 2019 update to EPRA's Best Practices Recommendations Guidelines, Stenprop has adopted EPRA Net Tangible Assets ('NTA') as our reporting measure, replacing our previously reported EPRA net asset value. This measure assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax liabilities.

The EPRA NTA metric is aligned with IFRS NAV in that it includes deferred tax liabilities with regards to properties classified as held for sale. The EPRA NTA per share at 30 September 2020 was £1.44. This represents a 4.3% increase on the EPRA NTA per share of £1.38 at 31 March 2020. A reconciliation of this change is shown in note 6 to the accounts.

Portfolio valuation

Including the Group's share of joint ventures, its investment properties were valued at £574.1 million at 30 September 2020 (31 March 2020: £532.6 million), of which £101.1 million were classified as assets held for sale (31 March 2020: £109.1 million). As at the period end, assets held for sale consisted of two Berlin daily needs retail centres (anchored by strong food retailers), five German retail warehouses (let to a bike and ski business) and the sole remaining Swiss property (let to a wellness centre/ health club). 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 4.4%, of which 0.6% resulted from currency movements.

Combined portfolio (including share of joint ventures)	Market value 30 September 2020 (£'000)	Portfolio by market value (%)	Property (number)	Area (sq m)	Annualised gross rental income (£'000)	Net initial yield (weighted average) (%)	Voids by area (%)
Investment properties							
UK multi-let industrials	**360,510**	62.8	75	465,122	26,107	6.34	6.7
UK non-multi-let industrials	**77,250**	13.5	6	32,399	6,076	7.12	0.1
Subtotal	**437,760**	76.3	81	497,521	32,183	6.48	6.2
Assets held for sale							
Germany	**86,765**	15.1	7	38,725	4,582	4.53	1.3
Switzerland	**14,347**	2.5	1	6,974	1,043	5.34	0.0
Total - wholly owned	**538,872**	93.9	89	543,220	37,808	6.14	5.8
Share of joint ventures	**35,271**	6.1	4	19,330	2,551	6.13	0.0
Total	**574,143**	100.0	93	562,550	40,359	6.14	5.6

Operating and financial review continued

United Kingdom: MLI and urban logistics portfolio

The UK MLI portfolio was independently valued at £360.5 million and represents 62.8% of the total portfolio. On a like-for-like basis, after excluding the five MLI estates acquired in the six-month period to 30 September 2020, the valuation of the UK portfolio increased by £11.4 million, or 3.7%, over the valuation at 31 March 2020 (2019: 2.5%). The increase reflects the strong income performance over the period, which is in no small part due to the active asset management employed by the Stenprop team over a challenging period.

Stenprop acquired five MLI estates for a purchase price of £40.0 million excluding costs. These properties were independently valued at £40.2 million at 30 September 2020.

The MLI portfolio now comprises 75 estates and more than five million sq ft of lettable space.

The five urban logistics properties were valued at £21.1 million at the period end (March 2020: £21.4 million). It is the intention to retain these industrial properties as they fit well with our MLI strategy.

United Kingdom: other

The remaining UK investment comprises an office building known as Trafalgar Court in Guernsey, which was valued at £56.2 million against the year-end valuation of £57.5 million. The 2.3% decrease broadly reflects the diminishing unexpired lease term at the property, which still remains at 7.3 years. It is let to a strong tenant (which has sub-let a significant portion of its space) but is situated in an investment market underpinned by demand for secure long income assets.

Germany

The German portfolio (excluding the Care Homes portfolio) was classified as held for sale in the financial statements. All seven properties are either under offer or in legals and have therefore been valued at sale price. Given the advanced state of the sales, associated selling costs have been provided. The two remaining Berlin daily need retail centres are valued at €68.3 million, an increase of €11.1 million, or 19%, on the valuation at 31 March 2020.

The five retail warehouse properties let to a bike and ski business were valued at €27.0 million, an increase of €1.0 million from the valuation at 31 March 2020.

The sale of the Neucölln Carrée retail park in Berlin completed on 30 September 2020 having been notarised on 15 July 2020. The disposal price of €27.0 million reflected a €3.6 million premium (15.4%) to the 31 March 2020 book value.

Switzerland

The final Swiss property, Lugano, which is held for sale, was independently valued at CHF17.0 million (March 2020: CHF17.0 million).

Joint ventures

The Care Homes portfolio in Germany, comprising four care homes, was independently valued at €39.0 million, a decrease of 3.0% on the 31 March 2020 valuation of €40.2 million.

Debt

The acquisition of the five MLI estates was completed from free cash reserves and no new debt was drawn in the period. The disposal of the Neucölln Carrée retail park in Berlin resulted in a reduction of associated debt of £8.2 million (€9.0 million).

We are in the process of refinancing the recent MLI acquisitions (including the acquisitions completed post period end, further detailed in the subsequent events note below). The debt will be added to an existing facility maturing in February 2024 and, given the current low interest rate environment, we anticipate completing this at an attractive level of pricing. The drawdown is expected to generate approximately £22 million of proceeds that will be used to acquire further MLI estates as we progress into 2021.

The Group considers it appropriate to maintain its level of borrowings at no more than 40% of its gross asset value. Reductions to this level of borrowing may be considered by the directors after taking into account prevailing market conditions and after consideration of an appropriate level of gearing for the asset class.

The value of the property portfolio as at 30 September 2020, including the Group's share of joint venture properties and assets held for sale, was £574.1 million. Senior bank debt at the same date was £210.0 million, resulting in an average loan-to-value ratio of 36.6% (31 March 2020: 40.8%). Cash reserves, including cash held in liquidity funds, totalled £51.1 million at 30 September 2020 and included free cash of £40.0 million. When free cash is included in this measure, our overall LTV was 29.6%.

The rolling credit facility provided by Investec Bank Plc to bridge the potential funding gap between property acquisitions and sales matures in April 2021. The facility was not utilised in the six-month period and was undrawn as at 30 September 2020.

The weighted average debt maturity stood at 2.3 years at 30 September 2020 compared with 2.7 years at 31 March 2020. Excluding the Swiss property at Lugano, which is designated as held for sale, annual amortisation payments are £0.7 million (31 March 2020: £0.7 million) and the all-in contracted weighted average cost of debt was 2.51% at the period end, compared with 2.62% at 31 March 2020.

As previously reported, and in addition to the refinancing of the recent MLI acquisitions, we have also been investigating refinancing a large part of our existing MLI portfolio on a seven-year term with institutional lenders. We approached a number of potential lenders and received positive responses with attractive terms offered by those keen to increase their exposure in the sector. Whilst the market continues to move as a result of the pandemic uncertainty, we expect to secure an all-in interest rate of under 2% (currently 3.19%) on the £66.5 million tranche of debt. Completion of this process is expected by the end of the calendar year and will extend our overall debt maturity to approximately 3.8 years, whilst also reducing our overall cost of debt. Our debt maturity profile will further improve following the sale of the German properties. As at 30 September 2020, these seven properties had a loan maturity of approximately 1.2 years, having been kept deliberately short in recognition of our intention to dispose of these assets.

Stenprop maintains significant headroom cover on both its interest cover and LTV loan covenants. Loan facilities subject to LTV covenants allow for an average 34% reduction in values. Loan facilities subject to debt service cover ratio covenants allow for an average reduction in net rents of 64%. Stenprop continues to enjoy an open and supportive relationship with its lenders.

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.

Operating and financial review continued

Foreign exchange

At 30 September 2020, approximately 23.9% of Stenprop's net asset value and 16.8% of its net rental income are denominated in euros. As we progress the German property sales, targeted for 31 March 2021, the impact of the GBP:EUR exchange rate will decrease. At the start of April 2020, the GBP:EUR rate was £1.00:€1.1249. The euro subsequently strengthened and the exchange rate at 30 September 2020 was £1.00:€1.0978.

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.

Board appointments and changes to board committees

On 4 November 2020, Stenprop announced that it had further strengthened its board of directors (the 'Board') with the appointments of Richard Smith, chief executive officer of The Unite Group plc, and Louisa Bell, the former UK country manager of Avis Budget Group International, as independent non-executive directors. They bring with them a range of complementary expertise and experience in operational management and business transformation as well as leadership in the real estate and transport industries.

