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STENPROP LIMITED
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11 June 2021

FULL YEAR RESULTS TO 31 MARCH 2021

STRONG RESULTS DRIVEN BY CONTINUED OCCUPIER DEMAND AND EFFECTIVE ASSET MANAGEMENT, AS MULTI-LET INDUSTRIAL (“MLI”) TRANSITION NEARS COMPLETION

Stenprop Limited (“**Stenprop**” or the “**Company**”), the UK multi-let industrial property company, announces results for the full year to 31 March 2021.

Commenting on the results, Paul Arenson, CEO of Stenprop, said: "This has been a year of strong results and continued transformation for Stenprop. A combination of the efforts of our asset management team, the strength of occupier demand for our multi-let industrial space and the quality of our portfolio, led to a 10.1% increase, on a like-for-like basis, in the valuation of our MLI portfolio and underpinned like-for-like MLI rental growth of 5.6% for the year.

“We remain firmly on track to become a 100% UK MLI business by the end of the current financial year, having reached 74% by the year end, up from 58% at the start of the year. This has been driven by a successful investment and divestment programme, with disposal of our non MLI assets achieved at an average uplift of 15% on their valuations at the beginning of the year. The capital from these sales, along with our existing cash levels, will allow us to acquire approximately £100 million of MLI assets over the coming financial year.

“We will continue to invest in our proprietary industrials.co.uk platform. It has been a key driver of performance, assisting us to deliver a record-breaking year of leasing activity, whilst the market intelligence it affords gave us the confidence to resume investment activity ahead of plan. Having committed to our MLI strategy over three years ago, we are starting to see the rewards of our conviction and believe the strength of the team, coupled with the favorable structural trends, position us to continue delivering strong results for shareholders.”

Asset management continues to underpin valuation and earnings growth

- Total Accounting Return doubled to 11.4% (31 March 2020: 5.7%)
- Declared covered total dividend for the year of 6.75 pence per share (2020: 6.75 pence).
- Adjusted earnings per share of 6.78p (31 March 2020: 6.88p), mainly reflecting a bad debt expense of £3 million compared with a bad debt expense last year of £0.5 million which was before COVID-19.
- 6.5% increase in EPRA Net Tangible Assets (‘NTA’) per share to 147 pence (31 March 2020: 138 pence)
- Portfolio valued at £582.3 million (2020: £532.6 million), reflecting a like-for-like valuation increase of 6.3%. This was primarily driven by a 10.1% increase in the like-for-like value of the MLI portfolio. 65% of this was as a result of rental growth and 35% as a result of a yield change

Platform efficiency and occupier demand driving performance

- Like-for-like rental growth across the MLI portfolio of 5.6% for the year (2020: 5.6%), driven by average uplifts from previous passing rents upon new lettings and renewals of 16.3%.
- MLI portfolio vacancy has fallen to 6.3% on 31 March 2021 from 9.0% on 31 March 2020 because of high demand and limited supply of MLI units in the market
- ERV across the portfolio grew 6.2% to £6.16/sq ft (2020: £5.80/sq ft), reflecting a 12.8% premium to the average passing rent of £5.46 sq ft (2020: £5.27/sq ft)
- Over 60% of leases contracted through Stenprop’s short form digital ‘Smart Leases’
- Robust rent collection of 90%
- Industrials.co.uk website users up 75% year on year

Multi-let industrial transition strategy nearing completion

- Multi-let industrial assets comprise 74.3% of total portfolio (2020: 58%) with Stenprop on target to reach 100% by 31 March 2022
- 14 individual MLI estates, totalling over one million sq ft, acquired during the year for £91.5 million in line with £90 million target
- Disposed of £79.5 million of non-MLI assets in Germany, achieved at an average premium of 15% to the 31 March 2020 valuations

	FY2021	FY2020
Statement of comprehensive income		
Total dividend per share	**6.75p**	6.75p
Diluted IFRS earnings per share	**18.57p**	5.44p
Adjusted earnings per share[1]	**6.78p**	6.88p
Diluted EPRA earnings per share	**6.62p**	6.65p

	FY2021	FY2020
Statement of financial position		
Portfolio valuation (including joint ventures)	**£582.3m**	£532.6m
Like-for-Like portfolio valuation[2] increase in year	**+6.3%**	+2.8%
Diluted IFRS NAV per share	**£1.48**	£1.37
EPRA NTA per share[3]	**£1.47**	£1.38
Loan-to-value[4]	**28.1%**	26.2%

1. See note 14 to the financial statements for reconciliation to IFRS earnings per share (and for all subsequent 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 year.
3. See note 15 to the financial statements for reconciliation to IFRS NAV per share (and for all subsequent references in this report to IFRS/EPRA NTA).
4. Loan-to-value (LTV) ratio is the ratio of total borrowings, less unrestricted cash, to the Group's aggregate value of properties.

A webcast will be held for investors and analysts this morning at 9am and can be accessed here:
https://us02web.zoom.us/webinar/register/WN_tLnn7UQoQjWvgMe7DhyPLg

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About Stenprop:
Stenprop is a UK REIT listed on the LSE and the JSE. The objective of the Company is to deliver sustainable growing income to its investors. Stenprop's investment policy is to invest in a diversified portfolio of UK multi-let industrial (MLI) properties with the strategic goal of becoming the leading MLI business in the UK. For further information, go to www.stenprop.com.

Chief Executive's Statement

Our transition is mostly behind us and we have almost achieved our goal of becoming a fully focused MLI REIT.

Strong asset class fundamentals

I am pleased to be able to report that we have ended the financial year with our portfolio at over 74% UK multi-let industrial ('MLI'). This is very satisfying, given that we began the year at 58% MLI and were intent on holding cash, which stood at approximately £70 million, as COVID-19 struck and the UK went into an unprecedented first lockdown. A year later, the UK was in its third lockdown, yet by this time, we had been investing in the acquisition of additional MLI since summer 2020, fully confident to push ahead with the completion of our transition into 100% MLI based on the data of accelerated enquiries for space we were receiving from our Industrials Hive operating platform. Our customers have proven to be very resilient and our collection rates are standing at over 90%, with MLI benefitting from an acceleration of e-commerce penetration in the UK which is driving greater demand for space from SME occupiers.

Our strategic decision taken in 2018 to become a focused UK MLI business has been the right one. The MLI asset class continues to enjoy strong demand, high levels of rent collection, significant rental growth and low levels of vacancy. This has enabled Stenprop to maintain its fully covered dividend of 6.75p for the financial year, notwithstanding the impact of both COVID-19 on collections and of holding large cash balances for the first few months of the pandemic.

Our transition to 100% MLI is almost complete

We view our transition to a 100% UK MLI business as largely complete. Our focus for the financial year to 31 March 2022 and beyond is now firmly on continuing to improve the performance of the Group's MLI portfolio.

All that is left for us to do to complete the transition is to sell our remaining non-MLI assets (excluding our urban logistics assets) valued at £127.2 million.

In terms of growth and replacing the income that we will lose from these disposals, our intention is to acquire approximately £100 million of MLI property in the financial year to 31 March 2022, using previous and anticipated proceeds from the sale of non-MLI assets, together with approximately 40% leverage.

During the year, we acquired 14 individual

MLI estates at an aggregate cost of £91.5 million before costs. We sold our Bike Max portfolio of retail warehouses and two of our three Berlin daily needs centres, and notarised on the sale of the third. We achieved an average of 15% uplift to the March 2020 valuations on these sales.

Prudent financial management

In addition, we were able to take advantage of historically cheap debt markets to refinance a portfolio of properties with a £66.5 million loan, which we fixed for seven years, interest-only at an all-in rate of 1.66% per annum. We also extended an existing five-year tranche of debt by £23 million against recently acquired MLI assets at an all-in rate of 1.8% per annum, interest-only. We ended the financial year with an overall LTV of 28.1% when unrestricted cash is considered and having reduced the average cost of debt while increasing the average term.

A specialised MLI operating platform

Furthermore, we made excellent progress in evolving our platform strategy, both on the ground and by embracing technology, to enhance efficiencies and enable us to manage significantly more scale with marginal incremental cost. Our decision to continue investing in our technology during COVID has proved to be the right one. Our customer relationship management ('CRM') system went live at the beginning of the 2021 financial year and has been a big success in assisting us managing our digital marketing and leasing process. A significant roll out of our unified finance and operations system is now well under way and anticipated to go live in the second quarter of the financial year to 31 March 2022. This will complete the first phase of our Industrials Hive platform development, allowing us to in-source several key processes and control the customer experience throughout its lifecycle. The Industrials Hive platform will provide Stenprop with the ability to grow its business, expand its offering to customers and achieve future economies of scale through the use of technology and streamlined processes.

We believe our strategy to invest in and build a market-leading, technology-enabled MLI operating platform will be a part of fundamental changes to the way in which the UK MLI sector is likely to be managed in the future. In much the same way as platforms have transformed the risks, efficiencies, ratings, and valuations in other sectors like self-storage, student accommodation and hotels, we believe the MLI sector is ready for this. Our intention is to continue with the investment into our platform during this year to ensure that Stenprop is at the forefront of this process of change.

Performance of the UK MLI sector

Notwithstanding COVID-19 and the three UK lockdowns, the structural imbalance in supply and demand for UK MLI continued to deliver inflation-beating rental growth throughout the year. The fundamentals in the sector remained extremely positive and Stenprop experienced underlying like-for-like rental growth of 5-6% for the year.

We hold the view that this imbalance will continue for several years, as it is still not economically feasible to build MLI units in most locations at current rental levels and yields, and because in and around many conurbations, supply is also being taken out of the market in favour of other uses such as residential. Our MLI portfolio is valued at approximately £71.20 per sq ft on average.

We estimate that replacement build costs are at least £125 per sq ft, which means rents must rise by a further 30-40% in most regions before development of new MLI units becomes widely viable, assuming suitable development land is available in and around densely populated towns and cities.

On the demand side, we are seeing increasing numbers of new types of businesses, enabled by the internet, needing MLI space. These are businesses who have not previously occupied MLI space and are now realising the value of affordable, flexible space close to towns and cities. Whilst COVID-19 has caused immense disruption to the economy, we can see that the response to it by business is paving the way for greater demand for MLI units. The internet sales and distribution channels for all businesses have taken another big step forward as the population was forced into isolation and had no choice but to embrace new technology, as well as supply and distribution channels. Home working and the explosion of communication technologies have fostered greater ability to work in a decentralised way, further fuelling demand for MLI space.

Companies have reassessed their globalised 'just-in-time' supply chains. It is becoming apparent to many businesses that it is not viable to rely solely on geographically distant supply chains from single undiversified sources. We sense an increasing desire from companies to have greater control over supplies and easier access, even if it means more cost. Similarly, retailers have expanded into online trading through websites, and many restaurants have opted for dark kitchens to facilitate the rapid increase in demand for delivered meals. There has also been a significant increase in demand from new businesses benefiting from COVID-19 seeking MLI space, such as those that are part of the PPE supply chain and those operating in entirely new industries like 3D printing. We believe that this type of strategic switching of business models will continue to drive the structural shift in demand for MLI units.

Rent collections have been robust

We have provided regular trading updates on our rent collection statistics and readers can find more about the financial impact of COVID-19 on the business in our annual report, to be published in due course. The diversity and granularity of our customer base, both as to type of business and region, has contributed to a high degree of resilience on the part of our portfolio during COVID-19. Fortunately, most have been able to continue working throughout as MLI units generally allow for socially distanced working, and most businesses in MLI have some form of e-commerce component, either being part of the distribution supply chain or as part of an online sales channel. Legislative restrictions remain in place which prevent landlords from enforcing against tenants who do not pay their rent. These restrictions are likely to be relaxed later in 2021, and we are optimistic that once this happens we will be able to recover additional historic rent arrears.

Total accounting return metric

With the Company now firmly focused on MLI, we are introducing a new KPI metric of Total Accounting Return ('TAR') to benchmark and measure the future performance of this portfolio. TAR comprises the percentage EPRA NTA NAV per share increase in the financial year plus the distributions per share for the financial year, as a percentage of the opening EPRA NTA NAV per share at the beginning of the financial year.

Based on the past and current performance of our MLI portfolio and of the MLI asset class characteristics in general, we believe the MLI portfolio should deliver a TAR of at least 10% for the financial year to 31 March 2022 and for several years to come.

At least half of this (>5%) will come from valuation growth within the portfolio, as higher rents are translated into higher capital values. The balance (+/-5%) will come in the form of distributions.

ESG

While our primary purpose as a business is to revolutionise MLI in the UK for the benefit of all our stakeholders, we recognise the critical role that environmental, social and governance ('ESG') factors play in delivering operational and financial performance. In this respect we also understand that monitoring and disclosing the performance of our portfolio is fundamental to delivering value to our shareholders and meeting their expectations around ESG. As you will see in the annual report, during 2020, we developed an ESG strategy and policy to help further embed sustainability within our organisation whilst establishing our own internal ESG Steering Group to track our progress and identify new opportunities to drive further improvements. We look forward to updating shareholders as our strategy evolves.

Conclusion

The fundamentals of the MLI asset class remain very positive in the medium to long term. We believe MLI continues to be well positioned to benefit from these fundamentals and to take a strong leap forward as the COVID-19 crisis passes. Our transition to a 100% UK MLI business is now largely complete, and we are delighted that over this four-year period we have delivered a Total Accounting Return of 32.3%. Looking forward, we return our focus to delivering sustainable and growing earnings and NAV, based upon MLI fundamentals which we believe will consistently deliver a 10% per annum total accounting return. We are also planning the transfer of our LSE listing from the Specialist Fund Segment to the Premium Segment of the Main Market, which we anticipate will take place before the end of the current financial year.

We are also increasingly focused on the operational aspects of managing this single-focused business and are confident that the work we have done and the investment we have made into our operating platform will soon start to show significant and long-lasting earnings enhancing benefits. It has been built to enable Stenprop to achieve the benefits of scaling the business with marginal increments in cost.

We take this opportunity to thank all of our stakeholders and our Board for their support. In particular, we wish to thank our staff who have adapted really well to working from home and to managing the relationships with our customers through these challenging times.

Paul Arenson
Chief Executive Officer
10 June 2021

Property Report and Investment Update

MLI performance overview

Despite the global pandemic, the MLI market and our portfolio performed well during the last year, allowing us to reduce our vacancy rate materially over the period. Demand has risen significantly because of the acceleration of consumer trends towards online retail, and the sector has proven resilient operationally through the lockdowns. Very limited supply of new MLI space entering the market and low levels of vacancy have continued to put rents under upward pressure, whilst lease incentives are down to almost insignificant levels. Despite the growth, witnessed rents remain very affordable especially for new entrants into the market who are migrating into MLI from more expensive sectors (such as retail and offices). Our efficient operating platform and Smart Lease offer has enabled us to capitalise on the opportunity and capture the demand generated through our Industrials brand, whilst we have also consistently generated significant uplifts at lease renewal from existing customers.

Portfolio Change

Vacancy has reduced from 9.0% to 6.3% during the year as demand has outstripped supply across the UK. Income has grown as we added over £90 million of new MLI estates to the portfolio and captured additional rent at renewal and upon new letting.

Income

For the second consecutive year, like-for-like rents grew 5.6% over the year as we captured significant rental uplifts upon new lettings and at lease renewal.

Rents

ERVs grew 6.2% during the course of the year, resulting in an increased gap between passing rent and ERV (12.5% vs 10.1% in the previous year), leading to increased potential for rental uplifts upon reletting or renewal. The increasing number of fixed rental uplifts in the leases is also generating 5.2% of guaranteed rental uplifts to come within the current lease terms vs 4.6% last year.

Demand

We have witnessed a structural shift in MLI demand as a result of Covid-19. Enquiries for MLI space, received into our Industrials Hive platform, have increased 56% in the first quarter of 2021 vs the last quarter of 2020.

Leasing Activity

Key statistic: £5.35 million of contractual rental income signed over the period in 259 transactions.

We continue to capture significant uplifts in passing rent on renewal and the signing of new lettings. The number of lettings completed also remains high, as we let more units than we take back, thus reducing vacancy.

UK urban logistics

We have extended the leases of three single-let urban logistic assets over the course of this year. WAULT is now two years to break and 4.1 years to lease expiry.

The transactions included:

- A new 10-year lease to Menzies Distribution Limited at 1 Europa Drive in Sheffield. The lease included a tenant-only break option after three and five years, and an upward only rent review after the fifth year. The rent increased by 4% from the previous passing level.
- A new 10-year lease to Booker Limited at Unit 1, Knightsbridge Park in Worcester. The lease included a tenant-only break option and upward only rent review after the fifth year. The rent increased by 12% from the previous passing level.
- Whilst extending this lease, we took the opportunity to regear a separate lease at Unit 35 Merthyr Tydfil Industrial Park also let to Booker Limited. This lease expires in July 2021 and we have signed a reversionary lease that extends the term for a further 10 years with a tenant-only break option and upward only rent review after the fifth year.

Guernsey – Trafalgar Court

Over the last year, two small leases were renewed for a total annual rent of £33,000. We secured an uplift from the largest tenant at its July 2020 rent review of £22,000 and settled an RPI rent review on the lease to the second largest tenant, securing an uplift in rent of £71,000 pa.

The office investment market in the Channel Islands remains robust. There is strong demand, but transaction volumes have fallen due to a lack of supply. This was compounded in the first half of the financial year due to COVID-19, with total volumes of £185m and £220m in 2018 and 2019 respectively, falling to only £61m in 2020. There was no material shift in yields over this period.

There has been some difficulty for investors from outside the islands gaining access in the last year due to travel restrictions and quarantine requirements. As these restrictions are lifted there is likely to be an increase in transaction volumes. Having said that, locally based high net-worth individuals and syndicates have been the most active buyers in the market in the last three years and can acquire assets of £50m+ with no recourse to debt.

Despite the prevalence of local investors there has been an expanding pool of global investors attracted by long lease lengths, strong covenants, and a proven discount to mainland UK investment opportunities.

This asset is scheduled to be sold before March 2022, and brokers were appointed to start marketing the property in April 2021. We anticipate strong demand given the asset's high quality, solid occupational market, and positive investor sentiment.

Germany

Care Homes

There have been no material asset management events in the previous financial year. Rent collection has been 100% and we intend to complete the sale of these assets by March 2022.

Hermann Quartier

The food anchored, covered shopping centre was marketed for sale at the beginning of 2020 through a formal process run by CBRE, and we successfully notarised a sale contract in December 2020. The sale will complete following the satisfaction of the last sale condition.

The centre performed well over the year despite some of the COVID-related government-imposed restrictions. Even when these restrictions were in place during March to June 2020 and January to March 2021, we maintained collection rates above 80%. We also completed the lease regear to our anchor tenant who represents 17% of the income from the centre. The new lease is for a 17-year term post the completion of tenant enhancement works.