On 2 December 2020, various changes to the composition of the Board committees were made. Louisa Bell was appointed to the audit and risk committee, the remuneration committee and the social and ethics committee. Richard Smith was appointed to the audit and risk committee and the remuneration committee. Richard Grant stood down from the audit and risk committee and the social and ethics committee. Patsy Watson was appointed to the social and ethics committee. Finally, Julian Carey, Managing Director, and James Wakelin, Head of debt and special projects, were appointed as executive members to the social and ethics committee whilst Sarah Bellilchi stood down from the committee. Following these changes, the composition of the committees is as follows:

Audit and risk committee: Phil Holland (chair), Paul Miller, Louisa Bell and Richard Smith

Remuneration committee: Paul Miller (chair), Richard Grant, Phil Holland, Louisa Bell and Richard Smith

Nomination committee: Richard Grant (chair), Paul Miller, Phil Holland and Patsy Watson

Social and ethics committee: Phil Holland (chair), Patsy Watson, Louisa Bell, Julian Carey and James Wakelin

With the appointments of Richard and Louisa and the changes to the Board committees membership described above, Stenprop is now fully compliant with the provisions of the UK Corporate Governance Code and the King IV Report on Corporate Governance for South Africa in terms of the composition of the Board and its committees and the balance of independent and non-independent directors on the Board.

Subsequent events

MLI assets to the value of £20.2 million have been acquired since the reporting date. On 10 November 2020 and 13 November 2020 respectively, Stenprop acquired two separate industrial estates known as Mandale in Durham for £11.2 million and Phoenix Industrial Estate in West Bromwich for £2.8 million. On 3 December 2020, an industrial estate known as The Levels, Capital Business Park in Cardiff was acquired for £6.2m.

Conclusion

In the period under review, Stenprop has delivered solid results and maintained a covered dividend of 3.375 pence per share. Our balance sheet remains strong and we have proven to be well positioned to deal with recent challenges. We have focused on assisting our customers and are evolving our management platform, which, even in its embryonic stages, has proved exceptionally useful in navigating the recent disruption. As stated above, based on current expectations Stenprop is guiding to pay a further final dividend of 3.375p per share, maintaining the full year dividend at 6.75p per share.

Outlook

The MLI sector has displayed its strength over the last six months and we have seen a material increase in demand from a new and ever diversifying occupier base. The pandemic has accelerated the adoption of e-commerce and the importance of regional distribution channels, which are served well by businesses operating within MLI property. Our own MLI portfolio has experienced increased tenant demand, reduced vacancy, as well as growth in rental values. We have been further encouraged by the high levels of rent collections, which have been trending towards 90%.

We are pleased that the sales of our remaining German properties are progressing well. These sales will generate significant net proceeds for further MLI acquisitions whilst also providing substantial cash reserves should we experience prolonged market uncertainty. During the period, we have acquired £40 million of MLI estates and a further £20.2 million in the post period end.

We remain on track to achieve our goal of transitioning the portfolio to 75% MLI by the end of the financial year, although we are monitoring current external events closely and recognise that significant uncertainty will continue. We are also executing on the opportunity to refinance some of our short-term debt on the MLI portfolio onto a longer-term facility at significantly lower rates. Debt maturity will further extend following the sale of our German held for sale assets.

The current low interest rate environment is likely to remain for some considerable time, which will favour high yielding assets with sustainable and growing rental flows. Notwithstanding the recent positive news regarding a vaccine, we are very aware of the continued threat from the pandemic and the additional uncertainty regarding Brexit. We approach the second half of the year with cautious optimism and take comfort from the fact that we have a strong balance sheet, a clearly defined growth strategy in a resilient asset class and a strong team who are working hard to deliver our goals.

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 and 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, financial, operational, and emerging 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 2020. The Group's principal risks and uncertainties have not changed materially since the date of the annual report.

Statement of 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 have carefully assessed the impact of the market uncertainties arising from both Brexit and the COVID-19 pandemic, on the entity's net assets, liquidity and ability to continue as a going concern for the foreseeable future. Given the current market conditions and negative economic outlook, management applied prudent assumptions to the Group's cash flow forecast, debt refinancing and loan covenant sensitivities for the 18 months to 31 March 2022. The test concluded that the Group would have positive liquid assets and be able to meet its obligations as they fall due.

In light of this review and the significant liquid assets held by the Group, management are satisfied that the Group has access to adequate resources to continue in operational existence for a period of at least 12 months from the date of these condensed consolidated financial statements.

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

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, 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 3 December 2020 and signed on its behalf:

Paul Arenson Chief Executive Officer	**James Beaumont** Chief Financial Officer

Independent review report to Stenprop Limited

Introduction

We have been engaged by the Group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 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 statement of cash flows and the related explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the listing requirements of the Johannesburg Stock Exchange and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ("IASB"), the financial reporting guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants (the "SAICA Reporting Guides") and the financial reporting pronouncements issued by the Financial Reporting Standards Council of South Africa (the "FRSC Pronouncements"). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, ''Interim Financial Reporting'', as issued by the IASB, the Johannesburg Stock Exchange Listings Requirements and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial 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 enquiries, 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 half-yearly financial report for the six months ended 30 September 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as issued by the IASB, the Johannesburg Stock Exchange Listings Requirements and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of the Johannesburg Stock Exchange Listings Requirements and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
55 Baker Street
London W1U 7EU
United Kingdom

3 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Condensed consolidated statement of comprehensive income

for the six months ended 30 September 2020

	Note	30 September 2020 (unaudited) £'000	30 September 2019 (unaudited) £'000
Continuing operations			
Revenue		21,122	21,065
Property expenses		(6,073)	(5,259)
Net rental income	3	15,049	15,806
Management fee income		706	440
Operating costs	4	(4,752)	(4,557)
Net operating income		11,003	11,689
Fair value gain on investment properties	8	18,651	4,804
Gain/(loss) on disposal of property		78	(119)
(Loss)/income from joint ventures		(721)	1,320
Net foreign exchange gain/(loss)		66	(68)
Profit from operations		29,077	17,626
Net loss from fair value of derivative financial instruments		(814)	(953)
Interest income		212	223
Finance costs		(3,039)	(3,471)
Profit for the period before taxation		25,436	13,425
Tax expense		(1,669)	(435)
Profit for the period from continuing operations		23,767	12,990
Discontinued operations			
Gain/(loss) for the period from discontinued operations	10	199	(49)
Profit for the period		23,966	12,941
Profit attributable to:			
Equity holders		23,972	13,157
Non-controlling interest derived from continuing operations		(6)	(216)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation reserve		1,968	4,860
Total comprehensive income for the period		25,934	17,801
Total comprehensive income attributable to:			
Equity holders		25,940	18,017
Non-controlling interest		(6)	(216)
Earnings per share		Pence	Pence
From continuing operations			
EPS	5	8.38	4.67
Diluted EPS	5	8.31	4.61
From continuing and discontinued operations			
EPS	5	8.45	4.65
Diluted EPS	5	8.38	4.59

Condensed consolidated statement of financial position

as at 30 September 2020

	Note	30 September 2020 (unaudited) £'000	31 March 2020 (audited) £'000
ASSETS			
Non-current assets			
Investment properties	8	**437,760**	387,761
Investment in joint ventures	9	**115**	781
Investment in joint ventures bond	9	**15,665**	15,336
Other debtors	12	**13,334**	13,523
Right-of-use asset		**390**	491
		467,264	417,892
Current assets			
Cash and cash equivalents		**40,982**	84,453
Trade and other receivables	12	**10,359**	8,249
Other investments		**8,000**	–
Assets classified as held for sale	10	**104,741**	111,857
		164,082	204,559
Total assets		**631,346**	622,451
LIABILITIES			
Current liabilities			
Bank loans	11	**4,420**	–
Taxes payable		**2,095**	7,241
Derivative financial instruments		**51**	–
Accounts payable and accruals		**18,459**	16,689
Provisions		**906**	3,179
Lease liability		**327**	302
Liabilities directly associated with assets classified as held for sale	10	**42,122**	47,310
		68,380	74,721
Non-current liabilities			
Bank loans	11	**150,033**	154,171
Derivative financial instruments		**2,890**	2,001
Lease liability		**143**	222
		153,066	156,394
Total liabilities		**221,446**	231,115
Net assets		**409,900**	391,336
EQUITY			
Capital and reserves			
Share capital and share premium		**322,993**	322,993
Equity reserve		**(12,327)**	(14,360)
Retained earnings		**72,123**	57,490
Foreign currency translation reserve		**27,086**	25,118
Total equity attributable to equity shareholders		**409,875**	391,241
Non-controlling interest		**25**	95
Total equity		**409,900**	391,336
		£	**£**
Net asset value per share	6	**1.44**	1.38
Diluted net asset value per share	6	**1.43**	1.37

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2020 (unaudited)

	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 2020	**322,993**	**(14,360)**	**57,490**	**25,118**	**391,241**	**95**	**391,336**
Profit for the year	**–**	**–**	**23,972**	**–**	**23,972**	**(70)**	**23,902**
Total other comprehensive income for the period	**–**	**–**	**–**	**1,968**	**1,968**	**–**	**1,968**
Equity-settled share-based payments	**–**	**205**	**211**	**–**	**416**	**–**	**416**
Repurchase of own shares	**–**	**(2,246)**	**–**	**–**	**(2,246)**	**–**	**(2,246)**
Ordinary dividends	**–**	**4,074**	**(9,550)**	**–**	**(5,476)**	**–**	**(5,476)**
Balance at 30 September 2020	**322,993**	**(12,327)**	**72,123**	**27,086**	**409,875**	**25**	**409,900**
Balance at 1 April 2019	322,993	(15,708)	60,952	21,014	389,251	2,969	392,220
Profit for the year	–	–	13,157	–	13,157	(129)	13,028
Total other comprehensive income for the period	–	–	–	4,860	4,860	–	4,860
Equity-settled share-based payments	–	630	–	–	630	–	630
Repurchase of own shares	–	(2,715)	–	–	(2,715)	–	(2,715)
Deferred tax on share-based payment transactions	–	–	43	–	43	–	43
Ordinary dividends	–	2,819	(9,478)	–	(6,659)	–	(6,659)
Balance at 30 September 2019	322,993	(14,974)	64,674	25,874	398,567	2,840	401,407

Condensed consolidated statement of cash flows

for the six months ended 30 September 2020

	Note	30 September 2020 (unaudited) £'000	30 September 2019 (unaudited) £'000
Operating activities			
Profit from operations from continuing operations		**29,077**	17,626
Profit from operations from discontinued operations		**319**	32
		29,396	17,658
Depreciation		**136**	114
Increase in fair value of investment property		**(18,637)**	(4,883)
(Gain)/loss on disposal of property		**(92)**	119
Loss/(income) from joint ventures		**721**	(1,319)
Management fee expenses		**38**	–
Share-based payments		**416**	630
Profit on disposal of subsidiaries		**(134)**	–
Exchange rate (gain)/loss		**(66)**	68
Increase in trade and other receivables		**(1,969)**	(656)
Increase/(decrease) in trade and other payables		**126**	(1,861)
Cash generated by operations		**9,935**	9,870
Interest paid		**(2,595)**	(2,988)
Interest received		**113**	870
Net tax paid		**(183)**	(509)
Net cash from operating activities		**7,270**	7,243
Contributed by: Continuing operations		**7,073**	6,959
Discontinued operations		**197**	284
Investing activities			
Purchase of investment property	8	**(41,871)**	(25,644)
Capital expenditure	8	**(296)**	(5,389)
Proceeds on disposal of investment property, net of selling costs		**23,624**	3,531
Tax paid on disposal of property		**(7,199)**	–
Receipt of loans advanced under the Share Purchase Plan		**345**	–
Other investment - Cash and short-maturity bonds on call		**(8,000)**	–
Net cash used in investing activities		**(33,397)**	(27,502)
Financing activities			
Dividends paid		**(5,447)**	(6,136)
Withholding tax on dividends paid		**–**	(295)
Repayment of borrowings		**(8,266)**	(4,740)
Lease payments		**(116)**	(145)
Repurchase of shares		**(2,246)**	(2,715)
Financing fees paid		**(79)**	(229)
Net cash used in financing activities		**(16,154)**	(14,260)
Net decrease in cash and cash equivalents		**(42,281)**	(34,519)
Effect of foreign exchange (losses)/gains		**(201)**	222
Cash and cash equivalents at beginning of the period		**85,588**	59,219
Cash and cash equivalents at end of the period		**43,106**	24,922
Contributed by: Continuing operations		**40,982**	21,012
Discontinued operations and assets held for sale		**2,124**	3,910

Funds totalling £6.5 million were restricted at 30 September 2020 (2019: £4.9 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 unaudited condensed consolidated interim financial statements for the six months ended 30 September 2020 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, applicable Guernsey law, the financial reporting guides issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants (the 'SAICA Reporting Guides') and the financial reporting pronouncements issued by the Financial Reporting Standards Council of South Africa (the 'FRSC Pronouncements').

These condensed consolidated interim financial statements have been reviewed, not audited. The auditor's review opinion is included in this report.

These condensed consolidated 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 2020, which were audited and reported on by the Group's external auditor. The consolidated annual financial statements for the year ended 31 March 2020 are available on the Company's website: stenprop.com.

The condensed 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 have carefully assessed the impact of the market uncertainties arising from both Brexit and the outbreak of the COVID-19 pandemic, on the Group's net assets, liquidity and ability to continue as a going concern for the foreseeable future. Given the current market conditions and negative economic outlook, management applied prudent assumptions to the Group's cash flow forecast for the 18 months to 31 March 2022, including a 25% deterioration in rental income cash receipts until March 2021 for the UK and German portfolio and 50% for the Swiss portfolio, after which it is assumed that rental receipts will return to normal levels. The test concluded that even in this scenario the Group would have positive liquid assets and be able to meet its obligations as they fall due.

Debt refinancing and sensitivities to loan covenants were assessed in detail, as well as the Company's REIT obligations. Despite the disruption to the economy caused by COVID-19, management do not expect the risk of default to have increased. Lenders have been guided by the government to take a pragmatic view and to consider prepayment possibilities, equity cures and waivers of covenants so that borrowers who do breach their covenants as a direct link to the pandemic should not automatically trigger a default event. While our projections indicate we will remain within our limits and not breach covenants, there is additional assurance that banks are heavily encouraged to adopt this pragmatic approach. In addition, the Group maintains strong relationships with our facility providers and currently have significant headroom for both interest cover and LTV loan covenants. Notwithstanding this assumption, the Group would have cash resources available, even after considering the respective downside scenarios above, to be utilised to cure covenant breaches if they crystallise and should the lenders take a hard stance, against government advice. It is further worth noting that the loans are not cross-collateralised and accordingly if certain banks do act aggressively, the Group would continue to operate with the remaining portfolio of assets if any foreclosure events were to arise.

In light of this review and the significant liquid assets, management are satisfied that the Group has access to adequate resources to continue in operational existence for a period of at least 12 months from the date of these condensed consolidated 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, no new or revised standards and interpretations have been adopted.

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

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 reporting period, are discussed below.

Notes to the condensed consolidated interim financial statements continued

1 Basis of preparation continued

Key sources of estimation uncertainty

Valuation of the property portfolio

The Group's investment properties are stated at estimated fair value, determined by directors, based on an independent external appraisal, with the exception of the seven German properties classified as held for sale, which are based on the sale prices. 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, expectation of future rentals and the discount yield applied to those cash flows. This has been particularly relevant in light of the market uncertainty due to both Brexit and the COVID-19 crisis, both of which have been carefully considered. 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 condensed consolidated financial statements, and the difference could be significant. Further details can be found in note 8.

The Group currently has a number of continental European investment properties as assets held for sale. Due to the same reasons mentioned above that the COVID-19 crisis has caused, the valuations of assets held for sale are also subject to a degree of valuation uncertainty and as such a key source of estimation uncertainty. Further information on assets held for sale can be found in note 10.

Notes to the condensed consolidated interim financial statements continued

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 multi-let industrial £'000	UK non-multi-let industrial £'000	Germany £'000	Switzerland £'000	Total £'000
For the period ended 30 September 2020 (unaudited)					
Rental income	11,627	3,002	2,961	–	17,590
Tenant recharges	1,825	541	847	–	3,213
Other income	235	–	46	–	281
Direct property costs	(4,132)	(550)	(1,391)	–	(6,073)
Net rental income	9,555	2,993	2,463	–	15,011
Fair value movement of investment properties	9,433	(1,560)	10,764	–	18,637
Net (loss)/gain from fair value of financial liabilities	(765)	–	125	–	(640)
(Loss)/gain on disposal of property	–	(9)	101	–	92
Loss from joint ventures	–	–	(721)	–	(721)
Finance costs	(2,205)	(454)	(378)	–	(3,037)
Operating costs	(114)	(51)	(230)	–	(395)
Net foreign exchange loss	–	–	(12)	–	(12)
Interest income	–	–	169	–	169
Profit from discontinued operations (see note 10)	–	–	–	199	199
Tax credit/(expense)	–	102	(1,821)	–	(1,719)
Total profit per reportable segment	15,904	1,021	10,460	199	27,584
As at 30 September 2020 (unaudited)					
Investment properties	360,510	77,250	–	–	437,760
Investment in joint ventures	–	–	114	–	114
Investment in joint venture bonds	–	–	15,665	–	15,665
Cash and cash equivalents	11,569	3,314	17,054	–	31,937
Other	8,635	418	13,903	–	22,956
Assets classified as held for sale (see note 10)	–	–	89,487	15,254	104,741
Total assets	380,714	80,982	136,223	15,254	613,173
Borrowings – bank loans	122,076	32,377	–	–	154,453
Other	16,485	2,278	2,294	–	21,057
Liabilities directly associated with assets classified as held for sale (see note 10)	–	–	36,008	6,114	42,122
Total liabilities	138,561	34,655	38,302	6,114	217,632