Switzerland

Lugano

The health club tenant has been closed for most of the year due to COVID-19 restrictions and remains closed as of April 2021. Rent payments have been intermittent with 37% of rent due, collected over the year. We are planning to sell the asset in this financial year and have active interest from potential investors.

Transactions overview

Acquisitions

In this financial year we completed 14 separate acquisitions for a net value of £91.5 million in a range of large towns and cities across the UK. These acquisitions added good quality estates to our existing portfolio in markets with strong fundamentals and which met our strict investment requirements. In an investment market characterised by increased demand which is driving yield compression the average yield at acquisition compared favourably with those in previous years.

Of the 14 acquisitions, only two had formal closing dates, with pricing on the remainder being agreed on a negotiated basis either off-market or following a limited marketing campaign. The market remains fragmented and hence the type of vendors remains diverse, although during the financial year ending 31 March 2021, we executed on a greater proportion of distressed institutional sales than normal as a result of open-ended funds coming under redemption pressure. There are a range of sale motivations from vendors including moving to investments that require less management, reaching the end of their business plans, pressure to raise capital, and those reweighting their portfolio or changing their asset profiles (size, location, quality etc).

Summary of Stenprop's three largest acquisitions

The largest acquisition during the period was Bowthorpe Industrial Estate in Norwich, acquired from the Blackrock Industrial Trust. The purchase price was £19.6 million, representing a NIY of 6.4% and a capital value of £80 per sq ft. This asset was formally launched in March 2020, at a quoting price of £20.7 million and was subsequently withdrawn following the onset of the COVID-19 pandemic. As we gained comfort from the positive trends within our own portfolio relating to rent-collection, rental growth, and occupational demand we made an approach and negotiated the sale in July 2020. With an average unit size of c3,200 sq ft the estate is well suited for us to release maximum value through the use of our Smart Lease and serviced industrial model.

We completed the acquisition of Mandale Business Park, Durham in October 2020, for £11.2 million representing a NIY of 6.7% and a capital value of £82 per sq ft from a developer who had completed a back-to-frame refurbishment across all five terraces. This asset was originally marketed in June 2019 but failed to sell. We tracked the asset and made an approach and agreed a negotiated price. This estate provides highly specified multi-let industrial accommodation with an excellent letting history in a strong location just off the A1 in Durham.

Newburn Riverside Industrial Park, Newcastle was acquired in February 2021, for £10.9 million representing a NIY of 6.8% and a capital value of £93 per sq ft from Aegon's (previously Kames) retail fund. It was marketed as part of a package with some adjacent office accommodation, and we made an approach on the industrial element only. This is a modern, well specified estate in a very strong strategic location adjacent to the A1 to the west of Newcastle City Centre. The Newcastle industrial market has been performing well over recent years, and we are pleased to increase our weighting to this market as a result of this acquisition.

Summary of MLI acquisitions made over last 4 years

	Purchase Price	GIA	Cap Val	NIY (inclusive of guarantees) assuming 6.5% costs	Rent (inclusive of guarantees) at acquisition £ per sq ft
FY17/18	£21,253,983	476,766	£44.58	6.72%	£5.58
FY18/19	£103,519,650	1,683,966	£61.11	6.90%	£4.75
FY19/20	£38,181,770	504,137	£75.74	6.85%	£5.98
FY20/21	£91,535,000	1,089,037	£84.05	6.64%	£6.21
Total/Average	**£254,490,403**	**3,753,906**	**£67.79**	**6.78%**	**£5.43**

Financial Review

We are pleased to be reporting strong results in a year that saw much turbulence and uncertainty. Whilst we were not immune from the effects of the pandemic, we have been encouraged by the fact that the MLI asset class has been able to clearly demonstrate its resilience and versatility. Regional e-commerce sales and distribution channels are becoming ever more important, and MLI has shown its appeal to an increasingly diverse range of businesses, that have translated into increased tenant demand, growing rents and increased occupancy.

Our ongoing transition to being 100% MLI was put on hold in the first quarter of the financial year as we focused on maintaining a healthy cash balance as the pandemic took hold. However, early signs of a strong recovery in MLI from our Industrials Hive platform meant we recommenced our acquisition programme in June and we concluded the year having acquired 14 MLI estates, in separate transactions, for a total purchase price of £91.5 million before costs which was in line with our target for the period. Our MLI portfolio now totals 5.6 million sq ft, and at the year-end made up 74.3% of our total investment property portfolio by market value. We also had a successful year in terms of our planned disposals with all our wholly owned German properties sold or notarised during the year, at an average premium of 15% to the March 2020 valuations.

The board of directors (the 'Board') have declared a dividend of 3.375 pence per share for the six months ended 31 March 2021, bringing the full year distribution to 6.75 pence per share (2020: 6.75 pence). The dividend is fully covered by adjusted earnings per share of 6.78 pence (2020: 6.88 pence) and, as in the past, can be taken as a cash payment or scrip share alternative.

Diluted IFRS earnings per share ('EPS') was 18.57 pence (2020: 5.44 pence), whilst the adjusted EPS amounted to 6.78 pence, compared with 6.88 pence in the prior year. The significant increase in IFRS profit was driven by a larger uplift in the fair value of investment properties when compared with the prior year. Earnings were impacted by the pandemic and, across all operating segments, prudent assumptions were applied in respect of bad and doubtful debts and tenant lease incentives, based on rent collection rates experienced. These COVID-19 related provisions have contributed to an increase in the Group bad debt expense of approximately £2.5 million (0.87 pence per share) relative to the prior year.

As at 31 March 2021, Stenprop's total property portfolio, including share of joint ventures, was valued at £582.3 million (2020: £532.6 million). On a like-for-like basis, excluding the impact of acquisitions and disposals during the year, the portfolio value increased 6.3%, after including a decrease of 0.8% relating to currency movements. This has been driven by a like-for-like valuation increase of our MLI portfolio of £31.0 million, or 10.1%. The valuation uplifts contributed to an overall EPRA NTA per share of £1.47, an increase of 6.5% against the prior year (2020: £1.38). The effects of MLI acquisition costs, disposal costs, the impact of remaining non-MLI property valuation changes and increased bad debt provisions partially offset the effect of the MLI like-for-like valuation uplift on the NAV increase. Together with the full year dividend of 6.75 pence per share, the increase in NAV has helped deliver a very strong total accounting return for the year of 11.4% (2020: 5.7%).

Stenprop reported a see-through LTV of 28.1% using net debt (including unrestricted cash balances). We are also very pleased to have concluded two major refinancings in the year, which reduced our weighted average cost of debt to 1.93% from 2.62% and extended our maturity profile to 3.9 years from 2.7 years. More detail on this can be found later in this Report.

	2021	2020
Statement of comprehensive income		
Dividend per share	**6.75p**	6.75p
Diluted IFRS earnings per share	**18.57p**	5.44p
Adjusted earnings per share[1]	**6.78p**	6.88p

Diluted EPRA earnings per share	**6.62p**	6.65p

[1] See note 14 for reconciliation to IFRS earnings per share. Adjusted earnings per share was previously named 'Diluted adjusted EPRA earnings per share'.

	2021	2020
Statement of financial position		
Portfolio valuation (including joint ventures)	**£582.3m**	£532.6m
Like-for-Like portfolio valuation increase in year	**+6.3%**	+2.8%
Diluted IFRS NAV per share	**£1.48**	£1.37
EPRA NTA per share[2]	**£1.47**	£1.38

[2] See note 15 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.

	2021	2020
Other		
MLI portfolio percentage	**74.3%**	58.0%
Total accounting return	**11.4%**	5.4%
Loan-to-value ratio	**28.1%**	26.2%

FX rates in period

Average foreign exchange rates in the year: £1.00:€1.1202; £1.00:CHF1.2057 (2020: £1.00:€1.1442; £1.00:CHF1.2544)
Year-end foreign exchange rates: £1.00:€1.1738; £1.00:CHF1.2985 (2020: £1.00:€1.1249; £1.00:CHF1.1915)

Presentation of financial information

The consolidated financial statements are prepared in accordance with IFRS. The Group's subsidiaries are consolidated at 100% and its interests in joint ventures are consolidated using the equity method of accounting. In addition to information contained in the Group financial statements, alternative performance measures ('APMs'), being financial measures that are not specified under IFRS, are also used by management to assess the Group's performance.

Stenprop discloses APMs based on EPRA Best Practice Recommendations, in line with our peers in the real estate sector. These include earnings and NAV metrics that are referred to throughout this report, and that can also be seen in the EPRA key performance measures table in our Annual Report. EPRA disclosures have included changes in the year with regard to net asset value ('NAV') metrics. Stenprop has adopted EPRA Net Tangible Assets ('NTA') as its reporting measure, replacing our previously reported EPRA NAV. EPRA NTA assumes that entities buy and sell assets and is aligned with IFRS NAV in that it includes deferred tax liabilities with regard to properties classified as held for sale.

KEY STATISTICS

18.57p
Diluted IFRS earnings per share

6.78p
Adjusted earnings per share

6.75p
Full year dividend per share

11.4%
Total accounting return

Earnings

For the year ended 31 March 2021, basic IFRS earnings attributable to ordinary shareholders increased significantly to £53.0 million (2020: £15.6 million), equating to a diluted IFRS EPS of 18.57 pence (2020: 5.44 pence). The increase was driven by the fair value gain on investment properties in the year of £36.3 million versus the prior year (2020: £4.9 million) and was led by strong lettings and yield compression across our MLI portfolio.

Net rental income from continuing operations was £32.0 million (2020: £33.0 million). The MLI portfolio contributed £21.4 million to the total at year-end; a 19.6% increase over the prior year contribution of £17.9 million and representing 67% (2020: 54%) of total net rental income.

Net rental income is presented after provision for expected credit losses. As a result of COVID-19, larger credit loss provisions were booked, resulting in a bad debt expense for the year, including discontinued operations, of £3.0 million (2020: £0.5 million). The total aggregate provision for expected credit losses stood at £3.6 million as at 31 March 2021 (31 March 2020: £1.3 million). On a portfolio level, the expense for expected credit losses reflected 7.4% of rents invoiced compared with 1.2% in the prior year. Although not yet quantifiable in amount or timing, as the effects of the pandemic start to diminish, we anticipate that customers will be able to begin the process of settling their arrears. The payment of this rent will result in the unwind, over time, of a portion of the bad debt provision.

Operating expenses for the year were £10.5 million (2020: £10.1 million). There are several moving parts to this balance with the increase to prior year driven by staff remuneration costs, which includes the impact of a higher staff count of 43 at the year-end (2020: 28). The new hires include an expansion in our HR, sales and marketing capabilities as well as new team members to support our operational platform as we in-house property accounting and continue to grow our MLI portfolio. These important hires will allow Stenprop to own and manage the entire customer journey from initial enquiry through to leasing, move-in and ultimately move-out, helping to deliver our class leading customer service and value proposition.

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'). As disclosed in note 14, this measure utilises EPRA's Best Practices Recommendations, 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, to provide additional information on the Group's underlying operational performance. Adjusted earnings attributable to shareholders were £19.4 million (2020: £19.7 million), equating to an adjusted EPS of 6.78 pence (2020: 6.88 pence). A reconciliation of IFRS profit to EPRA earnings and adjusted earnings for the year is shown in note 14 to the financial statements.

In line with best practice, Stenprop also discloses EPRA cost ratios. The EPRA cost ratio (including direct vacancy costs) stood at 41.6% for the year ended 31 March 2021 (2020: 35.3%). The cost ratio includes the effects of a higher bad debt expense for the year of £3.0 million (2020: £0.5 million) as a result of COVID-19. The expense for expected credit losses accounted for 7.4% points of the EPRA cost ratio (2020: 1.2% points). We anticipate that, as we continue to grow the MLI portfolio with the benefit of our Industrials Hive operating platform, the marginal cost of each additional MLI property will be significantly lower than for the existing portfolio. Hence we expect our EPRA cost ratio to decrease steadily going forward.

Dividends

On 9 June 2021, the Board declared a final dividend of 3.375 pence per share (2020: 3.375 pence), which, together with the interim dividend of 3.375 pence per share (2020: 3.375 pence per share) declared on 2 December 2020, results in a total dividend for the year ended 31 March 2021 of 6.75 pence per share (2020: 6.75 pence per share). The total dividend for the year is fully covered by earnings of 6.78 pence per share.

The dividend of 6.75 pence per share represents a dividend yield of 4.4% on the share price at 8 June 2021 of £1.55, and a yield of 4.6% on the diluted EPRA NTA per share at 31 March 2021 of £1.47.

Subject to the receipt of regulatory approvals, the directors intend to offer shareholders the option to receive all or part of their dividend entitlement by way of a scrip issue of new Stenprop ordinary shares, or in cash. A further announcement informing shareholders of the salient dates and tax treatment of the dividend will be released in due course.

Future distributions

Stenprop's business has proved resilient to the challenges caused by the pandemic and we are pleased to have been able to maintain a covered total dividend of 6.75p per share. In light of our strong operating performance and robust rent collection rates, it is the Board's intention to maintain the dividend at 6.75p for the year ending 31 March 2022, our final transitional year. The key factors that are likely to determine whether this dividend is covered or not are the levels of the ongoing bad debt provision required because of COVID-19 and the levels of cash drag as a result of the sales of the last remaining non-MLI assets and the time taken to deploy the net proceeds into additional MLI assets. Once we complete the transition this coming year and COVID-19 is largely behind us, we anticipate growing earnings and dividends going forward as a 100% UK MLI business.

Net asset value

The IFRS basic and diluted net asset value per share at 31 March 2021 was £1.49 and £1.48 respectively (2020: basic £1.38; diluted £1.37) (see note 15). The increase over the year has been driven primarily by like-for-like valuation increases of our MLI portfolio of £31.0 million, or 10.1%. At year-end, the 83 MLI properties were valued at £432.9 million, representing 74.3% of our total portfolio.

As is the case regarding the disclosure of EPRA earnings, the directors feel that it is appropriate and useful, in addition to IFRS NAV, to disclose EPRA NTA. The EPRA NTA per share at 31 March 2021 was £1.47 (2020: £1.38). A reconciliation of this against IFRS NAV is shown in note 15 to the accounts. The EPRA NTA excludes £1.8 million of intangible assets related to the development of our MLI operating platform, called Industrials Hive. We anticipate further expenditure of approximately £1.5 million on Industrials Hive during the financial year ended 31 March 2022.

Portfolio valuation

Including the Group's share of joint ventures, Stenprop's investment properties were valued at £582.3 million (31 March 2020: £532.6 million), of which £38.2 million were classified as assets held for sale (31 March 2020: £109.1 million). Assets held for sale consist of the remaining Berlin daily-needs retail centre, known as Hermann, the sale of which was notarised in December 2020 (and which is expected to complete within the next few months), and the remaining asset in Switzerland (let to a wellness centre/health club). On a like-for-like basis, excluding the impact of additions and disposals in the year, the valuation of the portfolio since 31 March 2020 increased by 6.3%, after taking into account a decrease of 0.8% relating to currency movements.

Combined portfolio (including share of joint ventures)	Market value 31 March 2021 (£'000)	Portfolio by market value (%)	Properties (number)	Area (sq m)	Annualised contracted gross rental income (£'000)	Net initial yield (weighted average) (%)	Voids by area (%)
Investment properties							
Guernsey office	**56,150**	**9.7**	**1**	**10,564**	**4,428**	**7.25**	**0.20**
UK multi-let industrial	**432,910**	**74.3**	**83**	**521,288**	**30,190**	**6.22**	**6.34**
UK urban logistics	**22,160**	**3.8**	**5**	**21,861**	**1,741**	**7.36**	**–**
Sub-total	**511,220**	**87.8**	**89**	**553,713**	**36,359**	**6.39**	**5.98**
Assets held for sale:							
Germany	**26,239**	**4.5**	**1**	**8,274**	**1,269**	**4.90**	**3.20**
Switzerland	**11,967**	**2.1**	**1**	**5,974**	**953**	**3.37**	**–**
Total – wholly owned	**549,426**	**94.4**	**91**	**567,961**	**38,581**	**6.25**	**5.87**
Share of joint ventures	**32,839**	**5.6**	**4**	**19,330**	**2,379**	**6.15**	**–**
Total	**582,265**	**100**	**95**	**587,291**	**40,960**	**6.24**	**5.68**

KEY STATISTICS

6.3%
Like-for-like portfolio valuation increase

£91.5m
MLI acquisitions

74.3%
MLI percentage of total portfolio

£582.3m
Total portfolio valuation

United Kingdom MLI portfolio

The UK MLI portfolio, totalling 83 industrial estates across approximately 5.6 million sq ft of lettable space, was independently valued at £432.9 million at 31 March 2021. This reflected a like-for-like increase, after excluding acquisitions during the year, of £31.0 million, or 10.1%, on the valuation at 31 March 2020. The increase was driven by the capitalisation of strong lettings concluded in the year as well as a component of yield compression as the asset class continued to demonstrate its appeal. We calculate that income change is driving 65% of total valuation growth with yield compression driving the remaining 35%.

United Kingdom urban logistics

The UK urban logistics portfolio was independently valued at £22.2 million, an increase of £0.8 million, or 3.8%, on the valuation at 31 March 2020. Urban logistics represents just under 4% of our total portfolio and we anticipate retaining these industrial assets and rolling them into our UK MLI segment going forward as they complement our wider MLI strategy.

Guernsey

The office building known as Trafalgar Court in Guernsey was valued at year-end at £56.2 million (2020: £57.5 million). The unexpired lease term at the property is 7.3 years and it is let to a strong tenant, which has sub-let a significant portion of its space. Subsequent to the year-end, the property has been marketed for sale and we look forward to providing an update on this process in due course.

Germany

The German portfolio (excluding the Care Homes joint venture) now comprises a single Berlin daily needs retail centre, the sale of which was notarised in December 2020. The property valuation reflects the sales price of €30.8 million and associated sales costs have been provided.

Switzerland

The final Swiss property, Lugano, was independently valued at CHF15.5 million (March 2020: CHF17.0 million). The decrease of 8.6% reflects the struggles faced by the health spa/leisure sector as a result of COVID-19 and having to close down operations for long periods. This asset was classified as held for sale in the financial statements and represents 2.1% of our total portfolio.

Joint ventures

The care homes portfolio in Germany, comprising four care homes, was independently valued at €38.9 million, a 3.2% decrease compared with the 31 March 2020 valuation of €40.2 million.

Debt

Total borrowings at 31 March 2021 were £214.5 million with the LTV ratio being 28.1% when calculated on a see-through basis using net debt (debt after taking into account unrestricted cash balances). The Group considers it appropriate to maintain its level of borrowings at no more than 40% of its gross asset value on a see-through basis.