Notes to the condensed consolidated interim financial statements continued

2 Operating segments continued

	Continuing operations			Discontinued operations	
	UK multi-let industrial £'000	UK non-multi-let industrial £'000	Germany £'000	Switzerland £'000	Total £'000
For the period ended 30 September 2019 (unaudited)					
Rental income	9,398	3,327	5,560	–	18,285
Tenant recharges	1,601	176	780	–	2,557
Other income	94	7	85	–	186
Direct property costs	(2,914)	(229)	(2,116)	–	(5,259)
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)
Loss on disposal of property	–	(102)	(17)	–	(119)
Income from joint ventures	–	–	1,315	–	1,315
Finance costs	(1,715)	(793)	(946)	–	(3,454)
Operating costs	(240)	93	(408)	–	(555)
Net foreign exchange loss	–	–	(60)	–	(60)
Interest income	5	16	174	–	195
Loss from discontinued operations (see note 10)	–	–	–	(49)	(49)
Tax (expense)/credit	(9)	58	(598)	–	(549)
Total profit/(loss) per reportable segment	8,071	2,820	5,502	(49)	16,344
As at 31 March 2020 (audited)					
Investment properties	308,951	78,810	–	–	387,761
Investment in joint ventures	–	–	15,335	–	15,335
Investment in joint ventures bond	–	–	781	–	781
Cash and cash equivalents	13,585	3,078	11,815	–	28,478
Other	5,855	792	14,305	–	20,952
Assets classified as held for sale (see note 10)	–	–	96,605	15,252	111,857
Total assets	328,391	82,680	138,841	15,252	565,164
Borrowings – bank loans	121,841	32,330	–	–	154,171
Other	12,946	2,801	9,600	–	25,347
Liabilities directly associated with assets classified as held for sale (see note 10)	–	–	41,039	6,271	47,310
Total liabilities	134,787	35,131	50,639	6,271	226,828

Notes to the condensed consolidated interim financial statements continued

2 Operating segments continued

ii) Reconciliation of reportable segment profit or loss

	30 September 2020 (unaudited) £'000	30 September 2019 (unaudited) £'000
Rental income		
Net rental income for reported segments	15,011	15,769
Profit or loss		
Fair value movement of investment properties	18,637	4,804
Net loss from fair value of financial liabilities	(640)	(953)
Gain/(loss) on disposal of property	92	(119)
(Loss)/income from joint ventures	(721)	1,315
Finance costs	(3,037)	(3,454)
Operating costs	(395)	(555)
Net foreign exchange loss	(12)	(60)
Interest income	169	195
Gain/(loss) for the period from discontinued operations (see note 10)	199	(49)
Tax expense	(1,719)	(549)
Total profit per reportable segments	27,584	16,344
Other profit or loss – unallocated amounts		
Management fee income	706	440
Other income	38	38
Income from joint ventures	–	6
Interest income	43	23
Finance costs	(2)	(12)
Tax, legal and professional fees	(338)	(400)
Audit fees	(135)	(142)
Administration fees	(121)	(79)
Non-executive directors' costs	(114)	(112)
Staff remuneration costs	(2,333)	(2,379)
ERP project expenses	(455)	–
Other operating costs	(861)	(892)
Net loss from fair value of financial liabilities	(174)	–
Net foreign exchange gain/(loss)	78	(8)
Tax credit	50	114
Consolidated profit for the period	23,966	12,941

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

Notes to the condensed consolidated interim financial statements continued

2 Operating segments continued

iii) Reconciliation of reportable segment financial position

	30 September 2020 (unaudited) £'000	31 March 2020 (audited) £'000
Assets		
Investment properties	**437,760**	387,761
Investment in joint venture	**114**	780
Investment in joint ventures bond	**15,665**	15,336
Cash and cash equivalents	**31,937**	28,478
Other	**22,956**	20,952
Assets classified as held for sale (see note 10)	**104,741**	111,857
Total assets per reportable segments	**613,173**	565,164
Other assets – unallocated amounts		
Investment in joint ventures	**1**	1
Cash and cash equivalents	**9,045**	55,976
Other	**9,127**	1,310
Total assets per consolidated statement of financial position	**631,346**	622,451
Liabilities		
Borrowings – bank loans	**154,453**	154,171
Other	**21,057**	25,347
Liabilities directly associated with assets classified as held for sale (see note 10)	**42,122**	47,310
Total liabilities per reportable segments	**217,632**	226,828
Other liabilities – unallocated amounts		
Other	**3,814**	4,287
Total liabilities per consolidated statement of financial position	**221,446**	231,115

3 Net rental Income

	30 September 2020 (unaudited) £'000	30 September 2019 (unaudited) £'000
Rental income	**18,130**	18,884
Tenant recharges	**3,262**	2,444
Other income	**319**	224
Discontinued operations adjustment (note 10)	**(589)**	(487)
Revenue	**21,122**	21,065
Direct property costs	**(6,411)**	(5,600)
Discontinued operations adjustment (note 10)	**338**	341
Property expenses	**(6,073)**	(5,259)
Total net rental income	**15,049**	15,806

Notes to the condensed consolidated interim financial statements continued

4 Operating costs

	30 September 2020 (unaudited) £'000	30 September 2019 (unaudited) £'000
Tax, legal and professional fees	**612**	713
Audit fees	**103**	109
Interim review fees	**35**	30
Administration fees	**163**	267
Investment advisory fees	**69**	161
Non-executive directors' costs	**114**	112
Staff remuneration costs	**1,916**	1,749
Share-based payments	**416**	630
ERP project expenses	**299**	–
ERP impairment	**156**	–
Depreciation	**136**	–
Corporate costs	**312**	343
IT costs	**256**	320
Other operating costs	**231**	238
Discontinued operations adjustment (note 10)	**(66)**	(114)
	4,752	4,557

Share-based payments of £416,000 (2019: £630,000) relate to the equity-settled incentive schemes operated by the Group. As at 30 September 2020, the Group's equity reserve held £2.8 million (31 March 2020: £2.7 million) in relation to the schemes after the exercise of options at fair value of £48,000 (2019: £224,000) during the period.

Notes to the condensed consolidated interim financial statements continued

5 Earnings per ordinary share

	30 September 2020 (unaudited) £'000	30 September 2019 (unaudited) £'000
Reconciliation of profit for the period to adjusted EPRA[1] earnings		
Earnings per statement of comprehensive income attributable to shareholders	**23,972**	13,157
Adjustment to exclude (gain)/loss from discontinued operations	**(199)**	49
Earnings per statement of comprehensive income from continuing operations attributable to shareholders	**23,773**	13,206
Earnings per statement of comprehensive income attributable to shareholders	**23,972**	13,157
Adjustments to calculate EPRA earnings, exclude:		
Changes in fair value of investment properties	**(18,637)**	(4,799)
Changes in fair value of financial instruments	**814**	1,001
Deferred tax in respect of EPRA adjustments	**413**	759
Impairment of intangibles	**156**	–
Loss on disposal of properties	**1,484**	119
Adjustments above in respect of joint ventures:		
Changes in fair value of investment properties	**1,436**	(884)
Changes in fair value of financial instruments	**(145)**	266
Deferred tax in respect of EPRA adjustments	**(66)**	144
EPRA earnings attributable to shareholders	**9,427**	9,763
Further adjustments to arrive at adjusted earnings:		
Costs associated with the ERP implementation	**299**	–
Adjusted earnings attributable to shareholders[2]	**9,726**	9,763
Weighted average number of shares in issue (excluding treasury shares)	**283,540,296**	282,798,778
Share-based payment award	**2,477,023**	3,869,130
Diluted weighted average number of shares in issue	**286,017,319**	286,667,908
Earnings per share from continuing operations	**pence**	pence
EPS	**8.38**	4.67
Diluted EPS	**8.31**	4.61
Earnings per share	**pence**	pence
EPS	**8.45**	4.65
Diluted EPS	**8.38**	4.59
EPRA EPS	**3.30**	3.41
Adjusted EPS	**3.40**	3.41

As at 30 September 2020, the Company held 14,397,479 treasury shares (2019: 15,830,040 and 31 March 2020: 15,830,040).

1. *The European Public Real Estate Association (EPRA) issued the Best Practices Recommendations policy in October 2019, which provides 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 to provide additional information on 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.*
2. *As described in the EPRA Best Practice Recommendations policy issued in October 2019, should companies wish to make other adjustments to arrive at an underlying performance measure, they should do that below 'EPRA earnings' and use a different name for that measure. 'Adjusted EPS' is a measure that excludes items considered not to be in the ordinary course of business or other exceptional items that do not necessarily provide an accurate picture of the Group's underlying operational performance.*

Costs associated with the ERP implementation

Stenprop is implementing a new enterprise resource planning (ERP) and customer engagement (CE) software program to help streamline and grow the business. Significant non-recurring costs will be incurred during the implementation phase before the systems go live.