Group debt metrics (including share of joint ventures)	**31 March 2021 £m**	31 March 2020 £m
Nominal value of debt	**(214.5)**	(217.3)
Unrestricted cash	**50.7**	77.9
Net debt	**(163.8)**	(139.4)
Market value of investment property	**582.3**	532.6
LTV (%)	**28.1**	26.2
Weighted average debt maturity (years)	**3.9**	2.7
Weighted average interest rate (%)	**1.93**	2.62
Loan facilities hedged/fixed (%)	**76**	77

Stenprop was able to benefit from favourable lending conditions towards the end of 2020 and refinanced a significant component of its MLI debt at attractive pricing levels. The two refinancings completed in December 2020 and are detailed below:

- A new seven-year, £66.5 million fixed rate senior debt facility with ReAssure, a life and pensions company who have experience of writing sizeable loans secured by UK industrials assets. The new facility refinanced an existing £61.5 million loan, which was due to expire in June 2022, and is secured against a portfolio of 30 multi-let industrial assets located across the UK with an LTV ratio of 38%. The new facility allows the Company to significantly reduce its financing costs by around £0.9 million per annum as a result of the new loan being fixed at an all-in annual rate of 1.66% compared to 3.2% on the previous arrangement.
- The extension of an existing debt facility from £27 million to £50 million, raising additional monies against recently acquired MLI assets. The refinance saw the original swap of 1.27% replaced with an interest rate cap at 50bps on 85% of the loan. This brought the annual cost of debt on this loan to approximately 1.8% all-in, from its previous level of 3.1%, and is expected to result in annual savings of approximately £0.3 million. The loan matures in February 2024.

The weighted average debt maturity stood at 3.9 years at 31 March 2021 compared with 2.7 years at 31 March 2020. We have deliberately kept our debt maturity short during the transition in order to minimise loan break costs. When considered in isolation, our MLI portfolio has a weighted average debt maturity of 4.9 years, with the next maturity occurring in February 2024. We will continue to proactively manage our debt maturity profile as well as reviewing and diversifying our lender base as we grow the UK MLI portfolio.

The all-in contracted weighted average cost of debt was 1.93% at year-end, compared with 2.62% at 31 March 2020, and reflects the impact of the two refinancings completed in the year. At year-end, we held unencumbered properties valued at £27.2 million. These will be refinanced in due course to help fund our acquisition programme.

The £30 million rolling credit facility provided by Investec Bank Plc to bridge the potential funding gap between property acquisitions and sales was extended on 21 May 2021 and matures at the end of April 2022. The facility was not utilised during the year and was undrawn as at 31 March 2021. There are no non-utilisation fees payable on the facility.

Stenprop has been in compliance with its lending covenants throughout the year and significant headroom exists for both interest cover and LTV loan covenants. Loan facilities subject to LTV covenants allow for an average 33% reduction in values. Loan facilities subject to debt service cover ratio covenants allow for an average reduction in net rents of 73%.

The Group enters into hedging arrangements or fixed interest rate facilities to mitigate the risks associated with movements in interest rates in respect of at least 75% of its interest rate exposure. The Group utilises derivative instruments solely for the purposes of efficient portfolio management.

Liquidity and COVID-19

We began the year focused on maintaining liquidity in a period of intense market uncertainty. With our regional network of customer engagement managers, we were able to proactively liaise with our customers to understand the immediate issues facing their businesses. Following disruption caused by the first lockdown, we were pleased to report robust rent collection levels at our Interim results of 90% across the portfolio, with MLI rent collection trending between 85–90%. The resilience of the MLI asset class was proven again in the second half of the year when we continued to experience strong demand for our units, growth in passing rents and ERVs, and reduced vacancy. Supply remains restricted, with acquisition cost still significantly below replacement cost and we believe that the effects of COVID-19 have accelerated the demand for the flexibility and affordability that MLI offers. At the end of the year, and despite the severity of the third lockdown, we are reporting rent collection across the Group of 92%, with MLI rent collections still trending at approximately 90%.

We maintained appropriate cash balances as the pandemic took hold but were able to deploy cash for acquisitions quickly as our platform gave us early insight into the increasing demand for MLI space. The first half of the year saw £40.0 million of acquisitions with a further £51.5 million completed by 31 March 2021.

Following the completion of the two German sales prior to the year-end, Stenprop held unrestricted cash balances of £51 million at 31 March 2021. Holding cash at these levels for prolonged periods has a detrimental impact on earnings in the form of cash drag and we continue to appraise appropriate acquisition opportunities that meet our disciplined investment criteria, and aim to deploy cash as quickly as we can. Combined with the continued, albeit reducing, impact of COVID-19, the timing of sales and acquisitions remains one of the biggest challenges of the coming year in terms of maximising earnings.

Conclusion

Our four-year plan to divest our non-MLI assets, build a quality MLI portfolio, reduce leverage and develop a market-leading platform on which to deliver strong returns is almost complete. The most recent financial year has been challenging, but we end it having delivered a strong set of financial results, both in terms of robust earnings and a stronger balance sheet. Our MLI portfolio has proven itself to be resilient and we are gratified that we have performed well in a year that has created such instability across both the economy and our personal lives. Our staff and business have adapted brilliantly to remote working and we are capitalising on efficiencies learned over the last 12 months.

As we start the process of delivering our final transitional year, we look next to scaling our MLI business and leveraging off our Industrials Hive operating platform to deliver growing earnings and NAV. We are confident that a stabilised MLI portfolio managed on our platform will deliver a total accounting return of at least 10% per annum, of which at least half will come from NAV increases as a result of capitalising predicted rental growth. The balance will come from earnings that are underpinned by the rental growth that we are currently experiencing. We are also excited about the opportunities that will be created by our technology enabled operating platform in improving our own efficiencies and returns and in opening up further market opportunities for Stenprop.

James Beaumont
Chief Financial Officer
10 June 2021

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	Note	**31 March 2021 £'000**	31 March 2020 £'000
Continued operations			
Revenue		**44,860**	44,098
Expected credit losses		**(2,345)**	(541)

Property expenses		**(10,512)**	(10,508)
Net rental income	6	**32,003**	33,049
Management fee income		**747**	558
Operating costs	7	**(10,516)**	(10,053)
Net operating income		**22,234**	23,554
Fair value gain on investment properties		**36,287**	4,938
Gain/(loss) on disposal of property		**656**	(2,779)
Income from joint ventures	18	**61**	2,115
Profit on disposal of subsidiaries	25	**307**	–
Net foreign exchange (loss)/gain		**(44)**	3
Profit from operations		**59,501**	27,831
Net gain/(loss) from fair value of derivative financial instruments		**1,940**	(2,410)
Interest income		**356**	432
Finance costs	9	**(5,857)**	(9,719)
Profit for the year before taxation		**55,940**	16,134
Tax (expense)/credit	10	**(2,034)**	1,222
Profit for the year from continuing operations		**53,906**	17,356
Discontinued operations			
Loss for the year from discontinued operations	19	**(891)**	(2,197)
Profit for the year		**53,015**	15,159
Profit attributable to:			
Equity holders		**53,045**	15,565
Non-controlling interest derived from continuing operations		**(30)**	(406)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation reserve		**(3,663)**	4,104
Total comprehensive income for the year		**49,352**	19,263
Total comprehensive income attributable to:			
Equity holders		**49,352**	19,669
Non-controlling interest		**(30)**	(406)
Earnings per share		**Pence**	Pence
From continuing operations:			
EPS	14	**19.02**	6.28
Diluted EPS	14	**18.88**	6.20
From continuing and discontinued operations:			

EPS	14	**18.71**	5.50
Diluted EPS	14	**18.57**	5.44

Consolidated Statement of Financial Position

For the year ended 31 March 2021

	Note	**31 March 2021 £'000**	31 March 2020 £'000
ASSETS			
Non-current assets			
Investment properties	16	**511,220**	387,761
Investment in joint ventures	18	**143**	781
Investment in joint venture bond	18	**14,119**	15,336
Intangible assets		**1,784**	–
Derivative financial instruments	24	**138**	–
Other debtors	20	**8,670**	13,523
Right-of-use asset		**314**	491
Total non-current assets		**536,388**	417,866
Current assets			
Cash and cash equivalents	21	**53,781**	84,453
Trade and other receivables	20	**8,723**	8,249
Other investments		**1,000**	–
Derivative financial instruments	24	**2,024**	–
Assets classified as held for sale	19	**39,208**	111,857
Total current assets		**104,736**	204,585
Total assets		**641,124**	622,451
LIABILITIES			
Current liabilities			
Bank loans	23	**4,489**	–
Taxes payable		**1,706**	7,241
Accounts payable and accruals	22	**16,516**	16,689
Provisions	19	**–**	3,179
Lease liability		**316**	302
Liabilities directly associated with assets classified as held for sale	19	**15,166**	47,310
Total current liabilities		**38,193**	74,721
Non-current liabilities			
Bank loans	23	**176,655**	154,171
Derivative financial instruments	24	**430**	2,001

Lease liability		**26**	222
Total non-current liabilities		**177,111**	156,394
Total liabilities		**215,304**	231,115
Net assets		**425,820**	391,336

EQUITY			
Capital and reserves			
Share capital and share premium	12	**322,776**	322,993
Equity reserve		**(10,058)**	(14,360)
Retained earnings		**91,647**	57,490
Foreign currency translation reserve		**21,455**	25,118
Total equity attributable to equity shareholders		**425,820**	391,241
Non-controlling interest		**–**	95
Total equity		**425,820**	391,336

		£	£
Net asset value per share	15	**1.49**	1.38
Diluted net asset value per share	15	**1.48**	1.37

The consolidated financial statements were approved by the board of directors on 10 June 2020 and signed on its behalf by

James Beaumont
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Note	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		**–**	**–**	**53,045**	**–**	**53,045**	**(95)**	**52,950**
Other comprehensive income for the year		**–**	**–**	**–**	**(3,663)**	**(3,663)**	**–**	**(3,663)**
Total comprehensive income for the year		**–**	**–**	**53,045**	**(3,663)**	**49,382**	**(95)**	**49,287**
Equity-settled share-based payments	13	**(217)**	**1,219**	**213**	**–**	**1,215**	**–**	**1,215**
Repurchase of own shares		**–**	**(4,110)**	**–**	**–**	**(4,110)**	**–**	**(4,110)**
Ordinary dividends	11	**–**	**7,193**	**(19,101)**	**–**	**(11,908)**	**–**	**(11,908)**

Total contributions and distribution recognised directly in equity		**(217)**	**4,302**	**(18,888)**	**–**	**(14,803)**	**–**	**(14,803)**
Balance at 31 March 2021		**322,776**	**(10,058)**	**91,647**	**21,455**	**425,820**	**–**	**425,820**
Balance at 1 April 2019		322,993	(15,708)	60,952	21,014	389,251	2,969	392,220
Profit for the year		–	–	15,565	–	15,565	(322)	15,243
Other comprehensive income for the year		–	–	–	4,104	4,104	–	4,104
Total comprehensive income for the year		–	–	15,565	4,104	19,669	(322)	19,347
Equity-settled share-based payments	13	–	1,079	–	–	1,079	–	1,079
Repurchase of own shares		–	(4,828)	–	–	(4,828)	–	(4,828)
Other changes in non-controlling interest		–	–	–	–	–	(513)	(513)
Ordinary dividends	11	–	5,097	(19,027)	–	(13,930)	(2,039)	(15,969)
Total contributions and distribution recognised directly in equity		–	1,348	(19,027)	–	(17,679)	(2,552)	(20,231)
Balance at 31 March 2020		322,993	(14,360)	57,490	25,118	391,241	95	391,336

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Note	**31 March 2021 £'000**	31 March 2020 £'000
Operating activities			
Profit from continuing operations		**59,501**	27,831
Loss from discontinued operations	19	**(737)**	(2,967)
		58,764	24,864
Depreciation	7	**274**	239
Increase in fair value of investment property	16	**(35,109)**	(1,741)
(Gain)/loss on disposal of property		**(656)**	2,779
Income from joint ventures		**(61)**	(2,115)
Management fee expenses		**(1)**	–
Share based payments	7	**937**	1,079
Dividends received from joint ventures		**–**	56
Profit on disposal of subsidiaries		**(307)**	–

Exchange rate loss/(gain)		**44**	(3)
(Increase)/decrease in trade and other receivables		**(274)**	632
(Decrease)/increase in trade and other payables		**(3,327)**	2,702
Cash generated by operations		**20,284**	28,492
Interest paid		**(4,749)**	(9,224)
Interest received		**1,707**	1,296
Net tax paid		**(96)**	(2,738)
Net cash from operating activities		**17,146**	17,826
Contributed by: Continuing operations		**16,938**	20,707
Discontinued operations		**208**	(2,881)
Investing activities			
Purchase of investment property	16	**(96,363)**	(40,829)
Capital expenditure - property	16	**(1,617)**	(13,303)
Capital expenditure - ERP		**(1,377)**	–
Proceeds on disposal of investment property, net of selling costs		**52,849**	144,628
Tax paid on disposal of property		**(9,174)**	–
Receipt of loans advanced under the Share Purchase Plan		**6,643**	–
Other investment - Cash and short-maturity bonds on call		**(1,000)**	–
Repayment of third party loans	25	**4,543**	244
Disposal of subsidiary	25	**7,738**	–
Net cash disposed of in subsidiary	25	**(348)**	–
Net cash (used in)/from investing activities		**(38,106)**	90,740
Financing activities			
New bank loans raised	23	**89,558**	24,668
Dividends paid		**(11,908)**	(13,930)
Withholding tax on dividends paid		**(62)**	342
Repayment of borrowings	23	**(77,926)**	(82,184)
Amortisation of loans	23	**(123)**	(134)
Lease payments		**(281)**	(375)
Repurchase of shares		**(4,110)**	(4,828)
SWAP break fee		**(1,895)**	–
Proceeds from issues of employee share options		**106**	–
Financing fees paid		**(2,072)**	(1,062)
Net cash used in financing activities		**(8,713)**	(77,503)
Net (decrease)/increase in cash and cash equivalents		**(29,673)**	31,063
Effect of foreign exchange losses		**(1,933)**	(4,695)
Cash and cash equivalents at beginning of the period		**85,588**	59,220
Cash and cash equivalents at end of the period		**53,982**	85,588
Contributed by: Continuing operations	21	**53,781**	84,453
Discontinued operations and assets held for sale	19	**201**	1,135

Funds totalling £4.4 million were restricted at 31 March 2021 (2020: £8.2 million), see note 21.

Notes to the Consolidated Financial Statements

1 General Information

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

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS's) as issued by the IASB, and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the Companies Act, 71 of 2008 ('Companies Act') applicable to companies reporting under IFRS and the JSE Listings Requirements, the Disclosure and Transparency Rules of the UK's FCA and applicable Guernsey law. The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies, which are consistent with those applied in the previous annual financial statements, except for the adoption of new and revised standards (described below), are set out below. The consolidated financial statements are presented in GBP (Pounds Sterling).

The financial information set out in these preliminary summarised audited financial statements does not constitute the Group's statutory accounts for the years ended 2021 and 2020 but is derived from those accounts. The Company's auditors, BDO LLP, have reported on those accounts and provided an unqualified opinion, including key audit matters within their audit report. It did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under The Companies (Guernsey) Law, 2008. A copy is available upon written request from the Company's registered office. The auditors' reports do not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' engagement they should obtain a copy of the auditors' reports together with the accompanying financial information from the Company's registered office.

Going concern

At the date of signing these consolidated financial statements, the Group has positive operating cash flows and positive net assets. Management have carefully considered the impact of the significant risks and uncertainties within the context of the Group's viability and prospects, with specific emphasis placed on the unprecedented challenges posed to the business and the Group's occupiers as a result of the COVID-19 pandemic, and the potential microeconomic impact of Brexit. Management subjected the Group's cash flow forecast for the period to 30 September 2022 to appropriate scenarios, including a specific COVID-19 related income scenario in the base case, based on our rent collection experience over the period of the pandemic. This income scenario was further sensitised given the uncertainty of the pandemic. In addition, the impact of the significant risks and uncertainties facing the business, taking into account likely effectiveness of mitigating actions that the Group would have at its disposal. The significant risks and uncertainties identified as relevant to the forecast and its ability to continue to meet its obligations as they fall due, relate to the timing and quantum of acquisitions and disposals, financing of acquisitions, debt maturity and compliance, rental growth rates, void periods and REIT obligations.

The Group has significant cash resources at the start of the look forward period which is a key factor in assessing the validity of the going concern assumption for the Group.

Debt refinancing and sensitivities to loan covenants were assessed in detail, as well as the Group's REIT obligations. It has been assumed that debt facilities can be refinanced as required in normal market lending conditions, consistent with what we are currently experiencing with our lenders. Despite the disruption in the economy caused by COVID-19, we do not expect the risk of default to have increased and no breach cures have been assumed in the forecast model. This is considered appropriate in light of the strong relationships we maintain with our facility providers, as evidenced by successful refinancings achieved during the period and, at the time of publishing this report, the significant headroom which exists for all interest cover ratios and, with the exception of Lugano discussed separately below, for Loan to Value ratio covenants.

Lugano: The Group owns a property known as Lugano in Switzerland with a rehabilitation medical facility and health club tenant. The property investment comprises 2% of the portfolio. The property is subject to an LTV covenant only (no interest cover ratio covenant) of 50%. At year end, the LTV based on an external valuation was 48.9%. Notwithstanding this, the bank supports the ongoing sale process and the cash flow forecast illustrates that the Group would have sufficient cash resources available to cure a covenant breach if it crystallised and should the lender take a hard stance. It is further worth noting that the loan is not cross-collateralised and accordingly if the bank did act aggressively, the Group would continue to operate with the remaining portfolio of assets if any foreclosure event were to arise.

In light of this review, the significant liquid assets at year end and the £27 million of unencumbered property at reporting date, management are satisfied that the Group has access to adequate resources to meet its obligations as they fall due and will continue in operational existence for a period of at least twelve months from the date of these financial statements. The directors believe that it is therefore appropriate to prepare the accounts on a going concern basis and no material uncertainty exists in reaching this conclusion.

Note 27 to the consolidated financial statements includes the Group's objectives, policies, and procedures for managing its capital, market, credit, and liquidity risks.

Adoption of new and revised standards

In the current period no new or revised Standards and Interpretations have been adopted. At the date of approval of these consolidated financial statements, the Group has not applied the following new standards that have been issued but are not yet effective:

Amendments to IAS 1	Classification of liabilities as current or non-current

Impact assessment of adopting new accounting standards

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

New standards in issue but not yet effective

Amendments to IAS 1 Classification of liabilities as current or non-current. In January 2020, the IASB issued amendments to IAS 1, which are intended to clarify the requirements that an entity applies in determining whether a liability is classified as current or non-current. The amendments are intended to be narrow scope in nature and are meant to clarify the requirements in IAS 1 rather than modify the underlying principles. The amendments include clarifications relating to how events after the end of the reporting period affect liability classification, what the rights of an entity must be to classify a liability as non-current, how an entity assesses compliance with conditions of a liability (e.g., bank covenants), and how conversion features in liabilities affect their classification. The amendments are applied prospectively for annual reporting periods beginning on or after 1 January 2023, with early application permitted. However, they are yet to be endorsed for application in the United Kingdom.

3 Significant accounting policies

Basis of consolidation

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

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

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

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

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

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

Joint ventures

The Group's investment properties are typically held in property-specific separate legal entities, which may be legally structured as joint ventures. In assessing whether a particular legal entity is accounted for as a subsidiary or joint venture, the Group considers all of the contractual terms of the arrangement, including the extent to which the responsibilities and parameters of the venture are determined in advance of the joint venture agreement being agreed between the two parties. The Group will then consider whether it has the power to govern the financial and operating policies of the legal entity, to obtain benefits from its activities, and the existence of any legal disputes or challenges to this control in order to conclude on the classification of the legal entity as a joint venture or subsidiary undertaking. In applying this policy and as detailed in note 18, the Group's investment in Elysion S.A. is classified as a joint venture because the share of beneficial ownership and management of the portfolio being conducted by the joint venture partner.

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

Loans to joint ventures are separately presented from equity interests in the Group's consolidated statement of financial position. The Group eliminates upstream and downstream transactions with its joint ventures, including interest and any other costs, to the extent of the Group's interest in the relevant joint venture. The classification and measurement of loans to joint ventures is determined in accordance with the Group's accounting policies for financial assets.

Business combinations and asset acquisitions

Business combinations are accounted for using the acquisition method and any excess of the purchase consideration over the fair value of the net assets acquired is initially recognised as goodwill and subsequently reviewed for impairment. Any discount received and/or acquisition costs are recognised in the consolidated statement of comprehensive income.

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, the following criteria are considered:

- The number of items of land and buildings owned by the subsidiary;
- The extent to which significant processes are acquired and in particular the extent of ancillary services provided by the subsidiary; and
- Whether the subsidiary has allocated its own staff to manage the property and/or to deploy any processes, including provision of all relevant administration and information to the entity's owners.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities.

There were no business combinations acquired during the 12 months to 31 March 2021 (2020: nil).

Revenue recognition

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

Rental income

Rental income and lease incentives are recognised in accordance with IFRS 16 Leases. Rental income from investment property is recognised as revenue on a straight-line basis over the lease term. Lease incentives and costs associated with entering into tenant leases are amortised over the lease term, or if the probability that a break option will be exercised is considered high, over the period to the first break option. Rent reviews are recognised when such reviews have been agreed with tenants.

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

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

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

Lease modifications are a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term). Lease modifications are accounted for under IFRS 16 Leases. Modifications to a lease is recognised as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Deferred income relates to rental income that has been collected in advance of it being recognised as revenue.

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

Tenant recharges

Service charge income, property fee income and joint venture and associate management fees are recognised in accordance with IFRS 15 Revenue from contracts with customers, which prescribes the use of a five-step model for the recognition of revenue. These income streams are recognised as revenue in the period in which they are earned.

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

Other income

Other income mainly consists of maintenance contributions and dilapidations settlements from our customers. This revenue stream is accounted for under IFRS 15 Revenue from contracts with customers. These income streams are recognised as revenue in the period in which they are earned.

Management fee income

Management fees are recognised in the statement of comprehensive income over time as performance obligations are satisfied.

Foreign currencies

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

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

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

Borrowing costs

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

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

Current tax

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

Deferred tax

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

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

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

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

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

Non-controlling interests

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

Investment properties

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

Investment properties are recognised as assets when:

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

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

The Group uses the valuations prepared by its independent valuers as the fair value of its investment properties. These valuations are undertaken in accordance with the appropriate sections of the current Practice Statements contained in the Royal Institution of Chartered Surveyors Valuation – Professional Standards ('Red Book'). This is an internationally accepted basis of valuation. The valuations are based upon assumptions including contractual and estimated rental values, future rental income, anticipated maintenance costs, future development costs and appropriate discount rates. The valuers also refer to market evidence of transaction prices for similar properties. The valuation techniques used are consistent with IFRS 13 Fair Value Measurement.

The difference between the fair value of a property at the reporting date and its carrying amount prior to remeasurement is included in the consolidated statement of comprehensive income as a valuation surplus or deficit in the fair value gain/(loss) on investment properties account.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks with an original maturity of three months or less. Cash balances are recorded net of tenant deposits. Restricted cash represents service charge monies held by managing agents as well as rent held in bank accounts which are secured by lenders, for the purposes of debt repayments.

Expenditure

Expenses are accounted for on an accrual basis. Property expenses include the costs of professional fees on lettings and other non-recoverable costs. Operating costs include all professional fees incurred in operating the business in the best interests of the shareholders.

Financial instruments

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

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

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

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

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

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

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

Financial assets

The Group classifies its financial assets as either at fair value through profit and loss or amortised cost. The Group classifies its financial assets based on both the Group's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Group's financial assets classified at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include current assets with maturities or terms less than 12 months after the reporting date, as well as financial assets with maturities greater than 12 months after the reporting date, which are classified as non-current assets. These assets meet the condition of being held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and the terms of which give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Financial assets, including those relating to the purchase of Stenprop shares (note 20), are measured at amortised cost using the effective interest method, less any loss allowance for expected credit losses (ECL) which are recognised in the statement of comprehensive income. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The effective interest rate is the rate that exactly discounts estimated future cash receipts excluding expected credit losses, through the expected life of the financial instrument, or, where appropriate, as shorter period, to the gross carrying amount of the financial instrument on initial recognition.

In the case of short-term trade receivables and other debtors the Group recognises lifetime ECL in accordance with the simplified approach under IFRS 9 Financial Instruments. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current and forecast direction of conditions at the reporting date.

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

The Group classifies its financial assets at fair value through profit or loss where it has determined that the business model for managing the financial assets and the related contractual cash flow characteristics is not consistent with the policy for classification at amortised cost or fair value through other comprehensive income (OCI). The Group has determined the bond investment in the Elysion S.A. joint venture meets the criteria disclosed in note 4.

There are no financial assets measured at fair value through OCI, which would be classified as such where they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and cash flows relate solely to payments of principal and interest.

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

Financial liabilities and equity

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

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

The Group's financial liabilities comprise interest-bearing borrowings, loans and payables and trade payables. Financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument. Financial liabilities are measured at amortised cost using the effective interest method. Trade and other payables are valued at their nominal value as the time value of money is immaterial for these current liabilities.

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

Interest rate swaps have been initially recognised at fair value, and subsequently remeasured at fair value through profit and loss in accordance with IFRS 9, Financial Instruments. They have been entered into to hedge against the exposure to variable interest rate loans as described in note 27. They have been valued by an independent valuer in line with internationally accepted practice.

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

Intangible assets

Intangible assets comprise computer software developed for our ERP operating platform which will allow Stenprop to grow its MLI business. The expenditure capitalised includes the cost of platform development, contractor costs, and service providers. At 31 March 2021, the ERP operating platform is still in development and as such, amortisation will begin when the ERP platform is first available for use. Accordingly, no amortisation or impairment has been recognised in the reporting period ending 31 March 2021.

Non-current assets and disposal groups held for sale

A non-current asset or a disposal group (comprising assets and liabilities) is classified as held for sale if their carrying amount is expected to be recovered or settled principally through sale rather than through continuing use. The asset or disposal group must be available for immediate sale, have the appropriate level of management commitment and the sale must be highly probable within one year of the reporting date. Investment properties included in the held for sale category continue to be measured in accordance with the accounting policy for investment properties.

Note, disclosures in these financial statements are recognised net of assets classified as held for sale and discontinued operations.

Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and in respect of which it may incur expenses. An operating segment's operating results are reviewed regularly by the chief operating decision makers (the executive directors) to inform decisions about resources to be allocated to the segment and to assess its performance. Segmental financial information is available as disclosed in note 5.

Dividends

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

Stenprop offers shareholders the option to receive in respect of all or a part of their Stenprop shareholding either a scrip dividend by way of an issue of new Stenprop shares (of the same class as existing shares) credited as fully paid up (the 'scrip dividend'), or a cash dividend (the 'cash dividend'). The cash dividend will be paid to shareholders unless shareholders elect to receive the scrip dividend. Scrip dividends are paid out of Stenprop's treasury share account.

Earnings per share

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

Net asset value per share

Net asset value per share is calculated on the number of shares in issue (excluding treasury shares) at the end of the current period and is based on the total equity attributable to equity shareholders.

Share-based payments

Deferred Share Bonus Plan and Long-Term Incentive Plan

Share options are granted to key management. The cost of equity-settled transactions is measured with reference to the fair value at the date at which they were granted. The Company accounts for the fair value of these options on a straight-line basis over the vesting period in the statement of comprehensive income, with a corresponding increase to the share-based payment reserve in equity. The cost to the Company is based on the Company's best estimate of the number of equity instruments that will ultimately vest. Readers are referred to note 13: Share-based payments, where share-based payments are disclosed further.

Share Purchase Plan

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

The loans have full recourse to the participants and as such fall outside of the scope of IFRS 2 and are accounted for as financial instruments under IFRS 9. The participants must charge their shares by way of security for the loan and are required to waive all rights to compensation for any loss in relation to the plan. No further awards will be made under the Share Purchase Plan.

Repurchase of share capital (own shares)

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

4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Although the estimates are based on management's best knowledge of the amount, events or actions, actual results may ultimately differ from those estimates. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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. The valuation of the Group's property portfolio is inherently subjective due to several 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 based on assumptions that may not prove to be accurate, particularly in years of volatility or low transaction flow in the market. Due to the current economic uncertainty in the market due to COVID-19 the Switzerland valuers have issued their valuation report with a material valuation uncertainty clause. They have advised there is less certainty attached to their valuation in comparison to what would normally be the case, but that does not mean the valuations cannot be relied upon. For the avoidance of doubt, the UK and Guernsey valuations do not have a material valuation uncertainty clause attached the valuations and the German valuation is based on a signed contract of sale. 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. Further details as well as the key sensitivity variables, can be found in note 16.

The Group currently has two continental European investment properties classified as assets held for sale. Due to the same reasons mentioned above that the COVID-19 crisis has caused, the valuation of the Swiss asset held for sale is 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 19.

Critical judgements

Assets held for sale and discontinued operations

The directors have disclosed two (2020: nine) properties which meet the criteria defined in IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Stenprop is committed to the disposal of these assets in line with its strategy to exit the Swiss market, dispose of its German assets and acquire multi-let industrial properties in the United Kingdom. The directors have classified the Swiss property as a discontinued operation as this is the only property that remains in the Swiss market. Stenprop is committed to exit the Swiss market and as such have classified the Swiss segment as a discontinued operation. The remaining property classified as held for sale is located in Germany, but it is not classified as a discontinued operation as Stenprop still has a material interest in the German market due to its holdings in the care homes joint venture, which is currently not held for sale. In respect of the Swiss property at Lugano, the directors consider the exceptions permitted by IFRS 5:9 to apply in respect to the one-year requirement within which a sale should complete. During the one-year period, circumstances arose that were previously considered unlikely. The circumstances were that the sole tenant of the property queried the validity of some of the conditions of the lease, particularly the requirement to pay the running costs of the building i.e. utilities. As a result, the property which was previously classified as held for sale was not sold; however:

i. during the initial one-year period, the Group responded to the change in circumstances by agreeing new lease terms with the tenant, remedying the deficiencies of the existing lease, with effect from 1 January 2020;

ii. the property was still being marketed at a price that was reasonable, given the change in circumstances;
iii. the Swiss government had prevented the tenant from trading during most of the year to 31 March 2021, due to COVID-19 restrictions;
iv. all other criteria in paragraphs 7 and 8 of IFRS 5 are met; and
v. the directors believe that the sale will now complete within one year.

If the judgement was that the Swiss property had not continued to be held for sale, this would have resulted in a restatement of the comparative period and presentation of the Swiss operating segment in continuing operations. This would not have had any impact on net assets or total comprehensive income as the fair value of the investment property has been determined by the directors, based on an independent external appraisal.

Classification of investment in joint venture bond

Classification and measurement of financial assets under IFRS 9 are driven by the entity's business model for managing financial assets and the contractual cash flow characteristics of those financial assets. The directors have determined that the contractual cash flow characteristics for bond investments into Elysion S.A. ('JV') (a joint venture) are not solely payments of principal and interest. The Group instead receives the return for each underlying loan net of additional fees and expenses in the JV and so it is not considered to be a basic lending arrangement under the standard. Further details on the structure are included in note 18. As such, these bond investments are required to be measured at fair value through profit or loss. In making this judgement, the directors have considered the power the Group has to influence the investment decisions of the JV housing the underlying loans, which are managed at the discretion of the JV partner and were the Group to hold the majority interest it has been determined that the contractual cash flow characteristics for a basic lending arrangement would have been met and therefore accounted for at amortised cost.

5 Operating segments

The Group is focused on real estate investment in well-developed, large economies with established real estate markets. The investment portfolio is geographically distributed across the United Kingdom, Germany, Guernsey and Switzerland, with a further sub-division within the UK between multi-let industrial and urban logistics. 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	UK urban logistics	Guernsey	Germany	Group	Switzerland	Total
For the year ended 31 March 2021	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net rental income	**21,356**	**1,628**	**4,478**	**4,466**	**75**	**–**	**32,003**
Net management fee income	**–**	**–**	**–**	**–**	**747**	**–**	**747**
Fair value movement on investment properties	**26,082**	**810**	**(1,310)**	**10,705**	**–**	**–**	**36,287**
Net (loss)/gain from fair value of financial liabilities	**(209)**	**–**	**–**	**125**	**2,024**	**–**	**1,940**
(Loss)/gain on disposal of property	**–**	**(9)**	**–**	**665**	**–**	**–**	**656**
Gain on disposal of subsidiary	**–**	**–**	**–**	**307**	**–**	**–**	**307**
Income/(expense) from joint ventures	**–**	**–**	**–**	**62**	**(1)**	**–**	**61**
Net finance (costs)/income	**(4,317)**	**(181)**	**(685)**	**(354)**	**36**	**–**	**(5,501)**
Tax, legal and professional fees	**(366)**	**(38)**	**(12)**	**(494)**	**(831)**	**–**	**(1,741)**
Audit fees	**–**	**–**	**–**	**(13)**	**(265)**	**–**	**(278)**
Administration fees	**(21)**	**(5)**	**(6)**	**(34)**	**(251)**	**–**	**(317)**
Investment advisory fees	**–**	**–**	**–**	**(123)**	**–**	**–**	**(123)**

Non-executive directors' costs	–	–	–	–	(416)	–	(416)
Staff remuneration costs	–	–	–	–	(4,100)	–	(4,100)
Operating costs	–	(2)	(10)	(94)	(3,435)	–	(3,541)
Net foreign exchange gain/(loss)	–	–	–	20	(64)	–	(44)
Loss from discontinued operations (note 19)	–	–	–	–	–	(891)	(891)
Tax credit/(expense)	–	81	–	(2,164)	49	–	(2,034)
Total profit/(loss) per reportable segment	**42,525**	**2,284**	**2,455**	**13,074**	**(6,432)**	**(891)**	**53,015**

As at 31 March 2021							
Investment properties	432,910	22,160	56,150	–	–	–	511,220
Investment in joint ventures	–	–	–	14,261	1	–	14,262
Cash and cash equivalents	12,050	447	1,174	20,235	19,875	–	53,781
Other	13,495	234	772	2,332	5,820	–	22,653
Assets classified as held for sale	–	–	–	26,592	–	12,616	39,208
Total assets	**458,455**	**22,841**	**58,096**	**63,420**	**25,696**	**12,616**	**641,124**
Borrowings – bank loans	148,719	4,496	27,929	–	–	–	181,144
Other	11,404	536	2,062	1,330	3,662	–	18,994
Liabilities directly associated with assets classified as held for sale	–	–	–	9,766	–	5,400	15,166
Total liabilities	**160,123**	**5,032**	**29,991**	**11,096**	**3,662**	**5,400**	**215,304**

	Continuing operations					Discontinued operations	
	UK multi-let industrial	UK urban logistics	Guernsey	Germany	Group	Switzerland	Total
For the year ended 31 March 2020	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net rental income	17,932	2,032	4,311	8,708	66	–	33,049
Net management fee income	–	–	–	–	558	–	558
Fair value movement on investment properties	3,828	(55)	(340)	1,505	–	–	4,938
Net (loss)/gain from fair value of financial liabilities	(1,573)	–	152	34	(1,023)	–	(2,410)
Loss on disposal of property	–	(114)	–	(2,665)	–	–	(2,779)
Income from joint ventures	–	–	–	2,114	1	–	2,115
Net finance costs	(3,759)	(268)	(1,196)	(4,103)	39	–	(9,287)
Tax, legal and professional fees	(204)	76	(10)	(422)	(952)	–	(1,512)
Audit fees	–	–	–	(2)	(266)	–	(268)
Administration fees	(166)	(25)	(6)	(35)	(200)	–	(432)

Investment advisory fees	–	–	–	(253)	–	–	(253)
Non-executive directors' costs	–	–	–	–	(233)	–	(233)
Staff remuneration costs	–	–	–	–	(4,576)	–	(4,576)
Operating costs	(10)	(22)	(1)	(78)	(2,668)	–	(2,779)
Net foreign exchange (loss)/gain	–	–	–	(60)	63	–	3
Loss from discontinued operations (note 19)	–	–	–	–	–	(2,197)	(2,197)
Tax (expense)/credit	(16)	(11)	(187)	1,327	109	–	1,222
Total profit/(loss) per reportable segment	16,032	1,613	2,723	6,070	(9,082)	(2,197)	15,159
As at 31 March 2020							
Investment properties	308,951	21,350	57,460	–	–	–	387,761
Investment in joint ventures	–	–	–	16,116	1	–	16,117
Cash and cash equivalents	13,585	2,556	522	11,815	55,975	–	84,453
Other	5,855	19	773	14,305	1,311	–	22,263
Assets classified as held for sale	–	–	–	96,605	–	15,252	111,857
Total assets	328,391	23,925	58,755	138,841	57,287	15,252	622,451
Borrowings – bank loans	121,841	4,473	27,857	–	–	–	154,171
Other	12,946	581	2,220	9,600	4,287	–	29,634
Liabilities directly associated with assets classified as held for sale	–	–	–	41,039	–	6,271	47,310
Total liabilities	134,787	5,054	30,077	50,639	4,287	6,271	231,115

6 Net rental income

	31 March 2021 £'000	31 March 2020 £'000
Rental income	**37,097**	37,456
Tenant recharges	**6,349**	5,836
Other income	**1,414**	806
Revenue	**44,860**	44,098
Expected credit losses	**(2,345)**	(541)
Direct property costs	**(10,512)**	(10,508)
Property expenses	**(12,857)**	(11,049)
Total net rental income	**32,003**	33,049

7 Operating costs

	31 March 2021 £'000	31 March 2020 £'000
Tax, legal and professional fees	**1,741**	1,676
Audit fees	**242**	238
Interim review fees	**36**	30
Administration fees	**317**	432
Investment advisory fees	**123**	253
Non-executive directors' remuneration costs	**416**	233
Staff remuneration costs	**4,100**	3,509
Share-based payments	**937**	1,079
ERP project expenses	**463**	669
ERP impairment	**–**	305
Depreciation	**274**	239
Corporate costs	**623**	700
IT costs	**678**	389
Other operating costs	**566**	301
Total operating costs	**10,516**	10,053

Share-based payments of £937,000 (2020: £1,079,000) relate to the equity-settled incentive schemes operated by the Group. As at 31 March 2021 the Group's equity reserve held £2.6 million (2020: £2.7 million) in relation to the schemes after the exercise of options at fair value of £748,000 (2020: £220,000) during the period.