The ERP implementation expense is related to a one-off project and is anticipated to complete over approximately 12 months and accordingly has been adjusted for as a 'company-specific adjustment'.

Notes to the condensed consolidated interim financial statements continued

5 Earnings per ordinary share continued

Headline earnings per share

The JSE listings requirements require the calculation of headline earnings and disclosure of a detailed reconciliation of headline earnings to the earnings numbers used in the calculation of basic earnings per share in accordance with the requirements of IAS 33 – Earnings per Share. Disclosure of headline earnings is not a requirement of IFRS.

Reconciliation of profit for the period to headline earnings	30 September 2020 (unaudited) £'000	30 September 2019 (unaudited) £'000
Earnings per statement of comprehensive income attributable to shareholders	**23,972**	13,157
Adjustments to calculate headline earnings, exclude:		
Changes in fair value of investment properties	**(18,637)**	(4,799)
Deferred tax in respect of headline earnings adjustments	**391**	778
Impairment of intangibles	**156**	–
Loss on disposal of properties	**1,484**	119
Adjustments above in respect of joint ventures:		
Changes in fair value of investment properties	**1,436**	(884)
Deferred tax	**(65)**	182
Headline earnings attributable to shareholders	**8,737**	8,553

Earnings per share	pence	pence
Headline EPS	**3.08**	3.02
Diluted headline EPS	**3.05**	2.98

6 Net asset value metrics per share - reconciliations and bridge

In October 2019, EPRA published new best practice recommendations for financial disclosures by public real estate companies. Three new measures of net asset value were introduced namely: EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA net disposal value (NDV). These recommendations are effective for accounting periods starting on 1 January 2020 and have been adopted by the Group in reporting these interim results.

Stenprop consider EPRA NTA to be the most relevant measure of the three EPRA NAVs to report on and will act as the a key net asset value measure going forward. The EPRA NTA metric is aligned with IFRS NAV in that it includes deferred tax liabilities with regards to properties classified as held for sale. A reconciliation of the three new EPRA NAV metrics from IFRS NAV is shown in the table below. The previously reported EPRA NAV has also been included for comparative purposes.

As at 30 September 2020 (unaudited)

	NAV	New EPRA NAV measures			Previously reported measure
	IFRS £'000	EPRA NRV £'000	EPRA NTA £'000	EPRA NDV £'000	EPRA NAV £'000
Net assets attributable to equity shareholders	409,875	409,875	409,875	409,875	409,875
Adjustments:					
Derivative financial instruments	–	2,941	2,941	–	2,941
Deferred tax in relation to fair value of investment property and financial instruments[1]	–	4,987	–	–	4,987
Adjustments above in respect of joint ventures	–	748	748	–	748
Purchaser's costs[2]	–	37,270	–	–	–
Net assets used in per share calculation	409,875	455,821	413,564	409,875	418,551
Number of shares in issue (excluding treasury shares)[3]	284,377,696	284,377,696	284,377,696	284,377,696	284,377,696
Share-based payment award	2,477,023	2,477,023	2,477,023	2,477,023	2,477,023
Diluted number of shares in issue	286,854,719	286,854,719	286,854,719	286,854,719	286,854,719

Net asset value per share	IFRS £	EPRA NRV £	EPRA NTA £	EPRA NDV £	EPRA NAV £
Basic net asset value per share	1.44	–	–	–	–
Net asset value per share (diluted)	1.43	1.59	1.44	1.43	1.46

Notes to the condensed consolidated interim financial statements continued

6 NAV metric per share reconciliations and bridge continued

As at 31 March 2020 (audited)

	NAV	New EPRA NAV measures			Previously reported measure
	IFRS £'000	EPRA NRV £'000	EPRA NTA £'000	EPRA NDV £'000	EPRA NAV £'000
Net assets attributable to equity shareholders	391,241	391,241	391,241	391,241	391,241
Adjustments:					
Derivative financial instruments	–	2,001	2,001	–	2,001
Deferred tax in relation to fair value of investment property and financial instruments[1]	–	3,782	–	–	3,782
Adjustments above in respect of joint ventures	–	1,921	1,921	–	1,921
Purchaser's costs[2]	–	34,961	–	–	–
Net assets used in per share calculation	**391,241**	**433,906**	**395,163**	**391,241**	**398,945**
Number of shares in issue (excluding treasury shares)[3]	282,945,135	282,945,135	282,945,135	282,945,135	282,945,135
Share-based payment award	3,522,208	3,522,208	3,522,208	3,522,208	3,522,208
Diluted number of shares in issue	286,467,343	286,467,343	286,467,343	286,467,343	286,467,343

Net asset value per share	IFRS £	EPRA NRV £	EPRA NTA £	EPRA NDV £	EPRA NAV £
Basic net asset value per share	**1.38**	–	–	–	–
Net asset value per share (diluted)	**1.37**	**1.51**	**1.38**	**1.37**	**1.39**

1. *The Group's deferred tax in relation to the fair value of investment properties and financial instruments relates solely to those properties in the German portfolio included in assets held for sale which comprise 14.8% of the portfolio with a fair value of £84.6 million (March 2020: £94.8 million (17.8%)). No deferred tax was excluded from EPRA NTA in relation to this deferred tax as the deferred tax will be crystallised on sale of these properties in the short term.*
2. *EPRA NTA and EPRA NDV reflect IFRS values which are net of purchaser's costs. Any purchaser's costs deducted from the market value, are added back when calculating EPRA NRV.*
3. *As at 30 September 2020, the Company held 14,397,479 treasury shares (31 March 2020: 15,830,040). 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 2020 (unaudited) (no. shares)	31 March 2020 (audited) (no. shares)
Opening balance	**298,775,175**	298,775,175
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 2020: 298,775,175) ordinary shares in issue at 30 September 2020.

On 12 June 2020, the Company announced a final dividend of 3.375 pence per share in respect of the six months to 31 March 2020. On 13 August 2020, the Company announced a take-up of the scrip dividend representing 1.10% of the issued share capital and 3,301,265 shares were subsequently issued from treasury shares on 14 August 2020.

As at 30 September 2020, the Company held 14,397,479 treasury shares (31 March 2020: 15,830,040). 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.

Notes to the condensed consolidated interim financial statements continued

7 Share capital continued

Treasury shares	30 September 2020 (unaudited) (no. shares)	31 March 2020 (audited) (no. shares)
Opening balance	15,830,040	16,028,050
Issue of scrip dividend shares	(3,301,265)	(4,153,945)
Market buy-back of shares at an average price of £1.17 per share (31 March 2020: £1.15)	1,915,937	4,153,945
Exercised shares from the Deferred Share Bonus Plan	(47,233)	(198,010)
Closing number of treasury shares	14,397,479	15,830,040

On 1 October 2020, a further 1,385,328 shares were bought back on the market for £1.17 per share. This brought the total number of shares bought back in the period to 3,301,265; equal to the total number of shares issued as a scrip dividend in the period. At 1 October 2020, the total number of treasury shares held is 15,782,807.

8 Investment property

The consolidated fair value of investment properties at 30 September 2020 was £437.8 million (31 March 2020: £387.8 million). This excludes an amount of £14.3 million (31 March 2020: £14.3 million) for the last remaining Swiss property (31 March 2020: one Swiss property) and £86.8 million (31 March 2020: £94.8 million) for the remaining seven German properties (31 March 2020: eight German properties) which have been classified as held for sale. With the exemption of the seven German properties, 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'). The seven properties located in Germany, classified as held for sale are all in advanced stages of sale, and the fair values have accordingly been determined by the directors based on the sale prices.

The fair value of each of the properties for the period ended 30 September 2020, with the exception of the seven properties located in Germany, which have been classified as held for sale (discussed in detail in note 10), was assessed by the valuers in accordance with the Royal Institution of Chartered Surveyors ('RICS') standards and IFRS 13. Valuers are qualified for purposes of providing valuations in accordance with the 'Appraisal and Valuation Manual' published by RICS.

The 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, expectation of future rentals and the discount yield applied to those cash flows. 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 different, 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.

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 biannual basis. The audit and risk committee reviews the valuation results and, provided the committee is satisfied with the results, recommends them to the board for approval.

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

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

With the exception of six (31 March 2020: two) 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.

Notes to the condensed consolidated interim financial statements continued

8 Investment property continued

The key unobservable inputs used in the valuation of the Group's investment properties at 30 September 2020 are detailed in the table below:

Combined portfolio (including share of jointly controlled entities) (unaudited)	Market value 30 September 2020 (£'000)	Portfolio by market value (%)	Properties (number)	Area (sq m)	Annualised gross rental income (£'000)	Net initial yield (weighted average) (%)	Voids by area (%)	Market rent range per month (£/sq m)
Investment properties								
UK multi-let industrials	360,510	62.8	75	465,122	26,107	6.34	6.7	2.6-8.3
UK non-multi-let industrials	77,250	13.5	6	32,399	6,076	7.12	0.1	3.0-34.4
Subtotal	437,760	76.3	81	497,521	32,183	6.48	6.2	–
Assets held for sale								
Germany	86,765	15.1	7	38,725	4,582	4.53	1.3	5.0-13.8
Switzerland	14,347	2.5	1	6,974	1,043	5.34	–	12.5
Total – wholly owned	538,872	93.9	89	543,220	37,808	6.14	5.8	–
Share of joint ventures	35,271	6.1	4	19,330	2,551	6.13	–	7.8-14.3
Total	574,143	100	93	562,550	40,359	6.14	5.6	–

	30 September 2020 (unaudited)			31 March 2020 (audited)		
	Investment property £'000	Assets held for sale £'000	Total – wholly owned £'000	Investment property £'000	Assets held for sale £'000	Total – wholly owned £'000
Opening balance	387,761	109,076	496,837	562,815	16,160	578,975
Acquisitions	41,871	–	41,871	41,160	–	41,160
Capitalised expenditure	255	41	296	6,456	6,847	13,303
Transfers to assets held for sale	–	–	–	(230,467)	230,467	–
Disposals	–	(21,315)	(21,315)	(3,650)	(142,661)	(146,311)
Net fair value gain on investment property	7,873	10,764	18,637	4,937	(6,678)	(1,741)
Foreign exchange movement in foreign operations	–	2,546	2,546	6,510	4,941	11,451
Closing balance	437,760	101,112	538,872	387,761	109,076	496,837

Notes to the condensed consolidated interim financial statements continued

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 incorporated entities with registered address:			
231, Val des Bons Malades, L-2121 Luxembourg			
Elysion S.A.	Luxembourg	Holding company	50
Elysion Braunschweig S.a.r.l	Luxembourg	Property company	50
Elysion Dessau S.a.r.l	Luxembourg	Property company	50
Elysion Kappeln S.a.r.l	Luxembourg	Property company	50
Elysion Winzlar S.a.r.l	Luxembourg	Property company	50
Republic of Ireland incorporated entity with registered address:			
18f Main Street, Dundrum, Dublin 14			
Ardale Industrials Limited	Republic of Ireland	Management company	50

Elysion S.A.

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

The acquired bonds have attracted, and continue to attract, a 10% compounded interest rate since inception in 2007 and have limited recourse to compartment assets within Elysion S.A., with the proceeds made available to subsidiaries in the joint venture for real estate investment in Care Homes. All costs and expenses incurred by the Elysion S.A. compartment are deducted or withheld from any payment of principal or interest. The fair value has been determined based on the net assets of the compartment which would be available to settle the outstanding bond and which is intrinsically linked to the fair value of the investment property. Further details on the estimates and assumptions used in determining the fair value of investment property can be found in note 8.

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

As at 30 September 2020 (unaudited)	Elysion S.A. £'000	Other £'000	Total £'000
Investment property	35,526	–	35,525
Cash and cash equivalents	938	–	938
Current assets	26	12	38
Assets	36,490	12	36,502
Bank loans	(18,467)	–	(18,467)
Bond	(15,665)	–	(15,665)
Deferred tax	(1,380)	–	(1,380)
Financial liability	(628)	–	(628)
Current liabilities	(122)	(9)	(131)
Liabilities	(36,262)	(9)	(36,271)
Net assets of joint ventures	228	3	231
Group's investment in joint venture bond	15,665	–	15,665
Group's share of joint ventures' net assets	114	1	115
Revenue	1,268	–	1,268
Finance	(907)	–	(907)
Net fair value loss	(1,646)	–	(1,646)
Tax expense	(75)	–	(75)
Loss from and total comprehensive income from continuing operations	(1,360)	–	(1,360)

Notes to the condensed consolidated interim financial statements continued

9 Investment in joint ventures continued

As at 31 March 2020 (audited)	Elysion S.A. £'000	Other £'000	Total £'000
Investment property	35,737	–	35,737
Fixed assets	227	–	227
Cash and cash equivalents	543	10	553
Current assets	42	2	44
Assets	36,549	12	36,561
Bank loans	(18,364)	–	(18,364)
Bond	(14,557)	–	(14,557)
Deferred tax	(1,330)	–	(1,330)
Financial liability	(591)	–	(591)
Current liabilities	(148)	(9)	(157)
Liabilities	(34,990)	(9)	(34,999)
Net assets of joint ventures	1,559	3	1,562
Group's investment in joint venture bond	15,336	–	15,336
Group's share of joint ventures' net assets	780	1	781
Revenue	2,472	15	2,487
Finance	(2,193)	(12)	(2,205)
Net fair value gains	674	–	674
Tax expense	(231)	(2)	(233)
Profit from and total comprehensive income from continuing operations	722	1	723

10 Assets held for sale and discontinued operations

Management considers the one remaining Swiss property (31 March 2020: one) and seven properties located in Germany (31 March 2020: eight) to meet the conditions relating to assets held for sale, as per IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. The properties are expected to be disposed of during the next 12 months. The Swiss property at Lugano, which is valued at 30 September 2020 at CHF17.0 million (£14.3 million) (31 March 2020: CHF17.0 million (£14.3 million)), is classified as held for sale. Although the sale may not complete within 12 months, Stenprop is committed to the disposal of the asset in line with its strategy to exit the Swiss market. Accordingly, Stenprop has disclosed the asset as held for sale. The fair value of Lugano has been determined by a third-party valuer, JLL.

The seven properties located in Germany, classified as held for sale are all in advanced stages of sale, and the fair values have accordingly been determined by the directors based on the sale prices. Given the advanced state of the sales, associated selling costs have been provided.

All non-current assets, and the Swiss disposal group, classified as held for sale are disclosed at their fair value.

The fair value of these properties, and their comparatives are shown in the table below along with associated assets and liabilities:

	30 September 2020 (unaudited) £'000	31 March 2020 (audited) £'000
Investment properties (see note 8)	**101,112**	109,076
Cash and cash equivalents	**2,124**	1,135
Trade and other receivables (see note 12)	**1,505**	1,646
Assets classified as held for sale	**104,741**	111,857
Bank loans	**35,852**	43,177
Derivative financial instruments (see note 11)	**–**	134
Deferred tax	**4,198**	3,782
Tax credit	**(650)**	(611)
Accounts payable and accruals	**2,722**	828
Liabilities directly associated with assets classified as held for sale	**42,122**	47,310

Notes to the condensed consolidated interim financial statements continued

10 Assets held for sale and discontinued operations continued

The Swiss property is the only asset recognised as a discontinued operation as the Swiss segment is a disposal group. In the prior period, the entire Swiss segment (one property) was recognised as a discontinued operation in accordance with IFRS 5.32. The results of the discontinued operation were as follows:

Discontinued operations	30 September 2020 (unaudited) £'000	30 September 2019 (unaudited) £'000
Rental income	589	487
Property expenses	(338)	(341)
Net rental income	251	146
Profit on disposal of subsidiaries	134	–
Operating costs	(66)	(114)
Profit from operations	319	32
Finance costs	(36)	(36)
Gain/(loss) for the period before taxation	283	(4)
Current tax	(84)	(45)
Gain/(loss) for the period from discontinued operations	199	(49)

Disposals

On 30 September 2020, the Group disposed of its property, Neucölln Carrée retail park, in Berlin, Germany held in Isabel Properties B.V. for €27.0 million.

Prior year 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.

On 19 July 2018, the Group disposed of seven properties in Switzerland. As part of the agreements entered into for the sale of these 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.