8 Employees' and directors' emoluments

The average number of the Group's employees was 33 during the current financial year (2020: 25). At 31 March 2021 the Group employed 43 people, up from 28 employees at 31 March 2020. The aggregate remuneration paid to employees during the period, including that to executive directors, was:

	31 March 2021 £'000	31 March 2020 £'000
Wages and salaries	**3,510**	2,949
Social security costs	**449**	419
Pension costs	**141**	141
Share-based payments	**937**	1,079
Total employee costs	**5,037**	4,588

As at 31 March 2021, the Group had nine directors (2020: eight). The directors of the Group during the financial year and at the date of this report were as follows:

Non-executive directors	**Appointed**	**Change in appointment**
Paul Miller	14 Sep 2016	
Warren Lawlor	5 Apr 2017	16 Sep 2020

Richard Grant (chairman)	1 May 2018
Philip Holland	1 May 2018
Patsy Watson	5 Jun 2019
Louisa Bell	4 Nov 2020
Richard Smith	4 Nov 2020

Executive directors	**Appointed**	**Change in appointment**
Paul Arenson (CEO)	2 Oct 2014	
Julian Carey	1 May 2018	
James Beaumont (CFO)	5 Jun 2019	

Emoluments paid to executive directors are disclosed in the remuneration report in our Annual Report. Emoluments paid to non-executive directors are summarised below:

Non-executive directors	**31 March 2021 £'000**	31 March 2020 £'000
Richard Grant	**58**	58
Philip Holland	**43**	43
Patsy Watson	**35**	29
Paul Miller	**40**	40
Louisa Bell*	**16**	–
Richard Smith*	**16**	–
Warren Lawlor – paid to Ferryman Capital Partners (Pty) Limited*	**18**	40
Total	**226**	210

* Remuneration covers the period of directorship.

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

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

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

On 9 June 2021, the board of directors, on the recommendation of the remuneration committee, approved the following:

	Bonuses in respect of the year ended 31 March 2021				
Executive directors	**Cash bonus £'000**	**Deferred share bonus plan £'000**	**Number of share options (estimated)**	**LTIP for executive directors £'000**	**Number of share options (estimated)**
Paul Arenson	**169**	**253**	**168,900**	**572**	**381,100**
Julian Carey	**162**	**243**	**162,300**	**549**	**366,100**
James Beaumont	**81**	**40**	**26,900**	**182**	**121,400**

Total	**412**	**536**	**358,100**	**1,303**	**868,600**

On 10 June 2020, the board of directors, on the recommendation of the remuneration committee, approved the following:

	Bonuses in respect of the year ended 31 March 2020				
Executive directors	Cash bonus **£'000**	Deferred share bonus plan **£'000**	Number of share options	LTIP for executive directors **£'000**	Number of share options
Paul Arenson	165	31	29,712	563	536,599
Julian Carey	158	30	28,558	541	515,631
James Beaumont*^	36	9	9,768	90	102,932
Total	359	70	66,038	1,194	1,155,162

* Remuneration covers the period of directorship.

^ Market value LTIP

Directors' interests – beneficial direct and indirect holdings in the Company

As at 31 March 2021:	**Direct number of shares**	**% of shares in issue**	**Indirect number of shares**	**% of shares in issue**	**Number of share options held**	**% of shares in issue**
Paul Arenson (CEO)	**472,215**	**0.16 %**	**15,311,788[1]**	**5.12 %**	**2,562,856**	**0.86 %**
Patsy Watson	**–**	**– %**	**1,106,602**	**0.37 %**	**50,646**	**0.02 %**
Julian Carey	**3,344,740**	**1.12 %**	**32,543**	**0.01 %**	**1,738,875**	**0.58 %**
James Beaumont	**57,756**	**0.02 %**	**–**	**– %**	**380,847**	**0.13 %**
Paul Miller	**21,898**	**0.01 %**	**–**	**– %**	**–**	**– %**
Richard Grant (chairman)	**–**	**– %**	**100,000**	**0.03 %**	**–**	**– %**
Philip Holland	**24,999**	**0.01 %**	**–**	**– %**	**–**	**– %**
Louisa Bell	**–**	**– %**	**–**	**– %**	**–**	**– %**
Richard Smith	**–**	**– %**	**–**	**– %**	**–**	**– %**

[1] 5,392,536 shares are subject to security by way of a shareholder loan (see note 13).

There were no further changes in the above directors' interests from 31 March 2021 to the date of the signing of these financial statements.

As at 31 March 2020:	Direct number of shares	% of shares in issue	Indirect number of shares	% of shares in issue	Number of share options held	% of shares in issue
Paul Arenson (CEO)	–	– %	14,102,005[1]	4.72 %	2,307,327	0.77 %
Patsy Watson	–	– %	4,674,929[2]	1.56 %	1,691,482	0.57 %
Julian Carey	3,363,103	1.13 %	15,751	0.01 %	1,524,951	0.51 %
Warren Lawlor	–	– %	1,208,669	0.40 %	2,000,000	0.67 %
James Beaumont	50,320	0.02 %	–	– %	238,049	0.08 %
Paul Miller	21,898	0.01 %	–	– %	–	– %
Richard Grant (chairman)	–	– %	100,000	0.03 %	–	– %
Philip Holland	24,999	0.01 %	–	– %	–	– %

[1] 5,392,536 shares are subject to security by way of a shareholder loan (see note 13).

[2] 4,364,027 shares are subject to security by way of a shareholder loan (see note 13).

9 Finance costs

	31 March 2021 £'000	31 March 2020 £'000
Interest on loans and borrowings	**4,860**	8,930
Amortisation of facility costs	**997**	789
Net finance costs	**5,857**	9,719

Included in the 31 March 2020 interest on loans and borrowings amount of £8.9 million is £2.6 million of borrowing costs in relation to the early repayment of the Bleichenhof bank loan upon sale of the property.

10 Taxation

Real Estate Investment Trust regime (REIT regime)

The Company converted to UK REIT status on 1 May 2018. As a member of the REIT regime, profits from its UK property rental business are tax exempt. The REIT regime only applies to certain property-related profits and has several criteria which have to be met. The main criteria are:

- the assets of the property rental business must be at least 75% of the Group's assets;
- the profit from the tax-exempt property rental business must exceed 75% of the Group's total profit; and
- at least 90% of the Group's profit from the UK property rental business must be paid as dividends.

The Company continues to meet these conditions and management intends that Stenprop should continue as a REIT for the foreseeable future.

(i) Tax recognised in statement of comprehensive income

	31 March 2021 £'000	31 March 2020 £'000
Current tax – UK		
On net income for the year	**–**	(93)
Current tax – Foreign		
On net income for the year	**3,532**	5,967
Total current tax	**3,532**	5,874
Deferred tax	**(1,498)**	(7,096)
Total tax expense/(credit)	**2,034**	(1,222)

No tax was recognised on other comprehensive income during the period (2020: nil). Tax rates applicable in the jurisdictions which the Company operates in are:

- Germany: 15.825%
- United Kingdom: 19%
- Switzerland: 20%.

(ii) Reconciliation of tax charge for the year

	31 March 2021 £'000	31 March 2020 £'000
Profit before taxation on continuing operations	**55,940**	16,134
Expected tax charge on ordinary activities at the standard rate of taxation of 19% (2020: 19%)	**10,629**	3,065
Property revaluation gains not taxable	**(5,200)**	(938)
Fair value of derivative financial instrument (gains)/losses not taxable	**(369)**	458
Gains on disposal of subsidiary not taxable	**(58)**	–
Income not taxable	**–**	(58)
Property rental business profits exempt from tax in the REIT Group	**(3,429)**	(1,977)
Expenditure not allowed for income tax purposes	**–**	217
Effect of tax losses	**822**	–
Income from joint ventures	**–**	402
Effect of tax rates in other jurisdictions	**(471)**	(611)
Foreign withholding tax provision charge/(release)	**300**	(1,880)
Tax provision release	**(190)**	–
Other	**–**	30
Total income tax expense/(credit)	**2,034**	(1,222)

11 Dividends

	For the year ended 31 March 2021 Pence per share	For the year ended 31 March 2021 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2020 paid on 14 August 2020	**3.375**	**9,550**
Interim dividend for the year ended 31 March 2021 paid on 12 February 2021	**3.375**	**9,551**
Total dividends distributed	**6.750**	**19,101**
Scrip dividends issued during the period:		
Final scrip dividend for the year ended 31 March 2020 issued on 14 August 2020	**3.375**	**4,074**
Interim scrip dividend for the year ended 31 March 2021 issued on 12 February 2021	**3.375**	**3,119**
Total scrip dividends issued	**6.750**	**7,193**
Dividends paid as reported in the consolidated statement of cash flows		**11,908**

	For the year ended 31 March 2020 Pence per share	For the year ended 31 March 2020 £'000

Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2019 paid on 16 August 2019	3.375	9,478
Interim dividend for the year ended 31 March 2020 paid on 14 February 2020	3.375	9,549
Total dividends distributed	6.750	19,027
Scrip dividends issued during the period:		
Final scrip dividend for the year ended 31 March 2019 issued on 16 August 2019	3.375	2,819
Interim scrip dividend for the year ended 31 March 2020 issued on 14 February 2020	3.375	2,278
Total scrip dividends issued	6.750	5,097
Dividends paid as reported in the consolidated statement of cash flows		13,930

The directors declared a final dividend on 9 June 2021, for the year ended 31 March 2021, of 3.375 pence per share, which is detailed in note 30.

12 Share capital

Authorised

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

Issued share capital	**31 March 2021 (no. shares)**	31 March 2020 (no. shares)
Opening balance	**298,775,175**	298,775,175
Closing number of shares in issue	**298,775,175**	298,775,175

Authorised share capital	**£'000**	£'000
Share capital	**1**	1
Share premium	**322,775**	322,992
Total share capital and share premium	**322,776**	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 (2020: 298,775,175) ordinary shares in issue at the reporting date, including treasury shares.

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.

On 4 December 2020, the Company announced an interim dividend of 3.375 pence per share in respect of the six months to

30 September 2020. On 11 February 2021, the Company announced a take up of the scrip dividend representing 0.71% of the issued share capital and 2,135,516 shares were subsequently issued from treasury shares on 12 February 2021.

As at 31 March 2021, the Company held 12,866,950 treasury shares (2020: 15,830,040). During 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. The Company's share price was trading at a discount relative to NAV, up until mid-February 2021. Before mid-February, the directors bought back 3,476,265 of the issued 5,436,781 scrip alternative through share purchases to mitigate the dilutive effect that would otherwise have occurred through the issuance of new ordinary shares.

The equity reserve account within equity combines the activities of the Company's treasury shares, including the issue of scrip dividend shares (detailed in the below table) as well as the equity-settled share-based payments that are credited to equity (see note 13). At 31

March 2021, the carrying value of the Company's treasury shares was £12,694,000 (2020: £17,017,000) and the equity-settled share-based payments reserve reduced this account by £2,636,000 (2020: £2,657,000)

Retained earnings is the cumulative net profit of the Group. Retained earnings can either be paid out to shareholders as a dividend or be reinvested in the Group as working capital.

Treasury shares	**31 March 2021 (no. shares)**	31 March 2020 (no. shares)
Opening balance	**15,830,040**	16,028,050
Issue of scrip dividend shares	**(5,436,781)**	(4,153,945)
Market buy-back of shares at an average price of £1.18 per share (31 March 2020: £1.15)	**3,476,265**	4,153,945
Exercised shares from the Deferred Share Bonus Plan	**(797,797)**	(198,010)
Exercised shares from the Long Term Incentive Plan	**(204,777)**	–
Closing number of treasury shares	**12,866,950**	15,830,040

13 Share-based payments

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

The Group recognised a total share-based expense of £937,000 in the year (2020: £1,079,000) in relation to the share option schemes. As at 31 March 2021, the equity reserve held £2,636,000 in relation to share-based payment transactions (2020: £2,657,000).

The incentive plans are discussed in more detail below.

Deferred Share Bonus Plan

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

The fair value of this nil-cost option is determined using the Black–Scholes model. The key inputs used in determining the award granted on 12 June 2020 are shown below:

Share price at date of grant	116.50p
Expected option life in years	2
Value per option	116.50p

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

Date of grant	At 1 April 2020	Granted	Dividend equivalents	Exercised/ Other	Outstanding at 31 March 2021	Exercisable at 31 March 2021	Fair value at grant date in GBP	Exercise dates From	Exercise dates To
10 June 2015	427,820	–	16,947	(197,674)	247,093	247,093	£1.08	10 June 2015	10 June 2025
8 June 2016	273,649	–	11,315	(121,954)	163,010	163,010	£1.05	8 June 2016	8 June 2026
7 June 2017	13,720	–	602	–	14,322	14,322	£1.08	7 June 2017	7 June 2027
7 June 2018	311,836	–	14,381	(137,657)	188,560	188,560	£1.13	7 June 2018	7 June 2028
6 June 2019	500,843	–	30,685	(113,796)	417,732	417,732	£1.12	6 June 2019	6 June 2029
12 June 2020	–	93,229	34,214	(2,487)	124,956	62,803	£1.17	12 June 2020	12 June 2030

Weighted average exercise price of deferred share bonus plan share options	At 31 March 2021	At 31 March 2020
Exercisable	**£1.10**	£1.10
Non-exercisable	**£1.17**	£1.12

Weighted average remaining contracted life of deferred share bonus plan share options	At 31 March 2021	At 31 March 2020
Exercisable	**6.7 Years**	7.1 Years
Non-exercisable	**9.2 Years**	9.1 Years

LTIP for senior management

Such share options vest in three equal tranches; the first tranche vests on the first anniversary of year end, with subsequent tranches vesting at the second and third anniversaries of the relevant year ends. Share options may be exercised until the tenth anniversary of the grant date, after which time they will lapse. The fair value of this award is determined using the Black–Scholes model. The key inputs used in determining the award granted on 12 June 2020 are shown below:

Share price at date of grant	116.50p
Exercise price at grant date	104.92p
Expected option life in years	10
Risk-free rate	(0.03%)
Expected volatility	33.00%
Value per option	37.00p

The volatility assumption is based on a statistical analysis of daily share prices of comparator companies over the three years prior to the 12 June 2020 grant date.

								Exercise dates	
Date of grant	At 1 April 2020	Granted	Dividend equivalents	Exercised/ Other	Outstanding at 31 March 2021	Exercisable at 31 March 2021	Fair value at grant date in GBP	From	To
24 January 2018	94,528	–	4,416	–	98,944	98,944	£0.47	31 March 2018	24 January 2028
7 June 2018	462,324	–	21,601	–	483,925	483,925	£0.27	31 March 2019	7 June 2028
6 June 2019	515,778	–	25,566	(105,239)	436,105	290,737	£0.26	31 March 2020	6 June 2029
12 June 2020	–	411,248	21,600	–	432,848	144,283	£0.37	31 March 2021	12 June 2030

Weighted average exercise price of LTIP for senior management share options	At 31 March 2021	At 31 March 2020
Exercisable	**£1.12**	£1.13

Non-exercisable	**£1.12**	£1.12

Weighted average remaining contracted life of LTIP for senior management share options	**At 31 March 2021**	At 31 March 2020
Exercisable	**7.7 Years**	8.4 Years
Non-exercisable	**8.9 Years**	8.9 Years

LTIP for executive directors

Such share options vest on the third anniversary of grant date subject to pre-determined vesting conditions being met. All options not vesting on the vesting date will automatically lapse. All vested options and shares received upon the exercise of vested options are subject to a further two-year lock-in period during which they cannot be sold. The fair value of these nil-cost options is determined by external valuers using the Black-Scholes model and the Monte Carlo model. The key inputs used in determining the award granted on 12 June 2020 are shown below:

Share price	116.50p
Exercise price at grant date	£0.00
Expected option life in years	3+2
Risk-free rate	(0.03%)
Expected volatility	33.00%
Value per option - non-market awards	116.50p
Value per option - market awards	75.00p

The volatility assumption is based on a statistical analysis of daily share prices of comparator companies over the three years prior to the 12 June 2020 grant date.

Date of grant	At 1 April 2020	Granted	Dividend equivalents	Exercised/ Other	Outstanding at 31 March 2021	Exercisable at 31 March 2021	Fair value at grant date in GBP	Exercise dates From	Exercise dates To
24 January 2018	467,720	–	14,436	(238,343)	243,813	–	£0.68	8 June 2020*	8 June 2027
7 June 2018	1,073,863	–	50,175	–	1,124,038	–	£0.52	7 June 2021*	7 June 2028
6 June 2019	1,021,654	–	50,643	–	1,072,297	–	£0.52	6 June 2022*	6 June 2029
12 June 2020	–	1,052,230	55,267	–	1,107,497	–	£0.75	12 June 2023*	12 June 2030

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

Weighted average exercise price of LTIP for executive directors share options	**At 31 March 2021**	At 31 March 2020
Exercisable	**–**	–
Non-exercisable	**–**	–

Weighted average remaining contracted life of LTIP for executive directors share options	**At 31 March 2021**	At 31 March 2020
Exercisable	**–**	–
Non-exercisable	**8.1 Years**	8.4 Years

Other share options

On 30 March 2017, the Company agreed to grant to Ferryman Capital Partners Limited, a company in which Warren Lawlor, a former non-executive director, has a one-third beneficial interest, an option to subscribe for 2,000,000 Stenprop shares. The exercise price was £1.32. The full cost of this option was recognised in the year ended 31 March 2018. The option lapses on 31 March 2022. The option only has a dilutive effect when the average market price of ordinary shares exceeds the exercise price of the options.