Notes to the condensed consolidated interim financial statements continued

11 Borrowings

	30 September 2020 (unaudited) £'000	31 March 2020 (audited) £'000
Opening balance	154,171	245,090
New loans	–	24,668
Repayment of borrowings	–	(2,000)
Amortisation of loans	–	(134)
Capitalised borrowing costs	(36)	(919)
Amortisation of transaction fees	318	623
Foreign exchange movement in foreign operations	–	4,098
Adjustment for liabilities directly associated with assets classified as held for sale	–	(117,255)
Total borrowings	154,453	154,171
Amount due for settlement within 12 months	4,420	–
Amount due for settlement between one to three years	89,204	93,468
Amount due for settlement between three to five years	60,829	60,703
Total borrowings	154,453	154,171
Non-current liabilities		
Bank loans	150,033	154,171
Total non-current loans and borrowings	150,033	154,171
Current liabilities		
Bank loans	4,420	–
Total current loans and borrowings	4,420	–
Total loans and borrowings	154,453	154,171

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

						Nominal value		Carrying value*	
	Note	Amortising	Loan interest rate	Currency	Maturity date	30 September 2020 (unaudited) £'000	31 March 2020 (audited) £'000	30 September 2020 (unaudited) £'000	31 March 2020 (audited) £'000
United Kingdom									
LPE Limited		No	LIBOR +2.00%	GBP	31/03/2022	28,000	28,000	27,893	27,857
GGP1 Limited		No	LIBOR +2.25%	GBP	26/05/2021	4,500	4,500	4,484	4,472
Industrials UK LP		No	LIBOR +2.25%	GBP	02/06/2022	61,484	61,484	61,311	61,259
Stenprop Industrials 4 Limited		No	LIBOR +2.00%	GBP	14/11/2024	34,879	34,879	34,329	34,255
Stenprop Industrials 6 Limited		No	LIBOR +2.00%	GBP	01/02/2024	26,840	26,840	26,500	26,448
Switzerland									
Kantone Holdings Limited	1	Yes	LIBOR +1.15%	CHF	Three-month rolling facility	6,478	6,513	6,478	6,513
Germany									
Century BV	1	No	Euribor +1.55%	EUR	31/12/2022	7,551	7,369	7,509	7,319
Century 2 BV	1	No	Euribor +1.55%	EUR	31/12/2022	3,927	3,832	3,903	3,804
Isabel Properties BV	1	No	Euribor +2.32%	EUR	30/12/2021	–	8,001	–	8,001
Stenprop Hermann Ltd	1	No	Euribor +1.13%	EUR	30/06/2021	8,590	8,383	8,580	8,383
Stenprop Victoria Ltd	1	No	Euribor +1.28%	EUR	28/02/2021	9,382	9,157	9,382	9,157
						191,631	198,958	190,369	197,468

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

1. *Excluding the Switzerland and German loans, which are classified as liabilities held for sale, the total carrying value of loans at 30 September 2020 is £154.5 million as detailed in total borrowings.*

Notes to the condensed consolidated interim financial statements continued

12 Trade and other receivables

Non-current receivables	30 September 2020 (unaudited) £'000	31 March 2020 (audited) £'000
Other debtors	13,334	13,523
Total non-current receivables	**13,334**	13,523

Non-current other debtors includes £12.08 million (31 March 2020: £12.27 million) of loans advanced under the Share Purchase Plan and £1.0 million (31 March 2020: £1.0 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, previously 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.

The loans have been assessed for an expected credit loss under IFRS 9. The analysis shows that due to the full recourse nature of the loans, secured against the shares issued and underlying assets of the borrowers, loss given default is currently estimated at £nil. There has been no perceived significant increase in credit risk and we have not recognised a 12-month expected credit loss on these loans.

Current receivables	30 September 2020 (unaudited) £'000	31 March 2020 (audited) £'000
Accounts receivable	7,281	4,225
Loss allowance on accounts receivables	(2,254)	(976)
Lease incentives	1,813	2,545
Loss allowance on lease incentives	(223)	–
Other receivables	4,025	2,610
Prepayments	1,222	1,491
Transfer to assets held for sale	(1,505)	(1,646)
Total current receivables	**10,359**	8,249

	30 September 2020 (unaudited)			31 March 2020 (audited)		
	Accounts receivables £'000	Loss allowance £'000	Net receivables £'000	Accounts receivables £'000	Loss allowance £'000	Net receivables £'000
Not yet due	705	–	705	554	–	554
1-30 days overdue	1,473	(35)	1,438	2,182	(169)	2,013
31-60 days overdue	2,019	(143)	1,876	279	(1)	278
61-90 days overdue	395	(331)	64	258	(198)	60
91-120 days overdue	344	(301)	43	224	(148)	76
More than 120 days overdue	2,345	(1,444)	901	728	(460)	268
Total	7,281	(2,254)	5,027	4,225	(976)	3,249

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on shared credit risk characteristics and the days overdue.

The expected loss rates on accounts receivables and lease incentives are based on the Group's historical credit losses experienced over the current period. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors like local lockdowns in response to COVID-19 restrictions and international trade following Brexit that affect the Group's customers.

Notes to the condensed consolidated interim financial statements continued

13 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 2020.

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 2020.

14 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 2020. Transactions with key management personnel are materially consistent with those described in note 8 of the 2020 Annual Report, including details of the bonuses approved on 10 June 2020 in respect of the year ended 31 March 2020.

There have been no material changes to the loans provided to directors to purchase Stenprop shares under the Share Purchase Plan. Further details of this plan can be found in note 20 of the 2020 Annual Report.

Information regarding the transactions and balances with joint venture parties can be found in note 18 of the 2020 Annual Report.

There are no other related party transactions that occurred during the period under review.

Ultimate controlling party

The directors do not consider there to be an ultimate controlling party.

Notes to the condensed consolidated interim financial statements continued

15 Events after the reporting period

(i) Declaration of dividend

On 2 December 2020, the directors declared an interim dividend of 3.375 pence per share (2019: 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 17 December 2020. It is expected that shares will commence trading ex-dividend on 20 January 2021 on the JSE and on 21 January 2021 on the LSE. The record date for the dividend is expected to be 22 January 2021 and the dividend payment date 12 February 2021.

(ii) COVID-19

The UK, German and Swiss markets are currently seeing rising rates of COVID-19 infections. Governments are applying varying degrees of restrictions on their residents based on local infection rates. Since 30 September 2020, the English, Scottish and Welsh Governments have implemented periods of restrictions and national lockdowns of varying length. We closely monitor our portfolio for any potential impact a local lockdown may have on our customers. Our asset managers engage directly with our customers to understand the cash flow implications to their business and ability for them to pay their rent. The Group continues to monitor government policy changes on a daily basis.

(iii) Brexit

We are confident that our MLI customer base is relatively resilient to the United Kingdom leaving the European Union with no trade deal. Our customers are largely made up of local businesses across the country servicing their local communities. In general, they are not the big single let occupiers reliant on import or export supply chains. However, not agreeing a trade deal with the European Union could result in a contraction of the United Kingdom economy as a whole which would generally be negative for all businesses.

(iv) Acquisitions

MLI assets to the value of £20.2 million have been acquired since the reporting date. On 10 November 2020 and 13 November 2020 respectively, Stenprop acquired two separate industrial estates known as Mandale in Durham for £11.2 million and Phoenix Industrial Estate in West Bromwich for £2.8 million. On 3 December 2020, an industrial estate known as The Levels, Capital Business Park in Cardiff was acquired for £6.2m.

Alternative performance measures

Stenprop considers several Alternative Performance Measures ('APMs') important to improve the transparency and relevance of our published results, as well as the comparability of our results with other listed European real estate companies.

EPRA performance measures

The European Public Real Estate Association ('EPRA') provides guidelines for alternative 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. In October 2019, EPRA issued updated best practice guidelines which are effective for accounting periods starting on or before 1 January 2020, introducing three new net asset value metrics: EPRA net reinstatement value, EPRA net tangible assets and EPRA net disposal value.

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 provide 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 to provide additional information on 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.

The table below summarises the Group's EPRA performance indicators, as well as the nearest IFRS measure where applicable, and a reference to where in these results further explanation and/or reconciliation can be found.

EPRA performance measure	Nearest IFRS measure	Reference in document	30 September 2020	31 March 2020
EPRA cost ratio (excluding direct vacancy costs)	N/A	N/A	**35.4%**	34.5% (34.9% at 30 September 2019)
EPRA cost ratio (including direct vacancy costs) Key measure to enable meaningful measurement of the changes in a company's operating costs.	N/A	Operating and financial review	**38.8%**	35.3% (38.9% at 30 September 2019)
EPRA earnings A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	Earnings	Note 5	**£9.4 million**	£19.03 million (£9.7 million at 30 September 2019)
EPRA earnings per share	Earnings per share	Note 5	**3.40p**	6.65p (3.41p at 30 September 2019)
EPRA net disposal value per share NAV measure that assumes assets are sold and/or liabilities are not held until maturity. Deferred tax, financial instruments and certain other adjustments are calculated as to the full extent of their liability, including tax exposure not reflected In the Statement of financial position.	Diluted net assets per share	Note 6	**1.43p**	1.37p
EPRA net reinstatement value per share NAV measure to highlight the value of net assets on a long-term basis. Fair value movements on financial derivatives and deferred taxes are excluded.	Diluted net assets per share	Note 6	**1.59p**	1.51p
EPRA net tangible assets per share NAV measure that assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability, which is included.	Diluted net assets per share	Note 6	**1.44p**	1.38p
EPRA NIY Annualised rental income based on the cash rents passing at the reporting date, less non-recoverable property operating expenses, expressed as a percentage of the market value of property.	N/A	N/A	**5.97%**	5.95%
EPRA 'topped up' NIY	N/A	N/A	**6.20%**	6.33%
EPRA vacancy rate A 'pure' (%) measure of investment property space that is occupied, based on ERV.	N/A	N/A	**4.7%**	5.6%
Like-for-like rental income growth This measure illustrates the change in comparable income values.	N/A	N/A	**2.5%**	–