The fair value of this award was determined using the Black–Scholes model. The key inputs used in determining the award granted on 30 March 2017 are shown below:

Share price	£1.08
Exercise price at grant date	£1.31
Expected option life in years	5
Risk-free rate	1.50%
Expected volatility	31.31%
Expected dividend yield	5.00%
Value per option	£0.13

The volatility assumption is based on a statistical analysis of daily share prices of Stenprop over the two years prior to the 30 March 2017 grant date.

Date of grant	At 1 April 2020	Granted	Exercised	Outstanding at 31 March 2021	Fair value at grant date in GBP	Exercisable at 31 March 2021	Exercise dates From	To
30 March 2017	2,000,000	–	–	2,000,000	2,000,000	£0.13	30 March 2022	7 June 2029

Share Purchase Plan

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

The table below summarises the position at year end in terms of loans advanced and the number of shares to which they relate. No further awards will be made under the Share Purchase Plan.

		31 March 2021	31 March 2020
Brought forward at start of year	(number of shares)	**10,037,162**	10,211,145
Share Purchase Plan shares issued in year	(number of shares)	**–**	–
Share Purchase Plan shares redeemed	(number of shares)	**(4,644,626)**	(173,983)
Carried forward at end of year	(number of shares)	**5,392,536**	10,037,162

Stock price at advancement	(€)	**N/A**	N/A
Share Purchase Plan loans advanced (including accrued interest)	(£'000)	**6,540**	12,265

Other share purchase loan

On 30 March 2017, a €1.22 million loan was advanced from Stenprop (Germany) Limited to Ferryman Capital Partners Limited, a company in which Warren Lawlor, a former non-executive director, has a one-third beneficial interest, to purchase 1,000,000 Stenprop shares in the market. The loan advanced is interest-bearing at a rate equal to the average interest rate incurred by the Group from time to time. Interest is payable six-monthly in arrears. The loan has full recourse to the borrower and the shares are charged as security for the loans. The loan, including accrued interest, was repaid in full in February 2021.

		31 March 2021	31 March 2020
Brought forward at start of year	(number of shares)	**1,000,000**	1,000,000
Shares issued in year	(number of shares)	**–**	–
Shares redeemed	(number of shares)	**(723,672)**	–
Carried forward at end of year	(number of shares)	**276,328**	1,000,000
Loan advanced (including accrued interest)	(£'000)	**–**	1,056

14 Earnings per ordinary share

	31 March 2021 £'000	31 March 2020 £'000
Reconciliation of profit for the period to adjusted EPRA[1] earnings		
Earnings per IFRS statement of comprehensive income attributable to shareholders	**53,045**	15,565
Adjustment to exclude loss from discontinued operations	**891**	2,197
Earnings per IFRS statement of comprehensive income from continuing operations attributable to shareholders	**53,936**	17,762
Earnings per IFRS statement of comprehensive income attributable to shareholders	**53,045**	15,565
Adjustments to calculate EPRA earnings, exclude:		
Gain on fair value of investment properties	**(35,109)**	(1,741)
(Gain)/loss on fair value of financial instruments, debt and associated close out costs	**(1,784)**	2,410
Deferred tax in respect of EPRA adjustments	**(1,618)**	(6,843)
Impairment of intangibles	**–**	305
(Gain)/loss on disposal of properties	**(639)**	4,630
Tax expense on disposal of properties	**3,470**	5,187
Loss on disposal of subsidiaries	**172**	–
Adjustments above in respect of joint ventures:		
Loss/(gain) on fair value of investment properties	**1,466**	(674)
Gain on fair value of financial instruments	**(41)**	–
Deferred tax in respect of EPRA adjustments	**(51)**	194

EPRA earnings attributable to shareholders	**18,911**	19,033
Further adjustments to arrive at adjusted earnings:		
Costs associated with ERP implementation	**463**	669
Adjusted earnings attributable to shareholders[2]	**19,374**	19,702
Weighted average number of shares in issue (excluding treasury shares)	**283,549,160**	282,777,020
Share-based payment award	**2,167,213**	3,522,208
Diluted weighted average number of shares in issue	**285,716,373**	286,299,228

Earnings per share from continuing operations	**Pence**	Pence
IFRS EPS	**19.02**	6.28
Diluted IFRS EPS	**18.88**	6.20

Earnings per share from continuing and discontinued operations	**Pence**	Pence
IFRS EPS	**18.71**	5.50
Diluted IFRS EPS	**18.57**	5.44
EPRA EPS	**6.67**	6.73
Diluted EPRA EPS	**6.62**	6.65
Adjusted EPS	**6.78**	6.88

[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.

As at 31 March 2021, the Company held 12,866,950 treasury shares (2020: 15,830,040).

Costs associated with ERP implementation

Stenprop is implementing a new enterprise resource planning (ERP) and customer engagement (CE) platform 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 shortly. It has been adjusted for as a 'company-specific adjustment'.

Headline earnings per share

The JSE listings conditions 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.

	31 March	31 March
	2021	2020
Reconciliation of profit for the period to headline earnings	**£'000**	£'000

Earnings per statement of comprehensive income attributable to shareholders	**53,045**	15,565
Adjustments to calculate headline earnings, exclude:		
Gain on fair value of investment properties	**(35,109)**	(1,741)
Deferred tax in respect of headline earnings adjustments	**(1,640)**	(6,848)
Impairment of intangibles	**–**	305
(Gain)/loss on disposal of properties	**(639)**	4,630
Tax expense on disposal of properties	**3,470**	5,187
Loss on disposal of subsidiaries	**172**	–
Adjustments above in respect of joint ventures:		
Loss/ (gain) on fair value of investment properties	**1,466**	(729)
Deferred tax	**(57)**	199
Headline earnings attributable to shareholders	**20,708**	16,568

Earnings per share	**pence**	pence
Headline EPS	**7.30**	5.86
Diluted headline EPS	**7.25**	5.79

15 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.

Stenprop considers EPRA NTA to be the most relevant measure of the three EPRA NAVs to report on and will act as the key net asset value measure going forward. The EPRA NTA metric is aligned with IFRS NAV in that it includes deferred tax liabilities with regard 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.

	NAV	**New EPRA NAV measures**			**Previously reported measures**
	IFRS	**EPRA NRV**	**EPRA NTA**	**EPRA NDV**	**EPRA NAV**
As at 31 March 2021	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Net assets attributable to equity shareholders	**425,820**	**425,820**	**425,820**	**425,820**	**425,820**
Adjustments:					
Derivative financial instruments	**–**	**(1,732)**	**(1,732)**	**–**	**(1,732)**
Deferred tax in relation to fair value of investment property and financial instruments[1]	**–**	**1,712**	**–**	**–**	**1,712**
Adjustments above in respect of joint ventures	**–**	**714**	**714**	**–**	**714**
Intangible assets	**–**	**–**	**(1,784)**	**–**	**–**
Purchaser's costs[2]	**–**	**37,798**	**–**	**–**	**–**
Net assets used in per share calculation	**425,820**	**464,312**	**423,018**	**425,820**	**426,514**
Number of shares in issue (excluding treasury shares)[3]	**285,908,225**	**285,908,225**	**285,908,225**	**285,908,225**	**285,908,225**

Share-based payment award	**2,167,213**	**2,167,213**	**2,167,213**	**2,167,213**	**2,167,213**
Diluted number of shares in issue	**288,075,438**	**288,075,438**	**288,075,438**	**288,075,438**	**288,075,438**

	IFRS	**EPRA NRV**	**EPRA NTA**	**EPRA NDV**	**EPRA NAV**
Net asset value per share	**£**	**£**	**£**	**£**	**£**
Net asset value per share	**1.49**	**–**	**–**	**–**	**–**
Diluted net asset value per share	**1.48**	**1.61**	**1.47**	**1.48**	**1.48**

	NAV	New EPRA NAV measures			Previously reported measures
	IFRS	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NAV
As at 31 March 2020	£'000	£'000	£'000	£'000	£'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
Purchasers' 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

	NAV	New measures			Previously reported measures
	IFRS	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NAV
Net assets per share	£	£	£	£	£
Net asset value per share	1.38	–	–	–	–
Diluted net asset value per share	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 4.5% of the portfolio with a fair value of £26.2 million (2020: £94.8 million (17.8%)). No deferred tax was excluded from EPRA NTA 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 31 March 2021, the Company held 12,866,950 treasury shares (2020: 15,830,040).

16 Investment property

The fair value of the consolidated investment properties at 31 March 2021 was £511.2 million (2020: £387.8 million). This excludes an amount of £12.0 million (2020: £14.3 million) for the last remaining Swiss property (2020: one Swiss property) and

£26.2 million (2020: £94.8 million) for the last remaining German property (2020: eight) which has been classified as held for sale. Apart from the one remaining German property, the carrying amount of the investment properties are stated at estimated fair value, determined by directors, based on an independent external appraisal. The sole remaining German property is based on a signed contract for the disposal of the property. The registered independent appraisers have an appropriate recognised professional qualification and recent experience in the location and category of the property being valued ('valuers').

The fair value of each of the properties for the period ended 31 March 2021, 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 several 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 based on assumptions that may not prove to be accurate, particularly in years of volatility or low transaction flow in the market. Due to the current economic uncertainty in the market due to COVID-19 the Switzerland valuers have issued their valuation report with a material valuation uncertainty clause. They have advised there is less certainty attached to their valuation in comparison to what would normally be the case, but that does not mean the valuations cannot be relied upon. For the avoidance of doubt, the UK and Guernsey valuations do not have a material valuation uncertainty clause attached the valuations and the German valuation is based on a signed contract of sale. 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 valuers are reviewed internally by senior management. This includes discussions of the assumptions used by the external valuers, as well as a review of the resulting valuations.

Discussions of the valuations process and results are held between the senior management and the external valuers on a 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 five (2020: two) recently acquired MLI properties, all investment properties are mortgaged, details of which can be seen in note 23. As at the date of signing this report, there are no restrictions on the realisability of any of the underlying investment properties, nor on the remittance of income and disposal proceeds.

The key unobservable inputs used in the valuation of the Group's investment properties at 31 March 2021 are detailed in the table below:

Combined portfolio (including share of jointly controlled entities)	**Market value 31 March 2021 (£'000)**	**Portfolio by market value (%)**	**Properties (number)**	**Area (sq m)**	**Annualised contracted gross rental income* (£'000)**	**Net initial yield (Weighted average) (%)**	**Voids by area (%)**	**Market rent range per month (£/sq m)**
Investment properties								
Guernsey	**56,150**	**9.7%**	**1**	**10,564**	**4,428**	**7.25%**	**0.20%**	**34.9**
UK multi-let industrial	**432,910**	**74.3%**	**83^**	**521,288**	**30,190**	**6.22%**	**6.34%**	**3.0–9.7**
UK urban logistics	**22,160**	**3.8%**	**5**	**21,861**	**1,741**	**7.36%**	**–%**	**3.0–21.4**
Subtotal	**511,220**	**87.8%**	**89**	**553,713**	**36,359**	**6.39%**	**5.98%**	**–**

Assets held for sale								
Germany	**26,239**	**4.5%**	**1**	**8,274**	**1,269**	**4.90%**	**3.20%**	**13.0**
Switzerland	**11,967**	**2.1%**	**1**	**5,974**	**953**	**3.37%**	**–%**	**13.3**
Total – wholly owned	**549,426**	**94.4%**	**91**	**567,961**	**38,581**	**6.25%**	**5.87%**	**–**
Share of joint ventures	**32,839**	**5.6%**	**4**	**19,330**	**2,379**	**6.15%**	**–%**	**7.3–13.2**
Total	**582,265**	**100.0%**	**95**	**587,291**	**40,960**	**6.24%**	**5.68%**	**–**

* Annualised contracted gross rental income excludes rent free periods and fixed uplifts. At 31 March 2021, annualised current passing rent for the Group totalled £39,520,000.

^ The Group completed 14 individual estate acquisitions in the financial year ended 31 March 2021. One of the estates, known as 'The Levels' was an acquisition of a long lease hold interest in an estate in which the Group was already the freeholder. For internal management purposes this estate has been absorbed into the existing freehold estate reducing the number of newly acquired estates internally to 13.

Subsequent to 31 March 2021, the Guernsey property met the conditions for it to be classified as an asset held for sale. Further information regarding this sale can be found in note 19.

Combined portfolio (including share of jointly controlled entities)	Market value 31 March 2020 (£'000)	Portfolio by market value (%)	Properties (number)	Area (sq m)	Annualised contracted gross rental income* (£'000)	Net initial yield (Weighted average) (%)	Voids by area (%)	Market rent range per month (£/sq m)
Investment properties								
Guernsey	57,460	10.8%	1	10,564	4,335	7.05%	0.05%	34.2
UK multi-let industrial	308,951	58.0%	70	420,483	22,701	6.47%	8.90%	2.6–8.6
UK urban logistics	21,350	4.0%	5	21,835	1,709	7.56%	–%	3.0–21.4
Subtotal	387,761	72.8%	76	452,882	28,745	6.62%	8.27%	–
Assets held for sale								
Germany	94,799	17.8%	8	52,122	5,736	5.10%	0.82%	4.9–12.7
Switzerland	14,277	2.7%	1	5,974	1,038	5.81%	–%	14.5
Total – wholly owned	496,837	93.3%	85	510,978	35,519	5.19%	7.41%	–
Share of joint ventures	35,737	6.7%	4	19,330	2,429	5.94%	–%	7.6–13.5
Total	532,574	100.0%	89	530,308	37,948	6.28%	7.14%	–

* Annualised contracted gross rental income excludes rent free periods and fixed uplifts. At 31 March 2020, annualised current passing rent for the Group totalled £36,029,000.

	31 March 2021			31 March 2020		
	Investment property	**Assets held for sale**	**Total - wholly owned**	Investment property	Assets held for sale	Total - wholly owned
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Opening balance	**387,761**	**109,076**	**496,837**	562,815	16,160	578,975

Acquisitions	**96,363**	**–**	**96,363**	41,160	–	41,160
Capitalised expenditure	**1,514**	**103**	**1,617**	6,456	6,847	13,303
Transfers to assets held for sale	**–**	**–**	**–**	(230,467)	230,467	–
Disposals	**–**	**(76,220)**	**(76,220)**	(3,650)	(142,661)	(146,311)
Net fair value gain on investment properties	**25,582**	**9,527**	**35,109**	4,937	(6,678)	(1,741)
Foreign exchange movement in foreign operations	**–**	**(4,280)**	**(4,280)**	6,510	4,941	11,451
Closing balance	**511,220**	**38,206**	**549,426**	387,761	109,076	496,837

Included in the disposals amount of £76.2 million, is £23.0 million from the disposal of the Century B.V. and Century 2 B.V. entities detailed in note 25. To reconcile this net position of £53.2 million to the consolidated statement of cash flows figure of £52.8 million included in proceeds on disposal of investment property, net of selling costs, the £2.1 million retention on the sale proceeds of the Victoria retail centre in Germany needs to be added back (see note 20), reduced by selling costs of £2.1 million and £0.4 million of current year disposal costs from Bleichenhof in Germany (see note 19).

Future revenue streams comprise contracted rent and estimated rental value ('ERV') after the contract period. In calculating ERV, the potential impact of future lease incentives to be granted to secure new contracts is taken into consideration. An increase/decrease in ERV will increase/decrease valuations. The table below sets out the indicative fair value impact when applying the sensitivity of the unobservable inputs (Level 3) valuations to a 10% change in ERV.

	Fair value at	**Impact on valuations**		Fair value at	Impact on valuations	
	31 March			31 March		
	2021	**+10% ERV**	**-10% ERV**	2020	+10% ERV	-10% ERV
Investment property	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Guernsey	**56,150**	**4,991**	**(3,916)**	57,460	5,161	(3,769)
UK multi-let industrial	**432,910**	**1,980**	**(2,065)**	308,951	19,977	(31,119)
UK urban logistics	**22,160**	**2,120**	**(2,116)**	21,350	2,074	(2,033)
Germany	**26,239**	**n/a**	**n/a**	94,799	4,259	(4,240)
Switzerland	**11,967**	**470**	**(469)**	14,277	470	(461)
Joint ventures	**32,839**	**1,400**	**(853)**	35,737	1,617	(1,672)
Group property portfolio valuation	**582,265**	**10,961**	**(9,419)**	532,574	33,558	(42,294)

Net initial yield ('NIY') is the contracted rent on investment properties at the statement of financial position date, expressed as a percentage of the investment property valuation, plus purchaser's costs. An increase/decrease in NIY will decrease/increase valuations. The table below sets out the indicative fair value impact when applying the sensitivity of the unobservable inputs (Level 3) valuations to a 50 basis point change in yield.

	Fair value at	**Impact on valuations**		Fair value at	Impact on valuations	
	31 March			31 March		
	2021	**+50 bps**	**-50 bps**	2020	+50 bps	-50 bps
Investment property	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Guernsey	**56,150**	**(3,568)**	**4,086**	57,460	(3,805)	4,385
UK multi-let industrial	**432,910**	**(32,196)**	**37,822**	308,951	(21,677)	25,216
UK urban logistics	**22,160**	**(1,409)**	**1,614**	21,350	(1,334)	1,525
Germany	**26,239**	**n/a**	**n/a**	94,799	(9,636)	12,455
Switzerland	**11,967**	**(708)**	**802**	14,277	(906)	1,041
Joint ventures	**32,839**	**(2,598)**	**3,037**	35,737	(2,836)	3,351

Group property portfolio valuation	**582,265**	**(40,479)**	**47,361**	532,574	(40,194)	47,973

17 Group companies

Details of the Group's subsidiaries as at 31 March 2021 are as follows:

Name	Principal place of business	Principal activity	% equity owned by Company	% equity owned by Subsidiary
BVI incorporated entities with registered address:				
Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, VG1110, British Virgin Islands				
Davemount Properties Limited	England	Property Investment		100.0 %
Ruby Red Holdings Limited	Guernsey	Management		100.0 %
SP Corporate Services Limited	Guernsey	Management		100.0 %
SP Nominees Limited	Guernsey	Management		100.0 %
Stenprop Management Holdings Limited	Guernsey	Holding Company	100.0 %	
Stenprop Hermann Limited	Guernsey	Property Investment		100.0 %
Stenprop Victoria Limited	Guernsey	Property Investment		100.0 %
Stenprop Industrials 1 Limited	Guernsey	Holding Company		100.0 %
Stenprop Industrials 4 Limited	Guernsey	Property Investment		100.0 %
Stenprop Industrials 5 Limited	Guernsey	Dormant		100.0 %
Stenprop (UK) Limited	England	Holding Company	100.0 %	
Curacao incorporated entities with registered address:				
Wilhelminalaan 13, Curaçao				
Anarosa Holdings N.V.	England	Holding Company		94.9 %
C.S. Property Holding N.V.	England	Holding Company		94.9 %
Lakewood International N.V.	England	Holding Company		89.0 %
T.B. Property Holdings N.V.	England	Holding Company		100.0 %
England incorporated entities with registered address:				
180 Great Portland Street, London, W1W 5QZ				
C2 Capital Limited	England	Management		100.0 %
Stenprop Management Limited	England	Management		100.0 %
Industrials Management Limited	England	Dormant		100.0 %
Germany incorporated entity with registered address:				
Dornbusch 4, 20095 Hamburg, Germany				
KG Bleichenhof Grundtuscksverwaaltung GmbH & Co. KG	Germany	Property Investment		100.0 %
Guernsey incorporated entities with registered address:				

Kingsway House; Havilland Street; St Peter Port; Guernsey GY1 2QE				
Bernina Property Holdings Limited	England	Holding Company		100.0 %
GGP1 Limited	England	Property Investment		100.0 %
Kantone Holdings Limited	Guernsey	Property Investment		100.0 %
LPE Limited	Guernsey	Property Investment		100.0 %
Stenprop Advisers Limited	Guernsey	Management	10.0 %	90.0 %
Stenprop Arsenal Limited	Guernsey	Dormant		100.0 %
Stenprop Industrials Holdings Limited	England	Holding Company	100.0 %	
Stenprop Industrials 6 Limited	England	Property Investment		100.0 %
Stenprop Industrials 7 Limited	England	Dormant		100.0 %
Stenprop Industrials 8 Limited	England	Dormant		100.0 %
Stenprop Trafalgar Limited	Guernsey	Holding Company		100.0 %
Stenprop (Germany) Limited	England	Holding Company	100.0 %	
Stenprop (Guernsey) Limited	Guernsey	Dormant		100.0 %
Stenprop (Swiss) Limited	Guernsey	Holding Company	100.0 %	
Isle of Man incorporated entities with registered address:				
First Names House, Victoria Road, Douglas, Isle of Man IM2 4DF				
Gemstone Properties Limited	Guernsey	Holding Company		100.0 %
Stenham Beryl Limited	Guernsey	Property Investment		100.0 %
Stenham Crystal Limited	Guernsey	Property Investment		100.0 %
Stenham Jasper Limited	Guernsey	Property Investment		100.0 %
Netherlands incorporated entities with registered address:				
Fascinatio Boulevard 764, 2909 VA Capelle aan den IJssel, Netherlands				
Isabel Properties BV	Netherlands	Property Investment		94.9 %
Mindel Properties BV	Netherlands	Holding Company		94.5 %
United States incorporated entities with registered address:				
1209 Orange Street, Wilmington, Delaware 19801, USA				
Industrials UK GP LLC	England	Holding Company		100.0 %
Industrials UK LP	England	Property Investment		100.0 %

Details of the Group’s investments in joint ventures are disclosed in note 18.

18 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	50.0 %
Elysion Braunschweig S.a.r.l	Luxembourg	Property company	50.0 %
Elysion Dessau S.a.r.l	Luxembourg	Property company	50.0 %
Elysion Kappeln S.a.r.l	Luxembourg	Property company	50.0 %
Elysion Winzlar S.a.r.l	Luxembourg	Property company	50.0 %
Republic of Ireland incorporated entity with registered address:			
18f Main Street, Dundrum, Dublin 14			
Ardale Industrials Limited	Republic of Ireland	Management company	50.0 %

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.

	Elysion S.A. £'000	Other £'000	Total 31 March 2021 £'000
Assets			
Investment property	**33,164**	**–**	**33,164**
Fixed assets	**31**	**–**	**31**
Cash and cash equivalents	**82**	**1**	**83**
Current assets	**9**	**–**	**9**
Total assets	**33,286**	**1**	**33,287**
Liabilities			
Bank loans	**(16,947)**	**–**	**(16,947)**
Bond	**(14,119)**	**–**	**(14,119)**
Deferred tax	**(1,326)**	**–**	**(1,326)**
Financial liability	**(488)**	**–**	**(488)**
Current liabilities	**(122)**	**–**	**(122)**
Total liabilities	**(33,002)**	**–**	**(33,002)**
Net assets of joint ventures	**284**	**1**	**285**
Group's investment in joint venture bond	**14,119**	**–**	**14,119**
Group's share of joint ventures' net assets	**142**	**1**	**143**

Loss and total comprehensive income from continuing operations

Revenue	**2,518**	**–**	**2,518**
Finance costs	**(1,821)**	**–**	**(1,821)**
Net fair value loss	**(1,821)**	**–**	**(1,821)**
Tax expense	**(159)**	**–**	**(159)**
Loss and total comprehensive income	**(1,283)**	**–**	**(1,283)**
Group income from joint ventures represented by:			
Share of joint venture loss	**(642)**	**–**	**(642)**
Interest income on joint venture bond	**1,481**	**–**	**1,481**
Net loss on joint venture bond	**(778)**	**–**	**(778)**
Income from joint ventures	**61**	**–**	**61**

	Elysion S.A. £'000	Other £'000	Total 31 March 2020 £'000
Assets			
Investment property	35,737	–	35,737
Fixed assets	227	–	227
Cash and cash equivalents	543	10	553
Current assets	42	2	44
Total assets	36,549	12	36,561
Liabilities			
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)
Total 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 costs	(2,193)	(12)	(2,205)
Net fair value gains	674	–	674
Tax expense	(231)	(2)	(233)

Profit and total comprehensive income from continuing operations	722	1	723

Group income from joint ventures represented by:			
Share of joint venture profits	361	1	362
Interest income on joint venture bond	1,393	–	1,393
Net gain on joint venture bond	360	–	360
Income from joint ventures	2,114	1	2,115

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 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 16.

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

	Bond	**Investment in joint ventures**		
	Elysion S.A.	**Elysion S.A.**	**Other**	**Total**
31 March 2021	**£'000**	**£'000**	**£'000**	**£'000**
Opening balance	**15,336**	**780**	**1**	**781**
Income/(loss) from joint ventures	**1,481**	**(642)**	**–**	**(642)**
Loss on fair value movement	**(780)**	**–**	**–**	**–**
Investment receipts	**(1,290)**	**–**	**–**	**–**
Foreign exchange movement in foreign operations	**(628)**	**4**	**–**	**4**
Closing balance	**14,119**	**142**	**1**	**143**

	Bond	Investment in joint ventures		
	Elysion S.A.	Elysion S.A.	Other	Total
31 March 2020	£'000	£'000	£'000	£'000
Opening balance	14,077	409	56	465
Income from joint ventures	1,765	349	1	350
Investment receipts	(975)	–	(56)	(56)
Foreign exchange movement in foreign operations	469	22	–	22
Closing balance	15,336	780	1	781

19 Assets held for sale and discontinued operations

Management considers the remaining Swiss property (2020: one) and the remaining German property (2020: eight) 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 fair value of Swiss property has been determined by a third-party valuer, JLL.

The remaining German property classified as held for sale was notarised for sale in December 2020 and is expected to complete shortly and the fair value has accordingly been determined by the directors based on the sale price. 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.

Subsequent to 31 March 2021, the Guernsey office building, known as Trafalgar Court, met the conditions for it to be classified as an asset held for sale, as per IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. As there is only one property currently held in the Guernsey segment, this will result in the Guernsey segment being recognised in future financial statements as a discontinued operation.

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

	31 March 2021 £'000	31 March 2020 £'000
Investment properties (note 16)	**38,206**	109,076
Cash and cash equivalents	**201**	1,135
Trade and other receivables	**801**	1,646
Assets classified as held for sale	**39,208**	111,857
Bank loans (note 23)	**13,883**	43,177
Derivative financial instruments	**–**	134
Deferred tax (note 26)	**1,190**	3,782
Tax credit	**(603)**	(611)
Accounts payable and accruals	**696**	828
Liabilities directly associated with assets classified as held for sale	**15,166**	47,310

The Swiss property is the only asset recognised as a discontinued operation as the Swiss segment is a disposal group. In the prior year, 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:

	31 March 2021 £'000	31 March 2020 £'000
Rental income	**1,098**	764
Property expenses	**(703)**	(329)
Net rental income	**395**	435
Operating costs	**(114)**	(214)
Net operating income	**281**	221
Fair value loss on investment properties	**(1,178)**	(3,188)
Profit on disposal of subsidiaries	**160**	–

Loss from operations	**(737)**	(2,967)
Profit on disposal of property	**–**	648
Interest receivable	**–**	–
Finance costs	**(71)**	(70)
Net foreign exchange loss	**(1)**	(6)
Loss for the year before taxation	**(809)**	(2,395)
Current tax	**(82)**	198
Deferred tax	**–**	–
Loss for the year from discontinued operations	**(891)**	(2,197)

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.

On 31 March 2021, the Group disposed of its property, Victoria-Center retail park, in Berlin, Germany, held in Stenprop Victoria Limited for €37.45 million.

On 31 March 2021, the Group disposed of five properties located in Frankfurt, Kassel, Ludwigsburg, Marburg and Sindelfingen, Germany, held in Century B.V. and Century 2 B.V. at a valuation of €27.0 million. The properties were disposed of as subsidiaries and are further discussed in note 25.

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 13 December 2019, the Group disposed of its Grimsby property in Davemount Properties Limited for £1.0 million.

On 28 February 2020, the group disposed of its largest single asset, known as Bleichenhof, in Hamburg. The property was sold for €160.15 million. One of the conditions attached to the disposal was completing the redevelopment works that were ongoing at the time of the sale. In the prior year statement of financial position, a provision for £3.2 million was included for these redevelopment costs.

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.

20 Trade and other receivables

	31 March 2021	31 March 2020
Non-current receivables	**£’000**	£’000
Other debtors	**8,670**	13,523
Total non-current receivables	**8,670**	13,523

Non-current other debtors includes £6.51 million (2020: £12.27 million) of loans advanced under the Share Purchase Plan (see note 13: Share-based payments). During the current financial year, a £1.0 million loan (2020: £1.0 million) used to purchase 1,000,000 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, was repaid in full. Two of the three remaining loans advanced under the Share Purchase Plan were also repaid in full before the reporting date. Only one loan advanced under the Share Purchase Plan remains outstanding at 31 March 2021.

The remaining loan has been assessed for an expected credit loss under IFRS 9. The analysis shows that due to the full recourse nature of the loan, secured against the shares issued and underlying assets of the borrower, loss given default is currently estimated at nil. There has been no perceived significant increase in credit risk and we have not recognised an 12 month expected credit loss on this loan. Refer to note 28 (i) to understand how the Group manages credit risk.

Non-current other debtors also includes £2.13 million (2020: nil) from part of the proceeds from the sale of the Victoria retail centre in Germany. A retention of €2.5 million from the purchase price is held in an escrow account in respect of claims against, and for certain liabilities of the seller under the disposal agreement for a period of up to 13 months from the completion date of 31 March 2021.

	31 March 2021	31 March 2020
Current receivables	**£'000**	£'000
Accounts receivable	**6,009**	3,793
Loss allowance on accounts receivables	**(2,311)**	(541)
Net receivables	**3,698**	3,252
Lease incentives	**1,769**	2,183
Loss allowance on lease incentives	**(261)**	–
Net lease incentives	**1,508**	2,183
Other receivables	**2,406**	1,415
Prepayments	**1,111**	1,399
Total current receivables	**8,723**	8,249

Other receivables includes VAT receivable.

	31 March 2021			31 March 2020		
	Accounts Receivables £'000	**Loss Allowance £'000**	**Net Receivables £'000**	Accounts Receivables £'000	Loss Allowance £'000	Net Receivables £'000
Not yet due	**–**	**–**	**–**	572	–	572
1-30 days overdue	**1,361**	**(37)**	**1,324**	1,999	–	1,999
31-60 days overdue	**1,784**	**(109)**	**1,675**	296	–	296
61-90 days overdue	**247**	**(99)**	**148**	109	(60)	49
91-120 days overdue	**340**	**(323)**	**17**	227	(147)	79
More than 120 days overdue	**2,277**	**(1,743)**	**534**	590	(333)	257
Closing balance	**6,009**	**(2,311)**	**3,698**	3,793	(541)	3,252

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 affecting the Group's customers.

Book value approximates fair value.

21 Cash and cash equivalents

	31 March 2021 £'000	31 March 2020 £'000
Cash at bank	**53,781**	84,453
Total cash and cash equivalents	**53,781**	84,453

Restricted cash

At the reporting date funds totalling £4.4 million (2020: £8.2 million) were restricted. This comprises service charge monies held by managing agents amounting to £4.1 million (2020: £1.5 million) and £0.3 million (2020: £0.8 million) relating to rent held in bank accounts which are secured by the lenders, for the purposes of debt repayments. In the prior year, Bleichenhof redevelopment costs of £3.5 million were included in restricted cash (2021: nil). Furthermore, restricted cash of £2.4 million relating to tenant deposits was included in the 2020 cash balance (2021: nil).

As the Group is in compliance with all the terms and conditions of its loans as at the date of signing these financial statements, there are no further restrictions, and any surplus will flow to the Group.

22 Accounts payable and accruals

	31 March 2021 £'000	31 March 2020 £'000
Trade payable	**2,149**	292
Accruals	**4,200**	2,216
Rental income received in advance	**6,811**	6,261
Other payables	**3,356**	5,598
Tenant deposits	**–**	2,322
Total accounts payables and accruals	**16,516**	16,689

Tenant deposits held by the Group at 31 March 2021, total £2.8 million (2020: £2.3 million). They are held in separate restricted bank accounts and at 31 March 2021, have been netted off the corresponding cash balance and are therefore shown as nil

(2020: £2.3 million).

Accounts payable and accruals balances are recognised at amortised cost and approximates their fair value.

23 Borrowings

	31 March 2021			31 March 2020		
	Borrowings £'000	**Assets held for sale £'000**	**Total - wholly owned £'000**	Borrowings £'000	Assets held for sale £'000	Total - wholly owned £'000
Opening balance	**154,171**	**43,177**	**197,348**	245,090	6,106	251,196
New loans	**89,558**	**–**	**89,558**	24,668	–	24,668
Repayment of borrowings	**(61,484)**	**(16,442)**	**(77,926)**	(2,675)	(79,509)	(82,184)
Bank loans associated with the disposal of subsidiaries	**–**	**(10,734)**	**(10,734)**	–	–	–
Transfer of borrowings to assets held for sale	**–**	**–**	**–**	(112,579)	112,579	–
Amortisation of loans	**–**	**(123)**	**(123)**	–	(134)	(134)

Capitalised borrowing costs	**(1,965)**	**(12)**	**(1,977)**	(919)	–	(919)
Amortisation of transaction fees	**864**	**84**	**948**	586	37	623
Foreign exchange movement in foreign operations	**–**	**(2,067)**	**(2,067)**	–	4,098	4,098
Total borrowings	**181,144**	**13,883**	**195,027**	154,171	43,177	197,348

Of the movement in borrowings in the year ending 31 March 2021, £89.56 million (2020: £24.67 million) relates to cash received from new bank loans raised and £77.9 million (2020: £82.18 million) relates to repayments of bank loans. £16.44 million (2020: £79.51 million) of bank loan repayments are included in the adjustment for liabilities directly associated with assets held for sale and £10.73 million (2020: nil) was included in bank loans associated with the disposal of subsidiaries.

	31 March 2021 £'000	31 March 2020 £'000
Amount due for settlement within 12 months	**4,489**	–
Amount due for settlement between one to three years	**77,032**	93,468
Amount due for settlement between three to five years	**34,375**	60,703
Amount due for settlement after five years	**65,248**	–
Total borrowings	**181,144**	154,171
Non-current liabilities		
Bank loans	**176,655**	154,171
Total non-current loans and borrowings	**176,655**	154,171
Current liabilities		
Bank loans	**4,489**	–
Total current loans and borrowings	**4,489**	–
Total loans and borrowings	**181,144**	154,171

The facilities amounting to £197.7 million are secured by legal charges over the properties to which they correspond with a market value of £522.2 million. There is no cross-collateralisation of the facilities. The terms and conditions of outstanding loans are as follows:

						Nominal value		**Carrying value***	
Entity	**Note**	**Amortising**	**Loan interest rate**	**Currency**	**Maturity date**	**31 March 2021 £'000**	**31 March 2020 £'000**	**31 March 2021 £'000**	**31 March 2020 £'000**
Continuing operations									
Guernsey									
LPE Limited		No	LIBOR + 2.00 %	GBP	30/09/2022	**28,000**	28,000	**27,929**	27,857
United Kingdom - MLI									
Industrials UK LP		No	1.66 % fixed	GBP	3/12/2027	**66,500**	–	**65,248**	–

Industrials UK LP		No	LIBOR + 2.25 %	GBP	2/06/2022	**–**	61,484	**–**	61,259
Stenprop Industrials 4 Limited		No	LIBOR + 2.00 %	GBP	14/11/2025	**34,879**	34,879	**34,375**	34,255
Stenprop Industrials 6 Limited		No	LIBOR + 1.75 %	GBP	1/02/2024	**49,898**	–	**49,104**	–
Stenprop Industrials 6 Limited		No	LIBOR + 2.00 %	GBP	1/02/2024	**–**	26,840	**–**	26,448
Stenprop Industrials Holdings Limited	1	Yes	N/A	GBP		**–**	–	**(8)**	(120)
United Kingdom - Urban logistics									
GGP1 Limited		No	LIBOR + 2.25 %	GBP	26/05/2021	**4,500**	4,500	**4,496**	4,472
Total borrowings attributable to continuing operations						**183,777**	155,703	**181,144**	154,171
Switzerland - Discontinued operation									
Kantone Holdings Limited		Yes	LIBOR + 1.15 %	CHF	3–month rolling facility	**5,853**	6,513	**5,853**	6,513
Germany - Assets held for sale									
Century BV		No	Euribor + 1.55 %	EUR	31/12/2022	**–**	7,369	**–**	7,319
Century 2 BV		No	Euribor + 1.55 %	EUR	31/12/2022	**–**	3,832	**–**	3,804
Isabel Properties BV		No	Euribor + 2.32 %	EUR	30/12/2021	**–**	8,001	**–**	8,001
Stenprop Hermann Ltd		No	Euribor + 1.13 %	EUR	30/06/2021	**8,033**	8,383	**8,030**	8,383
Stenprop Victoria Ltd		No	Euribor + 1.28 %	EUR	31/08/2020	**–**	9,157	**–**	9,157
Total borrowings attributable to discontinued operations and assets classified as held for sale (note 19)						**13,886**	43,255	**13,883**	43,177
Total borrowings						**197,663**	198,958	**195,027**	197,348

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

[1] Net carrying value of the amortised facility costs on the Investec Bank Plc revolving credit facility.