Alternative performance measures continued

Like-for-like rental income growth (%)

	Rental income[1]			
	30 September 2020 £'000	30 September 2019 £'000	Change £'000	Change %
UK multi-let Industrial	**22,300**	21,200	1,100	5.2%
UK non-multi-let industrial	**6,100**	6,000	100	1.7%
Continuing operations	**28,400**	27,200	1,200	4.4%
Held for sale:				
Germany	**4,600**	4,600	–	0.0%
Switzerland	**1,000**	1,300	(300)	-23.1%
Subtotal	**5,600**	5,900	(300)	-5.1%
Share of joint venture	**2,600**	2,600	–	0.0%
Total like-for-like	**36,600**	35,700	900	2.5%
Acquisitions	**3,800**	–	3,800	100.0%
Total	**40,400**	35,700	4,700	11.6%

1. *Gross contractual rental income at reporting date, generated by properties that were held by the Group for the year, excluding properties undergoing significant development. This measure illustrates the change in comparable income values.*

A standardised rate has been used to translate the portfolio and remove any foreign exchange impact, for purposes of this like-for-like analysis.

Other alternative performance measures

Management use certain financial performance measures to assess the financial and operational performance of the Group. These alternative performance measures are not defined or specified under IFRS or EPRA; however, management believe that they provide useful information to readers. These non-IFRS measures may not be comparable to similar measures presented by other companies. The table below summarises the additional alternative performance measures included in these results.

Other alternative performance measure	Nearest IFRS measure	Reference in document	30 September 2020	31 March 2020
Adjusted earnings (Previously diluted adjusted EPRA earnings)	Earnings	Note 5 and operating and financial review	**£9.7 million**	£19.7 million (£9.7 million at 30 September 2019)
Adjusted earnings per share (Previously diluted adjusted EPRA earnings per share)	Earnings per share	Note 5 and operating and financial review	**3.40p**	6.88p (3.41p at 30 September 2019)
Cost of debt	N/A	Operating and financial review	**2.51%**	2.62%
Debt maturity	N/A	Operating and financial review	**2.3 years**	2.7 years
Distribution per share	N/A	Operating and financial review	**3.375p**	3.375p (11 June 2020)
Free cash	Cash and cash equivalents less restricted cash and cash held for other purposes	Operating and financial review	**£40.0 million**	£70 million
Headline earnings per share	Earnings per share	Note 5	**3.08p**	5.86p (3.02p at 30 September 2019)
Headline earnings per share - diluted	Diluted earnings per share	Note 5	**3.05p**	5.79p (2.98p at 30 September 2019)
Loan-to-value ratio (LTV)	N/A	Operating and financial review	**36.6%**	40.8%

FX rates in period

Average foreign exchange rates in the period: £1.00:€1.1160; £1.00:CHF1.1919 (2019: £1.00:€1.1263; £1.00:CHF1.2517)
Period end foreign exchange rates: £1.00:€1.0978; £1.00:CHF1.1856 (31 March 2020: £1.00:€1.1249; £1.00:CHF1.1914)

Glossary

Adjusted earnings
Utilises EPRA earnings and applies further company-specific adjustments to earnings to exclude items considered not to be in the ordinary course of business or other exceptional items that do not necessarily provide an accurate picture of the Group's underlying operational performance. (Previously referred to as Diluted adjusted EPRA Earnings).

Adjusted earnings per share
Adjusted earnings per share after considering dilutive share options. (Previously referred to as Diluted adjusted EPRA Earnings per share).

Cost of debt
This represents the all-in interest rate after including the reference rate, the margin and interest rate derivative, if applicable. The Group weighted average cost of debt is the all-in interest rate of the Group weighted by loan size.

Debt maturity
Measured in years, the debt maturity is calculated by comparing the reference date (e.g. period-end) to the maturity date of the debt referred to.

Distribution per share
Total distribution per share that Stenprop makes to shareholders in respect of the financial year. Distributions are paid twice yearly.

EPRA
The European Public Real Estate Association.

EPRA cost ratio (including direct vacancy costs)
Administrative and operating costs expressed as a percentage of gross rental income.

EPRA earnings
Earnings from operational activities. A key measure of the Group's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.

EPRA earnings per share
Earnings from operational activities per share after considering dilutive share options.

EPRA NDV per share
EPRA net disposal value per share after considering dilutive share options.

EPRA net disposal value (NDV)
An EPRA NAV measure that represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

EPRA net initial yield (NIY)
Annualised rental income based on the cash rents passing at the statement of financial position date, less non-recoverable property operating expenses, expressed as a percentage of the market value of property.

EPRA net reinstatement value (NRV)
An EPRA NAV measure that aims to represent the value required to rebuild the entity. The NAV per the IFRS financial statements is adjusted to assume that the entity never sells assets.

EPRA net tangible assets (NTA)
The NAV per the IFRS financial statements is adjusted to assume that the entity buys and sells assets, thereby crystallising certain levels of unavoidable deferred tax.

EPRA NRV per share
EPRA net reinstatement value per share after considering dilutive share options.

EPRA NTA per share
EPRA net tangible assets per share after considering dilutive share options.

EPRA 'topped up' NIY
EPRA NIY adjusted for the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and stepped rents).

EPRA triple net asset value (NNNAV) per share
EPRA NAV adjusted to include the fair value of (i) financial instruments, (ii) debt and (iii) deferred taxes.

EPRA vacancy rate
Estimated market rental value (ERV) of vacant space divided by ERV of the portfolio as a whole.

EPS
Earnings per share based on the weighted average number of shares in issue

Estimated rental value (ERV)
The external valuers' opinion of the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

Free cash
Available cash after deducting restricted cash and cash held back for other purposes (including significant tax liabilities as well as committed capital and operational expenditure) from cash and cash equivalents.

Group
Stenprop, the Company, its subsidiaries and its share of joint ventures.

Headline earnings
A method of reporting corporate earnings, as required by the JSE listings requirements. The measure is based entirely on operational, trading, and capital investment activities achieved during the period. Excluded from the headline earnings figure are profits or losses associated with the sale or termination of discontinued operations, fixed assets or related businesses, or from any permanent devaluation or write-off of their values.

IFRS
International Financial Reporting Standards issued by the International Accounting Standards Board.

Interest cover
Represents the number of times net interest payable is covered by underlying rental income (or net rental income, as appropriate).

LIBOR
London Interbank Offered Rate, the interest rate charged by one bank to another for lending money.

Like-for-like basis
This represents the change in a measure (such as property valuation) for reference data that applies throughout the current and previous periods under review.

Glossary continued

Like-for-like rental income growth
The change in gross contractual rental income at reporting date, generated by properties that were held by the Group for the year, excluding properties undergoing significant development. This measure illustrates the change in comparable income values.

Loan-to-value (LTV)
Ratio of gross debt to the aggregate value of properties.

NAV
Net asset value.

Net assets per share
NAV divided by the number of shares in issue at the period (less treasury shares).

Occupancy rate
Estimated market rental value (ERV) of occupied space divided by ERV of the portfolio as a whole (the inverse of EPRA vacancy rate).

Property income distribution (PID)
As a REIT, the Group is obliged to distribute 90% of its UK property tax-exempt profits. PIDs are profits distributed to shareholders, which are subject to tax in the hands of the shareholders as property income. PIDs are normally paid net of withholding tax currently at 20%, which the REIT pays to the tax authorities on behalf of the shareholder. Certain types of shareholder (e.g. pension funds) are tax exempt and receive PIDs without deduction of withholding tax. REITs also pay out normal dividends, which are taxed in the same way as dividends received from non-REIT companies and are not subject to withholding tax.

Real estate investment trust (REIT)
REITs are property companies that allow people and organisations to invest in commercial property and receive benefits as if they directly owned the properties themselves. The effect is that taxation is moved from the corporate level to the investor level as investors are liable for tax as if they owned the property directly. Stenprop became a UK REIT in May 2018.

Total shareholder return
The growth in value of a shareholding over a specified period, assuming dividends are reinvested to purchase additional units of stock.

Treasury shares
Shares repurchased by the Company, reducing the amount of outstanding stock on the open market.

Voids
Unlet space as a percentage of area, including voids where refurbishment work is being carried out unless specifically mentioned.

WAULT
Weighted average unexpired lease term, indicating the average remaining life of the leases within our portfolio.

Corporate information

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

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