Loans are subject to loan-to-value ratios (note 27) and interest coverage ratios. All loans are assessed quarterly for their covenant compliance and forecast headroom. No loan was in breach of its borrowing covenants during the period or period end.

	31 March 2021		31 March 2020	
Continuing operations	**Weighted covenant**	**Weighted actual**	Weighted covenant	Weighted actual
Loan to value	**57.5 %**	**38.8 %**	62.2 %	41.8 %

Interest cover	**2.3**	**9.5**	1.9	5.5

	31 March 2021		31 March 2020	
Discontinued operations	**Weighted covenant**	**Weighted actual**	Weighted covenant	Weighted actual
Loan to value	**50.0 %**	**48.9 %**	50.0 %	45.6 %
Interest cover	**n/a**	**n/a**	n/a	n/a

24 Derivative financial instruments

In accordance with the terms of the borrowing arrangements and Group policy, the Group has entered into interest rate swap agreements which are entered into by the borrowing entities to convert the borrowings from floating to fixed interest rates and are used to manage the interest rate profile of financial liabilities and eliminate future exposure to interest rate fluctuations. It is the Group's policy that no economic trading in derivatives is undertaken by the Group. The Group uses forward foreign exchange contracts to mitigate exchange rate exposure arising from forecast sales in euros (EUR). The Group's policy is to hedge 100% of net foreign exchange exposure when a disposal contract has been signed. In the current year, the Group recognised a total net gain in fair value of financial instruments from continuing and discontinuing operations of £1,940,000 (2020: loss £2,410,000) and nil (2020: nil) respectively.

On 31 March 2021, the entities Century BV and Century 2 BV were disposed of by way of a share sale and the loan in Isabel Properties BV was repaid on the sale of the property in this entity. Therefore, the maturity dates and swap rate percentages are no longer applicable.

The following table sets out the interest rate swap agreements at 31 March 2021 and 31 March 2020.

Entity	Effective date	Maturity date	Swap rate %	**Notional value 31 March 2021 £'000**	**Fair Value 31 March 2021 £'000**	Notional value 31 March 2020 £'000	Fair value 31 March 2020 £'000
Continuing operations							
UK - MLI							
Industrials UK LP	n/a	n/a	n/a	**–**	**–**	60,375	(768)
Stenprop Industrials 4 Limited	07/02/2020	14/11/2024	0.8856 %	**24,000**	**(430)**	24,000	(492)
Stenprop Industrials 6 Limited	22/12/2020	01/02/2024	0.5000 %	**42,413**	**138**	22,814	(741)
Liabilities directly associated with assets classified as held for sale							
Germany							
Century BV	n/a	n/a	n/a	**–**	**–**	7,234	–
Century 2 BV	n/a	n/a	n/a	**–**	**–**	3,967	–
Isabel Properties BV	n/a	n/a	n/a	**–**	**–**	8,001	–
Total swaps				**66,413**	**(292)**	126,391	(2,001)
Stenprop Ltd							
EUR forward contracts				**–**	**2,024**	–	–
Total forwards					**2,024**		

Assets maturing within 12 months				**–**	**2,024**	–	–
Liabilities maturing within 12 months				**–**	**–**	–	–
Assets maturing after 12 months				**–**	**138**	–	–
Liabilities maturing after 12 months				**–**	**(430)**	–	(2,001)
Derivative financial instruments – on the Statement of Financial Position				**–**	**1,732**	–	(2,001)
Swaps included in investment in joint ventures							
Elysion Braunschweig S.à r.l.	29/03/2018	29/12/2023	0.5200 %	**4,984**	**(122)**	4,883	(150)
Elysion Dessau S.à r.l.	29/03/2018	29/12/2023	0.5200 %	**4,932**	**(121)**	4,831	(143)
Elysion Kappeln S.à r.l.	31/12/2018	29/12/2023	0.6325 %	**5,341**	**(150)**	5,379	(181)
Elysion Winzlar S.à r.l.	31/12/2018	29/12/2023	0.6325 %	**3,418**	**(96)**	3,442	(116)
Derivative financial instruments – joint ventures				**18,675**	**(489)**	18,535	(590)

25 Disposal of subsidiaries

	31 March 2021 £'000	31 March 2020 £'000
Carrying value of net assets at disposal date		
Investment property	**23,001**	–
Trade and other receivables	**640**	–
Cash and cash equivalents	**348**	–
Borrowings	**(10,729)**	–
Trade and other payables	**(1,477)**	–
Group loans converted to third party loans on disposal	**(4,543)**	–
Net assets disposed	**7,240**	–
Net disposal proceeds	**7,738**	–
Foreign exchange movement in foreign operations	**(191)**	–
Profit on disposal of subsidiaries	**(307)**	–
Net assets disposed	**7,240**	–
Continuing operations – Profit on disposal of subsidiary	**(307)**	–
Profit on disposal of subsidiaries	**(307)**	–

Current year disposals

On 31 March 2021, the Group disposed of its 94.90% shareholding in Century B.V. and Century 2 B.V. for a net consideration of £12.28 million. Century B.V. owned three properties located in Frankfurt, Ludwigsburg and Marburg and Century 2 B.V. owned two properties located in Kassel and Sindelfingen, Germany. The impact of these disposals on the Group is shown above. Upon completion of the sale the Group loan of £4.5 million was repaid to Stenprop.

26 Deferred tax

The following is the movement in deferred tax assets and liabilities recognised by the Group during the current and prior reporting periods. All of the Group's deferred tax is attributable to liabilities directly associated with assets classified as held for sale.

	31 March 2021	31 March 2020
Liabilities directly associated with assets classified as held for sale	**£'000**	£'000
Deferred tax liability opening balance	**3,782**	10,416
Deferred tax recognised on investment properties	**(2,638)**	(9,533)
Deferred tax recognised on revaluation of financial liabilities	**22**	5
Deferred tax on tax losses	**121**	4,123
Withholding tax on disposal of property	**–**	(1,691)
Other movements	**25**	359
Exchange movements	**(122)**	103
Movement in deferred tax	**(2,592)**	(6,634)
Deferred tax liability closing balance	**1,190**	3,782

On 31 March 2021, significant cash reserves, included within the cash and cash equivalents balance (see note 21) and therefore part of continuing operations, were deposited in European bank accounts upon the completion of an asset disposal (see note 19) and two subsidiary disposals (see note 25). This cash will be transferred back to the UK to enable further MLI asset acquisitions. The Group does not expect withholding tax to be paid on transfer of these funds and has not recognised a deferred tax liability.

27 Financial risk management

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

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

The audit and risk committee participates in management's process of formulating and implementing the risk management plan and it reports on the plan adopted by management to the board.

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

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

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

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

Capital risk management

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents and equity attributable to ordinary shareholders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity. Stenprop's weighted average loan-to-value ('LTV') ratio at 31 March 2021 was 28.1% (2020: 26.2%), including joint ventures and the Group is not subject to any external capital requirements. The Group strategy is to maintain a debt-to-equity ratio and LTV ratio to ensure that property performance is translated into an enhanced return for shareholders while at the same time ensuring that it will be able to continue as a going concern through changing market conditions. The directors are of the opinion that an LTV of no more than 40% in respect of secured external borrowings is an appropriate target for the Group, given the current market conditions. Debt covenants are disclosed further in note 23.

The financial statements of the Group have been prepared on a going concern basis. At the date of signing these accounts, the Group has positive operating cash flow forecasts and positive net assets. Management have reviewed the Group's cash flow forecasts for the 18 months to 30 September 2022 and, considering this review and the current financial position, they are satisfied that the Company and the Group have access to adequate resources to meet their obligations and continue in operational existence for the foreseeable future, and specifically the 12 months subsequent to the signing of these financial statements. Further details are set out in note 2 to the financial statements.

Credit risk

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

The credit quality of cash and cash equivalents can be assessed by reference to external credit ratings of the counterparty where the account or deposit is placed. The credit rating summary below represents the five European financial institutions that hold more than £1 million (or GBP equivalent) of the Group's cash at 31 March 2021. Together these banks hold 99% (2020: 96%) of the Group's total cash at bank.

	31 March 2021 S&P Global Ratings	**31 March 2021 Fitch Ratings**	31 March 2020 S&P Global Ratings	31 March 2020 Fitch Ratings
Barclays Bank UK Plc	**BBB**	**A–**	BBB	A–
Black Rock	**AA–**	**N/A**	N/A	N/A
The Bank of N. T. Butterfield & Son Limited	**A–**	**Withdrawn**	BBB+	Withdrawn
Deutsche Bank AG	**BBB+**	**N/A**	N/A	N/A
Hamburg Commercial Bank AG	**BBB**	**N/A**	BBB	N/A
Lloyds Bank plc	**BBB+**	**A+**	BBB+	A+
Royal Bank of Scotland Group plc (NatWest Group)	**BBB**	**A**	BBB	A
Royal Bank of Scotland International Limited[1]	**BBB**	**A**	N/A	N/A
Santander UK plc	**A**	**N/A**	N/A	N/A

[1] The financial institution is a private company. The credit rating of its parent company has been disclosed.

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

The majority of tenant leases are long-term contracts with rents payable quarterly in advance. Rent deposits and personal or corporate guarantees are held in respect of some leases. Taking these factors into account, the risk to the Group of individual tenant default and the credit risk of trade receivables are considered low. The concentration of credit risk is limited due to the large and diverse occupier base. Accordingly, the directors believe that there is no further expected credit loss required in excess of that provided. Trade receivables are presented after deducting a loss allowance provision, as set out in note 20.

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

Non-current other debtors are long term loans secured against shares issued by the Group to the related parties referenced in note 20. In order to manage credit risk, the contractual terms include full recourse to assets of the borrower which are monitored alongside the aggregate value of the shares. Furthermore, in respect of the Share Purchase Plan, the terms allow recovery of amounts due through a deduction from salary or other amounts paid to the beneficiary.

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

At 31 March 2021, trade and other receivables and cash and cash equivalents amounts to £66.9 million (2020: £92.3 million) as shown in the statement of financial position. Further details on what makes up this balance can be found in note 20.

Liquidity risk

Prudent liquidity risk management requires maintaining sufficient cash resources, appropriate and adequate funding, via lines of credit, as well as managing the ability of tenants to settle their lease obligations. Through the forecasting and budgeting of cash requirements, the Group ensures that adequate committed resources are available.

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

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

Group operations	**Less than one month £'000**	**One to three months £'000**	**Three to twelve months £'000**	**One to five years £'000**	**Over five years £'000**	**Discount £'000**	**Total £'000**
Interest-bearing loans	**–**	**4,489**	**–**	**111,407**	**65,248**	**–**	**181,144**
Loan interest	**109**	**1,680**	**2,625**	**11,501**	**2,781**	**(17,808)**	**888**
Financial liabilities	**–**	**–**	**–**	**430**	**–**	**–**	**430**
Other payables	**–**	**1,226**	**3,391**	**–**	**–**	**–**	**4,617**
Accruals	**–**	**–**	**4,200**	**–**	**–**	**–**	**4,200**
Lease obligations	**2**	**74**	**242**	**24**	**–**	**–**	**342**
As at 31 March 2021	**111**	**7,469**	**10,458**	**123,362**	**68,029**	**(17,808)**	**191,621**

Group operations	Less than one month £'000	One to three months £'000	Three to twelve months £'000	One to five years £'000	Over five years £'000	Discount £'000	Total £'000
Interest-bearing loans	–	–	(120)	93,588	60,703	–	154,171
Loan interest	373	1,427	3,484	7,176	–	(11,821)	639

Financial liabilities	–	–	–	2,001	–	–	2,001
Other payables	–	824	4,906	2,116	–	–	7,846
Accruals	–	–	1,869	–	–	–	1,869
Provisions	–	–	3,179	–	–	–	3,179
Lease obligations	1	49	252	222	–	–	524
As at 31 March 2020	374	2,300	13,570	105,103	60,703	(11,821)	170,229

Market risk

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

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

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

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

Fair value hierarchy

The table below analyses the Group's financial instruments carried at fair value, by valuation method. 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).

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

	Total financial instruments recognised at fair value	Designated at fair value		
		Level 1	Level 2	Level 3
31 March 2021	**£'000**	**£'000**	**£'000**	**£'000**
Assets				
Investment in joint venture bond	**14,119**	**–**	**–**	**14,119**
Derivative financial instruments	**2,162**	**–**	**2,162**	**–**
Total assets	**16,281**	**–**	**2,162**	**14,119**
Liabilities				
Derivative financial instruments	**430**	**–**	**430**	**–**
Total liabilities	**430**	**–**	**430**	**–**

31 March 2020	Total financial instruments recognised at fair value £'000	Designated at fair value Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets				
Investment in joint venture bond	14,557	–	–	14,557
Total assets	14,557	–	–	14,557
Liabilities				
Derivative financial instruments	2,001	–	2,001	–
Total liabilities	2,001	–	2,001	–

Details of changes in valuation techniques

There have been no significant changes in valuation techniques during the period under review. Derivative financial instruments are measured using the midpoint of the yield curve prevailing on the reporting date. The valuations do not include accrued interest from the previous settlement date to the reporting date. The fair value represents the net present value of the difference between the contracted rate and the valuation rate when applied to the projected balances for the period from the reporting date to the contracted expiry dates.

Significant transfers between Level 1, Level 2 and Level 3

There have been no significant transfers between Level 1, Level 2 and Level 3 during the period under review.

Unobservable inputs

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

The unobservable inputs used to determine the value of the bonds in the Elysion S.A. joint venture are based on the unadjusted net assets of the joint venture structure and are subject to the assumptions applied to the valuation methodology of the underlying investment property.

Fair value of financial instruments

The following table summarises the Group's financial assets and liabilities into categories required by IFRS 7 Financial Instruments: Disclosures.

	Held at fair value through profit or loss £'000	**Held at amortised cost £'000**	**Total carrying amount 31 March 2021 £'000**
Financial assets			
Cash and cash equivalents	**–**	**53,781**	**53,781**
Derivative financial instruments	**2,162**	**–**	**2,162**
Trade and other receivables	**–**	**8,723**	**8,723**
Investment in joint venture bond	**14,119**	**–**	**14,119**
Other investments	**–**	**1,000**	**1,000**
Other debtors	**–**	**8,670**	**8,670**
Total financial assets	**16,281**	**72,174**	**88,455**

Financial liabilities			
Bank loans	**–**	**181,144**	**181,144**
Derivative financial instruments	**430**	**–**	**430**
Accounts payable and accruals	**–**	**16,516**	**16,516**
Total financial liabilities	**430**	**197,660**	**198,090**

	Held at fair value through profit or loss £'000	Held at amortised cost £'000	Total carrying amount 31 March 2020 £'000
Financial assets			
Cash and cash equivalents	–	84,453	84,453
Trade and other receivables	–	8,249	8,249
Investment in joint venture bond	15,336	–	15,336
Other debtors	–	13,523	13,523
Total financial assets	15,336	106,225	121,561
Financial liabilities			
Bank loans	–	154,171	154,171
Derivative financial instruments	2,001	–	2,001
Accounts payable and accruals	–	16,689	16,689
Provisions	–	3,179	3,179
Total financial liabilities	2,001	174,039	176,040

Foreign currency risk

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

Assets	**31 March 2021 £'000**	31 March 2020 £'000
CHF	**12,616**	15,252
EUR	**63,419**	138,840
Liabilities		
CHF	**5,400**	6,271
EUR	**11,096**	50,638

Foreign currency sensitivity analysis

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

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

Impact of Sterling strengthening by 10%	Equity £'000	Profit or loss £'000
CHF	**(722)**	**93**
EUR	**(5,232)**	**(1,320)**
Total	**(5,954)**	**(1,227)**

The exchange rates against GBP during the reporting periods were:

	Average rate for year to 31 March 2021	**As at 31 March 2021**	Average rate for year to 31 March 2020	As at 31 March 2020
CHF	**0.8294**	**0.7701**	0.7972	0.8393
EUR	**0.8927**	**0.8519**	0.8740	0.8890

Interest rate risk

The Group's interest rate risk is associated with cash and cash equivalents, on the one hand, and interest-bearing borrowings, on the other. If the interest is variable, it presents the Group with a cash flow interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As stated in note 24 borrowings from credit institutions are protected against movements in interest rates. The Group uses interest rate swaps to manage its interest rate exposure and to establish more certainty over cash flows. As a result, the Group has not disclosed additional sensitivity analysis to changes in interest rates.

28 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.

Directors' remuneration and interests in the ordinary shares of the Company are set out in note 8, 'Employees' and directors' emoluments'.

Loans provided to a director to purchase Stenprop shares under the Share Purchase Plan can be found in note 20.

Transactions and balances with joint venture parties can be found in note 18.

There are no other related party transactions that occurred during the year.

Ultimate controlling party

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

29 Minimum lease payments

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

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

	31 March 2021 £'000	31 March 2020 £'000
Continuing operations		
Within one year	**31,534**	30,607
Between one and two years	**21,653**	25,095
Between two and five years	**32,717**	40,944
After five years	**16,414**	39,119
Total	**102,318**	135,765

Discontinuing operations		
Within one year	**953**	1,038
Between one and two years	**953**	1,038
Between two and five years	**2,858**	3,115
After five years	**10,964**	12,986
Total	**15,728**	18,177

At the reporting date the Group had the following future minimum lease payments as a lessee:

	31 March 2021 £'000	31 March 2020 £'000
Continuing operations		
Within one year	**324**	326
Between one and two years	**20**	232
Between two and five years	**6**	14
After five years	**–**	–
Total	**350**	572

At 31 March 2021, Stenprop had no (2020: nil) lessee leases in its discontinued operations.

30 Events after the reporting period

(i) Declaration of dividend

On 9 June 2021, the Board declared a final dividend of 3.375 pence per share. The final dividend will be payable in cash or as a scrip dividend. An announcement containing details of the dividend, the timetable and the scrip dividend terms is anticipated to be made on 2 July 2021. It is expected that shares will commence trading ex-dividend on 21 July 2021 on the JSE and on 22 July 2021 on the LSE. The record date for the dividend is expected to be 23 July 2021, the last day for shareholders to submit an election to receive the scrip dividend is expected to be 30 July 2021, and the dividend payment date is expected to be 13 August 2021.

(ii) Share incentive awards

On 9 June 2021, the board, on the recommendation of the remuneration committee, approved share-based awards in relation to the Long Term Incentive Plan and the Deferred Share Bonus Plan. Details of awards made to executive directors can be seen in note 8.

(iii) COVID-19 developments

The UK, German and Swiss governments have all recently announced measures to ease COVID-19 restrictions. Each country is at a different stage of economic recovery and as such the Group continues to monitor government policy changes on a daily basis. Our asset managers engage directly with our customers to understand the cash flow implications on their business and ability for them to pay their rent.

(IV) Adjusting events

Stenprop has identified no adjusting events at the date of signing these consolidated financial statements.